VOLUME 3 — FINANCIAL CAPACITY UPDATES
Binder 1 of 3

CENTRAL 70 PROJECT

PUBLIC DISCLOSURE

Administrative and Technical Proposal:

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

CENTRAL 70 PROJECT
FRONT RANGE MOBILITY GROUP – ADMINISTRATIVE AND TECHNICAL PROPOSAL SUBMISSION
VOLUME 3 – FINANCIAL CAPACITY UPDATE
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CENTRAL 70 PROJECT
FRONT RANGE MOBILITY GROUP – ADMINISTRATIVE AND TECHNICAL PROPOSAL SUBMISSION
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HOCHTIEF PPP Solutions North America, Inc.

Front Range
Mobility Group

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CONNECTING COMMUNITIES

HOCHTIEF PPP Solutions North America, Inc.

3.1 Financial Statements

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

2016

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT 213

Front Range
Mobility Group

2016

2015

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT 213

Front Range
Mobility Group

2015

3.2 Material Changes in Financial Condition

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

Front Range
Mobility Group

3.2 Material Changes in Financial Condition

HOCHTIEF
PPP SOLUTIONS

HOCHTIEF PPP Solutions North America, Inc.

Office Toronto:
2 Bloor Street East, Suite 701
Toronto, ON M4W 1A8
Canada

Phone: 647 259 3740
Fax: 647 259 3741

Office New York:
375 Hudson Street, 6th Floor
New York, NY 10014
USA

Phone: 212 229 6479
Fax: 212 229 6416

Form G-1: Material Changes

June 1, 2017

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222
Attn: Keith Stefanik, Procuring Authorities' Contact Person

Re. Material Changes Letter
in connection with the Instruction to Proposers for the Central 70 Project ("ITP")

We, Mike McGuinty, in my capacity as President, and Cecil Kramer, in my capacity as Secretary of HOCHTIEF PPP Solutions North America, Inc. (the "Company"), an Equity Member and a member of the Lead Operator in Front Range Mobility Group, and not in our personal capacities, deliver this letter pursuant to Section 3.2 of the Administrative and Technical Proposal Submission Requirements and hereby confirm as follows.

There have been no material changes in the Company's financial capacity since Proposer submitted its SOQ and no material changes are anticipated to occur during the remainder of the Company's current fiscal year.

Unless defined herein, capitalized terms used in this letter have the meanings given to them in the ITP.

Yours sincerely,
for **HOCHTIEF PPP Solutions North America, Inc.**
Authorized Signatures:

Mike McGuinty

Name: Mike McGuinty
Title: President and Treasurer

Name: Cecil Kramer
Title: Secretary

3.3 Off Balance Sheet Liabilities

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

3.3 Off Balance Sheet Liabilities

HOCHTIEF
PPP SOLUTIONS
NORTH AMERICA

HOCHTIEF PPP Solutions North America, Inc.

Office Toronto:
2 Bloor Street East, Suite 701
Toronto, ON M4W 1A8
Canada

Phone:	647 259 3740
Fax:	647 259 3741

Office New York:
375 Hudson Street, 6th Floor
New York, NY 10014
USA

Phone:	212 229 6479
Fax:	212 229 6416

Form G-2: Off Balance Sheet Liabilities

June 1, 2017

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222
Attn: Keith Stefanik, Procuring Authorities' Contact Person

Re. Off Balance Sheet Liabilities Letter in connection with the Instruction to Proposers for the Central 70 Project ("ITP")

We, Mike McGuinty, in my capacity as President, and Cecil Kramer, in my capacity as Secretary of HOCHTIEF PPP Solutions North America, Inc. (the "Company"), an Equity Member and a member of the Lead Operator in Front Range Mobility Group, and not in our personal capacities, deliver this letter pursuant to Section 3.3 of the Administrative and Technical Proposal Submission Requirements set out in the ITP and hereby confirm as follows.

There are no off balance sheet liabilities for any fiscal year of the Company in respect of which financial statements have been submitted in accordance with Section 3.1 of the Administrative and Technical Proposal Submission Requirements that exceed $25 million in aggregate in such fiscal year.

Yours sincerely,
for **HOCHTIEF PPP Solutions North America, Inc.**
Authorized Signatures:

Name: Mike McGuinty
Title: President and Treasurer

Name: Cecil Kramer
Title: Secretary

3.4 Credit Ratings

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

Form G-3: Credit Ratings

Proposer Name: Front Range Mobility Group

Credit Ratings

Role	Entity Name	Fitch	Moody's	S&P	DBRS	Change(s) in any credit ratings since SOQ?	Describe Change(s)
EM, LO	HOCHTIEF PPP Solutions North America, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	ACS Infrastructure Development, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	AECOM Capital, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM	John Laing Investments Limited	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Flatiron Constructors, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Dragados USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	AECOM Energy & Construction, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	CH2M HILL Engineers, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	AECOM Technical Services, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF Aktiengesellschaft	Not rated	Not rated	**BBB**	Not rated	☒ Yes ☐ No	Now rated by S&P
FRP	HOCHTIEF PPP Solutions GmbH	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	ACS Servicios y Concesiones, S.L.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	AECOM	Not rated	**Ba2**	**BB**	Not rated	☒ Yes ☐ No	Now rated by S&P in addition to Moody's; Moody's rating has not changed since the SOQ
FRP	Dragados, S.A.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	John Laing Group plc	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	CH2M HILL Companies, Ltd	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	

ACS Infrastructure Development, Inc.

Front Range Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL

THE EXTRA MILE

CONNECTING COMMUNITIES

ACS Infrastructure Development, Inc.

3.1 Financial Statements

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

2016

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT 213

Front Range
Mobility Group

2016

2015

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT 213

Front Range
Mobility Group

2015

3.2 Material Changes in Financial Condition

Front Range Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

ACS
INFRASTRUCTURE DEVELOPMENT

June 1, 2017

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222
Attn: Keith Stefanik, Procuring Authorities' Contact Person

Re. Material Changes Letter
in connection with the Instruction to Proposers for the Central 70 Project ("ITP")

Mr. Stefanik:

I, Juan Mont, in my capacity as Chief Treasury and Accounting Officer of ACS Infrastructure Development, Inc. (the "Company"), an Equity Member and member of the Lead Operator in Front Range Mobility Group, and not in my personal capacity, deliver this letter pursuant to Section 3.2 of the Administrative and Technical Proposal Submission Requirements and hereby confirm as follows:

There have been no material changes in the Company's financial capacity since Proposer submitted its SOQ and no material changes are anticipated to occur during the remainder of the Company's current fiscal year.

Unless defined herein, capitalized terms used in this letter have the meanings given to them in the ITP.

Respectfully Submitted,

Juan Mont
Chief Treasury and Accounting Officer
ACS INFRASTRUCTURE DEVELOPMENT, INC.

3.3 Off Balance Sheet Liabilities

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

ACS
INFRASTRUCTURE DEVELOPMENT

June 1, 2017

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222
Attn: Keith Stefanik, Procuring Authorities' Contact Person

Re. Off Balance Sheet Liabilities Letter
in connection with the Instruction to Proposers for the Central 70 Project ("ITP")

Mr. Stefanik:

I, Juan Mont, in my capacity as Chief Treasury and Accounting Officer of ACS Infrastructure Development, Inc. (the "Company"), an Equity Member and member of the Lead Operator in Front Range Mobility Group, and not in my personal capacity, deliver this letter pursuant to Section 3.3 of the Administrative and Technical Proposal Submission Requirements set out in the ITP and hereby confirm as follows:

There are no off balance sheet liabilities for any fiscal year of the Company in respect of which financial statements have been submitted in accordance with Section 3.1 of the Administrative and Technical Proposal Submission Requirements that exceed $25 million in aggregate in such fiscal year.

Respectfully Submitted,

Juan Mont
Chief Treasury and Accounting Officer
ACS Infrastructure Development, Inc.

3.4 Credit Ratings

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

Form G-3: Credit Ratings

Proposer Name: Front Range Mobility Group

Credit Ratings

Role	Entity Name	Fitch	Moody's	S&P	DBRS	Change(s) in any credit ratings since SOQ?	Describe Change(s)
EM, LO	HOCHTIEF PPP Solutions North America, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	ACS Infrastructure Development, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	AECOM Capital, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM	John Laing Investments Limited	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Flatiron Constructors, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Dragados USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	AECOM Energy & Construction, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	CH2M HILL Engineers, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	AECOM Technical Services, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF Aktiengesellschaft	Not rated	Not rated	**BBB**	Not rated	☒ Yes ☐ No	Now rated by S&P
FRP	HOCHTIEF PPP Solutions GmbH	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	ACS Servicios y Concesiones, S.L.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	AECOM	Not rated	**Ba2**	**BB**	Not rated	☒ Yes ☐ No	Now rated by S&P in addition to Moody's; Moody's rating has not changed since the SOQ
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FRP	John Laing Group plc	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	CH2M HILL Companies, Ltd	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	

AECOM Capital, Inc.

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
ELEMENTARY SCHOOL

THE EXTRA MILE

CONNECTING COMMUNITIES

AECOM Capital, Inc.

3.1 Financial Statements

Front Range Mobility Group

THE EXTRA MILE
CONNECTING COMMUNITIES

2016

SWANSEA ELEMENTARY SCHOOL
38th Ave
Park Ave
Downtown
EXIT 213

Front Range
Mobility Group

2016

2015

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT 213

Front Range
Mobility Group

2015

3.2 Material Changes in Financial Condition

Front Range Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

3.3 Off Balance Sheet Liabilities

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

3.3 Off Balance Sheet Liabilities

3.4 Credit Ratings

Front Range
Mobility Group
Steele St
Vasquez Blvd
Colorado Blvd
ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

Form G-3: Credit Ratings

Proposer Name: Front Range Mobility Group

Credit Ratings

Role	Entity Name	Fitch	Moody's	S&P	DBRS	Change(s) in any credit ratings since SOQ?	Describe Change(s)
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EM, LO	ACS Infrastructure Development, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	AECOM Capital, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM	John Laing Investments Limited	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Flatiron Constructors, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Dragados USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
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LE	AECOM Technical Services, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF Aktiengesellschaft	Not rated	Not rated	**BBB**	Not rated	☒ Yes ☐ No	Now rated by S&P
FRP	HOCHTIEF PPP Solutions GmbH	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	ACS Servicios y Concesiones, S.L.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	AECOM	Not rated	**Ba2**	**BB**	Not rated	☒ Yes ☐ No	Now rated by S&P in addition to Moody's; Moody's rating has not changed since the SOQ
FRP	Dragados, S.A.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	John Laing Group plc	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	CH2M HILL Companies, Ltd	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	

John Laing Investments Limited

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
ELEMENTARY SCHOOL

THE EXTRA MILE

CONNECTING COMMUNITIES

John Laing Investments Limited

3.1 Financial Statements

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

2016

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT 213

Front Range
Mobility Group

2016

John laing
making infrastructure happen

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222

Attn: Keith Stefanik, Procuring Authorities' Contact Person

May 24th, 2017

Re. Statement regarding John Laing Investments Limited 2016 unaudited financial statements

In accordance with the requirements set forth under 3.1.1(a)(iii)(B) of Part F of the Instructions to Proposers ("ITP"), I Patrick O'D Bourke, as Director of John Laing Investments Limited ("JLIL") and Group Finance Director of John Laing Group plc, confirm that audited financial statements for the 2016 financial year for JLIL are unavailable at the time of making this statement. The audited 2016 financial statements for JLIL are currently in the final stages of the audit process and are due to be finalized and signed by the end of May-2017.

Unaudited 2016 financial statements for JLIL are however available and have been submitted in accordance with the requirements of 3.1.1 of Part F of the ITP. I hereby confirm that these give a true and fair view of the state of affairs of the Company at 31 December 2016 and of the profit for the year then ended.

Yours,

Patrick O'D Bourke

John laing
making infrastructure happen

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222

Attn: Keith Stefanik, Procuring Authorities' Contact Person

May 31st, 2017

Re. Statement regarding John Laing Investments Limited and John Laing Group plc's USD financial statements

This is to confirm that the financial statements for 2015 and 2016 for John Laing Investments Limited and John Laing Group plc, as converted into US dollars and submitted in accordance with the requirements set forth under 3.1.1(h) of Part F of the Instruction to Proposers, were prepared by a certified public accountant and converted to US dollars based on the end of calendar year rates conversion requirement.

JOHN LAING INVESTMENTS LIMITED
ANNUAL REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2016

Unaudited draft

Registered number: 00780225

Group Income Statement
For the year ended 31 December 2016

	Notes	2016	2015
		$ million	$ million
Continuing operations			
Interest income	4	47.3	38.1
Dividend income	5	95.2	38.4
Net gain on investments at fair value through profit or loss	12	119.3	123.7
Other income	6	0.9	-
Operating income	7	262.7	200.2
Administrative income/(expenses)		1.8	(41.5)
Profit from operations	8	264.6	158.7
Finance costs	10	(12.5)	(15.6)
Profit before tax		252.1	143.1
Tax charge	11	(29.1)	(6.2)
Profit after tax		223.0	136.9
Attributable to:			
Owner of the Company		223.0	136.9
		223.0	136.9

There is no other comprehensive income or expense apart from that disclosed above and consequently a statement of comprehensive income has not been prepared.

Unaudited draft

Group Statement of Changes in Equity
For the year ended 31 December 2016

	Share capital $ million	Revaluation reserve $ million	Accumulated profit/(loss) $ million	Total equity $ million
Balance at 1 January 2016	**-**	**604.8**	**551.0**	**1,155.8**
Profit after tax and total comprehensive income for the year	**-**	**-**	**223.0**	**223.0**
Net transfer on investments revaluation	**-**	**136.0**	**(136.0)**	**-**
Retranslation	**-**	**-**	**(195.1)**	**(195.1)**
Balance at 31 December 2016	**-**	**740.8**	**442.9**	**1,183.7**

	Share capital $ million	Revaluation reserve $ million	Accumulated profit/(loss) $ million	Total equity $ million
Balance at 1 January 2015	46.7	513.9	508.7	1,069.3
Profit after tax and total comprehensive income for the year	-	-	136.9	136.9
Reduction of share capital	(46.7)	-	46.7	-
Net transfer on investments revaluation	-	90.9	(90.9)	-
Retranslation	-	-	(50.4)	(50.4)
Balance at 31 December 2015	-	604.8	551.0	1,155.8

Unaudited draft

Revaluation reserve
The revaluation reserve represents the accumulated revaluation arising on investments at fair value through profit or loss.

The net transfer on investments revaluation represents the change in the value of investments between cost and fair value.

Accumulated profit/(loss)
The accumulated profit/(loss) reserve represents the accumulated profit or loss since the incorporation of the Company.

Group Balance Sheet
As at 31 December 2016

Unaudited draft

	Notes	**2016** **$ million**	2015 $ million
Non-current assets			
Investments at fair value through profit or loss	12	**1,487.0**	1,300.6
		1,487.0	1,300.6
Current assets			
Debtors - due within one year	13	**36.0**	19.0
Debtors - due after more than one year	13	**18.9**	24.2
Other financial assets	14	**25.2**	170.9
Cash at bank and in hand	14	**56.8**	0.4
		136.9	214.5
Total assets		**1,623.9**	1,515.0
Current liabilities			
Creditors - amounts falling due within one year	15	**(179.1)**	(322.6)
Current tax liabilities		**(8.3)**	(2.4)
Short-term borrowings	16	**(203.4)**	-
		(390.8)	(325.0)
Net current liabilities		**(253.9)**	(110.5)
Deferred tax liability	19	**(49.3)**	(34.3)
Total liabilities		**(440.1)**	(359.3)
Net assets		**1,183.7**	1,155.8
Equity			
Share capital	20	**-**	-
Revaluation reserve		**618.5**	580.6
Accumulated profits		**565.2**	575.2
Equity attributable to owner of the Company		**1,183.7**	1,155.8
Total equity		**1,183.7**	1,155.8

The financial statements of John Laing Investments Limited, registered number 00780225, were approved by the Board of Directors and authorised for issue on 26 May 2017. They were signed on its behalf by:

P O'D Bourke
Director
26 May 2017

Group Cash Flow Statement

For the year ended 31 December 2016

	Notes	2016 $ million	2015 $ million
Net cash inflow from operating activities	21	**13.2**	87.2
Investing activities			
Net cash transferred to investments held at fair value through profit or loss		**(0.9)**	(63.8)
Decrease/(increase) in other financial assets		**132.9**	(104.3)
Proceeds from disposal of investments		**140.1**	108.3
Proceeds from loan repayments from project companies		**6.8**	-
Investment in/acquisition of project companies and other investments		**(287.8)**	(132.9)
Net cash used in investing activities		**(8.9)**	(192.7)
Financing activities			
Loans (to)/from parent undertakings		**(105.2)**	159.9
Loans to group undertakings		**(32.7)**	(37.5)
Proceeds from borrowings		**203.4**	-
Interest paid		**(13.6)**	(16.6)
Net cash from financing activities		**52.0**	105.8
Net increase in cash at bank and in hand		**56.3**	0.3
Cash at bank and in hand at beginning of the year		**0.4**	0.2
Effect of foreign exchange rate changes		**0.2**	**(0.1)**
Cash at bank and in hand at end of the year	14	**56.9**	0.4

Unaudited draft

2015

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT 213

Front Range
Mobility Group

2015

JOHN LAING INVESTMENTS LIMITED

Group Profit and Loss Account
for the year ended 31 December 2015

	2015 **$ million**
Continuing operations	
Interest income	**38.1**
Dividend income	**38.4**
Net gain on investments at fair value through profit or loss	**123.7**
Other income	**-**
Operating income	**200.2**
Administrative expenses	**(41.5)**
Profit from operations	**158.7**
Finance costs	**(15.6)**
Profit before tax	**143.1**
Tax	**(6.2)**
Profit after tax	**136.9**
Attributable to:	
Owner of the Company	**136.9**
	136.9

There is no other comprehensive income or expense apart from that disclosed above and consequently a statement of comprehensive income has not been prepared.

JOHN LAING INVESTMENTS LIMITED

Group Balance Sheet
as at 31 December 2015

	2015 $ million
Non-current assets	
Investments at fair value through profit or loss	**1,300.6**
	1,300.6
Current assets	
Debtors - due within one year	**19.0**
Debtors - due after more than one year	**24.2**
Other financial assets	**170.9**
Cash at bank and in hand	**0.4**
	214.5
Total assets	**1,515.0**
Current liabilities	
Creditors - amounts falling due within one year	**(322.6)**
Current tax liabilities	**(2.4)**
Short-term borrowings	**-**
	(325.0)
Net current liabilities	**(110.5)**
Deferred tax liability	**(34.3)**
Total liabilities	**(359.3)**
Net assets	**1,155.8**
Equity	
Share capital	**-**
Revaluation reserve	**580.6**
Accumulated profits	**575.2**
Equity attributable to owner of the Company	**1,155.8**
Total equity	**1,155.8**

Group Cash Flow Statement

for the year ended 31 December 2015

	2015
	$ million
Net cash inflow from operating activities	87.2
Investing activities	
Net cash transferred from/(to) investments held at fair value through profit or loss	(63.8)
(Increase)/reduction in other financial assets	(104.3)
Proceeds from disposal of investments	108.3
Proceeds from loan repayments from project companies	-
Investment in/acquisition of project companies and other investments	(132.9)
Net cash from investing activities	(192.7)
Financing activities	
Loans from parent undertaking	159.9
Loans to group undertakings	(37.5)
Proceeds from borrowings	-
Interest paid	(16.6)
Net cash used in financing activities	105.8
Net (decrease)/increase in cash at bank and in hand	0.3
Cash at bank and in hand at beginning of the year	0.2
Effect of foreign exchange rate changes	(0.1)
Cash at bank and in hand at end of year	0.4

JOHN LAING INVESTMENTS LIMITED
ANNUAL REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2015

Registered number: 780225

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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DIRECTORS AND AUDITOR

Directors
P O'D Bourke
C T Cattermole
B J T Pieterse
D Potts
C B Waples

Company secretary and registered office
C T Cattermole
P Naylor
1 Kingsway
London
WC2B 6AN

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

STRATEGIC REPORT

The Directors present their strategic report on John Laing Investments Limited (the Company or the Group) for the year ended 31 December 2015, which has been prepared in compliance with section 414c of the Companies Act 2006.

Business review

The principal activity of the Company is the undertaking of investment activities on behalf of its ultimate parent, John Laing Group plc. The Company invests in a portfolio of investments predominantly in the subordinated loan stock and equity of Public Private Partnership ("PPP") and renewable energy infrastructure project companies.

Results and performance
The financial statements have been prepared in accordance with Financial Reporting Standard 102 ("FRS 102") issued by the Financial Reporting Council ("FRC").

Group profit before tax was £96.5 million (2014 - £145.8 million).

At 31 December 2015, the Group had 39 projects in its investment portfolio (2014 - 40 projects), which are all measured at fair value in accordance with FRS 102. Of these 39 investments, 18 were in overseas projects (2014 - 14 overseas projects) and 21 were in UK projects (2014 - 26 UK projects).

During the year ended 31 December 2015, the Company invested in seven new projects either directly into project companies or indirectly through intermediary holding companies. New investments were made directly or indirectly in the following project companies: ALTRAC Light Rail Partnership, I-77 Mobility Partners LLC, Glencarbry (Holdings) Limited, Klettwitz SN Verwaltungs GmbH, Société d'Exploitation du Parc Eolien Du Tonnerois, Cramlington Renewable Energy Developments Limited and HWF 1 Pty Ltd.

During the year ended 31 December 2015, the Group disposed of shares and subordinated debt in seven PPP and renewable energy project companies. Sales proceeds were £86.3 million.

The Company sold to JLEN its entire interest in Carscreugh Holdings Limited, Wear Point Wind Holdco Limited, Branden Solar Park Holdings Limited and Burton Wold Extension Limited. The Group sold its entire interest in Healthcare Support (Erdington) Holdings Limited to JLIF in June 2015. The Group also sold its entire holding in Dhule Palesner Tollway Limited and Services Support (Cleveland) Holdings Limited in the last quarter of 2015 to other parties.

The Company also transferred 47,840,000 of its 63,496,731 shares in John Laing Environmental Assets Group Limited and 705,000 of its 780,000 shares in City Greenwich Lewisham Rail Link plc to John Laing Limited, its immediate parent undertaking, at fair value.

At 31 December 2015, the Group had no borrowings (2014 - £nil). At 31 December 2015, the Group had £154.2 million (2014 - £243.8 million) of letters of credit issued in relation to future investment commitments. The Company also had £1.1 million (2014 - £1.1 million) of performance bonds issued. These letters of credit and performance bonds have been issued under the John Laing Group plc corporate banking facility, in which the Company is a borrower.

Strategy
The Company invests principally in PPP assets and renewable energy assets, with a particular focus on onshore wind farms, solar PV parks and biomass plants.

STRATEGIC REPORT (continued)

Key Performance Indicators ("KPIs")
The Board monitors the progress of the Group by reference to the following KPIs:

- *Profit before tax*

Profit before tax for the year ended 31 December 2015 was £96.5 million compared to £145.8 million for the year ended 31 December 2014. The main reason for a lower profit before tax was a lower fair value movement in 2015 compared to 2014. This is principally because investment commitments and value enhancements do not necessarily arise evenly from one year to another.

- *Net asset value ("NAV")*

At 31 December 2015, the Company's NAV was £775.9 million compared to £686.9 million at 31 December 2014.

Further information on the performance of the John Laing group is available in the 2015 John Laing Group plc Annual Report and Accounts which are publicly available from www.laing.com.

Principal risks and uncertainties
The main risks faced by the Group are liquidity, credit and price risk. The Group's exposure to liquidity risk is mitigated by the financial support given by John Laing Limited, its immediate parent company. Both the Company and John Laing Limited are co-borrowers in the John Laing Group plc corporate banking facility. 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. As a result, these projects tend not to be exposed to significant credit risk; the Group works with multiple clients, joint venture partners, sub-contractors and institutional investors so as to reduce the probability of systemic counter-party risk in its investment portfolio. The Group's investments in PPP assets have limited direct exposure to price risk. The fair value of many such project companies is dependent on the receipt of fixed fee income from government departments, public sector or local authority clients. As a result, these projects tend not to be exposed to price risk. The Group also holds investments in renewable energy projects whose fair value may vary with forward energy prices to the extent they are not hedged through short to medium term fixed price purchase agreements with electricity suppliers, or do not benefit from governmental support mechanisms at fixed prices. The Group's investment in JLEN is valued at its closing market share price.

A detailed analysis of the principal risks and uncertainties faced by the John Laing group is disclosed in the 2015 Annual Report and Accounts of John Laing Group plc.

Future developments
The Company will continue to seek to benefit from income from the investments in its portfolio as well as to capitalise on new investment opportunities for PPP and renewable energy infrastructure.

The Group is pursuing a number of PPP and renewable energy opportunities in North America, Asia Pacific and Europe.

By order of the Board

B J T Pieterse
Director
26 May 2016

DIRECTORS' REPORT

The Directors submit their Annual Report and the audited financial statements for the year ended 31 December 2015.

The Company, incorporated in Great Britain, is a wholly owned subsidiary of John Laing Limited. The ultimate parent company is John Laing Group plc whose shares are publicly traded on the London Stock Exchange.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

In accordance with section 414 of the Companies Act 2006, further information regarding the Company's principal activity and key performance indicators is found within the Strategic Report on pages 2 to 3.

GOING CONCERN REVIEW

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of current market conditions and have concluded that it is appropriate. More information is provided in note 2 to the financial statements.

DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or 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 the provisions of Section 418 of the Companies Act 2006.

DIRECTORS

The Directors who served throughout the year and up to the date of this report, except as noted, are shown on page 1.

EMPLOYEES

Details of the number of employees and related costs can be found in note 9 to the financial statements.

AUDITOR

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and Deloitte will therefore continue in office.

On behalf of the Board

B J T Pieterse
Director
26 May 2016

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 financial statements (Group and Company) in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, 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.

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.

By order of the Board

Pieterse

B J T Pieterse
Director
26 May 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF JOHN LAING INVESTMENTS LIMITED

We have audited the financial statements of John Laing Investments Limited for the year ended 31 December 2015 which comprise the Group Profit and Loss Account, the Group Statement of Changes in Equity, the Group Balance Sheet, the Group Cash Flow Statement and the related notes 1 to 27 of the Group financial statements and the Company Balance Sheet and related notes 1 to 12 of the Company financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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.

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.

Opinion on financial statements

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 2015 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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 are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ross Howard
Senior Statutory Auditor
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
26 May 2016

Group Profit and Loss Account

for the year ended 31 December 2015

	Notes	2015 £ million	2014 £ million
Continuing operations			
Interest income	4	**25.7**	24.8
Dividend income	5	**25.9**	2.2
Net gain on investments at fair value through profit or loss	14	**83.4**	114.9
Other income		**-**	34.3
Operating income	7	**135.0**	176.2
Cost of sales		**-**	(0.7)
Gross profit		**135.0**	175.5
Administrative expenses		**(28.0)**	(57.6)
Profit on disposal of subsidiaries	10	**-**	40.3
Profit from operations	8	**107.0**	158.2
Finance costs	11	**(10.5)**	(12.4)
Profit before tax		**96.5**	145.8
Tax (charge)/credit	12	**(4.2)**	1.7
Profit after tax		**92.3**	147.5
Attributable to:			
Owner of the Company		**92.3**	147.5
		92.3	147.5

There is no other comprehensive income or expense apart from that disclosed above and consequently a statement of comprehensive income has not been prepared.

Group Statement of Changes in Equity
for the year ended 31 December 2015

	Notes	Share capital £ million	Revaluation reserve £ million	Accumulated profit/(loss) £ million	Total equity £ million
Balance at 1 January 2015		**30.0**	**330.1**	**326.8**	**686.9**
Profit after tax		**-**	**-**	**92.3**	**92.3**
Reduction of share capital	21	**(30.0)**	**-**	**30.0**	**-**
Net transfer on investments revaluation		**-**	**61.3**	**(61.3)**	**-**
Balance at 31 December 2015		**-**	**391.4**	**387.8**	**779.2**

	Notes	Share capital £ million	Revaluation reserve £ million	Accumulated profit/(loss) £ million	Total equity £ million
Balance at 1 January 2014		30.0	266.5	282.9	579.4
Profit after tax		-	-	147.5	147.5
Net transfer on investments revaluation		-	63.6	(63.6)	-
Dividends paid	13	-	-	(40.0)	(40.0)
Balance at 31 December 2014		30.0	330.1	326.8	686.9

Revaluation reserve
The revaluation reserve represents the accumulated revaluation arising on investments at fair value through profit or loss.

The net transfer on investments revaluation represents the change in the value of investments between cost and fair value.

Accumulated profit/(loss)
The accumulated profit/(loss) reserve represented the accumulated profit or loss since the incorporation of the Company.

Group Balance Sheet
as at 31 December 2015

	Notes	2015 £ million	2014 £ million
Non-current assets			
Investments at fair value through profit or loss	14	**876.8**	785.1
Current assets			
Debtors - due within one year	15	**12.8**	9.6
Debtors - due after more than one year	15	**16.3**	43.6
Current tax assets		-	9.9
Other financial assets	16	**115.2**	47.6
Cash at bank and in hand	16	**0.3**	0.1
		144.6	110.8
Total assets		**1,021.4**	895.9
Current liabilities			
Creditors - amounts falling due within one year	17	**(217.5)**	(180.9)
Current tax liabilities		**(1.6)**	(11.7)
		(219.1)	(192.6)
Net current liabilities		**(74.5)**	(81.8)
Deferred tax liability	20	**(23.1)**	(16.4)
Total liabilities		**(242.2)**	(209.0)
Net assets		**779.2**	686.9
Equity			
Share capital	21	-	30.0
Revaluation reserve		**391.4**	330.1
Accumulated profits		**387.8**	326.8
Equity attributable to owner of the Company		**779.2**	686.9
Total equity		**779.2**	686.9

The financial statements of John Laing Investments Limited, registered number 780225, were approved by the Board of Directors and authorised for issue on 26 May 2016. They were signed on its behalf by:

B J T Pieterse
Director
26 May 2016

Group Cash Flow Statement
for the year ended 31 December 2015

	Notes	2015 £ million	2014 £ million
Net cash inflow/(outflow) from operating activities	22	**54.0**	(1.4)
Investing activities			
Net cash transferred (to)/from investments held at fair value through profit or loss		**(41.1)**	26.5
Increase in other financial assets		**(67.6)**	(39.7)
Proceeds from disposal of investments		**73.0**	161.7
Proceeds from disposal of subsidiaries	10	**-**	(1.1)
Proceeds from loan repayments from project companies		**-**	3.3
Investment in/acquisition of project companies and other investments		**(89.6)**	(127.2)
Net cash (used in)/from investing activities		**(125.3)**	23.5
Financing activities			
Dividends paid		**-**	(40.0)
Loans from parent undertakings		**107.8**	28.1
Loans to group undertakings		**(25.1)**	-
Interest paid		**(11.2)**	(11.5)
Net cash from/(used in) financing activities		**71.5**	(23.4)
Net increase/(decrease) in cash at bank and in hand		**0.2**	(1.3)
Cash at bank and in hand at beginning of the year		**0.1**	1.0
Effect of foreign exchange rate changes		**-**	0.4
Cash at bank and in hand at end of the year	16	**0.3**	0.1

Notes to the Group Financial Statements

1 General information

John Laing Investments Limited (the "Company" or the "Group") is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office of the Company is given in the Directors and Auditor section on page 1. The nature of the Company's operations and its principal activities is set out in the Strategic Report on pages 2 to 3.

These financial statements are presented in pounds sterling, the functional currency and the currency of the primary economic environment in which the Company operates. Foreign operations are included in accordance with the policies set out below.

2 Accounting policies

a) Basis of preparation

The financial statements have been prepared under the historic cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 ("FRS 102") issued by the Financial Reporting Council ("FRC"). The comparative period results have been presented on the same basis.

The principal accounting policies adopted are set out below.

b) Going concern

The Group's principal activity is to hold investments in PPP projects that provide services under certain private finance agreements and in other infrastructure projects (including renewable energy projects). The infrastructure projects are set up as special purpose companies under non-recourse arrangements and therefore the Company has limited exposure to their liabilities. In the event of default of an infrastructure project, the exposure is limited to the extent of the investment the Group has made. Having reviewed the Group's investment portfolio including the associated future cash requirements and forecast receipts, and the level of headroom within the John Laing Group plc corporate banking facility in which the Group is a co-borrower, the Directors are satisfied that they have a reasonable expectation that the Group will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

c) Basis of consolidation

In accordance with FRS 102 section 9.9b, subsidiaries that are held as part of an investment portfolio are measured at fair value with changes in fair value recognised in profit or loss.

d) Investments in joint ventures

Investments in joint ventures are held as part of an investment portfolio and accordingly, in accordance with FRS 102 section 15.9B, are measured at fair value with changes in fair value recognised in profit or loss.

Notes to the Group Financial Statements

2 Accounting policies (continued)

e) Operating income

The Group earns operating income from returns on its investment portfolio.
Operating income is recognised by reference to the following policies:

(i) Investment income

Interest income
Interest income is recognised when it is probable that 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.

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

Net gain on investments at FVTPL
Net gain on investments at FVTPL excludes interest and dividend income referred to above.

f) 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 financial instrument.

Basic financial instruments, which primarily relate to amounts owed to and from parent undertakings, interest bearing bank loans and borrowings, trade debtors and trade payables are held at amortised cost using the effective interest method.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. 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. Financial assets are assessed for indications of impairment at each balance sheet date.

Notes to the Group Financial Statements

2 Accounting policies (continued)

g) Finance costs

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

h) Taxation

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

Current tax

Current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Group Profit and Loss Account 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.

Deferred tax

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 Profit and Loss Account 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.

i) Foreign currencies

Exchange differences arising in the ordinary course of trading are reflected in the Group Profit and Loss Account.

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 Profit and Loss Account.

j) Cash at bank and in hand

Cash at bank and in hand comprises cash at bank and in hand and short term deposits with original maturities of three months or less.

k) 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.

Notes to the Group Financial Statements

3 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.

Fair value of investments in project companies

The Group measures at fair value those subsidiaries, joint ventures and associates that form part of an investment portfolio. These investments comprise investments in project companies (being both PPP and renewable energy project companies) and an investment in the John Laing Environmental Assets Group. The Group's policy is to fair value both the equity and subordinated debt investments in project companies 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 Profit and Loss Account.

A valuation of the Group's investment portfolio is prepared on a consistent, principally discounted cash flow basis at 30 June 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.

A base case discount rate for an operational project is derived from secondary market information and other available data points. The base case discount rate is then adjusted to reflect project-specific risks. In addition, risk premia are added during the construction phase to reflect the additional 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 is based are those forecast to be distributable to the Company at each balance sheet date, derived from detailed financial models. These incorporate assumptions reflecting the Group's expectations of likely future cash flows including value enhancements.

Notes to the Group Financial Statements

4 Interest income

	2015 £ million	2014 £ million
Interest on cash balances	**1.5**	0.5
Interest from investments	**19.4**	19.9
Interest earned on loans to fellow group undertakings	**1.9**	-
Recoveries of letter of credit fees	**2.9**	4.4
	25.7	24.8

5 Dividend income

	2015 £ million	2014 £ million
Dividends from investments	**25.9**	2.2
	25.9	2.2

6 Other income

	2015 £ million	2014 £ million
Other asset management services income	**-**	34.3
	-	34.3

7 Operating income

Geographical analysis	2015 £ million	2014 £ million
UK	**89.1**	126.4
Continental Europe	**8.1**	17.2
North America	**18.3**	17.7
Asia Pacific	**19.5**	14.9
	135.0	176.2

Notes to the Group Financial Statements

8 Profit from operations

	2015	2014
Profit from operations has been arrived at after (charging)/crediting:	**£ million**	£ million
Payments under operating leases:		
- rental of land and buildings	-	(3.0)
Net foreign exchange (loss)/gain	**(4.8)**	2.3
Depreciation of plant and equipment	-	(1.0)
Amortisation of intangible assets	-	(0.5)

The fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts were £11,027 for the year ended 31 December 2015 (2014: £10,918).

The fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries were £109,723 for the year ended 31 December 2015 (2014: £200,038).

9 Employees and directors' remuneration

	2015	2014
	£ million	£ million
Employee costs comprise:		
Salaries	-	(21.6)
Social security costs	-	(2.8)
Pension charge		
- defined contribution	-	(1.2)
	-	(25.6)

Annual average employee numbers (including Directors):

	2015	2014
	No.	No.
Staff	-	228
UK	-	194
Overseas	-	34
Activity		
Bidding activities, asset management and Group	-	228
Facilities management	-	-
	-	228

The Group had no employees as at 31 December 2015 and 31 December 2014 as a result of the transfer of the LIMS entities (refer to note 10) to John Laing Limited in December 2014.

The directors are considered to also be the key management personnel of the company.

The remuneration of all Directors of the Company, except D Potts, C B Waples, C T Cattermole and B J T Pieterse, is disclosed in the John Laing Group plc 2015 Annual Report and Accounts, which are publicly available. The services of D Potts, C B Waples, C T Cattermole and B J T Pieterse attributable to the Group cannot be distinguished from those provided to the John Laing Group as a whole. Therefore, no separate disclosure of their remuneration has been made.

Notes to the Group Financial Statements

10 Profit on disposal of subsidiaries

	2015 £ million	2014 £ million
Profit on disposal of subsidiaries	-	40.3
	-	40.3

There were no disposals of subsidiaries in the year ended 31 December 2015.

During the year ended 31 December 2014, the Group transferred its entire shareholding in Laing Investment Management Services Limited, Laing Investment Management Services (Canada) Limited, Laing Investment Management Services (New Zealand) Limited, Laing Investment Management Services (Netherlands) Limited, John Laing (USA) Limited, Laing Investment Management Services (Australia) Limited, Laing Investment Management Services (Singapore) Limited (collectively the LIMS entities) to John Laing Limited (formerly John Laing plc) as part of the reorganisation of the John Laing Group plc prior to admission to listing on the London Stock Exchange in February 2015. The Company's shareholding in JLIF (GP) Limited was sold separately. The total consideration for these transfers and disposals was £0.1 million, satisfied by cash of £0.1 million for JLIF (GP) Limited and an intercompany loan of £7 for the LIMS entities.

Notes to the Group Financial Statements

10 Profit on disposal of subsidiaries (continued)

The net assets at the date of disposal were:

	2015	2014
		LIMS entities and JLIF (GP) Limited
	£ million	£ million
Plant and equipment	-	1.9
Deferred tax asset	-	1.5
Inventories - work in progress	-	-
Debtors - due within one year	-	79.8
Tax recoverable	-	0.6
Cash at bank and in hand	-	1.2
Interest-bearing loans and borrowings	-	-
Creditors - amounts falling due within one year	-	(57.5)
Other creditors	-	(64.4)
Current tax liabilities	-	(1.3)
Provisions	-	(2.0)
Net liabilities disposed of	-	(40.2)
Consideration	-	0.1
Gain on disposals	-	40.3

Reconciliation to net cash inflow:		
Consideration	-	0.1
less: cash and other financial assets in subsidiaries disposed of	-	(1.2)
Net cash inflow arising on disposals	-	(1.1)

11 Finance costs

	2015	2014
	£ million	£ million
Finance costs	**(5.4)**	(8.8)
Interest payable on amounts owed to parent undertakings	**(5.1)**	(3.6)
	(10.5)	(12.4)

Notes to the Group Financial Statements

12 Tax

The tax credit for the year comprises:

	2015 £ million	2014 £ million
Current tax:		
UK corporation tax credit - current period	-	-
UK corporation tax credit - prior period	2.5	-
Foreign tax credit	-	0.1
	2.5	0.1
Deferred tax (charge)/credit	(6.7)	1.6
Tax (charge)/credit on continuing operations	(4.2)	1.7

The tax (charge)/credit for the year can be reconciled to the profit in the Group Profit and Loss Account as follows:

	2015 £ million	2014 £ million
Profit before tax on continuing operations	96.5	145.8
Tax at the UK corporation tax rate of 20.25% (2014 - 21.5%)	(19.5)	(31.3)
Tax effect of dividend income not taxable	5.2	0.5
Tax effect of profits on disposal that are not taxable	-	8.4
Tax effect of expenses and other similar items that are not deductible	0.9	(0.6)
Foreign tax	-	0.1
Non-taxable movement on fair value of investments	8.4	24.7
Effect of changes in tax rates	1.5	-
Prior year adjustment	2.5	-
Other movements on disposal of investments	(3.3)	-
Other movements	0.1	(0.1)
Total tax (charge)/credit on continuing operations for the year	(4.2)	1.7

For the year ended 31 December 2015 a blended tax rate of 20.25% has been applied due to the change in the UK corporation tax rate from 21% to 20% with effect from 1 April 2015 (2014 – 21.5%). The UK corporation tax rate will reduce by 1% to 19% from 1 April 2017 and a further 1% to 18% from 1 April 2020. The UK Government has announced its intention to reduce the main corporation tax rate by a further 1% to 17% from 1 April 2020 but this reduction has not been substantively enacted.

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 2020 and therefore the Group has measured its deferred tax assets and liabilities at 31 December 2015 at 18% (31 December 2014 - 20%).

13 Dividends

	2015 £ million	2014 £ million
Equity shares:		
- £nil dividends paid (2014 - £1.33) per ordinary share	-	40.0

Notes to the Group Financial Statements

14 Investments at fair value through profit or loss

	2015			2014		
	Project companies	Listed investments	Total	Project companies	Listed investments	Total
	£ million	£ million	£ million	£ million	£ million	£ million
At 1 January	706.7	65.6	772.3	645.1	39.7	684.8
Distributions	(43.4)	(0.9)	(44.3)	(26.0)	(1.9)	(27.9)
Investment in equity and loans	142.9	-	142.9	91.7	63.5	155.2
Realisations	(86.3)	-	(86.3)	(159.6)	(38.9)	(198.5)
Investments transferred to JLPF	(29.6)	(50.4)	(80.0)	-	-	-
Fair value movement	135.5	1.8	137.3	155.5	3.2	158.7
At 31 December	825.8	16.1	841.9	706.7	65.6	772.3
Fair value of intermediate holding companies			34.9			12.8
Investments at fair value through profit or loss			876.8			785.1

The fair value of intermediate holding companies includes debtors, cash at bank and in hand and creditors held in intermediate holding companies which have direct investments in project companies included above.

The movement between the closing fair value of intermediate holding companies at 31 December 2014 of £12.8 million and 31 December 2015 of £34.9 million includes a net loss of £6.1 million (2014 – net loss of £21.7 million). After taking account of the fair value movement from investments in project companies and listed investments above of £137.3 million (2014 - £158.7 million), the total fair value movement is £131.2 million (2014 - £137.0 million). This is represented on the Group Profit and Loss Account as: net gain on investments at fair value through profit or loss of £83.4 million (2014 - £114.9 million), dividend income of £25.9 million (2014 - £2.2 million) and £19.4 million (2014 - £19.9 million) within interest income.

During the year ended 31 December 2015, the Group disposed of shares and subordinated debt in seven project companies. Sale proceeds were £86.3 million in cash. The fair value of assets disposed of was £86.3 million with movements in fair value to the date of disposal included within net gains on investments at FVTPL in the Group Profit and Loss Account. The Group also made a contribution of £80.0 million to the John Laing Pension Fund settled by a transfer of shares in JLEN and shares in one PPP project company.

During the year ended 31 December 2014, the Group disposed of shares and subordinated debt in twelve project companies. Sale proceeds were £139.5 million in cash. The fair value of assets disposed of was £139.5 million with movements in fair value to the date of disposal included within net gains on investments at FVTPL in the Group Profit and Loss Account. The Group also disposed of its remaining holding in John Laing Infrastructure Fund Limited (JLIF) on 31 March 2014 for £38.9 million, net of costs of £0.4 million.

Company	Date of completion	Original holding %	Holding disposed of %	Retained holding %
Details of investments in project companies sold in the year ended 31 December 2015 were as follows:				
Sold to John Laing Environmental Assets Group Limited				
Carscreugh Holdings Ltd	31 Mar 15	100.0	100.0	-
Wear Point Wind Holdco Ltd	31 Mar 15	100.0	100.0	-
Branden Solar Park Holdings Ltd	31 Mar 15	100.0	54.0	46.0
Branden Solar Park Holdings Ltd	30 Jul 15	36.0	36.0	-
BL Wind Holdings	2 Dec 15	100.0	100.0	-
Sold to John Laing Infrastructure Limited				
Heathcare Support (Erdington) Holdings Limited	30 Jun 15	100.0	100.0	-
Sold to other parties				
Dhule Palesner Tollway Ltd	30 Sep 15	36.0	100.0	-
Services Support (Cleveland) Holdings Limited	5 Nov 15	100.0	100.0	-
Transferred to JLPF				
City Greenwich Lewisham Rail Link plc	17 Feb 15	52.0	47.0	5.0
John Laing Environmental Assets Group Limited (JLEN)	17 Feb 15	39.7	29.9	9.8*

* shareholding reduced to 7.0% following the equity issue by JLEN in July 2015.

Notes to the Group Financial Statements

15 Trade and other debtors

	31 December 2015	31 December 2014
	£ million	£ million
Due within one year		
Trade and other debtors	**1.0**	1.3
Amounts due from fellow group undertakings	**11.0**	7.6
Amounts due from project companies	**0.8**	0.7
	12.8	9.6
Due after more than one year		
Amounts due from fellow group undertakings	**16.3**	43.6

Included within amounts due from fellow group undertakings are loans to fellow group undertakings. These loans are payable on demand. The amount shown as due after more than one year reflects an agreement stating that this amount will not be recalled within 12 months of the balance sheet date. Interest is charged on these loans at 3.5% above base from January 2015 to February 2015 and 2.75% above base rate from March 2015 to December 2015 (2014 - 3.5% above base rate from January 2014 to March 2014, 3.0% above base rate from April 2014 to September 2014 and 3.5% above base rate from October 2014 to December 2014).

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

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

	31 December 2015	31 December 2014
	£ million	£ million
Sterling	**25.9**	51.2
US dollar	**1.3**	0.4
Australian dollar	**0.3**	0.6
New Zealand dollar	**-**	0.1
Euro	**1.6**	0.9
	29.1	53.2

Included in the Group's trade debtors are debtors with a carrying value of £nil (31 December 2014 - £nil) which were overdue at the reporting date.

16 Cash at bank and in hand and other financial assets

	31 December 2015	31 December 2014
	£ million	£ million
Current		
Cash at bank and in hand	**0.3**	0.1
Other financial assets	**115.2**	47.6
	115.5	47.7

Other financial assets comprise restricted cash held in deposit accounts with original maturities of more than three months and/or which the Group cannot readily access.

Other financial assets at 31 December 2014 included cash collateral of £39.7 million on the East West Link project. In the first half of 2015, the State of Victoria in Australia cancelled the project. Following agreement with the Victoria Government, the Group was able to recover the cash collateral of £39.7 million and the letter of credit of £21.0 million (Sterling equivalent at 31 December 2014).

17 Trade and other creditors

	31 December 2015	31 December 2014
	£ million	£ million
Due within one year		
Amounts due to parent undertakings	**(175.6)**	(113.2)
Amounts due to fellow group undertakings	**(40.9)**	(64.8)
Other creditors	**(1.0)**	(2.9)
	(217.5)	(180.9)

Amounts due to parent undertakings and amounts due to fellow group undertakings are payable on demand. Interest is charged on the loans at 3.5% above base from January 2015 to February 2015 and 2.75% above base rate from March 2015 to December 2015 (2014 - 3.5% above base rate from January 2014 to March 2014, 3.0% above base rate from April 2014 to September 2014 and 3.5% above base rate from October 2014 to December 2014).

Notes to the Group Financial Statements

18 Financial instruments

a) Financial instruments by category

Continuing operations	Loans and receivables £ million	Assets at fair value through profit or loss £ million	Financial liabilities at amortised cost £ million	Total £ million
31 December 2015				
Non-current assets				
Investments at fair value through profit or loss*	-	876.8	-	876.8
Current assets				
Debtors - due within one year	12.8	-	-	12.8
Debtors - due after more than one year	16.3	-	-	16.3
Other financial assets	115.2	-	-	115.2
Cash at bank and in hand	0.3	-	-	0.3
Total financial assets	144.6	876.8	-	1,021.4
Current liabilities				
Creditors - amounts falling due within one year	-	-	(217.5)	(217.5)
Total financial liabilities	-	-	(217.5)	(217.5)
Net financial instruments	144.6	876.8	(217.5)	803.9

Continuing operations	Loans and receivables £ million	Assets at fair value through profit or loss £ million	Financial liabilities at amortised cost £ million	Total £ million
31 December 2014				
Non-current assets				
Investments at fair value through profit or loss*	-	785.1	-	785.1
Current assets				
Debtors - due within one year	9.6	-	-	9.6
Debtors - due after more than one year	43.6			43.6
Other financial assets	47.6	-	-	47.6
Cash at bank and in hand	0.1	-	-	0.1
Total financial assets	100.9	785.1	-	886.0
Current liabilities				
Creditors - amounts falling due within one year	-	-	(180.9)	(180.9)
Total financial liabilities	-	-	(180.9)	(180.9)
Net financial instruments	100.9	785.1	(180.9)	705.1

* Investments at fair value through profit or loss are split between a listed investment in JLEN fair valued at £16.1 million (31 December 2014: JLEN - £65.6 million) using quoted market prices and investments in project companies fair valued at £825.8 million (31 December 2014 - £706.7 million). The investments at FVTPL include assets and liabilities in intermediate holding companies as shown in note 14. Such assets and liabilities are recorded at amortised cost which the Directors believe approximates to their fair value.

Notes to the Group Financial Statements

18 Financial Instruments (continued)

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

b) Foreign currency and interest rate profile of financial assets other than investments at FVTPL

	Continuing operations 31 December 2015 Financial assets			Continuing operations 31 December 2014 Financial assets		
	Floating rate	**Non-interest bearing**	**Total**	Floating rate	Non-interest bearing	Total
Currency	**£ million**	**£ million**	**£ million**	£ million	£ million	£ million
Sterling	**86.1**	**0.2**	**86.3**	57.9	0.1	58.0
Euro	**0.3**	**0.3**	**0.6**	0.9	0.9	1.8
US dollar	**16.7**	**-**	**16.7**	0.4	-	0.4
Australian dollar	**40.4**	**0.5**	**40.9**	40.3	0.3	40.6
Other	**0.1**	**-**	**0.1**	0.1	-	0.1
	143.6	**1.0**	**144.6**	99.6	1.3	100.9

c) Foreign currency and interest rate profile of financial liabilities

The Group's financial liabilities at 31 December 2015 were £217.5 million (31 December 2014 - £180.9 million), of which £nil (31 December 2014 - £nil) related to short-term cash borrowings.

	Continuing operations 31 December 2015 Financial liabilities			Continuing operations 31 December 2014 Financial liabilities		
	Floating rate	**Non-interest bearing**	**Total**	Floating rate	Non-interest bearing	Total
Currency	**£ million**	**£ million**	**£ million**	£ million	£ million	£ million
Sterling	**(215.5)**	**(1.0)**	**(216.5)**	(176.2)	(2.9)	(179.1)
Euro	**(0.3)**	**-**	**(0.3)**	(0.3)	-	(0.3)
US dollar	**(0.2)**	**-**	**(0.2)**	(0.3)	-	(0.3)
Australian dollar	**(0.4)**	**-**	**(0.4)**	(0.6)	-	(0.6)
New Zealand dollar	**(0.1)**	**-**	**(0.1)**	(0.6)	-	(0.6)
	(216.5)	**(1.0)**	**(217.5)**	(178.0)	(2.9)	(180.9)

Notes to the Group Financial Statements

19 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.

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 2015 the Group held investments in 18 overseas projects (31 December 2014 - 14 overseas investments). 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 below.

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.

At 31 December 2015, the Group's most significant currency exposure was to the Euro (31 December 2014 - Euro).

Foreign currency exposure of investments

	2015				2014			
	Project companies	**Listed investment**	**Other assets and liabilities**	**Total**	Project companies	Listed investments	Other assets and liabilities	Total
	£ million	**£ million**	**£ million**	**£ million**	£ million	£ million	£ million	£ million
Sterling	**421.9**	**16.1**	**34.9**	**472.9**	446.4	65.6	12.8	524.8
Euro	**213.3**	-	-	**213.3**	143.1	-	-	143.1
Australian dollar	**88.2**	-	-	**88.2**	48.5	-	-	48.5
US dollar	**83.7**	-	-	**83.7**	49.8	-	-	49.8
New Zealand dollar	**18.7**	-	-	**18.7**	18.9	-	-	18.9
	825.8	**16.1**	**34.9**	**876.8**	706.7	65.6	12.8	785.1

Investments in project companies are fair valued based on the spot rate at the balance sheet date. As at 31 December 2015, a 10% weakening of the relevant currency against Sterling would decrease the value of investments at fair value through profit or loss by £36.7 million. A 10% strengthening of the relevant currency against Sterling would increase the value by £40.4 million.

19 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 2015			31 December 2014		
	Interest bearing			Interest bearing		
	Floating rate	Non-interest bearing	Total	Floating rate	Non-interest bearing	Total
	£ million	£ million	£ million	£ million	£ million	£ million
Financial assets						
Investments at fair value through profit or loss	-	876.8	876.8	-	785.1	785.1
Debtors	28.1	1.0	29.1	51.9	1.3	53.2
Other financial assets	115.2	-	115.2	47.6	-	47.6
Cash and cash equivalents	0.3	-	0.3	0.1	-	0.1
Financial asset exposure to interest rate risk	143.6	877.8	1,021.4	99.6	786.4	886.0

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

	31 December 2015			31 December 2014		
	Interest bearing			Interest bearing		
	Floating rate	Non-interest bearing	Total	Floating rate	Non-interest bearing	Total
	£ million	£ million	£ million	£ million	£ million	£ million
Creditors - amounts falling due within one year	(216.5)	(1.0)	(217.5)	(178.0)	(2.9)	(180.9)
Financial liability exposure to interest rate risk	(216.5)	(1.0)	(217.5)	(178.0)	(2.9)	(180.9)

Notes to the Group Financial Statements

19 Financial risk management (continued)

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

Profit before tax	**2015** **£ million**	2014 £ million
Increase by 1%	**0.8**	0.3
Decrease by 1% (to a minimum of 0% interest rate)	**(0.8)**	(0.3)

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 counter-party 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.

Price risk

The Group has limited direct exposure to price risk, with the exception of the investment in JLEN which is valued at the closing market share price. 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.

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 (excluding investments at FVTPL) is as follows:

	Continuing operations **31 December 2015**			Continuing operations 31 December 2014		
	Less than one year **£ million**	**Greater than one year** **£ million**	**Total** **£ million**	Less than one year £ million	Greater than one year £ million	Total £ million
Debtors	**12.8**	**16.3**	**29.1**	9.6	43.6	53.2
Other financial assets	**115.2**	-	**115.2**	47.6	-	47.6
Cash at bank and in hand	**0.3**	-	**0.3**	0.1	-	0.1
Financial assets (excluding investments at FVTPL)	**128.3**	**16.3**	**144.6**	57.3	43.6	100.9

As detailed in note 15, none of the financial assets is either overdue or impaired.

Notes to the Group Financial Statements

19 Financial risk management (continued)

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

	31 December 2015 £ million	31 December 2014 £ million
In one year or less, or on demand	(217.5)	(180.9)
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	(217.5)	(180.9)

The following table details the remaining contractual maturity of the Group's financial liabilities. The table reflects undiscounted cash flows relating to financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flows:

	Weighted average effective interest rate %	In one year or less £ million	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
31 December 2015						
Interest bearing instruments	**2.9**	**(216.5)**	-	-	-	**(216.5)**
Non-interest bearing instruments	**n/a**	**(1.0)**	-	-	-	**(1.0)**
		(217.5)	-	-	-	**(217.5)**
31 December 2014						
Interest bearing instruments	3.8	(178.0)	-	-	-	(178.0)
Non-interest bearing instruments	n/a	(2.9)	-	-	-	(2.9)
		(180.9)	-	-	-	(180.9)

Notes to the Group Financial Statements

19 Financial risk management (continued)

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 Company has requirements for both borrowings and letters of credit, which at 31 December 2015 were met by the John Laing Group plc's £350.0 million committed revolving credit facility (31 December 2014 - £353.9 million) in which the Company is a borrower. The committed facilities are summarised below:

	2015			
	Total facility £ million	**Loans drawn £ million**	**Letters of credit in issue £ million**	**Total undrawn £ million**
Committed corporate banking facility (with letter of credit option)	350.0	19.0	155.3	175.7
Total committed Group facilities (recourse)	**350.0**	**19.0**	**155.3**	**175.7**

	2014			
	Total facility £ million	Loans drawn £ million	Letters of credit in issue £ million	Total undrawn £ million
Committed corporate banking facility (with letter of credit option)	353.9	-	244.9	109.0
Total committed Group facilities (recourse)	353.9	-	244.9	109.0

The loans drawn of £19.0 million (31 December 2014 - £nil) were drawn by the Company's parent undertaking, John Laing Limited, a fellow borrower under the facility.

Of the letters of credit drawn, £154.2 million (31 December 2014 - £243.8 million) relate to future capital and loan commitments and £1.1 million (31 December 2014 - £1.1 million) relates to performance and bid bonds.

Notes to the Group Financial Statements

20 Deferred tax

The following are the major deferred tax assets and liabilities and movements therein recognised by the Company in the year ended 31 December 2015 and 31 December 2014:

	Deferred tax on the fair value of investments	**Other deductible temporary differences and tax losses recognised**	**Total**
	£ million	**£ million**	**£ million**
Opening (liability)/asset at 1 January 2015	(21.9)	5.5	(16.4)
(Charge)/credit to income - current period	(6.2)	(0.5)	(6.7)
Closing (liability)/asset at 31 December 2015	**(28.1)**	**5.0**	**(23.1)**
Opening (liability)/asset at 1 January 2014	(21.8)	3.8	(18.0)
Charge to income - current year	(0.1)	1.7	1.6
Closing (liability)/asset at 31 December 2014	(21.9)	5.5	(16.4)

Netting of deferred tax balances

	31 December 2015	31 December 2014
	£ million	£ million
Deferred tax assets	**5.0**	5.5
Deferred tax liabilities	**(28.1)**	(21.9)
Net deferred tax on continuing operations as disclosed in the Group Balance Sheet	**(23.1)**	(16.4)

A deferred tax liability has been recognised on £155.7 million (31 December 2014 - £109.0 million) relating to future interest receivable from investments held at fair value. A deferred tax asset has been recognised in respect of temporary timing differences and tax losses.

21 Share capital

	31 December 2015	31 December 2014
	£ million	£ million
Allotted, called up and fully paid:		
10,000 ordinary shares of £1.00 each (31 December 2014 - 30,000,000 ordinary shares of £1.00 each)	-	30.0

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

On 13 April 2015, the Company made a bonus issue to John Laing Limited of 28,354,759 new ordinary shares of £1 each through the capitalisation of £28,354,759 standing to the credit of the Company's profit and loss reserve. The Company subsequently undertook a reduction of capital by way of solvency statement by cancelling all but 10,000 of its 58,354,759 ordinary shares, with the reserve arising from the reduction of capital treated as a realised profit. This led to the Company having in issue 10,000 ordinary shares of £1.00 each at 31 December 2015.

Notes to the Group Financial Statements

22 Net cash outflow from operating activities

	2015 £ million	2014 £ million
Profit before tax	**96.5**	145.8
Adjustments for:		
Finance costs	**10.5**	12.4
Unrealised profit arising on changes in fair value of investments in project companies (note 14)	**(83.4)**	(114.9)
Profit on disposal of subsidiaries (note 10)	-	(40.3)
Depreciation of plant and equipment	-	1.0
Amortisation of intangible assets	-	0.5
Increase in provisions	-	1.8
Operating cash inflow before movements in working capital	**23.6**	6.3
Decrease in debtors	**3.6**	13.2
Increase/(decrease) in creditors	**26.4**	(21.2)
Cash inflow/(outflow) from operations	**53.6**	(1.7)
Income taxes received	**0.4**	0.3
Net cash inflow/(outflow) from operating activities	**54.0**	(1.4)

23 Guarantees, contingent assets and liabilities and other commitments

At 31 December 2015, the John Laing Group plc committed banking facility, dated 17 February 2015, amounted to £350.0 million (31 December 2014 - £353.9 million). The Company continues to be a guarantor of the Group facility. At 31 December 2015, the total amount utilised was £155.3 million (31 December 2014 - £244.9 million).

At 31 December 2015, the Group had future equity and loan commitments of £278.1 million (31 December 2014 - £304.3 million) to PPP projects that are backed by letters of credit of £154.2 million (31 December 2014 - £243.8 million) and collateralised cash of £123.9 million (31 December 2014 - £60.5 million).

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

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

There were no outstanding commitments for future minimum lease payments under non-cancellable operating leases at 31 December 2015 and 31 December 2014 as the Company disposed of its entire interest in the LIMS entities, which held the operating lease contracts, in December 2014. Refer to note 14 for further details on investments disposed of during the years presented in these financial statements.

Notes to the Group Financial Statements

24 Transactions with related parties

Group

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

The Company has taken advantage of the exemption under FRS 102 section 33.1A not to disclose transactions entered into with subsidiary undertakings of the John Laing Group.

Trading transactions

The Group entered into the following trading transactions with project companies:

	2015	2014
	£ million	£ million
Services income *	-	16.4
Finance income from project companies	**22.2**	24.3
Dividend income from project companies	**2.3**	0.3
Amounts owed by project companies	**31.8**	43.2
Amounts owed to project companies	**(0.8)**	(0.7)
Amounts owed by fellow group undertakings	**14.4**	7.6
Amounts owed to parent undertakings (included in trade creditors)	**(1.0)**	(51.3)
Amounts owed to parent undertakings	**(188.4)**	(126.0)

* services income in service companies is generated from project companies through management services agreements and recoveries of bid costs on financial close.

Loans to and from related parties

	2015	2014
	£ million	£ million
Subordinated debt loans to project companies	**294.3**	256.7
Loans from project companies	**(4.7)**	(3.9)

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.

25 Events after balance sheet date

In February 2016, the Company disposed of its shares in British Transport Police (54.17% holding) and agreed to dispose of its shares and subordinated debt in another project, Oldham Housing (95% holding), respectively, for total net proceeds of £19.5 million.

Notes to the Group Financial Statements

26 Disclosure - service concession arrangements

The Group has investments in project companies which are disclosed within investments at FVTPL (see note 14). A number of these project companies operate service concession arrangements in the Social Infrastructure, Transport, and Environmental 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. Typically at the end of concession periods the assets are returned to the concession owner; however, on two of the investments held at 31 December 2015 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.

Details of the services concession arrangements in project companies as at 31 December 2015 are as follows:

					Period of concession			
Sector	**Company name**	**Project name**	**% owned**	**Short description of concession arrangement**	**Start date**	**End date**	**No. of years**	**Obligations to property, plant and equipment**
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.
	SA Health Partnership Nominees Pty Limited	New Royal Adelaide Hospital	17.26%	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.
	Securefuture Wiri Limited	Auckland South Corrections Facility	30%	Design, build, finance and operate a 960 place prison at Wiri, South Auckland, New Zealand.	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	Inspiral Oldham Limited	Oldham Housing	95%	Refurbish, finance and operate social housing in Oldham.	30/11/2011	30/11/2036	25	Construction costing £68.1 million.
	Regenter Myatts Field North Limited	Lambeth Housing	50%	Build and refurbish, finance and operate social housing in Lambeth.	04/05/2012	04/05/2037	25	Construction costing £72.6 million.
Australia	Westadium Project Co Pty Limited	New Perth Stadium	50%	Design, build, finance, maintenance and operation of new Perth Stadium in the Australia.	21/08/2014	31/12/2042	28	Total expenditure of AUD $1.0 billion.

Notes to the Group Financial Statements

26 Disclosure - service concession arrangements (continued)

					Period of concession			
Sector	Company name	Project name	% owned	Short description of concession arrangement	Start date	End date	No. years	Obligations to property, plant and equipment
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.
	I-4 Mobility Partners Op Co LLC	I-4 Ultimate	50%	Design, build, finance and operate 21 miles of the I-4 Motorway in USA.	04/09/2014	03/09/2054	40	New build at a cost of USD $2.32 billion.
	I-77 Mobility Partners LLC	I-77 Managed Lanes	10%	Design, build, finance and operate 25.9 miles of the I-77 Interstate in Charlotte, North Carolina, US.	20/05/2015	30/11/2068	54	New build at a cost of USD $665 million.
	Severn River Crossing Plc	Severn River Crossing	35%	Design, build, finance and operate a second crossing over the Severn River plus operate and maintain existing crossing.	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 Koncesszios 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	100%	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 Mobil 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 BV	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).
Rail	City Greenwich Lewisham Rail Link plc	City Greenwich Lewisham (DLR)	5%	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.

Notes to the Group Financial Statements

26 Disclosure - service concession arrangements (continued)

					Period of concession			
Sector	Company name	Project name	% owned	Short description of concession arrangement	Start date	End date	No. years	Obligations to property, plant and equipment
Rail (continued)	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.
	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 Eagle P3	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 Limited	IEP (Phase 1)	24%	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 £1.8 billion over 6 years and maintenance costing £65 million per annum over 27.5 years.
	Agility Trains East Limited	IEP (Phase 2)	30%	Delivery and maintenance of intercity train services on the East Coast Main Line (UK) using a fleet of new Super Express Trains and maintenance facilities.	15/04/2014	22/02/2046	32	Construction costing £1.6 billion over 6 years and maintenance costing £77 million per annum over 27.5 years.
	NGR Project Company Pty Limited	New Generation Rollingstock	40%	Provision and maintenance of 75 new six-car trains for Queensland Rail, Australia.	14/01/2014	15/01/2046	32	Construction phase costing AUD $1.8 billion.
	ALTRAC Light Rail Partnership	Sydney Light Rail	32.5%	Design, build, finance, operate and maintain the CBD and South East Light Rail and to operate and maintain the Inner West Light Rail in Sydney, Australia.	25/02/2015	16/03/2034	19	Construction phase costing AUD $1.325 billion.
Street Lighting	Croydon and Lewisham Lighting Services Limited	Croydon & Lewisham Street Lighting	50%	Installation and maintenance of street lighting.	19/04/2011	31/07/2036	25	Replacement column programme costing £74.2 million.
Environmental and utilities								
Waste	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.

Notes to the Group Financial Statements

27 Subsidiaries and Investments

Details of the Company's subsidiaries at 31 December 2015 are as follows:

Name		Country of incorporation	Ownership interest
Investment entity subsidiaries (measured at fair value)			
Argon Ventures Limited	*	United Kingdom	100%
Croydon PSDH Holdco 2 Limited	**	United Kingdom	100%
Croydon PSDH Holdco Limited	**	United Kingdom	100%
Denver Rail (Eagle) Holdings Inc.	*	USA	100%
Forum Cambridge Holdco Limited	*	United Kingdom	100%
Hungary M6 Limited	*	United Kingdom	100%
Hyder Investments Limited	**	United Kingdom	100%
John Laing Cambridge Limited	*	United Kingdom	100%
John Laing I-4 Holdco Corp	*	USA	100%
John Laing I-77 Holdco Corp	*	USA	100%
John Laing Infrastructure Limited	*	United Kingdom	100%
John Laing Infrastructure (A1 Mobil Holdings) Ltd	**	United Kingdom	100%
John Laing Infrastructure (German Holdings) Limited	**	United Kingdom	100%
John Laing Infrastructure Management Services India Private Ltd	*	India	100%
John Laing Investments (SLR) BV	**	Netherlands	100%
John Laing Investments (A8 Mobil Holdings) Limited	**	United Kingdom	100%
John Laing Investments (German Holdings A8) Ltd	*	United Kingdom	100%
John Laing Investments (Hornsdale) Pty Limited	**	Australia	100%
John Laing Investments Mauritius (Holdings) Limited	*	Mauritius	100%
John Laing Investments Mauritius (No.1) Limited	**	Mauritius	100%
John Laing Investments Netherlands Holdings BV	**	Netherlands	100%
John Laing Investments (LBAJQ) BV	**	Netherlands	100%
John Laing Investments (NGR) BV	**	Netherlands	100%
John Laing Investments (NRAH) BV	**	Netherlands	100%
John Laing Investments NZ Holdings Limited	*	United Kingdom	100%
John Laing Investments Overseas Holdings Limited	*	United Kingdom	100%
John Laing Investments (Perth Stadium) BV	**	Netherlands	100%
John Laing Projects & Developments (Croydon) Limited	**	United Kingdom	100%
John Laing Projects & Developments (Holdings) Limited	*	United Kingdom	100%
John Laing Regeneration GP Limited	*	United Kingdom	99%
John Laing Social Infrastructure Limited	*	United Kingdom	100%
Laing Infrastructure Holdings Limited	*	United Kingdom	100%
Laing Investments Greenwich Limited	**	United Kingdom	100%
Rail Investments (Great Western) Limited	*	United Kingdom	80%

* Subsidiaries owned directly by the Company

** Subsidiaries owned indirectly by the Company

Notes to the Group Financial Statements

27 Subsidiaries and investments (continued)

Name		Country of incorporation	Ownership interest
Project subsidiaries (measured at fair value)			
CountyRoute (A130) Plc	**	United Kingdom	100%
CountyRoute 2 Limited	**	United Kingdom	100%
CountyRoute Limited	**	United Kingdom	100%
Defence Support (St Athan) Holdings Limited	**	United Kingdom	100%
Defence Support (St Athan) Limited	**	United Kingdom	100%
Dreachmhor Wind Farm (Holdings) Limited	*	United Kingdom	100%
Dreachmhor Wind Farm Limited	**	United Kingdom	100%
Education Support (Southend) Limited	**	United Kingdom	100%
Glencarbry (Holdings) Limited	*	United Kingdom	100%
Glencarbry Supply Company Limited	**	Ireland	100%
Glencarbry Windfarm Limited	**	Ireland	100%
Inspiral Oldham Limited	**	United Kingdom	95%
Inspiral Oldham Holdings Company Limited	*	United Kingdom	95%
John Laing (Croydon Development Company) LLP	**	United Kingdom	100%
John Laing Rail Infrastructure Limited	**	United Kingdom	100%
KGE Windpark Schipkau-Nord GmbH & Co. KG	**	Germany	100%
KGE Schipkau-Nord Infrastruktur GmbH & Co. KG	**	Germany	85%
Klettwitz Schipkau Nord Beteiligungs GmbH	*	Germany	100%
Klettwitz SN Holdings GmbH	**	Germany	100%
Klettwitz SN Verwaltungs GmbH	**	Germany	100%
New Albion Wind (Holdings) Limited	*	United Kingdom	100%
New Albion Wind Limited	**	United Kingdom	100%
Rammeldalsberget Vindkraft AB	**	Sweden	100%
Rammeldalsberget Holding AB	*	Sweden	100%
Services Support (Surrey) Holdings Limited	**	United Kingdom	100%
Services Support (Surrey) Limited	**	United Kingdom	100%
Société d'Exploitation du Parc Eolien Du Tonnerois	**	France	100%
Svartvallsberget SPW AB	**	Sweden	100%
Svartvallsberget Holding AB	*	Sweden	100%
Tonnerois (Holdings) Ltd.	*	United Kingdom	100%
UK Highways Limited	**	United Kingdom	100%
UK Highways A55 (Holdings) Limited	**	United Kingdom	100%
UK Highways A55 Limited	**	United Kingdom	100%
UK Highways Management Services Limited	**	United Kingdom	100%
Wind Hold Co 1 Limited	*	United Kingdom	100%
Wind Project Co 1 Limited	**	United Kingdom	100%

Details of the Company's joint ventures and investments at 31 December 2015 are as follows:

Joint ventures			
A Mobil Services GmbH	**	Germany	42.5%
A1 Mobil GmbH & Co. KG	**	Germany	42.5%
A-Lanes A15 B.V.	**	Netherlands	28%
A-Lanes Management Services BV	**	Netherlands	25%
Agility Trains West Limited	**	United Kingdom	24%
Agility Trains East Limited	**	United Kingdom	30%
Alder Hey (Special Purpose Vehicle) Limited	**	United Kingdom	40%
ALTRAC Light Rail Partnership	**	Australia	32.5%
Aylesbury Vale Parkway Limited	**	United Kingdom	50%
CCURV LLP	**	United Kingdom	50%
Cramlington Renewable Energy Developments Limited	**	United Kingdom	44.7%
Croydon and Lewisham Lighting Services Limited	**	United Kingdom	50%
Denver Transit Partners LLC	**	United States	45%
Forum Cambridge LLP	**	United Kingdom	50%
Gdansk Transport Company SA	**	Poland	29.69%
HWF 1 Pty Ltd	**	Australia	30%
I-4 Mobility Partners Op Co LLC	**	United States	50%
I-77 Mobility Partners LLC	**	United States	10%
INEOS Runcorn (TPS) Limited	**	United Kingdom	37.43%
Laing/Gladedale (Hastings) Limited	**	United Kingdom	50%
Laing/Gladedale (St Saviours) Limited	**	United Kingdom	50%
MAK Mecsek Autopalya Koncesszios Zrt.	**	Hungary	30%
New Forum Cambridge LLP	**	United Kingdom	50%
NGR Project Company Pty Limited	**	Australia	40%
Regenter Myatts Field North Limited	**	United Kingdom	50%
SA Health Partnership Nominees Pty Limited	**	Australia	17.26%
Securefuture Wiri Limited	**	New Zealand	30%
Services Support (BTP) Limited	**	United Kingdom	54.17%
Severn River Crossing Plc	**	United Kingdom	35%
SPC Management Services BV	**	Netherlands	33.3%
Speyside Renewable Energy Partnership Limited	**	United Kingdom	43.35%
Transcend Property Limited	**	United Kingdom	50%
Viridor Laing (Greater Manchester) Limited	**	United Kingdom	50%
Westadium Project Co Pty Limited	**	Australia	50%
Wimpey Laing Iran Limited	**	United Kingdom	50%
Other investments			
City Greenwich Lewisham Rail Link plc	**	United Kingdom	5%
John Laing Environmental Assets Group Limited	*	Guernsey	7%

* Entities owned directly by the Company
** Entities owned indirectly by the Company

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2015

	Notes	2015 £ million	2014 £ million
Fixed assets			
Investments	3	312.6	349.7
Current assets			
Debtors		280.8	262.5
- due within one year	4	135.5	126.4
- due after more than one year	4	145.3	136.1
Cash at bank and in hand	5	115.5	47.7
		396.3	310.2
Current liabilities			
Creditors: amounts falling due within one year	6	(469.5)	(440.8)
Net current liabilities		(73.2)	(130.6)
Total assets less current liabilities		239.4	219.1
Net assets		239.4	219.1
Capital and reserves			
Called up share capital	8	-	30.0
Profit and loss account	9	239.4	189.1
Shareholder's funds	10	239.4	219.1

The financial statements of John Laing Investments Limited, registered number 780225, were approved by the Board of Directors and authorised for issue on 26 May 2016. They were signed on its behalf by:

B J T Pieterse
Director
26 May 2016

Notes to the Company financial statements for the year ended 31 December 2015

1 ACCOUNTING POLICIES

a) Basis of preparation of accounts

The Company accounts are prepared under Financial Reporting Standard 102 ("FRS 102"). These financial statements are presented in pounds sterling, the functional currency, the currency of the primary economic environment in which the Company operates. The principal accounting policies of the Company are set out below.

The Company's principal activity is to hold investments in PPP companies that provide services under certain private finance agreements and in other infrastructure projects (including renewable energy projects). The infrastructure projects are set up as special purpose companies under non-recourse arrangements and therefore the Company has limited exposure to their liabilities. In the event of default of an infrastructure project, the exposure is limited to the extent of the investment the Company has made. Having reviewed the Company's investment portfolio including the associated future cash requirements and forecast receipts, and the level of headroom within the John Laing Group plc corporate banking facility to which the Company is a co-borrower, the Directors are satisfied that they have a reasonable expectation that the Company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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 2015 the Company reported a profit of £20.3 million (2014 - £46.6 million). The Directors authorised payment of a dividend of £nil (2014 - £40.0 million) during the year.

b) Revenue recognition

Revenue recognition is determined by reference to the following policies:

- Dividend income from investments in project companies and other investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably). Dividend income is recognised gross of withholding tax, if any, and only when approved and paid by the project company.

- Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued by reference to the principal outstanding and the applicable interest rate.

c) Investments

Fixed asset investments are shown at cost less provision for impairment.

An impairment is reversed in the current period, to the extent of the carrying value of the investment had the original impairment not occurred, if there is a change in economic conditions or a change in expected use of the investment. If the increase in value of the investment arises from mechanical factors affecting the discounted present value, such as the passage of time either bringing future cash inflows closer or overtaking future cash outflows, such an increase in value is not considered to be a reversal of the events or circumstances which led to the impairment in the first place.

Income from investments is included in the profit and loss account as declared.

Notes to the Company financial statements for the year ended 31 December 2015

1 ACCOUNTING POLICIES (continued)

d) Taxation

Current tax, including United Kingdom Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

In accordance with section 29 of FRS 102: Deferred Tax, deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are not discounted.

e) Foreign currency

Translations into sterling are made at the average rates ruling throughout the year for profit and loss account items.

Exchange differences arising in the ordinary course of trading are reflected in the profit and loss account; those arising on translation of net equity are dealt with as a movement in reserves.

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 retranslation of these amounts is taken to the profit and loss account.

Notes to the Company financial statements for the year ended 31 December 2015 (continued)

2 DIVIDENDS

	2015 £ million	2014 £ million
The following dividends have been paid during the year:		
Equity shares:		
- dividend paid of £nil per ordinary share (2014 - £1.33 per ordinary share)	-	(40.0)
	-	(40.0)

3 INVESTMENTS

	Subsidiary undertakings	Joint ventures			
	Equity £ million	Equity £ million	Loans £ million	Other £ million	Total £ million
Cost					
At 1 January 2015	250.0	2.3	57.9	63.5	373.7
Additions	19.7	0.1	9.2	-	29.0
Disposals	(0.5)	(2.2)	-	(47.8)	(50.5)
At 31 December 2015	**269.2**	**0.2**	**67.1**	**15.7**	**352.2**
Provisions for impairment					
At 1 January 2015	(21.6)	(2.2)	(0.2)	-	(24.0)
Disposals	-	-	-	-	-
Transfer	-	-	-	-	-
(Charge)/credit for the year	(17.6)	2.2	(0.2)	-	(15.6)
At 31 December 2015	**(39.2)**	-	**(0.4)**	-	**(39.6)**
Net book value					
At 31 December 2015	**230.0**	**0.2**	**66.7**	**15.7**	**312.6**
At 31 December 2014	228.4	0.1	57.7	63.5	349.7

The Company's subsidiary undertakings and joint ventures are listed in notr 27 of the Group financial statements.

Subsidiary undertaking additions and disposals

During 2015, the Company subscribed for shares in the following companies: 25,000 shares in Klettwitz Schipkau Nord Beteiligungs GmbH; 1,000 shares in Société d'Exploitation du Parc Eolien Du Tonnerois; 1,000 shares in Glencarbry (Holdings) Limited, a further 11,000 shares in John Laing Investments Overseas Holdings Ltd, 200 shares in Denver Rail (Eagle) Holdings Inc and 100 shares in John Laing Investments I-77 Holdco Corp.

During 2015, the Company sold its entire holding in Branden Solar Parks (Holdings) Limited, Carscreugh (Holdings) Limited, Wear Point Wind Holdco Limited and BL Wind Holding to JLEN for £71.7 million. The Company also sold its entire holding in Dhule Palesner Tolway Ltd for £1.6 million to a third party. The Company incurred costs of £0.4 million in 2015 in relation to the disposal in 2014 of its entire holding in ELWA Holdings Limited.

Key joint venture additions and disposals

On 14 July 2015, the Company subscribed for 3,000 shares of €1.00 each in SPC Management Services B.V. for £0.1 million. On 17 July 2015, the Company subscribed for 22 shares of £0.0001 each in Cramlington Renewable Energy Development Holdco Ltd for £2.24.

Loan additions

During 2015, the Company invested in loan notes in the following joint venture companies: Speyside Renewable Energy Partnership Hold Co Ltd (£5.4 million) and Alder Hey Holdco 3 Ltd (£3.7 million)

Other investment disposals

In February 2015, the Company transferred 29.9% of its shareholding in JLEN, valued at £50.4 million, to John Laing Pension Fund through John Laing Limited.

Notes to the Company financial statements for the year ended 31 December 2015 (continued)

4 DEBTORS

	2015 £ million	2014 £ million
Due within one year		
Amounts owed by parent and fellow group undertakings	107.7	86.8
Amounts owed by joint ventures	27.8	38.2
Group relief receivable	-	0.8
Prepayments and accrued income	-	0.6
	135.5	126.4
Due after more than one year		
Amounts owed by parent and fellow group undertakings	16.3	48.7
Amounts owed by subsidiary project companies	129.0	87.4
	145.3	136.1

Included within amounts owed by parent and fellow group undertakings due within one year are loans to parent and fellow group undertakings amounting to £93.3 million, net of impairment provisions of £6.5 million (2014 - £74.4 million, net of £7.3 million of provisions). These loans are payable on demand and interest is charged at 3.5% above base rate from January 2015 to February 2015 and 2.75% above base rate from March 2015 to December 2015 (2014 - 3.5% above base rate from January 2014 to March 2014, October 2014 to December 2014 and 3.0% above base rate from April 2014 to September 2014). Interest receivable at 31 December 2015 included above is £9.4 million (2014 - £10.7 million).

The amounts owed by joint ventures due within one year comprise interest charged on loans to joint ventures (included within investments in note 3) at rates ranging between 5% and 15% (2014 - 8% and 12%).

Included within amounts owed by parent and fellow group undertakings due after more than one year are loans to fellow group undertakings amounting to £16.3 million net of impairment provisions of £16.0 million (2014 - £43.8 million, net of £20.8 million of provisions). An agreement is in place stating that this amount will not be recalled within 12 months of the balance sheet date. Amounts owed by subsidiary project companies are each repayable in instalments in line with an agreement with the respective company. Interest is charged on the loan notes on an arm's length basis at rates ranging between 5.55% to 10% (2014 - 5.55% to 11.93%).

5 CASH AT BANK AND IN HAND

	2015 £ million	2014 £ million
Cash at bank and in hand	115.5	47.7
	115.5	47.7

Cash at bank and in hand includes amounts placed on deposit that collateralise future investments into project companies of £115.2 million (2014 - £47.6 million).

6 CREDITORS

	2015 £ million	2014 £ million
Amounts falling due within one year		
Amounts owed to parent and fellow group undertakings	466.1	437.2
Group relief payable	1.6	-
Amounts owed to joint ventures	0.8	0.7
Accruals and deferred income	1.0	2.9
	469.5	440.8

Included within amounts owed to group undertakings are loans from parent and fellow group companies amounting to £425.7 million (2014 - £374.3 million). These loans are repayable on demand and interest is charged on any outstanding balance at 3.25% (2014 - 3.5%) above base rate. Interest payable on these loans at 31 December 2015 included above is £13.1 million (2014 - £11.3 million)

The amounts owed to joint ventures are repayable on demand. There is no interest payable on these balances.

7 CAPITAL COMMITMENTS, CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

At 31 December 2014, the Company was a guarantor under the £353.9 million syndicated, committed, revolving credit facility dated 20 February 2013, entered into by John Laing Limited. On 17 February 2015, the John Laing Group raised a £350 million syndicated, committed, revolving credit facility and associated ancillary facilities, in conjunction with admission to the London Stock Exchange, and the £353.9 million facility was cancelled along with the Company's guarantee. At that date, the existing liabilities under the £353.9 million facility were transferred to the £350 million facility and associated ancillary facilities. The Company became a guarantor under the £350 million facility and the associated ancillary facilities. At 31 December 2015, the total amount utilised under the £350 million facility and associated ancillary facilities, and hence guaranteed by the Company, was £174.2 million (2104 - £244.9 million).

At 31 December 2015, the Company was a guarantor of an uncommitted bonding facility from Zurich entered into by John Laing Limited. At 31 December 2015 the total amount utilised under the Zurich facility, and hence guaranteed by the Company, was £4.0 million (2014 - £nil).

As at 31 December 2015, the Company had future commitments on investments of £192.4 million (2014 - £182.4 million)

	2015 £ million	2014 £ million
Less than one year	92.7	16.4
Greater than one year but less than two years	27.0	93.3
Between two to five years	72.7	72.7
More than five years	-	-
	192.4	182.4

The future investment commitments were backed by letters of credit of £133.7 million (2014 - £174.3 million) and cash collateral balances of £58.7 million (2014 - £7.9 million). In addition, the Company had provided letters of credit of £20.5 million (2014 - £69.3 million) and cash collateral of £56.5 million (2014 - £39.7 million) to back future investment commitments of its subsidiary undertakings

Notes to the Company financial statements for the year ended 31 December 2015 (continued)

8 CALLED UP SHARE CAPITAL

	2015 £ million	2014 £ million
Allotted, called up and fully paid:		
10,000 ordinary shares of £1 each (2014 - 30,000,000 ordinary shares of £1 each)	-	30.0

On 13 April 2015, the Company made a bonus issue to John Laing Limited of 28,354,759 new ordinary shares of £1 each through the capitalisation of £28,354,759 standing to the credit of the Company's profit and loss reserve. The Company subsequently undertook a reduction of capital by way of solvency statement by cancelling all but 10,000 of its 58,354,759 ordinary shares, with the reserve arising from the reduction of capital treated as a realised profit. This led to the Company having in issue 10,000 ordinary shares of £1.00 each at 31 December 2015.

9 MOVEMENT IN RESERVES

	Profit and loss account £ million
At 1 January 2015	189.1
Profit for the financial year	20.3
Reduction in share capital (note 8)	30.0
At 31 December 2015	239.4

10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2015 £ million	2014 £ million
Profit for the financial year	20.3	46.6
Dividends paid on equity shares (note 2)	-	(40.0)
Net addition to shareholder's funds	20.3	6.6
Opening shareholder's funds	219.1	212.5
Closing shareholder's funds	239.4	219.1

11 TRANSACTIONS WITH RELATED PARTIES

As a wholly owned subsidiary of John Laing Group plc, the Company has taken advantage of the exemption under Section 33 of FRS 102 not to provide information on related party transactions with other subsidiary undertakings within the John Laing group.

12 ULTIMATE PARENT UNDERTAKING

The Company's immediate parent company is John Laing Limited, a company incorporated in Great Britain.

The Company's ultimate parent and controlling entity is John Laing Group plc, a company incorporated in Great Britain

3.2 Material Changes in Financial Condition

Front Range Mobility Group

A ELEMENTARY SCHOOL
Steele St
Vasquez Blvd
Colorado Blvd
THE EXTRA MILE
CONNECTING COMMUNITIES

3.2 Material Changes in Financial Condition

John laing
making infrastructure happen

Form G-1: Material Changes

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222

Attn: Keith Stefanik, Procuring Authorities' Contact Person

June 1, 2017

Re. Material Changes Letter
in connection with the Instruction to Proposers for the Central 70 Project ("ITP")

I, Patrick O'D Bourke, in my capacity as Director of John Laing Investments Limited (the "Company"), an Equity Member in Front Range Mobility Group, and not in my personal capacity, deliver this letter pursuant to Section 3.2 of the Administrative and Technical Proposal Submission Requirements and hereby confirm as follows.

There have been no material changes in the Company's financial capacity since Proposer submitted its SOQ and no material changes are anticipated to occur during the remainder of the Company's current fiscal year.

Unless defined herein, capitalized terms used in this letter have the meanings given to them in the ITP.

Yours,

Patrick O'D Bourke

3.3 Off Balance Sheet Liabilities

Front Range
Mobility Group

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Vasquez Blvd
Colorado Blvd
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THE EXTRA MILE
CONNECTING COMMUNITIES

John laing
making infrastructure happen

Form G-2: Off Balance Sheet Liabilities

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222

Attn: Keith Stefanik, Procuring Authorities' Contact Person

June 1, 2017

Re. Off Balance Sheet Liabilities Letter
in connection with the Instruction to Proposers for the Central 70 Project ("ITP")

I, Patrick O'D Bourke, in my capacity as Director of John Laing Investments Limited (the "Company"), an Equity Member in Front Range Mobility Group, and not in my personal capacity, deliver this letter pursuant to Section 3.3 of the Administrative and Technical Proposal Submission Requirements set out in the ITP and hereby confirm as follows.

Except as set forth in the Exhibit attached hereto, there are no off balance sheet liabilities for any fiscal year of the Company in respect of which financial statements have been submitted in accordance with Section 3.1 of the Administrative and Technical Proposal Submission Requirements that exceed $25 million in aggregate in such fiscal year.

Yours,

Patrick O'D Bourke

EXHIBIT

In accordance with Section 3.3 of the Administrative and Technical Proposal Submission Requirements, the following sets out a description of off balance sheet liabilities:

2015 Fiscal year for which there are off balance sheet liabilities in excess of $25m in aggregate:

	Number of Items	31 Dec 2015 USD millions	31 Dec 2015 £ millions
Operating Leases	0	-	-
Letters of Credit, Performance Bonds and Guarantees	9	236.0	159.1
Total Off Balance Sheet Liabilities at 31 Dec 2015	9	236.0	159.1
	FX Rate at 31 Dec 2015	1.4833	

3.4 Credit Ratings

Front Range
Mobility Group

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Colorado Blvd
ELEMENTARY SCHOOL
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CONNECTING COMMUNITIES

3.4 Credit Ratings

Form G-3: Credit Ratings

Proposer Name: Front Range Mobility Group

Credit Ratings

Role	Entity Name	Fitch	Moody's	S&P	DBRS	Change(s) in any credit ratings since SOQ?	Describe Change(s)
EM, LO	HOCHTIEF PPP Solutions North America, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	ACS Infrastructure Development, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	AECOM Capital, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM	John Laing Investments Limited	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Flatiron Constructors, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Dragados USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	AECOM Energy & Construction, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	CH2M HILL Engineers, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	AECOM Technical Services, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF Aktiengesellschaft	Not rated	Not rated	**BBB**	Not rated	☒ Yes ☐ No	Now rated by S&P
FRP	HOCHTIEF PPP Solutions GmbH	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	ACS Servicios y Concesiones, S.L.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	AECOM	Not rated	**Ba2**	**BB**	Not rated	☒ Yes ☐ No	Now rated by S&P in addition to Moody's; Moody's rating has not changed since the SOQ
FRP	Dragados, S.A.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	John Laing Group plc	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	CH2M HILL Companies, Ltd	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	

Flatiron Constructors, Inc.

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL

THE EXTRA MILE

CONNECTING COMMUNITIES

Flatiron Constructors, Inc.

3.1 Financial Statements

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

2016

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT 213

Front Range
Mobility Group

2016

2015

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT 213

Front Range
Mobility Group

2015

3.2 Material Changes in Financial Condition

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

3.3 Off Balance Sheet Liabilities

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
ELEMENTARY SCHOOL

THE EXTRA MILE

CONNECTING COMMUNITIES

3.3 Off Balance Sheet Liabilities

3.4 Credit Ratings

Front Range
Mobility Group

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Steele St
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Colorado Blvd
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CONNECTING COMMUNITIES

Dragados USA, Inc.

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL

THE EXTRA MILE

CONNECTING COMMUNITIES

Dragados USA, Inc.

3.1 Financial Statements

Front Range
Mobility Group
Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

2016

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT 213

Front Range
Mobility Group

2016

2015

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT 213

Front Range
Mobility Group

2015

3.2 Material Changes in Financial Condition

Front Range
Mobility Group

A ELEMENTARY SCHOOL
Steele St
Vasquez Blvd
Colorado Blvd
THE EXTRA MILE
CONNECTING COMMUNITIES

3.3 Off Balance Sheet Liabilities

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

3.4 Credit Ratings

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

3.4 Credit Ratings

Form G-3: Credit Ratings

Proposer Name: Front Range Mobility Group

Credit Ratings

Role	Entity Name	Fitch	Moody's	S&P	DBRS	Change(s) in any credit ratings since SOQ?	Describe Change(s)
EM, LO	HOCHTIEF PPP Solutions North America, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	ACS Infrastructure Development, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	AECOM Capital, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM	John Laing Investments Limited	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Flatiron Constructors, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Dragados USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	AECOM Energy & Construction, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	CH2M HILL Engineers, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	AECOM Technical Services, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF Aktiengesellschaft	Not rated	Not rated	**BBB**	Not rated	☒ Yes ☐ No	Now rated by S&P
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FRP	HOCHTIEF USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
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FRP	AECOM	Not rated	**Ba2**	**BB**	Not rated	☒ Yes ☐ No	Now rated by S&P in addition to Moody's; Moody's rating has not changed since the SOQ
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FRP	CH2M HILL Companies, Ltd	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	

AECOM Energy & Construction, Inc.

Front Range
Mobility Group

Steele St
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Colorado Blvd
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CONNECTING COMMUNITIES

AECOM Energy & Construction, Inc.

3.1 Financial Statements

Front Range
Mobility Group
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2016

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
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EXIT 213

Front Range
Mobility Group

2016

2015

2015

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT 213

Front Range Mobility Group

2014

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT 213

Front Range
Mobility Group

2014

3.2 Material Changes in Financial Condition

Front Range
Mobility Group

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3.3 Off Balance Sheet Liabilities

Front Range
Mobility Group

THE EXTRA MILE
CONNECTING COMMUNITIES

3.3 Off Balance Sheet Liabilities

3.4 Credit Ratings

Front Range
Mobility Group

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CONNECTING COMMUNITIES

Form G-3: Credit Ratings

Proposer Name: Front Range Mobility Group

Credit Ratings

Role	Entity Name	Fitch	Moody's	S&P	DBRS	Change(s) in any credit ratings since SOQ?	Describe Change(s)
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EM	John Laing Investments Limited	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Flatiron Constructors, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Dragados USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
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LE	CH2M HILL Engineers, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	AECOM Technical Services, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF Aktiengesellschaft	Not rated	Not rated	**BBB**	Not rated	☒ Yes ☐ No	Now rated by S&P
FRP	HOCHTIEF PPP Solutions GmbH	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	ACS Servicios y Concesiones, S.L.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	AECOM	Not rated	**Ba2**	**BB**	Not rated	☒ Yes ☐ No	Now rated by S&P in addition to Moody's; Moody's rating has not changed since the SOQ
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FRP	John Laing Group plc	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	CH2M HILL Companies, Ltd	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	

CH2M HILL Engineers, Inc.

Front Range
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CONNECTING COMMUNITIES

CH2M HILL Engineers, Inc.

3.1 Financial Statements

Front Range
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CONNECTING COMMUNITIES

CH2M
9191 South Jamaica Street
Englewood, CO 80112-5946
O 303.771.0900
F 720.286.9250
www.ch2m.com

June 1, 2017

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222
Attn: Keith Stefanik, Procuring Authorities’ Contact Person

Re: Statement regarding Financial Statements in Connection with the Central 70 Project

CH2M HILL Engineers, Inc. does not produce standalone financial statements. As such, their 2016 and 2015 financial statements can be found consolidated within their Financially Responsible Party’s financial statements found behind the tab “CH2M HILL Companies, Ltd.”

3.2 Material Changes in Financial Condition

Front Range Mobility Group

Steele St
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Colorado Blvd
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THE EXTRA MILE
CONNECTING COMMUNITIES

ch2m:

CH2M
9191 South Jamaica Street
Englewood CO 80112-5946
O 303.771.0900
F 720.286.9250
www.ch2m.com

June 1, 2017

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222
Attn: Keith Stefanik, Procuring Authorities' Contact Person

Re. Material Changes Letter
in connection with the Instruction to Proposers for the Central 70 Project ("ITP")

I, Steven Mathews, in my capacity as Treasurer of CH2M HILL Engineers, Inc. (the "Company"), a member of the Lead Engineer in Front Range Mobility Group, and not in my personal capacity, deliver this letter pursuant to Section 3.2 of the Administrative and Technical Proposal Submission Requirements and hereby confirm as follows.

Except as set forth in the Exhibits A, B, C, D, E and F attached hereto, there have been no material changes in the Company's financial capacity since Proposer submitted its SOQ.

Unless defined herein, capitalized terms used in this letter have the meanings given to them in the ITP.

Respectfully submitted,

Steve Mathews

Name: Steven Mathews
Title: Treasurer
CH2M HILL Engineers, Inc.

EXHIBIT A

Part I. In accordance with Section 3.1.2.a of the Financial Proposal Instructions, the following sets out a description of an actual or anticipated material change:

i. such change;

*1. **Material Project Losses:** Reference Exhibit A-1.*

ii. actual and anticipated changes or disruptions in executive management relating to such change;

No changes or disruptions realized or anticipated.

iii. the likelihood that such change will continue during the proposed period of Project construction;

It is anticipated that the aforementioned material changes will have minimal to no future impact on operations including the delivery of the Project.

iv. the projected full extent, nature and impact, positive and negative, of such change experienced and anticipated to be experienced in the proposed period of Project construction;

It is anticipated that the aforementioned material changes will have minimal to no future impact on operations including the delivery of the Project.

v. how such change is anticipated to affect the organizational and financial capacity and ability of the relevant entity to remain engaged in the procurement described in the RFP and to ultimately participate in the Project as anticipated by the relevant Proposal.

It is anticipated that the aforementioned material changes will have minimal to no future impact on operations including the delivery of the Project.

Part II. In accordance with Section 3.1.2.b of the Financial Proposal Instructions, set out below are estimates of the impact of the material change on:

i. revenues;

It is anticipated that the aforementioned material changes will have minimal to no future impact on operations including the Project.

ii. expenses;

It is anticipated that the aforementioned material changes will have minimal to no future impact on operations including the delivery of the Project.

iii. change in equity availability.

It is anticipated that the aforementioned material changes will have minimal to no future impact on operations including the delivery of the Project.

Part III. In accordance with Section 3.1.2.c of the Financial Proposal Instructions, if the material change will have a negative financial impact, an explanation of measures that have been taken, are currently in progress or would be reasonably anticipated to be taken to insulate the Project from any such material change:

It is anticipated that the aforementioned material changes will have minimal to no future impact on operations including the delivery of the Project.

EXHIBIT A-1

Material Project Losses: *We (CH2M) have a fixed-price Transportation contract to design and construct roadway improvements on an expressway in the southwestern United States. The project is approximately 75% complete as of December 30, 2016. In 2014, we experienced unforeseen and unexpected cost growth resulting in charges to operations totaling $38.7 million for the year ended December 31, 2014, which included both the reversal of previously recognized profits as well as the recording of the estimated total loss on the project at completion. In 2015, additional increases to the cost estimates were identified primarily caused by design changes for a water main relocation, the discovery of extremely hard and abrasive rock during construction, differing site conditions, unidentified and mismarked utilities, client requested changes, labor supply challenges in the construction market, lower than expected labor productivity, and severe adverse weather delays. These increased cost growth resulted in the recording of additional project losses of $93.6 million in the year ended December 25, 2015.*

During the first half of 2016, we estimated further cost growth in the amount of $60.0 million as a result of a review of the covered scope of contracts, survey engineering and design challenges, rework of previously installed work and client-caused delays, including limited daytime access to portions of the site, the sum of which resulted in increased material quantities and work and schedule extensions. We also had severe weather including record rainfall, and production shortfalls resulting from differing site conditions and engineering rework. Additionally, during the second half of 2016, we estimated additional cost growth of $61.3 million due to continued survey engineering and design challenges, additional rework, greater than expected subcontractor costs, subcontracting work previously planned to be self-performed, delivery schedule extensions (which increased the overall estimated costs for labor and expenses), greater than expected construction material expenditures, and additional weather delays.

In the quarter ended March 31, 2017, the project team increased the overall estimated costs for labor and materials by a total of $23.5 million. The cost growth was predominately related to unanticipated field conditions and labor resource restraints, some of which costs are being included in claims submitted to the client. While the project team believes that the increase in costs is sufficient to cover known issues, additional design, fabrication, construction or labor resource issues could be encountered resulting in further cost growth. Certain of these additional costs are believed to be the result of construction errors incurred by a subcontractor as well as specifications provided by the client that were determined to be incorrect.

We expect to seek resolution of these first quarter 2017 issues from the subcontractor in addition to seeking resolution of the outstanding change orders and claims through a combination of submissions to the Disputes Board under the terms of the contract and direct negotiations with the client. Change orders and claims totaling approximately $100.0 million have been submitted to the client. We have received favorable, non-binding recommendations from the Disputes Board on some of the claims. We have not been able to reach a mutual resolution with the client on these claims or the other change orders submitted. CH2M will continue to aggressively pursue its entitlements based on claims and change orders, including litigation if it cannot reach resolution with the client. Accordingly, we cannot currently estimate the timing or amounts of recoveries or costs that may be achieved or incurred through these resolution processes, and as such, we have not included any recoveries from these change orders and claims in our current estimated project loss.

Within our Power EPC segment, we were involved in a fixed-price EPC project in Australia through a consolidated joint venture partnership with an Australian construction contractor and a major U.S.-based gas power technology manufacturer (the "Consortium") to engineer, procure, construct and start-up a combined cycle power plant that will supply power to a large liquefied natural gas facility in Australia. As of December 30, 2016, the total contract value of the joint venture project was approximately $520.0 million, and the project was approximately 85% complete. Due to a variety of issues, the joint experienced project losses of $280.0 million in 2014, of which our portion of the loss was $140.0 million. During the second quarter of 2016, the client advised it was unable to meet various obligations in line with the program schedule as required under the terms of the contract. Subsequently in 2016, the client *was unable to confirm the timing of its deliverables under the terms of the contract including the supply of feed gas, plant utilities and electrical power loads. As a result, the anticipated project completion date was expected to be delayed into 2018, thus significantly increasing the joint venture's costs estimated to complete the project. Additionally, forecasted productivity levels that were assumed for construction completion had not been achieved, including as a result of client delays and disruptions, also increasing the joint venture's total estimated costs to complete. As a result of these factors, as well as others, and inclusive of estimated anticipated further disruptions and inefficiencies, the joint venture recognized additional costs totaling $301.5 million in 2016, of which our portion was $154.1 million.*

On January 24, 2017, the Consortium terminated its contract with its client the general contractor, JKC Australia LNG Pty (the "Contractor") on the grounds that the Contractor had by its actions repudiated the contract. The Contractor has claimed that the Consortium's termination was not valid. The Consortium, which includes the consolidated Australian joint venture partnership, expects to file arbitration claims against the Contractor during the first half of 2017, and anticipates that the Contractor will file counter claims. We expect a lengthy, multi-year arbitration process and at this time we are unable to predict the timing of resolution or the outcome of disputes. While we continue to assess the possible impacts to our financial statements, the ultimate outcome of the dispute will depend upon contested issues of fact and law.

As a result of the contract termination, we evaluated the potential future costs as of December 30, 2016 in accordance with the accounting standards applicable to contingent liabilities. The joint venture has incurred costs totaling approximately $20.0 million in 2017 to demobilize from the site and expects to continue to incur significant legal and other costs until the dispute is resolved. The Consortium is also in the process of determining the required costs to close out and terminate its current subcontractor obligations. These costs, which we expect will be incurred in 2017, have been accrued within our provision for loss accrual in our consolidated financial statements as of December 30, 2016 based upon our best estimate from the information currently available. It is possible that certain subcontractors could file claims against the Consortium as a result of our termination of their subcontract which could be material to our consolidated financial statements. Additionally, the joint venture's performance on the project is secured by certain bonds totaling approximately $50.0 million which could potentially be called by our client at some time in the future. If we are ultimately unsuccessful in our claim that the contract was repudiated by our client, the Consortium could be liable for the completion of the project by a separate contractor and other related damages. These additional costs could be materially adverse to our results of operations, cash flow and financial condition in the future.

EXHIBIT B

Part I. In accordance with Section 3.1.2.a of the Financial Proposal Instructions, the following sets out a description of an actual or anticipated material change:

i. such change;

*1. **Preferred Stock Issuance:** Reference Exhibit B-1.*

ii. actual and anticipated changes or disruptions in executive management relating to such change;

Reference response in Exhibit A.

iii. the likelihood that such change will continue during the proposed period of Project construction;

Reference response in Exhibit A.

iv. the projected full extent, nature and impact, positive and negative, of such change experienced and anticipated to be experienced in the proposed period of Project construction;

Reference response in Exhibit A.

v. how such change is anticipated to affect the organizational and financial capacity and ability of the relevant entity to remain engaged in the procurement described in the RFP and to ultimately participate in the Project as anticipated by the relevant Proposal.

Reference response in Exhibit A.

Part II. In accordance with Section 3.1.2.b of the Financial Proposal Instructions, set out below are estimates of the impact of the material change on:

i. revenues;

Reference response in Exhibit A.

ii. expenses;

Reference response in Exhibit A.

iii. change in equity availability.

Reference response in Exhibit A.

Part III. In accordance with Section 3.1.2.c of the Financial Proposal Instructions, if the material change will have a negative financial impact, an explanation of measures that have been taken, are currently in progress or would be reasonably anticipated to be taken to insulate the Project from any such material change:

Reference response in Exhibit A.

EXHIBIT B-1

Preferred Stock Issuance: *As of March 31, 2017, the Company (CH2M) had 50,000,000 shares of preferred stock, $0.01 par value, authorized. On June 22, 2015, the Company designated 10,000,000 shares as Series A Preferred Stock with an original issue price of $62.22 under the Certificate of Designation. On June 24, 2015, the Company sold and issued an aggregate of 3,214,400 shares of Series A Preferred Stock for an aggregate purchase price of $200.0 million in a private placement to a subsidiary owned by investment funds affiliated with Apollo Global Management, LLC (together with its subsidiaries, "Apollo"). Total proceeds from the preferred stock offering were $191.7 million, net of issuance costs of $8.3 million. The sale occurred in connection with the initial closing pursuant to the Subscription Agreement entered into by the Company and Apollo on May 27, 2015 ("Subscription Agreement"). On April 11, 2016, Apollo purchased an additional 1,607,200 shares of Series A Preferred Stock for an aggregate purchase price of approximately $100.0 million in a second closing subject to the conditions within the Subscription Agreement. Total proceeds from the preferred stock offering were $99.8 million, net of issuance costs of $0.2 million.*

EXHIBIT C

Part I. In accordance with Section 3.1.2.a of the Financial Proposal Instructions, the following sets out a description of an actual or anticipated material change:

i. such change;

1. ***Restructuring and Related Charges:*** *Reference Exhibit C-1.*

ii. actual and anticipated changes or disruptions in executive management relating to such change;

Reference response in Exhibit A.

iii. the likelihood that such change will continue during the proposed period of Project construction;

Reference response in Exhibit A.

iv. the projected full extent, nature and impact, positive and negative, of such change experienced and anticipated to be experienced in the proposed period of Project construction;

Reference response in Exhibit A.

v. how such change is anticipated to affect the organizational and financial capacity and ability of the relevant entity to remain engaged in the procurement described in the RFP and to ultimately participate in the Project as anticipated by the relevant Proposal.

Reference response in Exhibit A.

Part II. In accordance with Section 3.1.2.b of the Financial Proposal Instructions, set out below are estimates of the impact of the material change on:

i. revenues;

Reference response in Exhibit A.

ii. expenses;

Reference response in Exhibit A.

iii. change in equity availability.

Reference response in Exhibit A.

Part III. In accordance with Section 3.1.2.c of the Financial Proposal Instructions, if the material change will have a negative financial impact, an explanation of measures that have been taken, are currently in progress or would be reasonably anticipated to be taken to insulate the Project from any such material change:

Reference response in Exhibit A.

EXHIBIT C-1

Restructuring and Related Charges: *During the third quarter of 2016, the Company (CH2M) began a process to review the structure and resources within its business segments and formulate a restructuring plan to more fully align global operations with the Company's client-centric strategy, including a simplified organization structure and streamlined delivery model to achieve higher levels of profitable growth ("2016 Restructuring Plan"). The restructuring activities primarily include workforce reductions and facilities consolidations. During the three months ended March 31, 2017, we incurred $13.1 million of costs for these restructuring activities related to the 2016 Restructuring Plan, which have been included in selling, general and administrative expense on the consolidated statements of operations. Overall, as of March 31, 2017, we have incurred aggregate costs of $55.3 million in total restructuring charges under the 2016 Restructuring Plan. We completed the 2016 Restructuring Plan in the first quarter of 2017, and we expect aggregate annual cost savings of approximately $100.0 million.*

EXHIBIT D

Part I. In accordance with Section 3.1.2.a of the Financial Proposal Instructions, the following sets out a description of an actual or anticipated material change:

i. such change;

1. ***Changes in Defined Benefit Plans:*** *Reference Exhibit D-1.*

ii. actual and anticipated changes or disruptions in executive management relating to such change;

Reference response in Exhibit A.

iii. the likelihood that such change will continue during the proposed period of Project construction;

Reference response in Exhibit A.

iv. the projected full extent, nature and impact, positive and negative, of such change experienced and anticipated to be experienced in the proposed period of Project construction;

Reference response in Exhibit A.

v. how such change is anticipated to affect the organizational and financial capacity and ability of the relevant entity to remain engaged in the procurement described in the RFP and to ultimately participate in the Project as anticipated by the relevant Proposal.

Reference response in Exhibit A.

Part II. In accordance with Section 3.1.2.b of the Financial Proposal Instructions, set out below are estimates of the impact of the material change on:

i. revenues;

Reference response in Exhibit A.

ii. expenses;

Reference response in Exhibit A.

iii. change in equity availability.

Reference response in Exhibit A.

Part III. In accordance with Section 3.1.2.c of the Financial Proposal Instructions, if the material change will have a negative financial impact, an explanation of measures that have been taken, are currently in progress or would be reasonably anticipated to be taken to insulate the Project from any such material change:

Reference response in Exhibit A.

EXHIBIT D-1

Changes in Defined Benefit Plans: *During the year ended December 30, 2016, the Company (CH2M) adopted an amendment for one of our United States defined benefit plans, the OMI Plan, to freeze future pay and benefit service accruals beginning in 2017 for non-union participants, resulting a gain on curtailment of $4.6 million in our net periodic pension expense and a $3.0 million reduction in our projected benefit obligation. There was also an additional gain of $1.2 million due to settlements within several small end-of-service benefit plans in the Middle East during the year ended December 30, 2016, which resulted in a $6.1 million reduction to our projected benefit obligation.*

On October 4, 2016, Halcrow Group Limited ("HGL"), a subsidiary of CH2M, effected a transaction to restructure the benefits provided to members of the Halcrow Pension Scheme ("HPS"), a defined benefit plan sponsored by HGL, by providing each member with the option to transfer his or her benefits in the HPS to a new pension scheme, which is also sponsored by HGL ("HPS2"). Alternatively, members had the option to remain in the HPS which will enter the Pension Protection Fund ("PPF") under a regulated apportionment arrangement. The new scheme, HPS2, provides benefits that are better than the compensation that would otherwise be paid by the PPF if a member chose to join the PPF rather than HPS2. The PPF was created by the United Kingdom Pensions Act 2004 to provide compensation to members of eligible defined benefit pension schemes when an employer of the scheme can no longer support the pension scheme. A member that transferred to HPS2 will receive substantially similar benefits to those in the HPS, except that annual increases and revaluation of benefits are reduced to statutory levels. A pension scheme member of the HPS that elected to transfer to the new scheme also received a one-time uplift to benefits of either 1.0% or 2.5%. The Pension Regulator, which is the United Kingdom's executive body that regulates work-based pension schemes, and the PPF provided necessary regulatory approvals for the transaction to restructure the HPS benefits.

As a result of the transaction described above, HGL ceased to have any further obligations to the HPS on October 4, 2016. All members who consented to transfer to HPS2 were transferred on October 5, 2016. Members who agreed to transfer to the new scheme account for 96.6% of the HPS' liabilities and a broadly equivalent proportion of the HPS' assets have transferred to the new scheme, as well as 20% of HGL's equity issued as part of the transaction. As a result of the restructured benefits for those members transferring to HPS2, the projected benefit obligation was reduced by $362.3 million. Those members who remained in the HPS began the process of transferring to the PPF during the fourth quarter of 2016 along with the assets that remain in the HPS, as well as 5% of HGL's equity issued as part of the transaction, resulting in a settlement of $28.4 million and an actuarial gain of $16.2 million within the projected benefit obligation. We did not incur a gain or loss on settlement as a result of the transaction as the settlement cost related to the members who remained in HPS was less than the service and interest cost components of net periodic pension expense for 2016.

Additionally, in connection with the transaction, CH2M issued a £50.0 million, approximately $65.0 million, parent company guarantee to support HPS2 and funded £80.0 million, approximately $104.0 million, to be allocated between HPS2 and the PPF based on the proportion of the HPS' members that transferred to HPS2.

EXHIBIT E

Part I. In accordance with Section 3.1.2.a of the Financial Proposal Instructions, the following sets out a description of an actual or anticipated material change:

i. such change;

*1. **Second Lien Indenture:** Reference Exhibit E-1.*

ii. actual and anticipated changes or disruptions in executive management relating to such change;

Reference response in Exhibit A.

iii. the likelihood that such change will continue during the proposed period of Project construction;

Reference response in Exhibit A.

iv. the projected full extent, nature and impact, positive and negative, of such change experienced and anticipated to be experienced in the proposed period of Project construction;

Reference response in Exhibit A.

v. how such change is anticipated to affect the organizational and financial capacity and ability of the relevant entity to remain engaged in the procurement described in the RFP and to ultimately participate in the Project as anticipated by the relevant Proposal.

Reference response in Exhibit A.

Part II. In accordance with Section 3.1.2.b of the Financial Proposal Instructions, set out below are estimates of the impact of the material change on:

i. revenues;

Reference response in Exhibit A.

ii. expenses;

Reference response in Exhibit A.

iii. change in equity availability.

Reference response in Exhibit A.

Part III. In accordance with Section 3.1.2.c of the Financial Proposal Instructions, if the material change will have a negative financial impact, an explanation of measures that have been taken, are currently in progress or would be reasonably anticipated to be taken to insulate the Project from any such material change:

Reference response in Exhibit A.

EXHIBIT E-1

Second Lien Indenture: *On April 28, 2017, we (CH2M) entered into a Second Lien Indenture through which we issued Senior Second Lien Notes with an aggregate principal amount of $200.0 million at an annual interest rate of 10% (the "Second Lien Notes"). The Second Lien Notes mature on April 28, 2020, and interest is payable on May 1 and November 1 of each year, commencing on November 1, 2017. The net proceeds of the Second Lien Notes are to be used to repay a portion of the outstanding revolving credit loans under our Credit Facility. The Second Lien Notes are unsubordinated, senior obligations of CH2M and are secured by second-priority liens on substantially all of CH2M's and certain CH2M subsidiaries' domestic assets.*

EXHIBIT F

Part I. In accordance with Section 3.1.2.a of the Financial Proposal Instructions, the following sets out a description of an actual or anticipated material change:

i. such change;

1. ***Fourth Amendment to Our Credit Agreement:*** *Reference Exhibit F-1.*

ii. actual and anticipated changes or disruptions in executive management relating to such change;

Reference response in Exhibit A.

iii. the likelihood that such change will continue during the proposed period of Project construction;

Reference response in Exhibit A.

iv. the projected full extent, nature and impact, positive and negative, of such change experienced and anticipated to be experienced in the proposed period of Project construction;

Reference response in Exhibit A.

v. how such change is anticipated to affect the organizational and financial capacity and ability of the relevant entity to remain engaged in the procurement described in the RFP and to ultimately participate in the Project as anticipated by the relevant Proposal.

Reference response in Exhibit A.

Part II. In accordance with Section 3.1.2.b of the Financial Proposal Instructions, set out below are estimates of the impact of the material change on:

i. revenues;

Reference response in Exhibit A.

ii. expenses;

Reference response in Exhibit A.

iii. change in equity availability.

Reference response in Exhibit A.

Part III. In accordance with Section 3.1.2.c of the Financial Proposal Instructions, if the material change will have a negative financial impact, an explanation of measures that have been taken, are currently in progress or would be reasonably anticipated to be taken to insulate the Project from any such material change:

Reference response in Exhibit A.

EXHIBIT F-1

Fourth Amendment to Our Credit Agreement:

In connection with the issuance of the Second Lien Notes, on April 28, 2017 we entered into the Fourth Amendment ("Fourth Amendment") to our Credit Agreement. The Fourth Amendment allows for the issuance and sale of the Second Lien Notes, as discussed above, lowers our maximum revolving credit facility to $875.0 million from $925.0 million, increases the maximum consolidated leverage ratio, as defined by the Fourth Amendment, to 4.00x from 3.00x, and modifies the definition of adjusted EBIDTA as used in the financial covenant calculation.

The obligations of CH2M and its subsidiaries that are either borrowers or guarantors under the Fourth Amendment are secured by first-priority security interests in substantially all of the domestic assets of CH2M and such subsidiaries pursuant to Amended Credit Agreement dated as of September 30, 2016. As a result of the Second Lien Notes and the Fourth Amendment, our remaining unused borrowing capacity under the Credit Facility was over $300.0 million as of March 31, 2017.

3.3 Off Balance Sheet Liabilities

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

3.3 Off Balance Sheet Liabilities

CH2M
9191 South Jamaica Street
Englewood, CO 80112-5946
O 303.771.0900
F 720 286.9250
www.ch2m.com

June 1, 2017

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222
Attn: Keith Stefanik, Procuring Authorities' Contact Person

Re. Off Balance Sheet Liabilities Letter
in connection with the Instruction to Proposers for the Central 70 Project ("ITP")

I, Steven Mathews, in my capacity as Treasurer of CH2M HILL Engineers, Inc. (the "Company"), a member of the Lead Engineer in Front Range Mobility Group, and not in my personal capacity, deliver this letter pursuant to Section 3.3 of the Administrative and Technical Proposal Submission Requirements set out in the ITP and hereby confirm as follows.

There are no off balance sheet liabilities for any fiscal year of the Company in respect of which financial statements have been submitted in accordance with Section 3.1 of the Administrative and Technical Proposal Submission Requirements that exceed $25 million in aggregate in such fiscal year.

Respectfully submitted,

Name: Steven Mathews
Title: Treasurer
CH2M HILL Engineers, Inc.

3.4 Credit Ratings

Front Range
Mobility Group
Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

Front Range Mobility Group

Form G-3: Credit Ratings

Proposer Name: Front Range Mobility Group

Credit Ratings

Role	Entity Name	Fitch	Moody's	S&P	DBRS	Change(s) in any credit ratings since SOQ?	Describe Change(s)
EM, LO	HOCHTIEF PPP Solutions North America, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	ACS Infrastructure Development, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	AECOM Capital, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM	John Laing Investments Limited	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Flatiron Constructors, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Dragados USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	AECOM Energy & Construction, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	CH2M HILL Engineers, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	AECOM Technical Services, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF Aktiengesellschaft	Not rated	Not rated	**BBB**	Not rated	☒ Yes ☐ No	Now rated by S&P
FRP	HOCHTIEF PPP Solutions GmbH	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	ACS Servicios y Concesiones, S.L.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	AECOM	Not rated	**Ba2**	**BB**	Not rated	☒ Yes ☐ No	Now rated by S&P in addition to Moody's; Moody's rating has not changed since the SOQ
FRP	Dragados, S.A.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	John Laing Group plc	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	CH2M HILL Companies, Ltd	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	

AECOM Technical Services, Inc.

Front Range Mobility Group

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Vasquez Blvd
Colorado Blvd
ELEMENTARY SCHOOL
THE EXTRA MILE

CONNECTING COMMUNITIES

AECOM Technical Services, Inc.

3.1 Financial Statements

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL

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CONNECTING COMMUNITIES

2016

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT 213

Front Range
Mobility Group

2016

2015

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT 213

Front Range
Mobility Group

2015

3.2 Material Changes in Financial Condition

Front Range
Mobility Group

Steele St
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Colorado Blvd
ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

AECOM

AECOM
1999 Avenue of the Stars
Suite 2600
Los Angeles, CA 90067
www.aecom.com

213.593.8100 tel
213.593.8178 fax

May 30, 2017

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222

Attn: Keith Stefanik, Procuring Authorities' Contact Person

RE: Material Changes Letter in connection with the Instruction to Proposers for the Central 70 Project ("ITP")

Dear Mr. Stefanik,

I, Anshooman Aga, in my capacity as Chief Financial Officer of AECOM Technical Services, Inc. (the "Company"), the Lead Engineer in Front Range Mobility Group, and not in my personal capacity, deliver this letter pursuant to Section 3.2 of the Administrative and Technical Proposal Submission Requirements and hereby confirm as follows.

There have been no material changes in the Company's financial capacity since Proposer submitted its SOQ and no material changes are anticipated to occur during the remainder of the Company's current fiscal year.

Unless defined herein, capitalized terms used in this letter have the meanings given to them in the ITP.

Respectfully submitted,

Anshooman Aga

Name: Anshooman Aga
Title: Chief Financial Officer
AECOM Technical Services, Inc.

3.3 Off Balance Sheet Liabilities

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

3.3 Off Balance Sheet Liabilities

AECOM

AECOM
1999 Avenue of the Stars
Suite 2600
Los Angeles, CA 90067
www.aecom.com

213.593.8100 tel
213.593.8178 fax

May 30, 2017

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222

Attn: Keith Stefanik, Procuring Authorities' Contact Person

RE: Off Balance Sheet Liabilities Letter
in connection with the Instruction to Proposers for the Central 70 Project ("ITP")

Dear Mr. Stefanik,

I, Anshooman Aga, in my capacity as Chief Financial Officer of AECOM Technical Services, Inc. (the "Company"), the Lead Engineer in Front Range Mobility Group, and not in my personal capacity, deliver this letter pursuant to Section 3.3 of the Administrative and Technical Proposal Submission Requirements set out in the ITP and hereby confirm as follows.

There are no off balance sheet liabilities for any fiscal year of the Company in respect of which financial statements have been submitted in accordance with Section 3.1 of the Administrative and Technical Proposal Submission Requirements that exceed $25 million in aggregate in such fiscal year.

Respectfully submitted,

Anshooman Aga

Name: Anshooman Aga,
Title: Chief Financial Officer
AECOM Technical Services, Inc.

3.4 Credit Ratings

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
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THE EXTRA MILE
CONNECTING COMMUNITIES

Form G-3: Credit Ratings

Proposer Name: Front Range Mobility Group

Credit Ratings

Role	Entity Name	Fitch	Moody's	S&P	DBRS	Change(s) in any credit ratings since SOQ?	Describe Change(s)
EM, LO	HOCHTIEF PPP Solutions North America, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	ACS Infrastructure Development, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	AECOM Capital, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM	John Laing Investments Limited	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Flatiron Constructors, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Dragados USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	AECOM Energy & Construction, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	CH2M HILL Engineers, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	AECOM Technical Services, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF Aktiengesellschaft	Not rated	Not rated	**BBB**	Not rated	☒ Yes ☐ No	Now rated by S&P
FRP	HOCHTIEF PPP Solutions GmbH	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	ACS Servicios y Concesiones, S.L.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	AECOM	Not rated	**Ba2**	**BB**	Not rated	☒ Yes ☐ No	Now rated by S&P in addition to Moody's; Moody's rating has not changed since the SOQ
FRP	Dragados, S.A.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	John Laing Group plc	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	CH2M HILL Companies, Ltd	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	

Front Range
Mobility Group

VOLUME 3 — FINANCIAL CAPACITY UPDATES
Binder 2 of 3

CENTRAL 70 PROJECT
PUBLIC DISCLOSURE
Administrative and Technical Proposal:

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
EA ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

CENTRAL 70 PROJECT
FRONT RANGE MOBILITY GROUP – ADMINISTRATIVE AND TECHNICAL PROPOSAL SUBMISSION
VOLUME 3 – FINANCIAL CAPACITY UPDATE
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3.3 Off Balance Sheet Liabilities
3.4 Credit Ratings

- **HOCHTIEF PPP Solutions GmbH**

3.1 Financial Statements
Letter explaining why 2016 Financial Statements are not available
3.2 Material Changes in Financial Condition
3.3 Off Balance Sheet Liabilities
3.4 Credit Ratings

- **HOCHTIEF USA, Inc.**

3.1 Financial Statements
Letter explaining why 2016 Financial Statements are not available
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- **ACS Servicios Y Concesiones, S.L.**

3.1 Financial Statements
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- **AECOM**

3.1 Financial Statements
2016 and 2015
3.2 Material Changes in Financial Condition
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HOCHTIEF Aktiengesellschaft

Front Range Mobility Group

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Colorado Blvd
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HOCHTIEF Aktiengesellschaft

3.1 Financial Statements

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Colorado Blvd
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CONNECTING COMMUNITIES

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3.1 Financial Statements

Deloitte.

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Wirtschaftsprüfungsgesellschaft

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22.05.2017
Schmitz/BB

Extracts of Financial Statements in U.S. Dollars
Confirmation

We, as the auditors of HOCHTIEF Aktiengesellschaft, hereby confirm that the attached consolidated statements of earnings, consolidated balance sheets and consolidated statements of cash flows of HOCHTIEF Aktiengesellschaft for the financial years 2015 and 2016 are correctly derived from the audited HOCHTIEF Aktiengesellschaft consolidated financial statements for the respective periods.

The HOCHTIEF Aktiengesellschaft consolidated financial statements are Euro-based. For the US-dollar conversion all numbers were divided by the period end exchange rate listed below.

	Euro per 1 US Dollar
	period end exchange rate
December 31, 2016	0.95
December 31, 2015	0.92

We issue this confirmation on the basis of the engagement agreed with the client, which comprises the attached "General Terms of Engagement for Wirtschaftsprüfer and Wirtschaftsprüfergesellschaften as of January 1, 2017", which are also applicable to third parties.

Düsseldorf, 22 May 2017

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(André Bedenbecker)
Wirtschaftsprüfer
[German Public Auditor]

(Christian Schmitz)
Wirtschaftsprüfer
[German Public Auditor]

Enclosures

Sitz der Gesellschaft:
München
Amtsgericht München
HRB 83442
Vorsitzender des Aufsichtsrats:
WP/StB Udo Corzilius

Geschäftsführer:
WP/StB Prof. Dr. Martin Plendl
(Vorsitzender)
WP/StB Prof. Dr. Frank Beine
WP/StB Manfred Bögle
WP/FCA Adrian Crampton
StB Marion Döhle

WP/StB Stefan Fröhlich
WP/StB Dr. Michael Göttgens
WP/StB Heiner Kompenhans
WP/StB Lutz Meyer
Christopher Nürk
WP/StB Reinhard Scharpenberg

WP/StB Dieter Schlereth
WP Fred Strottmann
WP/StB Jörg Tesch
RA Prof. Dr. Otmar Thömmes
RA/StB Prof. Dr. Felix Wurm

Consolidated Balance Sheet

		(EUR thousand)		(US$ thousand)	
(thousand)	Note	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Assets					
Non-current assets					
Intangible assets	(11)	1.307.872	883.184	1.376.707	959.983
Property, plant and equipment	(12)	1.177.551	1.115.512	1.239.527	1.212.513
Investment properties	(13)	12.007	14.096	12.639	15.322
Equity-method investments	(14)	704.897	979.720	741.997	1.064.913
Other financial assets	(15)	71.562	123.853	75.328	134.623
Financial receivables	(16)	818.579	679.461	861.662	738.545
Other receivables and other assets	(17)	180.741	147.013	190.254	159.797
Non-current income tax assets	(18)	19.695	16.907	20.732	18.377
Deferred tax assets	(19)	292.052	170.582	307.423	185.415
		4.584.956	**4.130.328**	**4.826.269**	**4.489.487**
Current assets					
Inventories	(20)	559.168	767.760	588.598	834.522
Financial receivables	(16)	55.985	66.083	58.932	71.829
Trade receivables	(21)	5.025.260	4.536.997	5.289.747	4.931.518
Other receivables and other assets	(17)	450.297	172.996	473.997	188.039
Current income tax assets	(18)	31.152	51.933	32.792	56.449
Marketable securities	(22)/(23) *	463.424	576.898	487.815	627.063
Cash and cash equivalents	(23)/(24) *	2.847.426	2.808.707	2.997.291	3.052.942
Assets held for sale **		32.719	158.281	34.441	172.045
		9.465.431	**9.139.655**	**9.963.612**	**9.934.408**
		14.050.387	**13.269.983**	**14.789.881**	**14.423.895**
Liabilities and Shareholders' Equity					
Shareholders' equity	(24)/(25) *				
Attributable to the Group					
Subscribed capital		164.608	177.432	173.272	192.861
Capital reserve		817.427	804.163	860.449	874.090
Revenue reserves		656.236	1.005.415	690.775	1.092.842
of which: deduction for treasury stock		[3.829]	[292.913]	4.031	[318.384]
Accumulated other comprehensive income		18.836	18.272	19.827	19.861
Unappropriated net profit		167.180	138.619	175.979	150.673
		1.824.287	**2.143.901**	**1.920.302**	**2.330.327**
Minority interest		**761.210**	**1.002.847**	**801.274**	**1.090.051**
		2.585.497	**3.146.748**	**2.721.576**	**3.420.378**
Non-current liabilities					
Provisions for pensions and similar obligations	(26)/(27) *	440.246	353.448	463.417	384.183
Other provisions	(27)/(28) *	423.256	449.937	445.533	489.062
Financial liabilities	(28)/(29) *	1.633.321	2.355.089	1.719.285	2.559.879
Other liabilities	(29)/(30) *	36.841	68.040	38.780	73.957
Deferred tax liabilities	(19)	34.917	29.719	36.755	32.303
		2.568.581	**3.256.233**	**2.703.769**	**3.539.384**
Current liabilities					
Other provisions	(27)/(28) *	821.603	817.735	864.845	888.842
Financial liabilities	(28)/(29) *	1.046.934	309.439	1.102.036	336.347
Trade payables	(30)/(31) *	6.468.367	5.419.879	6.808.807	5.891.173
Other liabilities	(29)/(30) *	555.341	277.010	584.569	301.098
Current income tax liabilities	(31)/(32) *	4.064	10.257	4.278	11.149
Liabilities associated with assets held for sale **		0	32.682	0	35.524
		8.896.309	**6.867.002**	**9.364.536**	**7.464.133**
		14.050.387	**13.269.983**	**14.789.881**	**14.423.895**

* First Note referring to the HOCHTIEF AG Annual Report 2016; second Note referring to the HOCHTIEF AG Annual Report 2015

** For further information, please see page 174 of the HOCHTIEF AG 2016 Annual Report and page 176 of the HOCHTIEF AG 2015 Annual Report.

Sources:

2016 Figures: Annual Report 2016 > Consolidated Financial Statements and Notes > Consolidated Balance Sheet - page 167

2015 Figures: Annual Report 2015 > Consolidated Financial Statements and Notes > Consolidated Balance Sheet - page 171

Consolidated Statement of Earnings

		(EUR thousand)		(US$ thousand)	
(thousand)	Note	2016	2015	2016	2015
Sales	(1)	19.908.328	21.096.618	20.956.135	22.931.107
Changes in inventories		-93.030	18.468	-97.926	20.074
Other operating income	(2)	372.477	217.498	392.081	236.411
Materials	(3)	-14.778.229	-15.484.266	-15.556.031	-16.830.724
Personnel costs	(4)	-3.285.214	-3.655.734	-3.458.120	-3.973.624
Depreciation and amortization	(5)	-287.721	-413.831	-302.864	-449.816
Other operating expenses	(6)	-1.208.075	-1.203.403	-1.271.658	-1.308.047
Profit from operating activities		**628.536**	**575.350**	**661.617**	**625.380**
Share of profits and losses of equity-method associates and joint ventures	(7)	75.117	79.035	79.071	85.908
Net income from other participating interests	(7)	39.803	76.676	41.898	83.343
Investment and interest income	(8)	87.415	92.840	92.016	100.913
Investment and interest expenses	(8)	-210.160	-300.497	-221.221	-326.627
Profit before taxes - continuing operations		**620.711**	**523.404**	**653.380**	**568.917**
Income taxes	(9)	-187.217	-190.210	-197.071	-206.750
Profit after taxes - total		**433.494**	**333.194**	**456.309**	**362.167**
Thereof: Attributable to non-controlling interest	(10)	[113.011]	[124.907]	[118.959]	[135.768]
Thereof: Attributable to HOCHTIEF shareholders (net profit)		[320.483]	[208.287]	[337.351]	[226.399]
Earnings per share (EUR)					
Diluted and undiluted earnings per share	(32)/(33) *	4,98	3,11	5,24	3,38

* First Note referring to the HOCHTIEF AG Annual Report 2016; second Note referring to the HOCHTIEF AG Annual Report 2015

Sources:

2016 Figures: Annual Report 2016 > Consolidated Financial Statements and Notes > Consolidated Statement of Earnings - page 165

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Consolidated Statement of Cash Flows

(thousand)	Notes (36)/(37)*	(EUR thousand) 2016	(EUR thousand) 2015	(US$ thousand) 2016	(US$ thousand) 2015
Profit after tax		433.494	333.194	456.309	362.167
Depreciation, amortization, impairments, and impairment reversals		286.540	409.965	301.621	445.614
Changes in provisions		-81.797	-2.400	-86.102	-2.609
Changes in deferred taxes		83.054	60.986	87.425	66.289
Gains/(losses) from disposals of non-current assets and marketable securities		-6.766	-9.181	-7.122	-9.979
Other non-cash income and expenses (primarily equity accounting) and deconsolidations		66.152	-24.026	69.634	-26.115
Changes in working capital (net current assets)		384.812	358.666	405.065	389.854
Changes in other balance sheet items		7.902	8.002	8.318	8.698
Cash flow from operations		**1.173.391**	**1.135.206**	**1.235.148**	**1.233.920**
Intangible assets, property, plant and equipment, and investment properties					
Purchases		-272.575	-285.475	-286.921	-310.299
Proceeds from asset disposals		85.327	135.042	89.818	146.785
Acquisitions and participating interests				0	
Purchases		-260.965	-116.016	-274.700	-126.104
Proceeds from asset disposals/divestments		172.900	1.641.071	182.000	1.783.773
Income tax payments in connection with divestments		-21.546	-177.265	-22.680	-192.679
Changes in cash and cash equivalents due to consolidation changes		163.986	-465.847	172.617	-506.355
Changes in securities holdings and financial receivables		66.701	231.397	70.212	251.518
Cash flow from investing activities		**-66.172**	**962.907**	**-69.655**	**1.046.638**
Payment for repurchase of treasury stock		-79.656	-245.511	-83.848	-266.860
Payments received from sale of treasury stock		1.284	1.047	1.352	1.138
Payments for repurchase of treasury stock at CIMIC		-286.731	0	-301.822	
Payments for the purchase of additional shares in subsidiaries		-276.598	-5.847	-291.156	-6.355
Payments from equity to non-controlling interests		-1.162	0	-1.223	n.a.
Payments into equity from non-controlling interests		0	2.683	0	2.916
Other financing activities		-12.644	-2.843	-13.309	-3.090
Dividends to HOCHTIEF's and non-controlling interests		-225.375	-236.220	-237.237	-256.761
Proceeds from new borrowing		681.803	786.090	717.687	854.446
Debt repayment		-936.495	-2.308.197	-985.784	-2.508.910
Cash flow from financing activities		**-1.135.574**	**-2.008.798**	**-1.195.341**	**-2.183.476**
Net cash increase in cash and cash equivalents		**-28.355**	**89.315**	**-29.847**	**97.082**
Effect of exchange rate changes		67.074	134.033	70.604	145.688
Overall change in cash and cash equivalents		**38.719**	**223.348**	**40.757**	**242.770**
Cash and cash equivalents at the start of the year		2.808.707	2.585.359	2.956.534	2.810.173
Cash and cash equivalents at year-end		**2.847.426**	**2.808.707**	**2.997.291**	**3.052.942**

* First Note referring to the HOCHTIEF AG Annual Report 2016; second Note referring to the HOCHTIEF AG Annual Report 2015

Sources:

2016 Figures: Annual Report 2016 > Consolidated Financial Statements and Notes > Consolidated Statement of Cash Flows - page 168

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[Translator's notes are in square brackets]

General Engagement Terms

for

Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [*Translators Note: The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

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(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party

b) examination of tax assessments in relation to the taxes referred to in (a)

c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)

d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)

e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;

b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;

c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and

d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.

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2016

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT 213

Front Range
Mobility Group

2016

HOCHTIEF Group Consolidated Financial Statements as of December 31, 2016

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Consolidated Statement of Earnings

(EUR thousand)	Note	2016	2015
Sales	(1)	19,908,328	21,096,618
Changes in inventories		(93,030)	18,468
Other operating income	(2)	372,477	217,498
Materials	(3)	(14,778,229)	(15,484,266)
Personnel costs	(4)	(3,285,214)	(3,655,734)
Depreciation and amortization	(5)	(287,721)	(413,831)
Other operating expenses	(6)	(1,208,075)	(1,203,403)
Profit from operating activities		**628,536**	**575,350**
Share of profits and losses of equity-method associates and joint ventures	(7)	75,117	79,035
Net income from other participating interests	(7)	39,803	76,676
Investment and interest income	(8)	87,415	92,840
Investment and interest expenses	(8)	(210,160)	(300,497)
Profit before taxes		**620,711**	**523,404**
Income taxes	(9)	(187,217)	(190,210)
Profit after tax		**433,494**	**333,194**
Thereof: Attributable to non-controlling interest	(10)	[113,011]	[124,907]
Thereof: Attributable to HOCHTIEF shareholders (net profit)		[320,483]	[208,287]
Earnings per share (EUR)			
Diluted and undiluted earnings per share	(32)	4.98	3.11

Consolidated Statement of Comprehensive Income

(EUR thousand)	Note (24)	2016	2015
Profit after tax		**433,494**	**333,194**
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		97,238	148,334
Changes in fair value of financial instruments			
Primary		(17,800)	22,581
Derivative		(895)	1,543
Share of profits and losses of equity-method associates and joint ventures recognized directly in equity		(16,174)	1,004
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plans		(59,103)	21,063
Other comprehensive income (after tax)		**3,266**	**194,525**
Total comprehensive income after tax		**436,760**	**527,719**
Of which: HOCHTIEF Group		[115,713]	[182,953]
Of which: Minority interest		[321,047]	[344,766]

Consolidated Balance Sheet

(EUR thousand)	Note	Dec. 31, 2016	Dec. 31, 2015
Assets			
Non-current assets			
Intangible assets	(11)	1,307,872	883,184
Property, plant and equipment	(12)	1,177,551	1,115,512
Investment properties	(13)	12,007	14,096
Equity-method investments	(14)	704,897	979,720
Other financial assets	(15)	71,562	123,853
Financial receivables	(16)	818,579	679,461
Other receivables and other assets	(17)	180,741	147,013
Non-current income tax assets	(18)	19,695	16,907
Deferred tax assets	(19)	292,052	170,582
		4,584,956	**4,130,328**
Current assets			
Inventories	(20)	559,168	767,760
Financial receivables	(16)	55,985	66,083
Trade receivables	(21)	5,025,260	4,536,997
Other receivables and other assets	(17)	450,297	172,996
Current income tax assets	(18)	31,152	51,933
Marketable securities	(22)	463,424	576,898
Cash and cash equivalents	(23)	2,847,426	2,808,707
Assets held for sale*		32,719	158,281
		9,465,431	**9,139,655**
		14,050,387	**13,269,983**
Liabilities and Shareholders' Equity			
Shareholders' equity	(24)		
Attributable to the Group			
Subscribed capital		164,608	177,432
Capital reserve		817,427	804,163
Revenue reserves		656,236	1,005,415
Of which: Deduction for treasury stock		[3,829]	[292,913]
Accumulated other comprehensive income		18,836	18,272
Unappropriated net profit		167,180	138,619
		1,824,287	**2,143,901**
Minority interest		**761,210**	**1,002,847**
		2,585,497	**3,146,748**
Non-current liabilities			
Provisions for pensions and similar obligations	(26)	440,246	353,448
Other provisions	(27)	423,256	449,937
Financial liabilities	(28)	1,633,321	2,355,089
Other liabilities	(29)	36,841	68,040
Deferred tax liabilities	(19)	34,917	29,719
		2,568,581	**3,256,233**
Current liabilities			
Other provisions	(27)	821,603	817,735
Financial liabilities	(28)	1,046,934	309,439
Trade payables	(30)	6,468,367	5,419,879
Other liabilities	(29)	555,341	277,010
Current income tax liabilities	(31)	4,064	10,257
Liabilities associated with assets held for sale*		–	32,682
		8,896,309	**6,867,002**
		14,050,387	**13,269,983**

*For further information, please see page 174.

Consolidated Statement of Cash Flows

(EUR thousand)	Note (36)	2016	2015
Profit after tax		433,494	333,194
Depreciation, amortization, impairments, and impairment reversals		286,540	409,965
Changes in provisions		(81,797)	(2,400)
Changes in deferred taxes		83,054	60,986
Gains/(losses) from disposals of non-current assets and marketable securities		(6,766)	(9,181)
Other non-cash income and expenses (primarily equity accounting) and deconsolidations		66,152	(24,026)
Changes in working capital (net current assets)		384,812	358,666
Changes in other balance sheet items		7,902	8,002
Cash flow from operating activities		**1,173,391**	**1,135,206**
Intangible assets, property, plant and equipment, and investment properties			
Purchases		(272,575)	(285,475)
Proceeds from asset disposals		85,327	135,042
Acquisitions and participating interests			
Purchases		(260,965)	(116,016)
Proceeds from asset disposals/divestments		172,900	1,641,071
Income tax payments in connection with divestments		(21,546)	(177,265)
Changes in cash and cash equivalents due to consolidation changes		163,986	(465,847)
Changes in securities holdings and financial receivables		66,701	231,397
Cash flow from investing activities		**(66,172)**	**962,907**
Payment for repurchase of treasury stock		(79,656)	(245,511)
Payments received from sale of treasury stock		1,284	1,047
Payments for repurchase of treasury stock at CIMIC		(286,731)	–
Payments for the purchase of additional shares in subsidiaries		(276,598)	(5,847)
Payments from equity to non-controlling interests		(1,162)	–
Payments into equity from non-controlling interests		–	2,683
Other financing activities		(12,644)	(2,843)
Dividends to HOCHTIEF's and non-controlling interests		(225,375)	(236,220)
Proceeds from new borrowing		681,803	786,090
Debt repayment		(936,495)	(2,308,197)
Cash flow from financing activities		**(1,135,574)**	**(2,008,798)**
Net cash increase in cash and cash equivalents		**(28,355)**	**89,315**
Effect of exchange rate changes		67,074	134,033
Overall change in cash and cash equivalents		**38,719**	**223,348**
Cash and cash equivalents at the start of the year		2,808,707	2,585,359
Cash and cash equivalents at year-end		**2,847,426**	**2,808,707**

Consolidated Financial Statements and Notes

Consolidated Statement of Changes in Equity

Note 24 (EUR thousand)	Subscribed capital of HOCHTIEF Aktiengesellschaft*	Capital reserve of HOCHTIEF Aktiengesellschaft*	Revenue reserves	Accumulated other comprehensive income			Unappropriated net profit	Attributable to HOCHTIEF shareholders	Attributable to non-controlling interest	Total
				Remeasurement of defined benefit plans	Currency translation differences	Changes in fair value of financial instruments				
Balance as of Jan. 1, 2015	177,432	804,018	1,183,395	(308,590)	194,506	(4,123)	131,688	2,178,326	933,052	3,111,378
Dividends paid	–	–	–	–	–	–	(128,926)	(128,926)	(107,294)	(236,220)
Profit after tax	–	–	–	–	–	–	208,287	208,287	124,907	333,194
Currency translation differences and changes in fair value of financial instruments	–	–	–	–	92,285	23,131	–	115,416	58,046	173,462
Changes from remeasurement of defined benefit plans	–	–	–	21,063	–	–	–	21,063	–	21,063
Total comprehensive income	–	–	–	21,063	92,285	23,131	208,287	344,766	182,953	527,719
Transfer to revenue reserves	–	–	72,430	–	–	–	(72,430)	–	–	–
Other changes not recognized in the Statement of Earnings	–	145	(250,410)	–	–	–	–	(250,265)	(5,864)	(256,129)
Balance as of Dec. 31, 2015/ Jan. 1, 2016	**177,432**	**804,163**	**1,005,415**	**(287,527)**	**286,791**	**19,008**	**138,619**	**2,143,901**	**1,002,847**	**3,146,748**
Dividends paid	–	–	–	–	–	–	(128,473)	(128,473)	(88,409)	(216,882)
Profit after tax	–	–	–	–	–	–	320,483	320,483	113,011	433,494
Currency translation differences and changes in fair value of financial instruments	–	–	–	–	84,450	(24,783)	–	59,667	2,702	62,369
Changes from remeasurement of defined benefit plans	–	–	–	(59,103)	–	–	–	(59,103)	–	(59,103)
Total comprehensive income	–	–	–	(59,103)	84,450	(24,783)	320,483	321,047	115,713	436,760
Transfer to revenue reserves	–	–	163,449	–	–	–	(163,449)	–	–	–
Other changes not recognized in the Statement of Earnings**	(12,824)	13,264	(512,628)	–	–	–	–	(512,188)	(268,941)	(781,129)
Balance as of Dec. 31, 2016	**164,608**	**817,427**	**656,236**	**(346,630)**	**371,241**	**(5,775)**	**167,180**	**1,824,287**	**761,210**	**2,585,497**

* 5,009,434 shares of treasury stock were retired in 2016. This reduced the subscribed capital of HOCHTIEF Aktiengesellschaft by EUR 12,824 thousand; HOCHTIEF Aktiengesellschaft's capital reserve increased correspondingly by EUR 12,824 thousand.

** Other changes not recognized in the Statement of Earnings include minus EUR 384,522 thousand for acquisitions by CIMIC during the year under review, minus EUR 286,731 thousand for the purchase of treasury stock by CIMIC and minus EUR 79,656 thousand for the purchase of treasury stock by HOCHTIEF Aktiengesellschaft.

Notes to the consolidated financial statements

Accounting policies

General information

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with supplementary provisions of German commercial law applicable under Section 315a (1) of the German Commercial Code (HGB). The same accounting policies applied in the prior year.

Alongside the Consolidated Statement of Earnings, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, and the Consolidated Statement of Cash Flows, the Consolidated Financial Statements also include a Consolidated Statement of Changes in Equity. Segment reporting is provided in these Notes.

For purposes of clarity, a number of items are combined in the Balance Sheet and in the Statement of Earnings. These items are broken down into their constituents and commented on elsewhere in these Notes. The Statement of Earnings is presented using the nature of expense method of analysis.

The Consolidated Financial Statements are presented in euros.

As an independent listed group, HOCHTIEF Aktiengesellschaft, Essen, Germany, Court of Registration: Essen District Court, HRB 279, publishes its own consolidated financial statements, which are also included in the consolidated financial statements of ACS Actividades de Construcción y Servicios, S.A., Madrid, Spain (ACS).

The Consolidated Financial Statements relate to the year 2016, comprising the reporting period from January 1 to December 31, 2016.

The Executive Board of HOCHTIEF Aktiengesellschaft released the financial statements for publication on February 24, 2017. They will be approved at the Supervisory Board meeting on February 27, 2017.

Basis of consolidation

The Consolidated Financial Statements generally include HOCHTIEF Aktiengesellschaft as well as all domestic and foreign subsidiaries in which it directly or indirectly holds the majority of voting rights. This generally goes hand in hand with a majority shareholding. Seven companies are consolidated by virtue of contractual arrangements. Associates and joint ventures are accounted for using the equity method. Companies in which HOCHTIEF Aktiengesellschaft holds a majority of voting rights but over which it exercises joint control by contractual arrangement with other owners are likewise accounted for using the equity method unless classified as joint operations.

Holdings in subsidiaries or associated companies or joint ventures deemed to be of minor overall significance from a Group perspective are not consolidated and are accounted for in accordance with IAS 39.

A number of the subsidiaries included in the Consolidated Financial Statements make partial use of the exempting provisions in either Section 264 (3) or Section 264b of the German Commercial Code. A list of the companies that make use of these exemptions is included on pages 246 and 247.

The Consolidated Financial Statements as of December 31, 2016 include HOCHTIEF Aktiengesellschaft and a total of 55 German and 430 foreign consolidated companies as well as four special-purpose investment funds (Spezialfonds). The number of consolidated companies increased by 30 compared with the previous year. The number of special-purpose funds stayed the same. A total of two German and 80 foreign companies were consolidated for the first time in the reporting year. The additions were in the HOCHTIEF Asia Pacific division (71), the HOCHTIEF Americas division (9), and the HOCHTIEF Europe division (2). A total of five domestic and 47 foreign companies were removed from the consolidated group. The companies removed from the consolidated group mainly related to the HOCHTIEF Asia Pacific division (19), the HOCHTIEF Europe division (17), and the HOCHTIEF Americas division (15). An entity is generally added to or removed from the consolidated group at the time the equity stake in the entity is acquired or disposed of.

Thirty-eight affiliated companies of minor overall significance to the Group's financial position and results of operations were not consolidated. Their combined sales represented less than 1% of consolidated sales.

Sixteen domestic and 156 foreign associates were accounted for using the equity method. This number declined by a total of 10 companies, with 22 companies added and 32 removed. Most of the additions were in the HOCHTIEF Asia Pacific division (14) and the HOCHTIEF Americas division (6). The removals related to the HOCHTIEF Asia Pacific division (14) and the HOCHTIEF Americas and HOCHTIEF Europe divisions (9 each). Due to their minor overall significance, a further 13 companies were not accounted for using the equity method.

A total of 63 joint operations from the HOCHTIEF Asia Pacific division are included in the Consolidated Financial Statements on a proportionate basis. In the year under review, 13 entities were added and nine removed.

Acquisition—UGL Limited

On October 10, 2016, the CIMIC Group, through its subsidiary CIMIC Group Investments No. 2 Pty Limited (CGI2), acquired 13.84% of the issued shares of Australian services group UGL Limited ("UGL") and gave notice in a takeover bid that it wished to acquire the shares not yet held at a price of AUD 3.15 per share. Effective November 24, 2016, CIMIC increased its holding to over 50% and consolidated UGL. The holding as of the December 31, 2016 balance sheet date was 95%. Acquisition of the remaining shares was completed on January 20, 2017, following which CIMIC holds 100% of the shares.

The provisional fair values of the identified assets and liabilities as of the acquisition date are as follows:

(EUR million)	Provisional fair value on acquisition
Intangible assets	47.5
Property, plant and equipment	49.0
Equity-method investments and other financial assets	26.7
Income tax assets and deferred tax assets	180.6
Inventories	24.9
Trade receivables and other receivables	174.8
Cash and cash equivalents	102.8
Other current assets	19.1
Total assets	**625.4**
Trade payables and other liabilities	654.7
Provisions	55.7
Financial liabilities	212.3
Total liabilities	**922.7**
Net assets (identified)	**(297.3)**
Non-controlling interest	150.1
Goodwill	323.7
Net assets (acquired)	**176.5**

The acquisition was accounted for in accordance with IFRS 3. Non-controlling interests in the acquiree were measured at the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The purchase price transferred for obtaining the non-controlling interests was EUR 167.3 million as of December 31, 2016. An amount of EUR 19.7 million was recognized as a liability for outstanding shares. The acquisition resulted in recognition of goodwill in the amount of EUR 323.7 million based on UGL's future earning power and expertise as well as expected synergies. The goodwill is not deductible for tax purposes.

From the acquisition date to the December 31, 2016 balance sheet date, UGL contributed EUR 137.5 million to sales and EUR 3.6 million to profit after tax. Had the acquisition occurred as of January 1, 2016, UGL would have contributed sales of EUR 1,335.4 million and negative profit before tax of EUR 70.2 million—including EUR 134.7 million in impairments on receivables for the Ichthys project—in the CIMIC Group as of the balance sheet date.

Acquisition—Sedgman Pty Limited

On January 13, 2016, the CIMIC Group, through its subsidiary CIMIC Group Investments Pty Limited, gave notice in a takeover bit that it wished to acquire the 63.01% ownership interest not yet held in publicly listed mining services group Sedgman Limited, New South Wales, Australia ("Sedgman"). CIMIC increased its holding and thereby gained control of Sedgman on February 23, 2016. The acquisition of the remaining shares was completed on April 13, 2016, following which CIMIC holds 100% of the shares.

The fair values of the identified assets and liabilities as of the acquisition date are as follows:

(EUR million)	Fair value on acquisition
Intangible assets	8.9
Property, plant and equipment	11.0
Equity-method investments and other financial assets	4.5
Income tax assets and deferred tax assets	2.9
Trade receivables and other receivables	49.7
Cash and cash equivalents	61.7
Other current assets	2.7
Total assets	**141.4**
Trade payables and other liabilities	58.3
Provisions	16.0
Financial liabilities	3.0
Total liabilities	**77.3**
Net assets (identified)	**64.1**
Non-controlling interest	(31.2)
Goodwill	41.4
Net assets (acquired)	**74.3**

The acquisition is accounted for in accordance with IFRS 3. The total purchase consideration comprises cash paid of EUR 3.8 million on the date of obtaining control and the fair value of the previously held equity interest in the amount of EUR 70.4 million. Non-controlling interests in the acquiree are measured at the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The acquisition resulted in recognition of goodwill in the amount of EUR 41.4 million based on Sedgman's future earning power and expertise as well as expected synergies. The goodwill is not deductible for tax purposes.

The acquisition as a whole resulted in a gain before tax of EUR 31.4 million comprising remeasurement of the equity interest (EUR 17.1 million) and recycling of the reserves of associated equity interests (EUR 14.3 million) previously held by the CIMIC Group. Sedgman contributed EUR 150.6 million to CIMIC Group sales from the acquisition date to the December 31, 2016 balance sheet date. Had the acquisition occurred as of January 1, 2016, Sedgman's contribution to Group sales would have been EUR 172.2 million. It is not possible to assess the contribution of the business to profit for the year because of the full integration of Sedgman into the HOCHTIEF Asia Pacific division.

Consolidation policies

The financial statements of domestic and international companies included in the Consolidated Financial Statements are prepared in accordance with uniform Group accounting principles. All business combinations (acquisitions) are accounted for using the acquisition method. Business combinations are measured at the acquisition date by allocating the consideration given to the acquired subsidiary's net assets measured at fair value. Transaction costs arising in connection with such acquisitions are recognized directly as expense. All assets, liabilities, and contingent liabilities of an acquired subsidiary that satisfy the recognition criteria are measured at full fair value regardless of any minority interest. In accordance with the optional treatment under IFRS 3, non-controlling interest is measured at the acquisition date at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's net identifiable assets. Intangible assets are recognized separately from goodwill if they are separable from the accounting entity or arise from contractual or other legal rights. Any goodwill then left is recognized as an asset. Goodwill is not amortized, but is tested instead for impairment in accordance with IAS 36 on an annual basis and whenever there are indications that it may be impaired. Negative goodwill arising on initial measurement is recognized immediately in income. On divestment, a pro rata share of the divesting division's goodwill is taken into account when measuring disposal proceeds.

Income, expenses, receivables, and liabilities between consolidated companies are eliminated. Unrealized intercompany profits and losses are eliminated unless they are of minor significance. Any impairment losses recognized for consolidated companies in their separate financial statements are reversed.

The same policies apply to equity-method investments. These include the Group's associates and joint ventures. Any goodwill increases the carrying amount of an investment. Like other goodwill, goodwill on equity-method investments is not amortized. Reductions in carrying amount due to impairment are reported in the share of profits and losses of equity-method associates and joint ventures. The financial statements of all equity-method investments are prepared in accordance with uniform Group accounting policies.

Non-current assets held for sale

In view of the intention to sell, mining assets of PT Thiess Contractors Indonesia (HOCHTIEF Asia Pacific division) are accounted for in accordance with IFRS 5 as assets held for sale. An agreement for the sale of the assets was signed in January 2016 and largely put into effect during the year under review.

The remaining assets and liabilities are classified as held for sale and presented separately in the balance sheet. The table below shows the major classes of assets and liabilities held for sale. No amount is additionally recognized in other comprehensive income.

(EUR thousand)	**Dec. 31, 2016**	Dec. 31, 2015
Property, plant and equipment	30,230	130,488
Inventories	2,489	27,793
Total assets	**32,719**	**158,281**
Non-current liabilities	–	–
Current liabilities	–	32,682
Liabilities	**–**	**32,682**

Currency translation

For currency translation purposes, the following exchange rates have been used for the main Group companies outside the euro area:

	Annual average		Daily average at reporting date	
(All rates in EUR)	**2016**	2015	**2016**	2015
1 U.S. dollar (USD)	0.91	0.91	0.95	0.92
1 Australian dollar (AUD)	0.67	0.67	0.69	0.67
1 British pound (GBP)	1.22	1.38	1.17	1.36
100 Polish złoty (PLN)	22.86	23.90	22.67	23.45
100 Qatari riyal (QAR)	24.88	24.88	25.99	25.22
100 Czech koruna (CZK)	3.70	3.67	3.70	3.70
100 Chilean pesos (CLP)	0.14	0.14	0.14	0.13

In their separate financial statements, Group companies disclose transactions denominated in foreign currency using the average exchange rate on the day of recording the transaction. Exchange gains or losses up to the reporting date on the measurement of foreign currency-denominated monetary assets or liabilities are included in other operating income or other operating expenses at the average exchange rate on the reporting date. Currency translation differences relating to a net investment in a foreign company are accounted for in accumulated other comprehensive income until the company is sold. This includes foreign currency receivables from fully consolidated Group companies for which settlement is neither planned nor likely to occur in the foreseeable future and which therefore resemble equity.

Financial statements of foreign companies are translated by applying the functional currency approach. As all companies outside the euro area operate autonomously in their own national currencies, their balance sheet items are translated into euros using the average exchange rate prevailing on the reporting date in accordance with official requirements. The same method is used to translate the shareholders' equity of equity-method foreign associates following equity-method adjustment. Differences from the previous year's translated amount are recognized in other comprehensive income and are reversed to income or expense on sale of the equity interest. Goodwill of commercially independent foreign Group entities is translated at the exchange rate prevailing on the reporting date. Income and expense items are translated into euros using the annual average exchange rate.

Accounting policies

Intangible assets are reported at amortized cost. All intangible assets have a finite useful life with the exception of company names recognized as assets on initial consolidation and of goodwill. Intangible assets include concessions and other licenses with useful lives of up to 30 years. These are amortized according to the pattern of consumption of economic benefits. They also include future earnings from additions to the order backlog arising from business acquisitions; these are amortized over the period in which the corresponding work is billed. Intangible assets further encompass software for commercial and engineering applications, which is amortized on a straight-line basis over three to five years, and entitlements to various financing arrangements with banks amortized over a maximum of ten years in accordance with the term of the arrangement. Estimated useful lives and depreciation methods are reviewed annually.

Company names and goodwill are not amortized. They are tested instead for impairment in accordance with IAS 36 on an annual basis and whenever there are indications that they may be impaired. The company names recognized in the HOCHTIEF Americas and HOCHTIEF Asia Pacific divisions were classified as intangible assets with an indefinite useful life as they do not have a product life cycle and are not subject to technical, technological, or commercial depletion or any other restriction.

Capitalized development costs are reported in intangible assets and amortized on a straight-line basis over three to five years.

Property, plant and equipment is stated at depreciated cost. Only amounts directly attributable to an item of property, plant or equipment are included in its cost. Borrowing costs are included in cost in the case of qualifying assets. Property, plant and equipment is normally depreciated on a straight-line basis, except in the contract mining business, where depreciation is mostly recognized on an activity basis.

Items of property, plant, machinery, and equipment typically encountered in the HOCHTIEF Group are depreciated on a straight-line basis over the following uniform useful lives:

	No. of years
Buildings and investment properties	20–50
Technical equipment and machinery; transportation equipment	3–10
Other equipment and office equipment	3–8

Estimated useful lives and depreciation methods are reviewed annually.

Items of property, plant and equipment on finance leases are recognized at fair value or the present value of the minimum lease payments, whichever is lower, and are depreciated on a straight-line basis over their estimated useful life or over a shorter contract term if applicable.

Investment properties are stated at amortized cost. Transaction costs are included on initial measurement. The fair values of investment properties are disclosed in the Notes. They are assessed using internationally accepted valuation methods, such as taking comparable properties as a guide to current market prices or by applying the discounted cash flow method. As with property, plant and equipment, investment properties are normally depreciated using the straight-line method.

Impairment losses are recognized for intangible assets (including goodwill), property, plant and equipment, or investment properties if their recoverable amount falls below their carrying amount. The recoverable amount of an asset or cash-generating unit is normally defined as fair value less costs to sell or value in use, whichever is higher. Impairment testing may require assets and, in some cases, liabilities to be grouped into cash-generating units. For goodwill, impairment testing is performed on cash-generating units corresponding to the HOCHTIEF divisions that feature in segmental reporting. For any asset that is part of an independent cash-generating unit, impairment is determined with reference to the recoverable amount of the unit. If the recoverable amount of a cash-generating unit falls below its carrying amount, the resulting impairment loss is allocated first to any goodwill belonging to the unit and then to the unit's other assets, normally pro rata on the basis of the carrying amount of each asset. Except in the case of goodwill, impairment charges are reversed (up to a maximum of amortized cost) when the impairment ceases to exist.

A **joint arrangement** is an arrangement in which two or more parties have joint control. The parties to a joint arrangement classify it as a joint operation or a joint venture depending on their respective rights and obligations. In a joint operation, the parties have direct rights to the assets and direct obligations for the liabilities relating to the arrangement. Each party recognizes assets, liabilities, revenues, and expenses, together with its share of such items held or incurred jointly, relative to the HOCHTIEF Group's rights and obligations. In a joint venture, where the parties have rights to the net assets arising from the arrangement, the parties each account for their interests in the joint venture using the equity method.

Equity-method investments are stated at cost, comprising the acquired equity interest in an associate or joint venture plus any goodwill. The carrying amount is increased or decreased annually to recognize the Group's share of after-tax profits or losses, any dividends, and other changes in equity. The full carrying amount is tested for impairment in accordance with IAS 36 whenever there are indications that it may be impaired. If the recoverable amount of an equity-method investment is less than its carrying amount, an impairment loss is recognized for the difference. Any subsequent reversal of an impairment loss is recognized in profit or loss.

All **other financial assets**, comprising interests in non-consolidated subsidiaries, other participating interests, and non-current securities, are classed as held for sale and are measured at fair value where a fair value can be reliably estimated. In the case of publicly listed financial assets, fair value is determined as the market price. If there is no active market, fair value is calculated using the most recent market transactions or a valuation method such as the discounted cash flow method. In cases where fair value cannot be measured reliably, financial assets are reported at cost (less any impairments). Initial measurement is performed as of the settlement date. Unrealized gains or losses are accounted for, after adjusting for deferred taxation, in other comprehensive income and are reversed to income or expense on disposal of the asset. If there is objective evidence of impairment, the carrying amount of an asset is reduced and the impairment loss recognized as an expense. Such evidence includes a significant or prolonged decline in fair value below cost.

Long-term loans are stated at amortized cost. Loans yielding interest at normal market rates are reported at face value, and non-interest-bearing and low-interest-bearing loans are discounted to present value. Discounting is always done using a risk-adjusted discount rate.

Receivables and other assets are measured at amortized cost using the effective interest rate method (accounting for factors such as premiums and discounts). An impairment loss is recognized if there is any objective material evidence that a financial asset may be impaired. Objective evidence for impairment includes, for example, downgrading of a debtor's credit rating and related interruptions in payment or potential insolvency. Impairment losses are recognized according to actual credit risk. "Receivables" comprise financial receivables, trade receivables, and other receivables. Sales are shown net of VAT and other taxes and expected reductions such as trade discounts and rebates. Sales of goods are recognized when:

- The significant risks and rewards of ownership of the goods have been transferred to the buyer
- The HOCHTIEF Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- The amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the HOCHTIEF Group.

Revenue from transactions involving the rendering of services is recognized by reference to the stage of completion. Revenue under construction contracts is recognized as described in the following.

*See glossary on page 258.

Construction contracts are accounted for using the percentage of completion* (POC) method. Cumulative work done to date, including the Group's share of net profit, is reported under sales on a pro rata basis according to the percentage completed. The percentage of completion is measured by reference to the stage of completion; that is, as the ratio of performance delivered up to the end of the reporting period to total contract performance. Construction contracts are reported in trade receivables and trade payables, as "Gross amount due from/to customers for/from contract work (POC)." If cumulative work done to date (contract costs plus contract net profit) on contracts in progress exceeds progress payments received, the difference is recognized as an asset and included in amounts due from customers for contract work. If the net amount after deduction of progress payments received is negative, the difference is recognized as a liability and included in amounts due to customers from contract work. Anticipated losses on specific contracts are accounted for on the basis of the identifiable risks. Construction contracts handled by construction joint ventures are also accounted for using the POC method. Trade receivables from construction joint ventures include pro rata entitlements to contract net profit. Anticipated losses are immediately recognized in full in contract net profit. Contract income on construction contracts undertaken by the Group independently or in construction joint ventures is recognized in accordance with IAS 11 as the income stipulated in the contract plus any claims and variation orders. Construction contract receivables are realized within one operating cycle at the HOCHTIEF Group. In accordance with IAS 1, they are therefore included in current assets even though they are not expected to be realized in full within twelve months of the balance sheet date.

The POC method is primarily used in the mainstream construction business, construction management, and contract mining.

Deferred taxes arising from temporary differences between the IFRS accounts and tax base of individual Group companies or as a result of consolidation are recognized as separate assets and liabilities. Deferred tax assets are also recognized for tax refund entitlements resulting from the anticipated use of existing tax loss carryforwards in subsequent years provided it is sufficiently certain that they will be realized. Deferred tax assets and liabilities are offset within each company or group. Deferred taxes are measured on the basis of tax rates applying or expected to apply in each country when they are realized. For domestic operations, as in the prior year, a tax rate of 31.5% is assumed, taking account of corporate income tax plus the German "solidarity surcharge" and the average rate of municipal trade tax faced by Group companies. For all other purposes, deferred taxes are measured on the basis of the tax regulations in force or enacted at the reporting date.

Inventories are initially stated at cost of purchase or production. Production cost includes costs directly related to the units of production plus an appropriate allocation of materials and production overhead, including production-related depreciation charges. Borrowing costs for inventories that are qualifying assets are capitalized as part of cost. Most materials and supplies are measured on a FIFO or moving-average basis. Inventories are written down to net realizable value if their recoverable amount is less than their carrying amount at the reporting date. Should the recoverable amount of inventories subsequently increase, the resulting gain must be recognized. This is done by reducing materials expense.

All **marketable securities** are classed as held for sale and measured at fair value. They mainly comprise securities held in special-purpose and investment funds as well as fixed-income securities with a residual term of more than three months at the time of acquisition and where there is no intention to hold the securities to maturity. Initial measurement is performed as of the settlement date and includes any transaction costs directly attributable to the acquisition of the securities. Unrealized gains or losses are reported in other comprehensive income and are reversed to income or expense on disposal. If there is objective evidence of impairment, the carrying amount of an asset is reduced and the impairment loss recognized as an expense. Such evidence includes a significant or prolonged decline in fair value below cost.

Cash and cash equivalents consist of petty cash, cash balances at banks, and marketable securities with maturities of no more than three months at the time of acquisition that are subject to insignificant fluctuations in value only.

Non-current assets held for sale and associated liabilities are measured in accordance with IFRS 5 and presented separately in the current section of the Consolidated Balance Sheet. To be classed as assets held for sale, assets must be available for immediate sale and their sale must be highly probable. Assets held for sale can be individual non-current assets, groups of assets held for sale (disposal groups), or discontinued operations. A component of an entity is a discontinued operation if it represents a separate major line of business or geographical area of operations and is part of a single coordinated plan to dispose of a major line of business or geographical area of operations, or if it is a subsidiary acquired exclusively with a view to resale. Liabilities disposed of with assets in a single transaction are part of a disposal group or discontinued operation. Non-current assets held for sale cease to be depreciated or amortized, and are measured at their carrying amount or at fair value less costs to sell, whichever is lower. Gains or losses arising on the measurement of individual assets held for sale or of disposal groups are reported in the Statement of Earnings under profit or loss from continuing operations until their ultimate disposal. Conversely, gains or losses arising on the measurement of discontinued operations at fair value less costs to sell, profits or losses of discontinued operations, and gains or losses on their disposal are presented separately in the Statement of Earnings under profit or loss from discontinued operations.

Share-based payment transactions are measured in accordance with IFRS 2. Stock option plans are accounted for Group-wide as cash-settled share-based payment transactions. Provisions for obligations under the Long-term Incentive Plans and Top Executive Retention Plans are recognized in the amount of the expected expense that is or was spread over the stipulated waiting period. The fair value of stock options is measured using generally accepted financial models, the value of the plans being determined with the Black/Scholes option pricing model. The specific problem of valuing the plans in question is solved using binomial tree methods. The computations are performed by an outside appraiser.

Provisions for pensions and similar obligations are recognized for current and future benefit payments to active and former employees and their surviving dependants. The obligations primarily relate to pension benefits, partly for basic pensions and partly for optional supplementary pensions. Varying from one country to another, the individual benefit obligations are determined for the most part by length of service and pay scales. The Turner Group's obligations to meet healthcare costs for retired staff are likewise included in pension provisions due to their pension-like nature. Provisions for pensions and similar obligations are computed by the projected unit credit method. This determines the present value of future entitlements, taking into account current and future benefits already known at the reporting date plus anticipated future increases in salaries and pensions and, for the Turner Group, in healthcare costs. The computation is based on actuarial appraisals using biometric accounting principles. Plan assets as defined in IAS 19 are shown separately as deductions from pension obligations. Plan assets comprise assets transferred to pension funds to meet pension obligations, shares in investment funds purchased under deferred compensation arrangements, and qualifying insurance policies in the form of pension liability insurance. If the fair value of plan assets is greater than the present value of employee benefits, the difference is reported—subject to the limit in IAS 19—under other non-current assets.

Amounts ensuing from the remeasurement of defined benefit plans are recognized directly in equity in the period during which they arise. The current service cost is reported under personnel costs. The net interest component, comprising the interest element of the increase in pension obligations less the anticipated returns on plan assets (each calculated using the discount factor for the pension obligations), is reported in net investment and interest income.

Tax provisions comprise current tax obligations. Income tax provisions are offset against tax refund entitlements if they relate to the same tax jurisdiction and are congruent in nature and timing.

Other provisions account for all identifiable obligations as of the reporting date that result from past business transactions or events but are uncertain in their amount and/or settlement date. Provisions are stated at the estimated settlement amount, i.e. after making allowance for price and cost increases, and are not offset against any rights to reimbursement. For obligations with a settlement probability exceeding 50%, the amount set aside is calculated on the basis of the most likely settlement outcome. A provision can only be recognized on the basis of a legal or constructive obligation toward third parties. Non-current provisions are stated at the present value of the estimated settlement amount as of the reporting date and reported under non-current liabilities.

Liabilities are reported at amortized cost using the effective interest rate method (accounting for factors such as premiums and discounts). **Finance lease liabilities** are initially recognized at fair value at the inception of the lease or the present value of the minimum lease payments, whichever is lower.

Derivative financial instruments are measured at fair value regardless of their purpose and reported under other receivables and other assets or other liabilities. Initial measurement is as of the settlement date. All derivative financial instruments are measured on the basis of current market rates as of the balance sheet date. The recognition of changes in fair value depends on the purpose for which a derivative is held. Derivatives are only ever used in the HOCHTIEF Group for hedging purposes. Hedges are structured for maximum effectiveness. A cash flow hedge is a hedge of the exposure to variability in cash flows from a hedged item, as with the hedging of variable rate loans to counter variations in payment amounts due to interest rate changes. Unrealized gains and losses are initially recognized in equity, taking account of deferred taxes. The portion of the changes in value initially recognized in equity is reclassified to income or expense as soon as the hedged item is recognized in income or expense. If a hedged planned transaction subsequently results in recognition of a financial asset or a financial liability, gains or losses recognized in equity in the meantime are reclassified to income or expense in the period when the financial asset or financial liability affects income. If a hedged planned transaction subsequently results in recognition of a non-financial asset or liability, gains or losses recognized in equity in the meantime are taken out of equity and subtracted from or added to the initial cost of the asset or liability. In the cases described, only the portion of changes in value that are determined to be effective for hedging purposes are recognized in equity. The ineffective portion is recognized directly as income or expense. In the HOCHTIEF Group, only cash flow hedges are currently recognized. Derivatives are also used for economic hedging purposes where no hedge accounting is applied, and as call options. In such cases, changes in fair value are recognized in income or expense.

Contingencies, commitments, and other obligations are possible or current obligations, based on past transactions, that are unlikely to lead to an outflow of resources. These are disclosed separately and not included in the Balance Sheet unless assumed in the course of a business combination. The amounts stated for contingent liabilities reflect the extent of the liability as of the reporting date.

Judgments made by management in applying the accounting policies primarily relate to the following issues:

- Leases must be assessed to determine whether the substantial risks and rewards of beneficial ownership transfer to the lessee.
- Securities may be grouped in different categories.
- Assets earmarked for sale must be assessed to confirm that they are available for immediate sale and their sale is highly probable. If the result of this assessment is positive, those assets and any liabilities to be disposed of in the same transaction must be reported and accounted for as assets held for sale and liabilities associated with assets held for sale.
- It is necessary to determine whether construction revenue is accounted for under IAS 11 or IAS 18.

The decision made by the HOCHTIEF Group for general application in each instance is set out under Accounting Policies in these Notes.

Preparation of the IFRS Consolidated Financial Statements requires **Group management to make estimates and assumptions** that affect the reported amount of assets, liabilities, income and expenses, and disclosures of contingencies, commitments, and other obligations. The main estimates and assumptions relate to the following:

- Assessing projects on a percentage of completion basis, in particular with regard to accounting for change orders, the timing of profit recognition, and the amount of profit recognized.
- Estimating the economic life of intangible assets, property, plant and equipment, and of investment properties.
- Accounting for provisions.
- Testing goodwill and other assets for impairment.
- Testing deferred tax assets for impairment.

All estimates and assumptions are based on current circumstances and appraisals. Forward-looking estimates and assumptions made as of the balance sheet date with a view to future business performance take account of circumstances prevailing on preparation of the Consolidated Financial Statements and future trends considered realistic for the global and industry environment. Actual amounts can vary from the estimated amounts due to changes in the operating environment that are at variance with the assumptions and lie beyond management control. If such changes occur, the assumptions and, if necessary, the carrying amounts of affected assets and liabilities are revised accordingly.

New accounting pronouncements

Adoption by the International Accounting Standards Board (IASB) of revised or new IFRS pronouncements has resulted in **changes to accounting policies** in those instances where the pronouncements have been adopted by the EU and their application is mandatory for the reporting period January 1 to December 31, 2016.

These changes relate to the following IFRS:

- **Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities** and **IAS 28 Investments in Associates and Joint Ventures**: Investment Entities: Applying the Consolidation Exception
- **Amendments to IFRS 11 Joint Arrangements**: Accounting for Acquisitions of Interests in Joint Operations
- **Amendments to IAS 1 Presentation of Financial Statements**: Disclosure Initiative
- **Amendments to IAS 16 Property, Plant and Equipment** and **IAS 38 Intangible Assets**: Clarification of Acceptable Methods of Depreciation and Amortisation
- **Amendments to IAS 16 Property, Plant and Equipment** and **IAS 41 Agriculture**: Bearer Plants
- **Amendments to IAS 19 Employee Benefits**: Defined Benefit Plans: Employee Contributions
- **Amendments to IAS 27 Separate Financial Statements**: Equity Method in Separate Financial Statements
- **Endorsement of Annual Improvements to IFRSs 2010–2012 Cycle**
- **Endorsement of Annual Improvements to IFRSs 2012–2014 Cycle**

The IFRS pronouncements applicable in the reporting year had no material impact on the HOCHTIEF Consolidated Financial Statements.

Other new accounting pronouncements issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) take the form of standards and one interpretation that affect the HOCHTIEF Consolidated Financial Statements but do not have to be applied for the 2016 year and in some cases have not yet been endorsed by the EU:

IFRS 9 Financial Instruments: The new standard on financial instruments is divided into several phases and was published by IASB in its final version in July 2014. The new standard notably introduces major changes relating to the classification and measurement of financial assets, with classification to be based on the type of business model as well as on contractual cash flows. In the same connection, impairment assessment is extended from an incurred loss model to an expected loss model. A new hedge accounting model is also introduced that aims to bring hedge accounting more closely into line with the risk management activities of the entity. The complete overhaul of IAS 39 with the publication of IFRS 9 results in additional disclosures.

The standard is applicable for annual periods beginning on or after January 1, 2018. Initial application is retrospective, although transitional provisions apply. Earlier application is permitted. The standard was endorsed by the EU in November 2016. On current assessment, the new standard will result in a reclassification of financial assets in the HOCHTIEF Group. The new rules on financial liabilities will probably have no material effect on the HOCHTIEF Group. Further quantitative and qualitative effects may result from the fundamental changes in the recognition of impairment losses and in hedge accounting.

IFRS 15 Revenue from Contracts with Customers: The IASB issued this new standard in May 2014 with the objective of bringing together in one standard the rules on revenue recognition previously contained in various different standards and interpretations. IFRS 15 applies across all sectors to revenue from all contracts with customers except those that are within the scope of other IFRSs, such as leases, insurance contracts, and financial instruments. Revenue recognition is carried out with regard to both timing and amount by applying the following five steps:
(1) Identify the contracts with a customer
(2) Identify the performance obligations in the contract
(3) Determine the transaction price
(4) Allocate the transaction price to the performance obligations in the contract
(5) Recognize revenue when (or as) the entity satisfies a performance obligation

This five-step model may give rise to separate performance obligations according to the contractual arrangements, such as in mining projects. Alongside this basic model, IFRS 15 includes an array of further provisions, such as on contract costs and contract modifications, and additional notes disclosures. The revised IFRS 15 applies for annual periods beginning on or after January 1, 2018; earlier application is permitted. The standard was endorsed by the EU in September 2016. The HOCHTIEF Group will not elect early application. With regard to the HOCHTIEF Consolidated Financial Statements, it is assumed on current assessment that the new standard will lead to changes in revenue recognition. Accordingly, it is expected to affect the recognition of contractual assets and liabilities as, for example, incremental costs of obtaining a contract are required to be recognized as an asset if the costs are expected to be recovered and would not have been incurred if the contract had not been obtained. The same applies with regard to contract modifications in the form of changes in the scope and/or price of a contract, including change orders. Such modifications may only be included in the transaction price if variable remuneration is highly probable, meaning that a significant reversal in the amount of the remuneration recognized will not occur. Based on analysis performed so far, it will be possible for revenue from construction contracts currently accounted for using the percentage of completion method to be recognized over time. Other changes relate to presentation changes and additional requirements for notes disclosures.

IFRS 16 Leases: Issued by the IASB in January 2016, the standard mainly stipulates new rules for the classification of leases by the lessee. As part of this, the previous risk-and-rewards approach is abandoned in favor of recognizing a right-of-use asset and a corresponding lease liability for all leases. The only exceptions are if the lease term is 12 months or less or the underlying asset has a low value. By contrast, lessors continue to classify leases as operating or finance leases based on the risks and rewards incidental to ownership of the underlying asset. The revised IFRS 16 applies for annual periods beginning on or after January 1, 2019; earlier application is permitted. EU endorsement is still pending. In view of the existing volume of operating leases, it would result in a noticeable increase in assets and liabilities in the balance sheet. Other potential implications for the HOCHTIEF Group are currently being assessed.

As part of its **annual improvements process**, the IASB published an omnibus standard in December 2016 (Annual Improvements Cycle 2014–2016). This involved minor but necessary changes to various standards. The omnibus standard amends IFRS 1, IFRS 12, and IAS 28; EU endorsement is still pending. On current assessment, the changes are not expected to have a material impact on the presentation of the financial position or financial performance of the HOCHTIEF Group.

The remaining changes adopted by the IASB and the IFRS IC are not expected to have any material relevance for the HOCHTIEF Group. In some cases, potential implications for the Consolidated Financial Statements are still being examined and cannot be conclusively determined prior to EU endorsement.

- **Clarifications to IFRS 15 Revenue from Contracts with Customers**
- **Amendments to IFRS 4 Insurance Contracts**: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- **Amendments to IFRS 2 Share-based Payment**: Classification and Measurement of Share-based Payment Transactions
- **Amendments to IAS 40 Investment Property**: Transfers of Investment Property
- **Amendments to IAS 12 Income Taxes**: Recognition of Deferred Tax Assets for Unrealised Losses
- **Amendments to IAS 7 Cash Flow Statements**: Disclosure Initiative
- **IFRIC 22 Foreign Currency Transactions and Advance Consideration**.

Explanatory Notes to the Consolidated Statement of Earnings

1. Sales

The EUR 19,908,328 thousand (2015: EUR 21,096,618 thousand) sales figure comprises, firstly, contract sales recognized under the percentage of completion (POC) method in the mainstream construction business, construction management, and contract mining, plus products and services provided to construction joint ventures, and other related services. Contract mining accounted for EUR 1,875,948 thousand (2015: EUR 1,943,036 thousand). Secondly, the sales figure includes revenues from services such as construction planning, project development, logistics, asset management, and insurance and concessions business.

Sales recognized under the percentage of completion method came to EUR 16,946,731 thousand (2015: EUR 17,965,879 thousand).

*See glossary on page 258.

Sales figures provide only an incomplete view of work done* during the year. For additional information, work done by the Group is presented below, including the Group's share of work done in construction joint ventures.

The Group's total operating performance by divisions is as follows:

(EUR thousand)	2016	2015
HOCHTIEF Americas	11,122,207	10,874,926
HOCHTIEF Asia Pacific	9,112,779	10,870,972
HOCHTIEF Europe	1,949,649	2,066,437
Corporate Headquarters/Consolidation	106,867	135,283
	22,291,502	**23,947,618**

2. Other operating income

(EUR thousand)	2016	2015
Income from divestitures	67,612	92,104
Income from transitional consolidation	58,575	–
Income from gains on derecognition of/reversals of impairments on receivables	54,386	2,028
Income from derivatives	50,579	210
Income from reversal of provisions	44,615	26,278
Foreign exchange gains	23,279	41,876
Sundry other operating income	73,431	55,002
	372,477	**217,498**

Income from divestitures in the year under review relates to the HOCHTIEF Asia Pacific division and the HOCHTIEF Europe division. In the prior year, it mainly related to disposals in the Corporate Headquarters/Consolidation division and the HOCHTIEF Asia Pacific division.

The income from transitional consolidation mostly relates to remeasurement on first-time consolidation of a subsidiary in the HOCHTIEF Asia Pacific division.

The income from gains on derecognition of and reversals of impairments on receivables in the year under review mainly relates to the HOCHTIEF Europe division and the Corporate Headquarters/Consolidation division.

The income from derivatives mainly relates to gains on fair value measurement of a call option on the remaining 55% of shares in HLG Contracting LLC ("HLG Contracting" formerly Habtoor Leighton Group).

Sundry other operating income includes income from insurance claims, and income from the disposal of intangible assets, property, plant and equipment, and investment properties.

3. Materials

(EUR thousand)	2016	2015
Raw materials, supplies, and purchased goods	1,816,362	2,192,741
Purchased services	12,961,867	13,291,525
	14,778,229	**15,484,266**

4. Personnel costs

(EUR thousand)	2016	2015
Wages and salaries	2,853,781	3,184,960
Social insurance, pensions, and support	431,433	470,774
	3,285,214	**3,655,734**

Expenditure on pensions totaled EUR 141,011 thousand (2015: EUR 184,529 thousand). This mostly comprises new entitlements accrued during the year under defined benefit pension plans and payments into defined contribution pension schemes. Payments to state pension insurance funds are included in social insurance.

Employees (average for the year)

	2016	2015
Waged/industrial employees	3,454	3,700
Salaried/office employees	42,585	43,429
	46,039	**47,129**

5. Depreciation and amortization

(EUR thousand)	2016	2015
Intangible assets	36,550	39,826
Property, plant and equipment	250,901	373,415
Investment properties	270	590
	287,721	**413,831**

Depreciation and amortization includes EUR 6,733 thousand in impairments in the HOCHTIEF Asia Pacific division (2015: EUR 33,700 thousand).

6. Other operating expenses

(EUR thousand)	2016	2015
Rentals and lease rentals	321,493	331,627
Insurance expenses	297,904	279,803
External organization and programming	79,103	63,350
Technical and business consulting	70,109	65,858
Impairment losses and losses on disposal of current assets (except inventories)	60,071	11,437
Travel expenses	53,314	47,655
Court costs, attorneys' and notaries' fees	42,278	39,664
Office supplies	31,310	35,084
Currency losses	26,116	41,864
Mail and funds transfer expenses	11,757	13,017
Marketing	8,566	15,175
Restructuring and adjustment costs/severance benefits	6,786	29,053
Legal costs	5,803	8,446
Sundry other operating expenses	193,465	221,370
	1,208,075	**1,203,403**

The insurance expenses mainly relate to project risk management in the Turner Group. Insurance covers of Turner and other project stakeholders such as suppliers and clients are combined to minimize project execution risks to Turner and its clients. The insurance expenses are counterbalanced by insurance revenue reported in sales.

Sundry other operating expenses mostly comprise order processing, costs of materials for administrative purposes, costs of preparing the annual financial statements, losses incurred on disposal of property, plant and equipment, and other expenses not reported elsewhere. Also included under this heading are sundry taxes amounting to EUR 9,514 thousand (2015: EUR 14,319 thousand).

Including personnel and material expenses, a total of EUR 4,451 thousand was spent on Group-wide research and development projects by the central innovation management function in 2016 (2015: EUR 4,678 thousand).

7. Net income from participating interests

Net income from participating interests includes all income and expenses relating to equity-method investments and participating interests.

Net income from participating interests is made up as follows:

(EUR thousand)	2016	2015
Share of profits and losses of equity-method associates and joint ventures	**75,117**	**79,035**
Of which: Impairment	[–]	[–]
Net income from non-consolidated subsidiaries	380	(117)
Of which: Impairment	[–]	[(158)]
Net income from other participating interests	6,217	8,618
Of which: Impairment	[–]	[–]
Income from the disposal of participating interests	5,431	36,793
Expenses on disposal of participating interests	(125)	(803)
Income from long-term loans to participating interests	35,991	32,185
Expenses relating to long-term loans to participating interests	(8,091)	–
Other income from participating interests	**39,803**	**76,676**
	114,920	**155,711**

The share of profits and losses of equity-method associates and joint ventures consists of minus EUR 1,475 thousand (2015: minus EUR 23,189 thousand) relating to associates and EUR 76,592 thousand (2015: EUR 102,224 thousand) relating to joint ventures.

As in the prior year, net income from other participating interests related in its entirety to the HOCHTIEF Europe division.

Participating interests measured at cost—less impairments—and disposed of in the year under review had a carrying amount of EUR 1,786 thousand (2015: EUR 3,450 thousand). Disposals realized a net loss on sale of EUR 94 thousand in 2016 (2015: net loss of EUR 691 thousand). As of the balance sheet date, there are no other plans to sell participating interests measured at cost.

The expenses relating to long-term loans to participating interests concern a writedown due to impairment of a loan in the HOCHTIEF Europe division.

8. Net investment and interest income

(EUR thousand)	2016	2015
Interest and similar income	39,860	59,797
Other investment income	47,555	33,043
Investment and interest income	**87,415**	**92,840**
Interest and similar expenses	(161,793)	(240,247)
Interest component of increase in non-current provisions	(10,755)	(9,908)
Of which: Net interest (expense)/income on pension obligations	[(9,852)]	[(9,092)]
Other investment expenses	(37,612)	(50,342)
Investment and interest expenses	**(210,160)**	**(300,497)**
	(122,745)	**(207,657)**

Interest and similar income consists of interest on cash investments, interest-bearing securities, and other long-term loans, plus profit shares and dividends from securities. Interest and similar expenses represent all interest incurred. Net interest income—the balance of interest and similar income and expenses—is minus EUR 121,933 thousand (2015: minus EUR 180,450 thousand).

Interest income of EUR 39,739 thousand was recorded in 2016 for financial instruments not carried at fair value through profit or loss (2015: EUR 59,644 thousand). Interest expenses of EUR 161,793 thousand were recorded for financial instruments not carried at fair value through profit or loss (2015: EUR 240,247 thousand).

Net interest expense/income from pension obligations—an amount of minus EUR 9,852 thousand (2015: minus EUR 9,092 thousand)—consists of EUR 31,760 thousand (2015: EUR 29,671 thousand) in annual interest on the net present value of long-term pension obligations rolled over into the new year, offset against EUR 21,908 thousand (2015: EUR 20,579 thousand) in interest income on plan assets.

Investment and interest income and expenses not included in interest and similar income and expenses or in the interest component of increases in long-term provisions are reported as other investment income and expenses. These mostly comprise income and expenses relating to sales of securities and to derivatives as well as expenses relating to impairment losses on securities and on other long-term loans.

9. Income taxes

(EUR thousand)	2016	2015
Current income taxes	104,163	129,224
Deferred taxes	83,054	60,986
	187,217	**190,210**

Current income taxes include EUR 22,521 thousand net tax income (2015: EUR 9,547 thousand) relating to prior periods.

Tax expense is derived from the theoretical tax expense. The theoretical tax rate applied to profit before tax is 31.5%, as in the prior year.

(EUR thousand)	2016	2015
Profit before tax	620,711	523,404
Theoretical tax income, at 31.5%	195,524	164,872
Difference between the above and foreign tax rates	(6,741)	1,512
Tax effects on:		
Tax-exempt income	(46,731)	(36,623)
Non-tax-allowable expenditure	35,666	27,631
Equity accounting of associates and joint ventures, including impairment of associates and joint ventures	14,827	2,503
Unrecognized deferred tax assets for domestic tax loss carryforwards	25,429	60,953
Other	(30,757)	(30,638)
Effective tax charges	**187,217**	**190,210**
Effective rate of tax (percent)	30.2	36.3

The tax-exempt income mostly relates to gains on disposals of fully consolidated companies and of companies accounted for using the equity method as well as to tax-exempt dividends.

The “Other” item includes losses from foreign Group companies for which no deferred taxes have been recognized as well as tax income from prior-year business transactions.

10. Non-controlling interest

The EUR 113,011 thousand (2015: EUR 124,907 thousand) non-controlling interest in consolidated net profit represents the balance of profits totaling EUR 115,332 thousand (2015: EUR 126,982 thousand) and losses totaling EUR 2,321 thousand (2015: EUR 2,075 thousand). The profits include EUR 87,983 thousand (2015: EUR 102,501 thousand) for minority shareholders in the CIMIC Group.

Explanatory notes to the Consolidated Balance Sheet

11. Intangible assets

The table below shows the composition of and changes in intangible assets on the Consolidated Balance Sheet for 2016 and the previous year:

(EUR thousand)	Concessions, industrial property and similar rights and assets, and licenses in such rights and assets	Goodwill arising on consolidation	Total
Cost of acquisition or production			
Jan. 1, 2016	351,616	707,171	1,058,787
Additions or disposals due to consolidation changes	59,796	363,599	423,395
Additions	13,249	–	13,249
Disposals	(4,833)	–	(4,833)
Reclassifications	(2,428)	–	(2,428)
Currency adjustments	9,346	24,629	33,975
Dec. 31, 2016	426,746	1,095,399	1,522,145
Cumulative amortization			
Jan. 1, 2016	175,603	–	175,603
Additions or disposals due to consolidation changes	4,625	–	4,625
Amortization	36,550	–	36,550
Disposals	(4,123)	–	(4,123)
Reclassifications	(2,932)	–	(2,932)
Currency adjustments	4,550	–	4,550
Impairment reversals	–	–	–
Dec. 31, 2016	214,273	–	214,273
Carrying amounts as of Dec. 31, 2016	**212,473**	**1,095,399**	**1,307,872**
Cost of acquisition or production			
Jan. 1, 2015	352,493	666,677	1,019,170
Additions or disposals due to consolidation changes	(5)	(733)	(738)
Additions	11,812	–	11,812
Disposals	(26,530)	–	(26,530)
Reclassifications	–	–	–
Currency adjustments	13,846	41,227	55,073
Dec. 31, 2015	351,616	707,171	1,058,787
Cumulative amortization			
Jan. 1, 2015	152,871	–	152,871
Additions or disposals due to consolidation changes	(1)	–	(1)
Amortization	39,826	–	39,826
Disposals	(23,437)	–	(23,437)
Reclassifications	–	–	–
Currency adjustments	6,344	–	6,344
Impairment reversals	–	–	–
Dec. 31, 2015	175,603	–	175,603
Carrying amounts as of Dec. 31, 2015	**176,013**	**707,171**	**883,184**

As in the prior year, intangible assets are not subject to any restrictions. Development costs in the amount of EUR 313 thousand were capitalized in the year under review.

Intangible assets include EUR 54,895 thousand (2015: EUR 59,867 thousand) for company names recognized on initial consolidation, comprising EUR 45,303 thousand (2015: EUR 43,756 thousand) in the HOCHTIEF Americas division and EUR 9,592 thousand (2015: EUR 16,111 thousand) in the HOCHTIEF Asia Pacific division. The company names are not subject to systematic amortization, but are tested for impairment annually and if there is any indication of impairment. Impairment testing is performed in accordance with IAS 36 as described below for goodwill. The changes relative to the prior year relate to exchange rate adjustments and to a EUR 6,733 thousand impairment on the Devine name in the HOCHTIEF Asia Pacific division.

Goodwill recognized for consolidated companies on initial consolidation is allocated to cash-generating units at segment level for the purposes of impairment testing as described in the following. The cash-generating units correspond to the divisions used in segment reporting.

Annual impairment testing of goodwill at segment (division) level is performed at HOCHTIEF in the fourth quarter of each year. For the purpose of impairment testing, the recoverable amount of a division is compared with its carrying amount.

The recoverable amount for the HOCHTIEF Americas and HOCHTIEF Europe cash-generating units is measured separately for each unit as value in use. Value in use is the present value of future cash flows expected to arise from a cash-generating unit. It is determined from an internal Group perspective using the discounted cash flow method. This is applied on the basis of cash flow budgets derived as a rule from the three-year budget for the detailed planning horizon as approved by the Executive Board and current at the time of impairment testing. The forecasts incorporate past experience and expected future market developments. Cash flows are assumed to remain constant in subsequent years. Weighted average cost of capital (WACC) is used for cost of capital figures. Value in use is first measured on an after-tax basis by discounting the cash flows with an after-tax WACC determined separately for each cash-generating unit. The pretax discount rate is then found by iteration for the purposes of the Notes disclosures.

The discount rates used for cash-generating units in impairment testing are between 9.44% and 9.66% before tax (2015: between 10.40% and 10.84%).

The recoverable amount of the HOCHTIEF Asia Pacific cash-generating unit is measured at fair value based on CIMIC's stock market valuation.

As in the prior year, comparison of the divisions' recoverable amounts with their carrying amounts did not reveal any impairment of goodwill.

Changes in goodwill by division in 2016 were as follows:

(EUR thousand)	Jan. 1, 2016	Currency adjustments	Consolidation changes	**Dec. 31, 2016**
HOCHTIEF Americas	329,146	10,804	–	339,950
HOCHTIEF Asia Pacific	338,408	13,825	365,598	717,831
HOCHTIEF Europe	39,617	–	(1,999)	37,618
	707,171	**24,629**	**363,599**	**1,095,399**

12. Property, plant and equipment

(EUR thousand)	Land, similar rights and buildings, including buildings on land owned by third parties	Technical equipment and machinery, transportation equipment	Other equipment and office equipment	Prepayments and assets under construction	Total
Cost of acquisition or production					
Jan. 1, 2016	117,876	2,464,470	250,502	5,186	2,838,034
Additions or disposals due to consolidation changes	6,294	111,453	(239)	–	117,508
Additions	19,594	187,147	44,859	8,715	260,315
Disposals	(9,588)	(404,385)	(31,509)	(3,229)	(448,711)
Reclassifications	2,016	113,447	(3,905)	(34)	111,524
Currency adjustments	2,239	68,817	9,211	321	80,588
Dec. 31, 2016	138,431	2,540,949	268,919	10,959	2,959,258
Cumulative depreciation					
Jan. 1, 2016	68,296	1,502,685	148,830	2,711	1,722,522
Additions or disposals due to consolidation changes	185	57,574	(213)	–	57,546
Depreciation	6,175	215,293	29,433	–	250,901
Disposals	(6,461)	(328,586)	(24,879)	(2,711)	(362,637)
Reclassifications	(310)	68,193	–	–	67,883
Currency adjustments	978	40,081	4,436	–	45,495
Impairment reversals	–	(2)	(1)	–	(3)
Dec. 31, 2016	68,863	1,555,238	157,606	–	1,781,707
Carrying amounts as of Dec. 31, 2016	**69,568**	**985,711**	**111,313**	**10,959**	**1,177,551**
Cost of acquisition or production					
Jan. 1, 2015	152,783	2,801,662	218,718	5,384	3,178,547
Additions or disposals due to consolidation changes	–	206	(9,651)	(6)	(9,451)
Additions	5,861	213,412	43,949	803	264,025
Disposals	(42,007)	(698,558)	(17,378)	(871)	(758,814)
Reclassifications	(751)	10,678	292	(196)	10,023
Currency adjustments	1,990	137,070	14,572	72	153,704
Dec. 31, 2015	117,876	2,464,470	250,502	5,186	2,838,034
Cumulative depreciation					
Jan. 1, 2015	82,199	1,656,790	134,526	466	1,873,981
Additions or disposals due to consolidation changes	–	–	(6,006)	(1)	(6,007)
Depreciation	9,194	339,060	22,915	2,246	373,415
Disposals	(22,425)	(531,613)	(14,614)	–	(568,652)
Reclassifications	(1,792)	(26,116)	1,547	–	(26,361)
Currency adjustments	1,120	64,564	11,295	–	76,979
Impairment reversals	–	–	(833)	–	(833)
Dec. 31, 2015	68,296	1,502,685	148,830	2,711	1,722,522
Carrying amounts as of Dec. 31, 2015	**49,580**	**961,785**	**101,672**	**2,475**	**1,115,512**

Property, plant and equipment includes EUR 41,247 thousand (2015: EUR 202,123 thousand) in lease-financed assets. These largely comprise plant and machinery at CIMIC.

No impairment losses were recorded on property, plant and equipment in the reporting year (2015: impairments of EUR 33,700 thousand in the HOCHTIEF Asia Pacific division).

Property, plant and equipment in the HOCHTIEF Asia Pacific division in the amount of EUR 868,458 thousand (2015: EUR 81,623 thousand) is subject to restrictions.

13. Investment properties

(EUR thousand)

Cost of acquisition or production	
Jan. 1, 2016	39,220
Additions	1
Disposals	(3,585)
Dec. 31, 2016	35,636
Cumulative amortization	
Jan. 1, 2016	25,124
Amortization	270
Disposals	(1,765)
Dec. 31, 2016	23,629
Carrying amounts as of Dec. 31, 2016	**12,007**
Cost of acquisition or production	
Jan. 1, 2015	39,797
Additions	–
Disposals	(577)
Dec. 31, 2015	39,220
Cumulative amortization	
Jan. 1, 2015	24,545
Amortization	590
Disposals	(11)
Dec. 31, 2015	25,124
Carrying amounts as of Dec. 31, 2015	**14,096**

As in the prior year, there were no impairment losses on investment properties in the year under review.

The fair values of investment properties came to EUR 13,518 thousand as of December 31, 2016 (2015: EUR 16,003 thousand). These are measured as in the past using internationally accepted valuation techniques, such as taking comparable properties as a guide to current market prices or by applying the discounted cash flow method. As in the prior year, EUR 1,435 thousand of the total, relates to fair value adjustments following independent external appraisals.

Rental income from investment properties in the reporting year totaled EUR 866 thousand (2015: EUR 971 thousand). Direct operating expenses totaling EUR 878 thousand (2015: EUR 986 thousand) consisted of EUR 219 thousand (2015: EUR 311 thousand) in expenses for rented and EUR 659 thousand (2015: EUR 675 thousand) in expenses for unrented investment properties.

As in the prior year, investment properties are not subject to any restrictions.

14. Equity-method investments

(EUR thousand)	Dec. 31, 2016	Dec. 31, 2015
Equity-method associates	57,040	382,583
Equity-method joint ventures	647,857	597,137
	704,897	**979,720**

HLG Contracting was accounted for as an associate of the HOCHTIEF Group as of December 31, 2015. In the period to December 31, 2016, with no increase in the shareholding and the entity has been reclassified as a joint venture. The company is accounted for using the equity method as in the prior year.

Aggregated information on immaterial associates

The HOCHTIEF Group's associates are individually immaterial.

The table below shows the carrying amounts and the Group's share of items of the statement of comprehensive income in aggregate for individually immaterial equity-method associates:

(EUR thousand)	2016	2015
Carrying amounts	**57,040**	**84,047**
Profit before tax	**(1,428)**	**(19,456)**
Income taxes	(47)	5,905
Profit after tax	**(1,475)**	**(13,551)**
Other comprehensive income	(14,288)	–
Total comprehensive income	**(15,763)**	**(13,551)**

As in the prior year, profit from equity-method associates does not contain any impairment losses and investments in associates are not subject to any restrictions.

Material joint ventures

On November 30, 2016, an agreement was reached with with HLG Contracting's existing shareholders which allowed one shareholder, Al Habtoor Holdings LLC, to transfer its shareholding to the other partner, Riad Al Sadik. Following this transfer, CIMIC's shareholding remained unchanged at 45%, with Riad Al Sadik now owning the remaining 55%.

Following the completion of this agreement, CIMIC's management determined that the company has joint control of HLG Contracting in accordance with IFRS 10. As a result of this change in control, CIMIC's investment in HLG Contracting is now classified as a joint venture, whereas it was previously classified as an associate.

As part of the contractual arrangements regarding shareholder exit, CIMIC assumed certain obligations from the other shareholders including guaranteeing various performance bonds, acquired certain loans from Al Habtoor Group LLC for USD 27.2 million (equivalent to EUR 25.8 million), and acquired a call option to purchase the remaining 55% shareholding in HLG Contracting. This option has no current impact on the control of the company. The option is a derivative as defined by IAS 39 and is required to be carried at fair value with any gain and loss recognized in profit and loss in the period. The call option had a fair value of EUR 51.4 million as of December 31, 2016.

HLG Contracting's new shareholder structure marks a step toward reaching its long-term strategic objectives in the region. This will allow HLG Contracting to continue to deliver leading projects for clients. A strategic review of the HLG Contracting business has commenced and is ongoing.

The recoverable amount of the Group's investment was calculated using the value-in-use method.

The following tables show the Group's share of items in the balance sheet and statement of comprehensive income relating to the above-mentioned material equity-method joint venture:

(EUR thousand)	Dec. 31, 2016	Dec. 31, 2015
Non-current assets	537,805	505,925
Current assets	1,222,672	1,248,546
Of which: Cash and cash equivalents	[68,875]	[84,098]
Non-current liabilities	449,261	427,320
Of which: Financial liabilities	[348,630]	[378,380]
Current liabilities	1,060,103	1,028,615
Of which: Financial liabilities	[226,203]	[182,122]
Carrying amount of investment	**251,113**	**298,536**

(EUR thousand)	2016	2015
Sales	818,817	780,554
Depreciation/amortization	(7,363)	(2,972)
Other expenses	(842,813)	(765,207)
Interest income	394	971
Interest expense	(25,057)	(22,445)
Profit before tax	**(56,022)**	**(9,099)**
Income taxes	(788)	(539)
Profit after tax	**(56,810)**	**(9,638)**
Other comprehensive income	–	–
Total comprehensive income	**(56,810)**	**(9,638)**
Dividends received	–	–

Aggregated information on immaterial joint ventures

The table below shows the carrying amounts and the Group's share of items of the statement of comprehensive income in aggregate for individually immaterial equity-method joint ventures:

(EUR thousand)	2016	2015
Carrying amounts	**396,744**	**597,137**
Profit before tax	**152,034**	**106,515**
Income taxes	(18,632)	(4,291)
Profit after tax	**133,402**	**102,224**
Other comprehensive income	(1,886)	1,004
Total comprehensive income	**131,516**	**103,228**

As in the prior year, profit from immaterial equity-method joint ventures does not contain any impairment losses.

Investments in joint ventures are pledged in the amount of EUR 15,435 thousand (2015: EUR 2,510 thousand).

15. Other financial assets

(EUR thousand)	Dec. 31, 2016	Dec. 31, 2015
Non-consolidated subsidiaries	6,965	5,549
Other participating interests	64,597	118,304
	71,562	**123,853**

No impairment losses were recognized on other financial assets in the year under review. In the prior year, EUR 158 thousand in impairment losses was recognized on non-consolidated subsidiaries. As in the prior year, other financial assets are not subject to any restrictions.

16. Financial receivables

	Dec. 31, 2016		Dec. 31, 2015	
(EUR thousand)	Non-current	Current	Non-current	Current
Long-term loans to non-consolidated subsidiaries and to participating interests	707,378	16,288	582,771	16,632
Financial receivables from non-consolidated subsidiaries	–	14,650	7,391	14,211
Financial receivables from participating interests	99,532	17,772	78,204	28,586
Interest accruals	–	3,169	–	4,382
Other financial receivables	11,669	4,106	11,095	2,272
	818,579	**55,985**	**679,461**	**66,083**

Long-term loans to non-consolidated subsidiaries and to participating interests comprise loans to HLG Contracting in the amount of EUR 615,145 thousand (2015: EUR 487,544 thousand).

Financial receivables from equity-accounted companies total EUR 839,487 thousand (2015: EUR 691,862 thousand).

17. Other receivables and other assets

	Dec. 31, 2016		Dec. 31, 2015	
(EUR thousand)	Non-current	Current	Non-current	Current
Claims for damages and claims under guarantee	–	209,118	–	21,515
Prepaid expenses	1,761	76,922	3,081	52,030
Derivative receivables	65,553	1,727	11,831	1,374
Entitlements from sales of participating interests	–	25,025	–	16,727
Tax receivables (excluding income taxes)	–	7,730	–	11,447
Pension fund credit balances	2,575	–	6,214	–
Sundry other assets	110,852	129,775	125,887	69,903
	180,741	**450,297**	**147,013**	**172,996**

Claims for damages and claims under guarantee include EUR 181,008 thousand, mainly in reimbursement claims under insurance policies held by the Turner Group. The Turner Group regularly insures against certain business risks. Thus far, liabilities toward clients in the operating business had been offset on the balance sheet by equal and opposite reimbursement claims under such insurance. As of December 31, 2016, these liabilities and reimbursement claims are presented on the balance sheet for the first time without offsetting.

Prepaid expenses consist of insurance premiums and prepayments for maintenance and services. They also include commission paid by HOCHTIEF insurance companies for insurance arranged by direct insurers. Such commission is reversed to expense over the lifetime of the policy.

As in the prior year, sundry other assets are not subject to any restrictions in the year under review.

18. Current income tax assets

The EUR 50,847 thousand (2015: EUR 68,840 thousand) in income tax assets comprises amounts receivable from domestic and foreign revenue authorities. These consist of EUR 19,695 thousand (2015: EUR 16,907 thousand) classified as non-current assets and EUR 31,152 thousand (2015: 51,933 thousand) classified as current assets.

19. Deferred taxes

Deferred tax assets and liabilities break down as follows:

	Dec. 31, 2016		Dec. 31, 2015	
(EUR thousand)	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Non-current assets	51,017	214,860	64,068	242,324
Current assets	341,855	251,022	262,208	244,462
Non-current liabilities				
Pension provisions	146,346	2,635	131,408	7,836
Other provisions	14,853	22,100	23,619	10,792
Sundry non-current liabilities	1,040	316	684	231
Current liabilities				
Other provisions	86,942	99	74,394	380
Sundry current liabilities	100,040	159,560	99,036	165,057
	742,093	**650,592**	**655,417**	**671,082**
Losses carried forward	165,634	–	156,528	–
Gross amount	**907,727**	**650,592**	**811,945**	**671,082**
Offsetting item	615,675	615,675	641,363	641,363
Reported amount	**292,052**	**34,917**	**170,582**	**29,719**

Deferred tax assets and deferred tax liabilities are offset within each company or group. The EUR 907,727 thousand (2015: EUR 811,945 thousand) gross amount of deferred tax assets includes the following tax refund entitlements arising from the expected future use of tax loss carryforwards and tax credits:

(EUR thousand)	**Dec. 31, 2016**	Dec. 31, 2015
Corporate income tax	147,550	138,444
German municipal trade tax	18,084	18,084
	165,634	**156,528**

There is adequate assurance that the tax loss carryforwards will be realized. German tax loss carryforwards for which no deferred tax assets have been recognized amount to EUR 628,685 thousand (2015: EUR 486,865 thousand) in respect of corporate income tax and EUR 1,016,228 thousand (2015: EUR 828,148 thousand) in respect of German municipal trade tax. The change in the tax loss carryforward figures mainly relates to adjustments made on the basis of tax audits together with the changes that result.

No deferred tax assets have been recognized in relation to interest expense carryforwards in the amount of EUR 350,816 thousand (2015: EUR 373,807 thousand). The change in the interest expense carryforward figures relates to adjustments made on the basis of tax audits and ongoing changes.

Deferred tax assets are normally recognized for tax-deductible temporary differences if it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Domestic Group companies that generated losses in the past year or previous years have EUR 44,739 thousand (2015: EUR 41,636 thousand) in deferred tax assets resulting from temporary differences or tax loss carryforwards found not to be impaired.

Deferred tax liabilities totaling a gross amount of EUR 650,592 thousand (2015: EUR 671,082 thousand) are entirely due to taxable temporary differences, mostly from adjustments to ensure uniform Group-wide compliance with IFRS valuation principles.

An amount of EUR 482 thousand was credited to equity (2015: EUR 6,411 thousand charged to equity) for deferred tax relating to exchange differences from translation of foreign entity financial statements. An amount of EUR 2,663 thousand was credited to equity (2015: EUR 9,956 thousand charged to equity) for deferred tax on amounts recognized in equity for changes in the fair value of derivative and non-derivative financial instruments. An amount of EUR 25,323 thousand was credited to equity (2015: EUR 7,453 thousand charged to equity) for deferred tax relating to actuarial gains and losses. As of the balance sheet date, deferred tax charged to equity in connection with the measurement of financial instruments amounted to EUR 12,285 thousand (2015: EUR 14,948 thousand), while EUR 180,866 thousand (2015: EUR 155,543 thousand) was credited to equity in connection with actuarial gains and losses.

20. Inventories

(EUR thousand)	**Dec. 31, 2016**	Dec. 31, 2015
Raw materials and supplies	159,651	137,529
Work in progress	378,836	609,871
Finished goods	14,398	15,421
Prepayments	6,283	4,939
	559,168	**767,760**

Borrowing costs of EUR 9,345 thousand were capitalized under work in progress in accordance with IAS 23 (2015: EUR 7,946 thousand). The borrowing costs were determined on the basis of interest rates of between 1.50% and 7.44% (2015: between 1.50% and 10.80%).

Work in progress also includes properties under development that are subject to restrictions in the amount of EUR 168,309 thousand (2015: EUR 322,703 thousand).

21. Trade receivables

(EUR thousand)	Dec. 31, 2016	Dec. 31, 2015
Trade receivables		
Gross amount due from customers for contract work (POC)	4,727,466	4,801,439
Less: progress payments received	(2,398,802)	(2,812,184)
	2,328,664	**1,989,255**
From construction joint ventures	209,375	168,501
Other	2,464,835	2,369,095
	5,002,874	**4,526,851**
From non-consolidated subsidiaries	2,532	4,312
From participating interests	19,854	5,834
	5,025,260	**4,536,997**

The figure of EUR 2,328,664 thousand (2015: EUR 1,989,255 thousand) representing the gross amount due from customers for contract work (POC) less progress payments received relates to construction contracts where contract costs incurred (including shares of contract net profit) exceed progress payments received from customers. The combined total of POC contract costs (including net profit shares) reported under trade receivables and trade payables is EUR 5,349,789 thousand (2015: EUR 5,119,984 thousand). The combined total of progress payments received and offset against the gross amounts due to and from customers for contract work (POC) in the year under review stands at EUR 4,117,990 thousand (2015: EUR 3,839,359 thousand).

Various fully consolidated companies in the HOCHTIEF Group have been granted service concession or similar arrangements. These arrangements are mostly accounted for as financial assets and reported as part of gross amount due from customers for contract work (POC). The service concession arrangements, which are in the social infrastructure/Europe segment, are agreements to build and modernize, operate, and maintain schools and other public buildings. Construction work and improvements are on schedule. These activities broke even with sales of EUR 1,141 thousand (2015: EUR 34,289 thousand). The HOCHTIEF Group companies concerned are accordingly required to perform their obligations under the service concession arrangements and are granted the rights necessary to do so in each instance. At the end of a service concession arrangement, the infrastructure to which the arrangement relates is returned to the public-sector client. The assets associated with a service concession arrangement generally remain public property for the entire duration of the arrangement. The sole termination option provided for in the service concession arrangements relates to termination for cause. Some arrangements have renewal options.

Trade receivables include EUR 719,491 thousand (2015: EUR 606,312 thousand) in contractual retention amounts.

Trade receivables also include properties under development that are subject to restrictions in the amount of EUR 39,447 thousand (2015: EUR 14,541 thousand).

Receivables from equity-accounted companies total EUR 13,227 thousand (2015: EUR 1,392 thousand).

22. Securities

The marketable securities totaling EUR 463,424 thousand (2015: EUR 576,898 thousand) mainly consist of securities held in special-purpose and general investment funds as well as fixed-income securities with maturities of more than three months on acquisition where there is no intention to hold the securities to maturity.

All marketable securities are classified as available for sale and carried at fair value. The carrying amount decreased by EUR 9,084 thousand (2015: EUR 10,664 thousand) due to fair value adjustments.

Marketable securities are pledged in the amount of EUR 13,812 thousand (2015: EUR 21,338 thousand) as security for employee benefit entitlements under semi-retirement programs.

Outside of externally managed investments, direct investment activities are exclusively restricted to the purchase of bonds from top-class issuers* with broad diversification to ensure that concentration risks relative to specific issuers are strictly avoided.

*See glossary on page 258.

23. Cash and cash equivalents

Cash and cash equivalents total EUR 2,847,426 thousand (2015: EUR 2,808,707 thousand) and comprise cash in hand, cash at banks, and marketable securities with maturities at the time of acquisition of no more than three months. These are subject to an insignificant risk of changes in value. As of December 31, 2016, EUR 114,210 thousand (December 31, 2015: EUR 110,963 thousand) in cash at banks in relation to the sale of receivables and EUR 23,535 thousand (December 31, 2015: EUR –) of cash reserved for warranties is subject to restrictions.

24. Shareholders' equity

The Consolidated Statement of Changes in Equity is shown on page 169.

Between January 12, 2016 and March 10, 2016, 954,717 shares of treasury stock were purchased for a total price of EUR 79,655,955 (an average price of EUR 83.43 per share) as part of the stock buyback program decided upon on January 11, 2016 for the purposes provided for in the authorizing resolutions of the Annual General Meeting of May 7, 2014 and that of May 6, 2015 and for all other purposes permitted under AktG. The shares represent EUR 2,444,076 (1.48%) of the Company's capital stock.

Making use of the authorization granted at the Annual General Meeting of May 11, 2016 to cancel shares of treasury stock and shares acquired in accordance with Section 71 (1) No. 8 of the German Stock Corporations Act (AktG), the Executive Board adopted a resolution on September 19, 2016 to cancel 5,009,434 shares of treasury stock. The Supervisory Board approved the cancellation. Following the cancellation, the Company's capital stock is divided into 64,300,000 no-par-value bearer shares. Concurrently with the cancellation, the Company's capital stock was reduced to EUR 164,608,000.00. The capital reduction was effected by cancellation of treasury stock acquired in accordance with Section 71 (1) No. 8 Sentence 6 AktG by application of the simplified cancellation procedure (Section 237 (3) No. 2 AktG). Each share accounts for EUR 2.56 of capital stock.

As of December 31, 2016, HOCHTIEF Aktiengesellschaft held a total of 52,142 shares of treasury stock as defined in Section 160 (1) No. 2 of the German Stock Corporations Act (AktG). These shares were purchased from October 7, 2014 onward for the purposes provided for in the resolutions of the Annual General Meeting of May 7, 2014 and that of May 6, 2015 and for all other purposes permitted under AktG. The holdings of treasury stock represent EUR 133,484 (0.08%) of the Company's capital stock.

The capital reserve comprises premium on shares issued by HOCHTIEF Aktiengesellschaft.

The Executive Board is unaware of any restrictions on voting rights or on transfers of securities.

There are no shares with special control rights. The Executive Board is not aware of any employee shares where the control rights are not exercised directly by the employees.

Statutory rules on the appointment and replacement of Executive Board members are contained in Sections 84 and 85 and statutory rules on the amendment of the Articles of Association in Sections 179 and 133 of the German Stock Corporations Act (AktG). Under Section 7 (1) of the Company's Articles of Association, the Executive Board comprises at least two individuals. Section 23 (1) of the Articles of Association provides that resolutions of the Annual General Meeting require a simple majority of votes cast unless there is a statutory requirement stipulating a different majority. In instances where the Act requires a majority of the capital stock represented at the time of the resolution in addition to a majority of votes cast, Section 23 (3) of the Articles of Association provides that a simple majority will suffice unless there is a mandatory requirement stipulating a different majority.

Pursuant to Section 4 (5) of the Articles of Association, the Executive Board is authorized, subject to Supervisory Board approval, to increase the capital stock by issuing new no-par-value bearer shares for cash and/or non-cash consideration in one or more issues up to a total of EUR 54,000 thousand by or before May 5, 2020 (Authorized Capital I). Detailed provisions are contained in the stated section of the Articles.

Pursuant to Section 4 (4) of the Articles of Association, the Company's capital stock has been conditionally increased by up to EUR 46,080 thousand divided into up to 18 million no-par-value bearer shares (conditional capital). Detailed provisions are contained in the stated section of the Articles.

Authorization to repurchase shares:

The Company is authorized by resolution of the Annual General Meeting of May 11, 2016 to repurchase its own shares in accordance with Section 71 (1) No. 8 of the German Stock Corporations Act (AktG). The authorization expires on May 10, 2021. It is limited to 10% of the capital stock at the time of the Annual General Meeting resolution or at the time of exercising the authorization, whichever figure is smaller. The authorization can be exercised directly by the Company or by a company in its control or majority ownership or by third parties engaged by the Company or engaged by a company in its control or majority ownership and allows the share repurchase to be executed in one or more installments covering the entire amount or any fraction thereof. The repurchase may be effected through the stock exchange or by public offer to all shareholders, or by public invitation to all shareholders to tender shares for sale, or by issuing shareholders with rights to sell shares. The conditions governing the repurchase are set forth in detail in the resolution.

By resolution of the Annual General Meeting of May 11, 2016, the Executive Board is authorized, subject to Supervisory Board approval, in the event of a sale of shares of treasury stock effected by way of an offer to all shareholders, to issue subscription rights to the shares to holders of warrant-linked and/or convertible bonds issued by the Company or by any subordinate Group company. The Executive Board is also authorized, subject to Supervisory Board approval, to sell shares of treasury stock other than through the stock exchange and other than by way of an offer to all shareholders provided that the shares are sold for cash at a price not substantially below the current stock market price for Company shares of the same class at the time of sale.

The HOCHTIEF Aktiengesellschaft Executive Board is further authorized, subject to Supervisory Board approval and the conditions set out in the following, to offer and transfer shares of treasury stock to third parties other than through the stock exchange and other than by way of an offer to all shareholders. Such transactions may take place in the course of acquisitions of business enterprises in whole or part and in the course of mergers. They are also permitted for the purpose of obtaining a listing for the Company's shares on foreign stock exchanges where it is not yet listed. The shares may also be offered for purchase by employees or former employees of the Company or its affiliates. Holders of bonds which the Company or a Group company subordinate to it issues or has issued under the authorization granted at the Annual General Meeting of May 11, 2016 (agenda item 8) may also be issued with the shares upon exercising the warrant and/or conversion rights and/or obligations attached to the bonds.

The shares may also, on condition that they be held for at least two years after transfer, be transferred to (current or past) members of the Executive Board of the Company and to (current or past) members of the executive boards and general management of companies under its control within the meaning of Section 17 of the German Stock Corporations Act (AktG), and to current or past employees of the Company or of a company under its control within the meaning of Section 17 AktG. Such transfers are only permitted for the purpose of settling the transferees' variable compensation entitlements. Further conditions of transfer are detailed in the resolution. Where shares are issued to members of the Executive Board of the Company, the decision to issue the shares is taken solely by the Supervisory Board.

Shareholders' statutory subscription rights to such shares are barred pursuant to Sections 71 (1) No. 8 and 186 (3) and (4) of the German Stock Corporations Act (AktG) to the extent that the shares are used in exercise of the authorizations set out above.

The Executive Board is also authorized, subject to Supervisory Board approval, to cancel shares of treasury stock without a further resolution of the Annual General Meeting being required for the cancellation itself or its execution.

The conditions governing awards of subscription rights and the sale, transfer, and cancellation of treasury stock are set forth in detail in the Annual General Meeting resolution.

By a further resolution of the Annual General Meeting of May 11, 2016, the Company is authorized to acquire shares of treasury stock in accordance with Section 71 (1) No. 8 AktG using equity derivatives as well as to exclude shareholders' tender rights and subscription rights. This is not intended to increase the total volume of shares that may be purchased; instead, it merely opens the way for other alternatives to purchase shares of treasury stock within and against the upper limit set in the aforementioned authorization. The Executive Board has been authorized to acquire options which, when exercised, entitle the Company to acquire shares of the Company (call options). The Executive Board is further authorized to sell options which, when exercised by their holder, require the Company to acquire shares of the Company (put options). Moreover, the shares can be acquired using a combination of call and put options or forward purchase agreements. Additional details of the conditions for the use of equity derivatives in the acquisition of treasury stock and for the exclusion of shareholders' rights to sell and subscription rights are set out in the Annual General Meeting resolution.

In May 2016, 11,492 shares of treasury stock were transferred to members of the Executive Board of the Company and to a former member of the Executive Board of HOCHTIEF Solutions AG at a price of EUR 111.75 per share on condition that the shares be held for at least two years after transfer. The transfer settled the transferees' variable compensation entitlements. The shares represent EUR 29,420 (0.018%) of the Company's capital stock.

Unappropriated net profit is identical for HOCHTIEF Aktiengesellschaft and the HOCHTIEF Group.

A dividend of EUR 128,473 thousand was paid out in the year under review (2015: EUR 128,926 thousand).

The non-controlling interest in the shareholders' equity of consolidated Group companies totals EUR 761,210 thousand (2015: EUR 1,002,847 thousand); EUR 615,121 thousand (2015: EUR 849,758 thousand) of this relates to the CIMIC Group.

A Group company of HOCHTIEF Aktiengesellschaft, CIMIC Group Limited is based in Sydney, Australia. HOCHTIEF's Consolidated Financial Statements include non-controlling interests in CIMIC that are material to HOCHTIEF. The ownership interest in our Australian Group company CIMIC is 72.68% as of December 31, 2016 (2015: 69.62%). Summary financial information on the Group company is provided in the table below.

(EUR thousand)	2016	2015
Non-current assets	3,388,821	2,901,943
Current assets	3,476,862	3,593,899
Non-current liabilities	623,117	842,456
Current liabilities	3,973,179	2,890,874
Shareholders' equity	**2,269,387**	**2,762,512**
Of which: Non-controlling interest	[(6,708)]	[15,092]
Total non-controlling interest in equity	**615,121**	**849,758**
Sales	7,302,970	8,946,139
Profit before tax	**498,566**	**495,368**
Income tax	(126,603)	(148,653)
Profit after tax	**371,963**	**346,715**
Of which: Non-controlling interest	[(18,764)]	[(4,066)]
Total non-controlling interest in profit after tax	**87,983**	**102,501**
Cash flow from operations	758,792	977,599
Cash flow from investing activities	(189,673)	840,831
Cash flow from financing activities	(971,816)	(1,724,817)

Accumulated other comprehensive income is part of revenue reserves. It includes amounts recognized in equity for changes in the fair value of derivative and non-derivative financial instruments and exchange differences from translation of foreign entity financial statements. Accumulated other comprehensive income also includes the Group's share of changes recognized directly in the other comprehensive income of equity-method associates and joint ventures, plus the portion of other comprehensive income from the remeasurement of defined benefit plans that will not subsequently be reclassified to profit or loss. The changes in other comprehensive income are presented on a year-on-year basis in the following table:

Changes in other comprehensive income

(EUR thousand)	2016	2015
Currency translation differences		
Changes in other comprehensive income for the period	96,922	219,853
Amounts reclassified to profit or loss	316	(71,519)
	97,238	**148,334**
Changes in fair value of financial instruments – primary		
Changes in other comprehensive income for the period	(2,660)	9,999
Amounts reclassified to profit or loss	(15,140)	12,582
	(17,800)	**22,581**
Changes in fair value of financial instruments – derivative		
Changes in other comprehensive income for the period	(895)	2,138
Amounts reclassified to profit or loss	–	(595)
	(895)	**1,543**
Share of profits and losses of equity-method associates and joint ventures recognized directly in equity		
Changes in other comprehensive income for the period	(3,937)	(8,866)
Amounts reclassified to profit or loss	(12,237)	9,870
	(16,174)	**1,004**
Remeasurement of defined benefit plans	**(59,103)**	**21,063**
Other comprehensive income after tax	**3,266**	**194,525**

The tax effects relating to changes in other comprehensive income are distributed as follows:

		2016			2015	
(EUR thousand)	Before tax	Taxes	After tax	Before tax	Taxes	After tax
Currency translation differences	97,238	–	97,238	148,334	–	148,334
Changes in fair value of financial instruments – primary	(19,758)	1,958	(17,800)	32,147	(9,566)	22,581
Changes in fair value of financial instruments – derivative	(1,600)	705	(895)	1,933	(390)	1,543
Share of profits and losses of equity-method associates and joint ventures recognized directly in equity	(16,174)	–	(16,174)	1,004	–	1,004
Remeasurement of defined benefit plans	(84,426)	25,323	(59,103)	28,516	(7,453)	21,063
Other comprehensive income	**(24,720)**	**27,986**	**3,266**	**211,934**	**(17,409)**	**194,525**

25. Share-based payment

The following Group-wide share-based payment systems were in force for managerial staff of HOCHTIEF Aktiengesellschaft and its affiliates in 2016:

Top Executive Retention Plan 2008

The Executive Board resolved in June 2008 to launch a Top Executive Retention Plan 2008 (TERP 2008) for selected managerial employees.

This plan is based on stock awards and consists of three tranches. The first tranche was granted in July 2008, the second in July 2009, and the third in July 2010.

The total term of the plan is ten years. The waiting period after the granting of each tranche is three years. The exercise period is between five and seven years, depending on the tranche.

The conditions stipulate that, after the waiting period, entitled individuals receive for each stock award either a HOCHTIEF share or, at HOCHTIEF Aktiengesellschaft's discretion, a compensatory cash amount equal to the closing price of HOCHTIEF stock on the last stock market trading day before the exercise date. The gain is capped for each year of the exercise period. The cap rises annually up to a maximum gain at the end of the term. The maximum gain is set to EUR 160 per stock award for the first tranche, EUR 81.65 for the second tranche, and EUR 166.27 for the third tranche.

The first tranche was exercised in full in 2015 and the third tranche in 2016.

Long-term Incentive Plan 2010

The Long-term Incentive Plan 2010 (LTIP 2010) was launched by resolution of the Supervisory Board in 2010 and is open to Executive Board members and upper managerial employees of HOCHTIEF Aktiengesellschaft and its affiliates. Alongside grants of stock appreciation rights (SARs), LTIP 2010 also provided for grants of stock awards. Alongside grants of stock appreciation rights (SARs), LTIP 2010 also provided for grants of stock awards. The SARs can only be exercised if, for at least ten consecutive stock market trading days before the exercise date, the ten-day average (arithmetic mean) stock market closing price of HOCHTIEF stock is higher relative to the issue price compared with the ten-day average closing level of the MDAX index relative to the index base (relative performance threshold) and, additionally, return on net assets (RONA) in the then most recently approved set of consolidated financial statements is at least 10% (absolute performance threshold). The relative performance threshold is waived if the average stock market price of HOCHTIEF stock exceeds the issue price by at least 10% on ten consecutive stock market trading days after the end of the waiting period.

Provided that the targets are met, the SARs can be exercised at any time after a four-year waiting period except during a short period before publication of any business results. When SARs are exercised, the issuing entity pays out the difference between the then current stock price and the issue price. The gain is limited to EUR 27.28 per SAR.

The LTIP conditions for stock awards stipulated that for each stock award exercised within a two-year exercise period following a three-year waiting period, entitled individuals received at HOCHTIEF Aktiengesellschaft's discretion either a HOCHTIEF share or a compensatory cash amount equal to the closing price of HOCHTIEF stock on the last stock market trading day before the exercise date. The gain was limited to EUR 81.83 per stock award.

The plan for the stock awards ended in 2015.

Long-term Incentive Plan 2011

The Long-term Incentive Plan 2011 (LTIP 2011) was launched by resolution of the Supervisory Board in 2011 and is open to Executive Board members and upper managerial employees of HOCHTIEF Aktiengesellschaft and its affiliates. The conditions did not differ in any material respect from those of LTIP 2010. The gain was limited to EUR 32.67 per SAR and EUR 98.01 per stock award.

The plan for the SARs was exercised in full in 2016 and the plan for the stock awards ended in 2016.

Long-term Incentive Plan 2012

The Long-term Incentive Plan 2012 (LTIP 2012) was launched by resolution of the Supervisory Board in 2012 and is open to Executive Board members and upper managerial employees of HOCHTIEF Aktiengesellschaft and its affiliates. The plan conditions differ from those of LTIP 2011 in two points:

1. Return on net assets (RONA) as per the most recently approved Consolidated Financial Statements must be at least 15%.

2. The waiting time for stock awards was extended from three to four years and the total term of the plan accordingly from five to six years.

The gain is limited to EUR 25.27 per SAR and EUR 75.81 per stock award.

Long-term Incentive Plan 2013

The Long-term Incentive Plan 2013 (LTIP 2013) was launched by resolution of the Supervisory Board in 2013 and is open to Executive Board members. The plan conditions differ from those of LTIP 2012 in only one point:

The performance target for RONA was replaced with a performance target for adjusted free cash flow. The number of SARs that can be exercised depends on attainment of the planned value range for adjusted free cash flow. This value range is set in the business plan for each exercise year.

The gain is limited to EUR 24.61 per SAR and EUR 73.83 per stock award.

Long-term Incentive Plan 2014

The Long-term Incentive Plan 2014 (LTIP 2014) was launched by resolution of the Supervisory Board in 2014 and is open to Executive Board members. The plan conditions do not differ in any material respect from those of LTIP 2013.

The gain is limited to EUR 30.98 per SAR and EUR 92.93 per stock award.

Long-term Incentive Plan 2015

The Long-term Incentive Plan 2015 (LTIP 2015) was launched by resolution of the Supervisory Board in 2015 and is open to Executive Board members. The plan conditions do not differ in any material respect from those of LTIP 2014.

The gain is limited to EUR 31.68 per SAR and EUR 95.04 per stock award.

Long-term Incentive Plan 2016

The Long-term Incentive Plan 2016 (LTIP 2016) was launched by resolution of the Supervisory Board in 2016 and is open to Executive Board members. The plan conditions differ from those of LTIP 2015 solely in that the waiting period was shortened from four years to three and the timeframe commensurately to six years (SARs) and five years (stock awards).

The gain is limited to EUR 41.54 per SAR and EUR 124.62 per stock award.

Other information

Return on net assets (RONA)

Return on net assets (RONA) indicates how well HOCHTIEF's assets are performing as an investment and thus measures the profitability of the HOCHTIEF Group. RONA measures return as a percentage of net assets. For this purpose, return is defined as operational earnings (EBIT, shown in the Operational Statement of Earnings) plus interest income from the Group's financial assets. The net assets figure reflects the total capital commitment from which returns are to be generated.

The HOCHTIEF Group generated a return on net assets (RONA) of 15.9% in 2016 (2015: 13.2%). RONA thus increased by 2.7 percentage points compared with the prior year.

The conditions of all plans stipulate that on the exercise of SARs or stock awards—and the fulfillment of all other requisite criteria—HOCHTIEF Aktiengesellschaft normally has the option of delivering HOCHTIEF shares instead of paying out the gain in cash. Where the entitled individuals are not employees of HOCHTIEF Aktiengesellschaft, the expense incurred on exercise of SARs or stock awards is met by the affiliated company concerned.

The quantities of SARs and stock awards granted, expired, and exercised under the plans are as follows:

	Originally granted	Outstanding at Dec. 31, 2015	Granted in 2016	Expired in 2016	Exercised/ settled in 2016	Disposal/ sale	**Outstanding at Dec. 31, 2016**
TERP 2008/Tranche 2	359,000	3,300	–	–	400	–	2,900
TERP 2008/Tranche 3	174,100	9,200	–	–	9,200	–	0
LTIP 2010 – SARs	353,200	4,100	–	600	1,500	–	2,000
LTIP 2011 – SARs	275,250	29,400	–	–	29,400	–	0
LTIP 2011 – stock awards	124,850	2,100	–	–	2,100	–	0
LTIP 2012 – SARs	457,406	276,906	–	14,000	–	–	262,906
LTIP 2012 – stock awards	82,991	44,294	–	1,700	41,044	–	1,550
LTIP 2013 – SARs	38,288	38,288	–	–	–	–	38,288
LTIP 2013 – stock awards	9,297	9,297	–	–	–	–	9,297
LTIP 2014 – SARs	86,907	86,907	–	–	–	–	86,907
LTIP 2014 – stock awards	20,453	20,453	–	–	–	–	20,453
LTIP 2015 – SARs	96,801	96,801	–	–	–	–	96,801
LTIP 2015 – stock awards	20,262	20,262	–	–	–	–	20,262
LTIP 2016 – SARs	–	–	93,235	–	–	–	93,235
LTIP 2016 – stock awards	–	–	17,850	–	–	–	17,850

Provisions recognized for the stated share-based payment arrangements totaled EUR 15,574 thousand as of the balance sheet date (2015: EUR 14,811 thousand). The total expense recognized for the stated arrangements in 2016 was EUR 5,537 thousand (2015: EUR 8,335 thousand). The intrinsic value of options exercisable at the end of the reporting period was EUR 7,052 thousand (2015: EUR 2,195 thousand).

26. Provisions for pensions and similar obligations

Defined benefit plans

Under defined benefit plans, the Company's obligation is to provide agreed benefits to current and former employees. The main pension obligations in Germany consist of direct commitments under the current 2000+ pension plan and deferred compensation plans. The 2000+ plan in force since January 1, 2000 takes the form of a modular defined contribution plan. The size of the annual pension component depends on employee income and age (resulting in an annuity conversion factor) and a general pension contribution reviewed by HOCHTIEF Aktiengesellschaft every three years and adjusted as necessary. The future pension amount is the sum total of the pension components earned each year. In isolated instances, length-of-service and final salary pension arrangements are in existence for executive staff, although except at Executive Board level such arrangements have no longer been offered since 1995. Benefits comprise an old-age pension, an invalidity pension, and a surviving dependants' pension, and in almost all cases are granted as a lifelong annuity.

Up to December 31, 2013, employees in Germany additionally had the option of deferred compensation in a company pension plan. The deferred compensation was invested in selected investment funds. The pension amount is based on the present value of acquired fund units at retirement, subject to a minimum of the deferred compensation amount plus an increment that is guaranteed by HOCHTIEF and ranges from 3.50% down to 1.75% p.a. There is a choice at retirement between a lump sum payment and an annuity for five or six years.

Outside of Germany, there are defined benefit plans at Turner in the USA and HOCHTIEF (UK) in the United Kingdom. The plan at Turner was frozen as of December 31, 2003, and no new entitlements can be earned under it. Benefits comprise an old-age pension, an invalidity pension, and a surviving dependants' pension. There is a choice at retirement between a lifelong annuity and a lump sum payment. Commitments at Turner also include post-employment benefits in the form of medical care for pensioners. HOCHTIEF (UK) has a length-of-service, final salary pension plan. For each year of service, 1/75th of the eligible final salary is granted as a monthly pension. Benefits comprise an old-age pension, an invalidity pension, and a surviving dependants' pension.

Defined benefit obligations in the HOCHTIEF Group are made up as follows:

		Dec. 31, 2016	
(EUR thousand)	Germany	USA	UK
Active members	128,813	94,097	15,249
Final salary	[17,861]	–	[15,249]
Not final salary	[110,952]	[94,097]	–
Vested benefits	184,463	44,877	19,177
Current benefit payments	505,168	109,053	14,849
Similar obligations	95	60,470	–
Total	**818,539**	**308,497**	**49,275**
Duration in years (weighted)	**14.6**	**8.7**	**19.0**

		Dec. 31, 2015	
(EUR thousand)	Germany	USA	UK
Active members	116,993	90,919	12,842
Final salary	[15,964]	–	[12,842]
Not final salary	[101,029]	[90,919]	–
Vested benefits	154,162	46,477	17,077
Current benefit payments	488,211	102,376	15,468
Similar obligations	93	54,350	–
Total	**759,459**	**294,122**	**45,387**
Duration in years (weighted)	**14.7**	**7.9**	**21.0**

Plan assets

Germany

There are no statutory or regulatory minimum funding requirements for pension plans in Germany. Domestic pension obligations are fully funded. The funded plans take the form of a contractual trust arrangement (CTA). The transferred assets have been administered since January 1, 2015 by an external trustee and serve exclusively to fund domestic pension obligations. The transferred cash is invested in the capital market in accordance with investment principles set out in the trust agreement and the investment guidelines. Investment decisions are not made by the trustee but by an investment committee.

The investment guidelines and decisions are based on the findings of an asset liability matching (ALM) study compiled by outside specialists at regular intervals of three to five years. This uses Monte Carlo simulation to model the development of the pension liabilities and other key economic factors over a very long forward horizon and in numerous combinations. Based on the ALM study, a range of criteria are then applied to determine the optimum asset allocation in order to ensure that pension liabilities can be met in the long term.

To assure an optimum conservative risk structure, we have also established risk overlay management using the services of an external overlay manager who is given a fixed annual risk budget and works fully autonomously in a clearly structured risk overlay management process. HOCHTIEF aims to ensure full funding of pension obligations and to fund new vested benefits on the basis of current service cost annually or at least on a timely basis. The companies pay in additional amounts from time to time in the event of any shortfall. Pension commitments in Germany in excess of the contribution assessment ceiling applied in the statutory pension insurance scheme are additionally covered using pension liability insurance. Pension liabilities from deferred employee compensation offered up to December 31, 2013 were funded by the purchase of retail fund units. Funding of the obligations served by HOCHTIEF Pension Trust e. V. as of December 31, 2016 is about 55% (2015: 61%); the figure for Germany as a whole is about 60% (2015: 67%). It should be noted in this connection that the size of pension obligations has increased significantly in recent years due to the low level of market interest rates and that the funding ratio will significantly increase again when interest rates recover.

USA

The frozen defined benefit obligations in the Turner Group are likewise managed in a pension fund. Plan assets are administered in trust by BNY Mellon and serve exclusively to fund the plan. The trust's independence is reviewed annually and attested to by auditors. Investment decisions are not made by the trust but by a special committee.

The investment of plan assets is based on a regularly compiled ALM study. The investment objectives are to maximize the funding ratio and reduce volatility in the funding ratio. With the pension obligations fully funded, high-risk investments in equities are to be reduced in favor of fixed-interest bonds. These ideally perform in line with plan liabilities, thus ensuring full funding. There is no statutory minimum funding requirement, but low funding levels result in higher contributions to the Pension Benefit Guarantee Corporation, and limits to lump-sum payments, hence maximum funding is aimed for. The funding of obligations covered by plan assets at Turner as of December 31, 2016 is about 86% (2015: 87%); funding at Turner overall is about 69% (2015: 71%).

UK

Funding of plan assets at HOCHTIEF (UK) is likewise on a trust basis. Statutory minimum funding requirements apply. If funding is insufficient to make up a funding shortfall, an additional restructuring plan is drawn up. Plan funding is reviewed at least once every three years. Funding of pension obligations at HOCHTIEF (UK) is about 69% (2015: 81%).

Defined benefit obligations are covered by plan assets as follows:

Coverage of defined benefit obligations by plan assets

	Dec. 31, 2016		Dec. 31, 2015	
(EUR thousand)	Defined benefit obligations	Plan assets	Defined benefit obligations	Plan assets
Uncovered by plan assets	61,858	–	55,705	–
Partially covered by plan assets	1,046,057	667,669	977,080	679,337
Incompletely covered by plan assets	**1,107,915**	**667,669**	**1,032,785**	**679,337**
Fully covered by plan assets	68,396	70,971	66,183	72,397
Total	**1,176,311**	**738,640**	**1,098,968**	**751,734**

Actuarial assumptions

The size of pension provisions is determined on an actuarial basis. This necessarily involves estimates. Specifically, the actuarial assumptions used are as follows:

	2016			2015		
(Percent)	Germany	USA	UK	Germany	USA	UK
Discount factor*	1.75	4.04	2.65	2.50	4.20	3.70
Salary increases	2.75	–	2.30	3.25	–	1.90
Pension increases*	1.75	–	4.42	1.75	–	4.45
Health cost increases	–	5.00	–	–	5.00	–

*Weighted average

The discount factors are derived from the Mercer Pension Discount Yield Curve (MPDYC) model, taking into account the company-specific duration of pension liabilities. Salary and pension increases ceased to be taken into account in the USA (Turner Group) in 2004 due to the changeover in pension arrangements.

Mortality assumptions are based on published country-specific statistics and experience. The following mortality tables were used in the actuarial calculation of pension obligations:

Germany	Heubeck 2005G mortality tables
USA	RP-2014 separate annuitant/ non-annuitant no collar with generational improvement using scale MP-2014
UK	S2PxA CMI_2015 [1,25 %] males [1,00 %] females year of birth

The present value of defined benefit obligations and the market value of plan assets have changed as follows:

Changes in the present value of defined benefit obligations

		2016			2015	
(EUR thousand)	Domestic	International	Total	Domestic	International	Total
Defined benefit obligations at start of year	**759,459**	**339,509**	**1,098,968**	**837,252**	**322,681**	**1,159,933**
Current service cost	5,943	1,764	7,707	9,102	2,074	11,176
Interest expense	18,495	13,265	31,760	16,352	13,319	29,671
Remeasurements						
Actuarial gains/(losses) arising from changes in demographic assumptions	–	3,537	3,537	–	(842)	(842)
Actuarial gains/(losses) arising from changes in financial assumptions	81,203	14,565	95,768	(54,446)	(8,063)	(62,509)
Actuarial gains/(losses) arising from experience adjustments	(8,060)	1,326	(6,734)	(10,257)	980	(9,277)
Benefits paid from Company assets	(442)	(3,264)	(3,706)	(433)	(2,836)	(3,269)
Benefits paid from fund assets	(38,004)	(16,055)	(54,059)	(38,059)	(19,114)	(57,173)
Settlements paid from fund assets	–	–	–	–	(3,525)	(3,525)
Employee contributions	–	162	162	–	201	201
Effect of transfers	(55)	–	(55)	(52)	–	(52)
Currency adjustments	–	2,963	2,963	–	34,634	34,634
Defined benefit obligations at end of year	**818,539**	**357,772**	**1,176,311**	**759,459**	**339,509**	**1,098,968**

Changes in the market value of plan assets

		2016			2015	
(EUR thousand)	Domestic	International	Total	Domestic	International	Total
Plan assets at start of year	**506,877**	**244,857**	**751,734**	**537,858**	**244,834**	**782,692**
Interest on plan assets	12,618	9,290	21,908	10,702	9,877	20,579
Plan expenses paid from plan assets recognized in profit or loss	–	(1,369)	(1,369)	–	(1,130)	(1,130)
Remeasurements						
Return on plan assets not included in net interest expense/income	4,521	8,240	12,761	(12,051)	(12,993)	(25,044)
Difference between plan expenses expected and recognized in profit or loss	–	(176)	(176)	–	(237)	(237)
Employer contributions	5,439	835	6,274	8,427	964	9,391
Employee contributions	–	162	162	–	201	201
Benefits paid	(38,004)	(16,055)	(54,059)	(38,059)	(19,114)	(57,173)
Settlements paid	–	–	–	–	(3,525)	(3,525)
Currency adjustments	–	1,405	1,405	–	25,980	25,980
Plan assets at end of year	**491,451**	**247,189**	**738,640**	**506,877**	**244,857**	**751,734**

Consolidated Financial Statements and Notes

Investing plan assets to cover future pension obligations generated actual returns of EUR 34,669 thousand in 2016 (2015: expenditure of EUR 4,465 thousand).

The pension provisions are determined as follows:

Reconciliation of pension obligations to provisions for pensions and similar obligations

(EUR thousand)	Dec. 31, 2016	Dec. 31, 2015
Defined benefit obligations	1,176,311	1,098,968
Less plan assets	738,640	751,734
Funding status	**437,671**	**347,234**
Assets from overfunded pension plans	2,575	6,214
Provision for pensions and similar obligations	**440,246**	**353,448**

The fair value of plan assets is divided among asset classes as follows:

Composition of plan assets

Dec. 31, 2016	Fair value			
(EUR thousand)	Quoted in an active market	Not quoted in an active market	Total	%
Stock				
U.S. equities	34,386	–	34,386	4.65
European equities	66,649	18,734	85,383	11.56
Emerging market equities	53,768	–	53,768	7.28
Other equities	11,125	–	11,125	1.51
Bonds				
U.S. government bonds	–	–	–	–
European government bonds	94,350	–	94,350	12.77
Emerging market government bonds	36,537	–	36,537	4.95
Corporate bonds*	222,263	–	222,263	30.09
Other bonds			–	–
Investment funds	40,240	27,497	67,737	9.17
Real estate	–	31,306	31,306	4.24
Insurance policies	–	78,135	78,135	10.58
Cash	21,212	–	21,212	2.87
Other	–	2,438	2,438	0.33
Total	**580,530**	**158,110**	**738,640**	**100.00**

*Of which EUR 9,265 thousand state-guaranteed bonds

Dec. 31, 2015	Fair value			
(EUR thousand)	Quoted in an active market	Not quoted in an active market	Total	%
Stock				
U.S. equities	29,272	–	29,272	3.89
European equities	72,296	18,734	91,030	12.11
Emerging market equities	46,337	–	46,337	6.16
Other equities	10,224	–	10,224	1.36
Bonds				
U.S. government bonds	–	–	–	–
European government bonds	97,688	412	98,100	13.05
Emerging market government bonds	34,335	–	34,335	4.57
Corporate bonds*	225,637	–	225,637	30.02
Other bonds	–	–	–	–
Investment funds	45,802	42,239	88,041	11.71
Real estate	–	31,938	31,938	4.25
Insurance policies	–	80,021	80,021	10.65
Cash	13,259	–	13,259	1.76
Other	–	3,540	3,540	0.47
Total	**574,850**	**176,884**	**751,734**	**100.00**

*Of which: EUR 8,446 thousand in state-guaranteed bonds

Pension expense under defined benefit plans is made up as follows:

	2016			2015		
(EUR thousand)	Domestic	International	Total	Domestic	International	Total
Current service cost	5,943	1,764	7,707	9,102	2,074	11,176
Total personnel expense	**5,943**	**1,764**	**7,707**	**9,102**	**2,074**	**11,176**
Interest expense for accrued benefit obligations	18,495	13,265	31,760	16,352	13,319	29,671
Return on plan assets	(12,618)	(9,290)	(21,908)	(10,702)	(9,877)	(20,579)
Net interest expense/income (net investment and interest income)	**5,877**	**3,975**	**9,852**	**5,650**	**3,442**	**9,092**
Plan expenses paid from plan assets recognized in profit or loss	**–**	**1,369**	**1,369**	**–**	**1,130**	**1,130**
Total amount recognized in profit or loss	**11,820**	**7,108**	**18,928**	**14,752**	**6,646**	**21,398**

In addition to the expenses recognized in profit or loss, the Consolidated Statement of Comprehensive Income includes EUR 84,425 thousand in actuarial losses in 2016 before deferred taxes and after consolidation changes and exchange rate adjustments (2015: EUR 28,516 thousand actuarial gains). Before deferred taxes, the cumulative amount is actuarial losses of EUR 527,496 thousand (2015: EUR 443,071 thousand).

The Turner Group’s obligations to meet healthcare costs for retired staff are included in pension provisions due to their pension-like nature. The defined benefit obligation as of December 31, 2016 came to EUR 60,470 thousand (2015: EUR 54,350 thousand). Healthcare costs accounted for EUR 1,532 thousand (2015: EUR 1,785 thousand) of the current service cost and EUR 2,397 thousand (2015: EUR 2,223 thousand) of the interest expense.

Sensitivity analysis

Pension obligations in the HOCHTIEF Group are subject to the following material risks:

Interest rate risk

For defined contribution plans, (notional) contributions are translated into benefits using a table of fixed interest rates, independent of the current market interest rate. HOCHTIEF thus bears the risk of general capital market interest rate changes with regard to the determination of benefits. Pension obligations have increased significantly in recent years due to the generally low level of capital market interest rates. The correspondingly strong impact is due to the relatively long term of the obligations.

Inflation risk

By law, company pensions in Germany must be raised level with the inflation rate at least every three years. German company pensions under the 2000+ plan rise at a fixed 1% p.a., hence there is only minor inflation risk in the pension phase. Turner plans are free from inflation risk as the main defined benefit plan is frozen and no more adjustments to the company pension are made.

Longevity risk

The granting of lifelong pensions means that HOCHTIEF bears the risk of pensioners living longer than actuarial calculations predict. This risk normally cancels out collectively across all pension plan members and only comes into play if general longevity is greater than expected.

The impact of the stated risks on the defined benefit obligations under a corresponding change in actuarial assumptions is shown in the sensitivity analysis that follows.

Impact on the defined benefit obligation

	Dec. 31, 2016					
	Domestic		International		Total	
(EUR thousand)	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate +0.50% / -0.50%	(56,175)	63,408	(16,395)	18,078	(72,570)	81,486
Discount rate +1.00% / -1.00%	(105,939)	135,647	(31,314)	38,088	(137,253)	173,735
Salary increases +0.50% / -0.50%	418	(572)	659	(613)	1,077	(1,185)
Pension increases +0.25% / -0.25%	19,881	(19,186)	1,336	(1,500)	21,217	(20,686)
Medical costs +1.00% / -1.00%	–	–	93	(87)	93	(87)
Life expectancy +1 year	37,295	n/a	7,510	n/a	44,805	n/a

	Dec. 31, 2015					
	Domestic		International		Total	
(EUR thousand)	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate +0.50% / -0.50%	(48,716)	54,437	(15,559)	17,146	(64,275)	71,583
Discount rate +1.00% / -1.00%	(91,976)	116,235	(29,730)	36,105	(121,706)	152,340
Salary increases +0.50% / -0.50%	423	(369)	609	(564)	1,032	(933)
Pension increases +0.25% / -0.25%	17,468	(18,402)	1,232	(1,377)	18,700	(19,779)
Medical costs +1.00% / -1.00%	–	–	82	(77)	82	(77)
Life expectancy +1 year	31,274	n/a	8,223	n/a	39,497	n/a

Future benefit payments and contributions to defined benefit plans

As of December 31, 2016, anticipated pension payments for future years are as follows:

(EUR thousand)	
Due in 2017	63,065
Due in 2018	63,184
Due in 2019	63,238
Due in 2020	63,859
Due in 2021	63,702
Due in 2022 to 2026	298,350

Contributions to defined benefit plans will probably be higher in 2017 than in the prior year. This is due to higher defined benefit obligations for members of the Executive Board and related pension liability insurance contributions as well as higher transfers to the CTAs as a result of rising service costs.

Defined contribution plans

Under defined contribution plans, the Company pays into a state or private pension fund voluntarily or in accordance with statutory or contractual stipulations. It has no obligation to pay further contributions.

There are defined contribution plans at Turner, Flatiron, and E.E. Cruz in the USA as well as at CIMIC in Australia. Depending on length of service and salary level, Turner pays between 3% and 6% of an employee's salary into an external fund. In addition, Turner employees have an option to pay up to 25% of their salaries into an investment fund as part of a 401 (k) plan. Turner matches the first 5% of the deferred compensation by up to 100% depending on length of service. All employees can join the plan immediately, and are vested in the company's contributions after three years' service. Tax relief is granted on most payments into the fund, although it is also possible to pay contributions from taxed income and receive the investment earnings free of tax; the investment risk is borne by employees. The defined contribution plans at Flatiron and E.E. Cruz are likewise 401 (k) plans. All non-union employees are entitled. Flatiron pays a contribution in the amount of 6.0% of the wage or salary, while E.E. Cruz doubles one-third of employee contributions, in each case up to the statutory maximum. Since July 1, 2014, CIMIC in Australia has paid 9.50% (previously 9.25%) of the wage and salary total into the statutory pension (superannuation) scheme. The contribution rate is expected to rise incrementally up to 12.0% by 2025. Employees have a choice of investment funds and bear the investment risk. They are able to pay top-up contributions on a voluntary basis. Tax relief is granted on top-up contributions.

The following amounts were paid into defined contribution plans and state pension schemes in 2016:

(EUR thousand)	2016	2015
Amounts paid into defined contribution plans		
CIMIC	86,030	129,525
Turner	41,057	38,207
Other	6,217	4,523
Total	**133,304**	**172,255**
Amounts paid into state pension schemes (employer share)	**69,743**	**69,881**

The costs are reported as part of personnel costs.

27. Other provisions

	Dec. 31, 2016			Dec. 31, 2015		
(EUR thousand)	Non-current	Current	Total	Non-current	Current	Total
Provisions for taxes	**–**	**109,016**	**109,016**	**–**	**89,089**	**89,089**
Personnel-related provisions	158,176	374,709	532,885	151,492	331,674	483,166
Provisions for insurance claims	210,338	4,309	214,647	194,521	8,362	202,883
Warranty obligations	–	43,695	43,695	–	49,627	49,627
Restructuring costs	464	6,118	6,582	964	19,127	20,091
Litigation risks	–	12,639	12,639	–	14,222	14,222
Sundry other provisions	54,278	271,117	325,395	102,960	305,634	408,594
Other provisions	**423,256**	**712,587**	**1,135,843**	**449,937**	**728,646**	**1,178,583**
	423,256	**821,603**	**1,244,859**	**449,937**	**817,735**	**1,267,672**

Personnel-related provisions primarily comprise provisions for stock option schemes, long-service awards, leave entitlements, termination benefits, and early retirement arrangements.

The size of provisions for insurance claims is computed annually by an external actuary.

Items covered by sundry other provisions include contract administration, contract costs incurred subsequent to invoicing, investment risk, preparation of annual financial statements, payments for damages, and other uncertain liabilities.

Statement of provisions

(EUR thousand)	Balance at Jan. 1, 2016	Allocations to provisions	Reversal of provisions	Consolidation changes, currency adjustments, reclassifications, and transfer	Use of provisions	Balance at Dec. 31, 2016
Provisions for taxes	**89,089**	**70,611**	**(13,097)**	**3,586**	**(41,173)**	**109,016**
Personnel-related provisions	483,166	291,617	(3,543)	83,350	(321,705)	532,885
Provisions for insurance claims	202,883	10,153	–	6,857	(5,246)	214,647
Sundry other provisions	492,534	114,232	(41,072)	(42,202)	(135,181)	388,311
Other provisions	**1,178,583**	**416,002**	**(44,615)**	**48,005**	**(462,132)**	**1,135,843**
	1,267,672	**486,613**	**(57,712)**	**51,591**	**(503,305)**	**1,244,859**

28. Financial liabilities

	Dec. 31, 2016		Dec. 31, 2015	
(EUR thousand)	Non-current	Current	Non-current	Current
Bonds or notes issued	1,619,796	776,312	2,236,835	65,339
Amounts due to banks	8,255	242,874	33,908	136,519
Financial liabilities to non-consolidated subsidiaries	–	5,215	–	2,448
Financial liabilities to participating interests	–	4,348	–	5,346
Lease liabilities	5,270	17,962	71,834	99,787
Sundry other financial liabilities	–	223	12,512	–
	1,633,321	**1,046,934**	**2,355,089**	**309,439**

Bonds

	Carrying amount Dec. 31, 2016 (EUR thousand)	Carrying amount Dec. 31, 2015 (EUR thousand)	Principal amount Dec. 31, 2016 (EUR thousand)	Coupon (%)	Initial term (in years)	Matures
HOCHTIEF AG bond (2014)	505,577	504,671	500,000 EUR	2.63	5	May 2019
HOCHTIEF AG bond (2013)	768,566	767,343	750,000 EUR	3.88	7	March 2020
HOCHTIEF AG bond (2012)	521,058	519,884	500,000 EUR	5.50	5	March 2017
CIMIC US$ Senior Notes (2012)	191,543	185,103	500,000 USD	5.95	10	November 2022
CIMIC US$ Senior Notes (2010)	247,404	239,086	260,000 USD			
Series B-Notes	[137,975]	[133,336]	145,000 USD	5.22	7	July 2017
Series C-Notes	[109,429]	[105,750]	115,000 USD	5.78	10	July 2020
CIMIC US$ Senior Notes (2008)	75,173	72,645	79,000 USD	7.66	10	October 2018
Other CIMIC bonds	86,787	13,442				
	2,396,108	**2,302,174**				

Amounts due to banks

	Carrying amount Dec. 31, 2016 (EUR thousand)	Average interest rate (%)	Carrying amount Dec. 31, 2015 (EUR thousand)	Average interest rate (%)
Variable-rate loans	241,571	3.51	111,392	2.42
Fixed-rate loans	9,558	5.59	59,035	3.84
	251,129		**170,427**	

A promissory note loan taken out in 2012 with an initial term of four years and for a nominal amount of EUR 50,000 thousand was repaid on schedule at the end of the loan term on December 13, 2016. HOCHTIEF Aktiengesellschaft consequently no longer had any outstanding promissory note loan issues at the reporting date.

In December 2011, an international banking syndicate provided HOCHTIEF with a five-year credit facility at market terms including a EUR 500,000 thousand cash tranche. The credit facility expires in April 2019. As in the prior year, there are no drawings on the cash tranche as of the reporting date.

There are no financial liabilities due to equity-accounted companies (2015: EUR 1,000 thousand).

The minimum lease payments for liabilities under finance leases break down as follows:

Finance leases

	Dec. 31, 2016			Dec. 31, 2015		
(EUR thousand)	Nominal value	Discount	Present value	Nominal value	Discount	Present value
Due in up to 1 year	18,482	520	17,962	105,539	5,752	99,787
Due in 1–5 years	5,304	52	5,252	73,325	1,491	71,834
Due after 5 years	19	1	18	–	–	–

The lease liabilities mainly relate to plant and equipment under finance leases at CIMIC.

29. Other liabilities

	Dec. 31, 2016		Dec. 31, 2015	
(EUR thousand)	Non-current	Current	Non-current	Current
Liabilities to employees	–	224,644	–	147,182
Deferred income	36,004	25,898	35,816	24,737
Tax liabilities (excluding income taxes)	–	33,932	–	34,032
Social insurance liabilities	–	5,017	–	7,943
Liabilities under derivative financial instruments	557	3,678	1,364	2,362
Sundry other liabilities	280	262,172	30,860	60,754
	36,841	**555,341**	**68,040**	**277,010**

Deferred income mainly comprises insurance premiums received in advance for subsequent years (these are reversed to income over the life of the policies) and rental payments.

For the first time in the year under review, sundry other current liabilities include EUR 181,008 thousand in liabilities to customers of the Turner Group that are fully covered by insurance claims. The insurance claims are included in other receivables and other assets. The liabilities and insurance claims were offset against each other in the prior year.

30. Trade payables

(EUR thousand)	Dec. 31, 2016	Dec. 31, 2015
Trade payables		
Gross amount due to customers from construction work (POC)	(622,323)	(318,545)
Progress payments received	1,719,188	1,027,175
	1,096,865	**708,630**
To construction joint ventures	166,799	106,614
Other	5,180,508	4,573,916
	6,444,172	**5,389,160**
Advance payments received	9,840	11,380
From non-consolidated subsidiaries	415	345
From participating interests	13,940	18,994
	6,468,367	**5,419,879**

The EUR 1,096,865 thousand (2015: EUR 708,630 thousand) gross amount due to customers for contract work (POC) represents such amounts where the progress payments received from customers exceed the incurred contract costs including a pro rata allocation of contract net profit.

Payables due to equity-accounted companies total EUR 13,446 thousand (2015: EUR 18,519 thousand).

31. Current income tax liabilities

The EUR 4,064 thousand (2015: EUR 10,257 thousand) in current income tax liabilities comprises amounts payable to domestic and foreign revenue authorities.

Other disclosures

32. Undiluted and diluted earnings per share

Undiluted earnings per share are calculated by dividing the consolidated net profit attributable to the Company’s stock by the average number of shares in circulation. This indicator can become diluted as a result of potential shares (mainly stock options and convertible bonds). HOCHTIEF’s share-based payment arrangements do not have any dilutive effect on earnings. Diluted and undiluted earnings per share are consequently identical.

	2016	2015
Profit after tax attributable to HOCHTIEF shareholders (EUR thousand)	320,483	208,287
Number of shares in circulation in thousands (weighted average)	64,294	66,953
Earnings per share attributable to HOCHTIEF shareholders (EUR)	**4.98**	**3.11**
Dividend per share (EUR)		2.00
Proposed dividend per share (EUR)	2.60	

The number of shares outstanding as of December 31, 2016 was 64,248 thousand. The number as of December 31, 2015 was 65,191 thousand and is equal to the number of shares outstanding at the beginning of the period, as of January 1, 2016 (January 1, 2015: 68,466 thousand). The difference relates to the stock buyback program.

33. Reporting on financial instruments

Financial instruments include financial assets and liabilities as well as contractual claims and obligations relating to exchanges and transfers of financial assets. Financial instruments can be derivative or non-derivative.

Non-derivative financial assets mostly comprise cash and cash equivalents, marketable securities, receivables, and other financial assets. Marketable securities are carried at fair value. The fair values of available-for-sale financial assets are established with reference to market prices or, in the absence of such prices, determined using accepted valuation methods.

Non-derivative financial liabilities are mostly current liabilities measured at amortized cost.

According to their fair value, derivative financial instruments are reported either in other receivables and other assets or in other liabilities. Derivatives are used in the HOCHTIEF Group exclusively for hedging existing transactions.

Holdings of non-derivative and derivative financial instruments are carried on the balance sheet; the maximum risk of loss or default is equal to total financial assets. Any such risk identified in respect of financial assets is accounted for with an impairment loss.

Risk management

All finance activities in the HOCHTIEF Group are conducted on the basis of a Group-wide financial directive. This is fleshed out by function-specific operating work instructions on issues such as currency and collateral management. These lay down principles for dealing with the various classes of financial risk.

Management of liquidity risk

HOCHTIEF uses largely centralized liquidity structures—notably cash pooling—to pool liquidity at Group level, among other things to avoid cash flow bottlenecks at the level of individual entities. The central liquidity position is calculated at regular monthly intervals and budgeted in a bottom-up process over a rolling 18-month period. Liquidity budgets are supplemented with monthly stress testing. HOCHTIEF uses liquidity budgets in active management of the securities and loans portfolios.

The tables below show maximum payments. The tables show the worst-case scenario for HOCHTIEF, i.e. the earliest possible contractual payment date in each case. Creditors' rights of termination are taken into account. Foreign currency items are translated using the closing rate as of the balance sheet date. Interest payments on variable rate items are translated uniformly using the last interest rate fixed prior to the balance sheet date. Both derivative and non-derivative financial instruments (for example, forward exchange contracts and interest rate swaps) are taken into account. Credit facilities granted but not yet drawn in their full amount are also included, as are financial guarantees given by the Group.

The maximum payments shown in the following tables (worst-case scenario) are offset by contractually fixed receipts in the same periods that are not shown here (for example, from trade receivables). These cover most of the cash outflows shown.

Maximum payments as of December 31, 2016

(EUR thousand)	2017	2018	2019–2020	after 2020	**Total**
Primary financial liabilities	6,705,552	153,354	1,460,938	214,470	8,534,314
Derivative financial instruments	3,678	557	–	–	4,235
Loan commitments and financial guarantees	97,509	–	–	–	97,509
	6,806,739	**153,911**	**1,460,938**	**214,470**	**8,636,058**

Maximum payments as of December 31, 2015

(EUR thousand)	2016	2017	2018–2019	after 2019	**Total**
Primary financial liabilities	5,121,480	866,428	700,033	1,113,095	7,801,036
Derivative financial instruments	2,362	674	690	–	3,726
Loan commitments and financial guarantees	144,414	–	–	–	144,414
	5,268,256	**867,102**	**700,723**	**1,113,095**	**7,949,176**

In addition, Group liquidity is adequately secured for the long term with cash in hand and on deposit, marketable securities holdings, and undrawn revolving credit facilities. The following table shows the main liquidity instruments:

(EUR thousand)	**Dec. 31, 2016**	Dec. 31, 2015
Cash in hand and on deposit	2,072,661	2,133,884
Marketable securities	1,086,632	1,119,420
Undrawn revolving credit facilities	2,089,282	2,191,196
	5,248,575	**5,444,500**
Undrawn guarantee facilities	4,463,742	3,518,340

Some of the facilities are subject to creditors' rights of termination in connection with a financial covenant, which is continuously monitored as part of corporate planning. In light of the broad international syndication in each instance and the successful extension of the credit and guarantee facilities in April 2014, no refinancing risk is currently seen with regard to long-term guarantee and credit facilities. The authorized capital in the amount of up to EUR 54,000 thousand and conditional capital in the amount of up to EUR 46,080 thousand provide appropriate scope for raising additional capital as needed. If use were to be made of both of these facilities, the capital stock of currently EUR 164,608 thousand could—if necessary—be increased by a total of up to approximately 60%.

In the HOCHTIEF Asia Pacific division, under a legally binding arrangement with banks, financial assets in the amount of EUR 17,402 thousand (2015: EUR 856,688 thousand) and financial liabilities in the amount of EUR 17,334 thousand (2015: EUR 407,601 thousand) are offset and presented in the balance sheet with their net amount of EUR 68 thousand (2015: EUR 449,087 thousand).

Management of currency risk

HOCHTIEF is exposed to currency risk (transaction risk) arising from receivables, liabilities, cash and cash equivalents, securities, and pending transactions in currencies other than the functional currency of the Group company concerned in each instance. Currency derivatives, mainly forward exchange contracts, are used to hedge against fluctuations in these payments or items caused by exchange rates. HOCHTIEF normally hedges all currency risk.

Hedges for Group companies—with the exception of hedges in the CIMIC Group—are mainly administered via HOCHTIEF Aktiengesellschaft. Binding guidelines clarify their use as well as separate controls and responsibilities for all Group companies. Currency derivatives are normally only used to hedge risk. Any form of speculation is ruled out under a binding, Group-wide financial directive. The counterparties for derivatives entered into externally are banks with a top credit rating.

The following table shows the fair values of currency derivatives, changes in their fair values, and their maximum remaining maturities:

(EUR thousand)	**Dec. 31, 2016**	Dec. 31, 2015
Assets		
Forward exchange contracts/currency swaps		
for hedging purposes (cash flow hedge accounted)	1,168	3,092
for hedging purposes (not cash flow hedge accounted)	3,807	213
	4,975	**3,305**
Liabilities and shareholders' equity		
Forward exchange contracts/currency swaps		
for hedging purposes (cash flow hedge accounted)	4,211	1,215
for hedging purposes (not cash flow hedge accounted)	24	1,772
	4,235	**2,987**
Changes in fair value		
of derivatives held for hedging purposes (cash flow hedge accounted) – recognized in other comprehensive income	(4,920)	2,167
of derivatives held for hedging purposes (not cash flow hedge accounted) – recognized immediately in profit or loss	5,342	(2,800)
Maximum remaining maturity		
(months)		
for hedging purposes (cash flow hedge accounted)	31	19
for hedging purposes (not cash flow hedge accounted)	18	11

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Where hedge accounting is used, unrealized gains and losses on hedges are initially recognized in other comprehensive income, taking into account deferred tax. Gains and losses are not realized until a hedged item affects income. Derivatives are measured on the basis of current market rates as of the balance sheet date. When interpreting positive or negative fair value changes relating to derivatives, it is important to remember that they balance hedged items whose values move in the opposite direction.

The following sensitivity analyses demonstrate the impact on HOCHTIEF Group equity and profit that would result from a 10% fluctuation in foreign currencies relative to each Group company's functional currency. The analysis is based on holdings as of the balance sheet date.

		Dec. 31, 2016		Dec. 31, 2015	
		Exchange rate		Exchange rate	
(EUR thousand)		10% increase	10% decrease	10% increase	10% decrease
Change in equity due to market value fluctuations of currency derivatives used for hedging (cash flow hedge accounted)					
Functional currency	Foreign currency				
EUR	CHF	(4,348)	4,348	(1,924)	1,924
EUR	CZK	(853)	853	(854)	854
AUD	EUR	(3,234)	3,234	(3,088)	3,088
AUD	NZD	857	(857)	1,510	(1,510)
AUD	JPY	623	(623)	(350)	350
AUD	USD	(480)	480	(214)	214
PLN	EUR	(4,040)	4,040	(4,929)	4,929
Change in profit or loss due to unhedged currency exposures in primary financial instruments and to market value fluctuations in derivative financial instruments (not cash flow hedge accounted)					
Functional currency	Foreign currency				
EUR	NOK	4,309	(4,309)	1,368	(1,368)
EUR	PLN	(654)	654	(2,009)	2,009
EUR	RON	2,793	(2,793)	1,424	(1,424)
EUR	SEK	(7,191)	7,191	(4,318)	4,318
AUD	HKD	3,202	(3,202)	4,646	(4,646)
AUD	USD	(40,375)	40,375	(70,751)	70,751
CZK	EUR	(3,756)	3,756	(1,997)	1,997
QAR	EUR	2,713	(2,713)	2,691	(2,691)
USD	CAD	(11,105)	11,105	(9,280)	9,280
USD	EUR	(6,643)	6,643	(2,388)	2,388
USD	GBP	(2,166)	2,166	(289)	289

Management of interest rate risk

HOCHTIEF is exposed to interest rate risk through financial items primarily consisting of interest-bearing marketable securities on the assets side and financial liabilities on the liabilities side of the balance sheet. Two approaches are used to minimize this risk. Firstly, the Company uses natural hedging, meaning that it eliminates contrary interest rate risk from non-derivative financial instruments on the asset and liabilities side. The second method is to use interest rate derivatives. These generally take the form of interest rate swaps used in accordance with the Group annual financing strategy to manage cash flow risk from changes in interest rates for variable-rate financial items. As with currency derivatives, hedges for Group companies—with the exception of hedges in the CIMIC Group—are mainly administered via HOCHTIEF Aktiengesellschaft. There are also parallel regulations and guidelines, and derivatives are used solely for hedging (i.e. not speculatively) as a matter of principle. The counterparties for derivatives entered into externally are banks with a top credit rating.

The following table shows the fair values of interest rate derivatives, changes in their fair values, and their maximum remaining maturities:

(EUR thousand)	**Dec. 31, 2016**	Dec. 31, 2015
Assets		
Interest rate swaps		
for hedging purposes (not cash flow hedge accounted)	165	149
	165	**149**
Liabilities and shareholders' equity		
Interest rate swaps		
for hedging purposes (not cash flow hedge accounted)	–	47
	–	**47**
Changes in fair value		
of derivatives held for hedging purposes (cash flow hedge accounted) – recognized in other comprehensive income	–	450
of derivatives held for hedging purposes (not cash flow hedge accounted) – amounts reclassified to profit or loss	–	595
of derivatives held for hedging purposes (not cash flow hedge accounted) – recognized immediately in profit or loss	63	2,438
Maximum remaining maturity		
(months)		
for hedging purposes (not cash flow hedge accounted)	363	363

The following sensitivity analyses demonstrate the impact that a one percentage point change in the respective market interest rate would have had on equity and profit. The analysis is based on holdings as of the balance sheet date.

	Dec. 31, 2016		Dec. 31, 2015	
	Market interest rate		Market interest rate	
(EUR thousand)	1% increase	1% decrease	1% increase	1% decrease
Change in equity due to market value fluctuations of interest rate derivatives used for hedging (cash flow hedge accounted) and of fixed-interest securities measured at fair value through equity	(1,863)	1,862	(916)	915
Change in profit or loss due to unhedged variable rate interest rate exposures on primary financial instruments and to market value fluctuations in derivative financial instruments (not cash flow hedge accounted)	86	(211)	3,016	(3,080)

Management of other price risk

Other price risk results at HOCHTIEF from investing in current and non-current non-interest-bearing securities, chiefly shares, that are classified as available for sale and therefore measured at fair value through equity. In addition, price risk stems from participating interests that are classified as available for sale, to the extent that they are measured at fair value. Such items are shown in the following table. Participating interests measured at amortized cost because their fair value cannot be reliably measured are not included.

(EUR thousand)	**Dec. 31, 2016**	Dec. 31, 2015
Price risk exposure on non-current assets	61,878	115,623
Price risk exposure on current assets	194,395	66,181

HOCHTIEF actively manages price risk. Continuous monitoring and analysis of the markets make it possible to marshal investments at short notice. This allows the Company to detect negative developments on the capital market at an early stage and take appropriate action. The changes relative to the prior year result from ongoing active portfolio management as part of Group-wide risk management. Derivatives are used to control price risk only in exceptional instances.

The following table shows the fair values of equity options and stock forward contracts:

(EUR thousand)	**Dec. 31, 2016**	Dec. 31, 2015
Assets		
Equity options and stock forward contracts		
for hedging purposes (cash flow hedge accounted)	10,756	–
for hedging purposes (not cash flow hedge accounted)	51,384	9,751
	62,140	**9,751**
Liabilities and shareholders' equity		
Equity options and stock forward contracts		
for hedging purposes (not cash flow hedge accounted)	–	692
	–	**692**
Changes in fair value		
of derivatives held for hedging purposes (cash flow hedge accounted) – recognized in other comprehensive income	10,756	–
of derivatives held for hedging purposes (not cash flow hedge accounted) – recognized immediately in profit or loss	42,325	1,678
Maximum remaining maturity		
(months)		
for hedging purposes (cash flow hedge accounted)	27	–
for hedging purposes (not cash flow hedge accounted)	132	39

The following sensitivity analyses demonstrate the impact on HOCHTIEF Group equity and profit that would result from a 10% fluctuation in the market value of derivative and non-derivative financial instruments. The analysis is based on holdings as of the balance sheet date.

	Dec. 31, 2016		Dec. 31, 2015	
	Market value		Market value	
(EUR thousand)	10% increase	10% decrease	10% increase	10% decrease
Change in profit or loss due to market value fluctuations of derivatives to which hedge accounting is not applied	–	–	2,811	(2,725)
Change in equity due to changes in market price of unimpaired securities	19,440	(19,440)	9,690	(9,690)
Change in equity due to changes in value of unimpaired participating interests measured at fair value	6,188	(6,188)	8,490	(8,490)

Management of credit risk

The HOCHTIEF Group is exposed to credit risk from operations and from certain financing activities.

HOCHTIEF performs risk management for operations by continuously monitoring trade receivables at divisional level. If a specific credit risk is detected, it is countered by recognizing an individual impairment.

The HOCHTIEF Group has given third parties financial guarantees and loan commitments in respect of Group companies. Financial guarantees and loan guarantees are only given in respect of companies with top credit standing, restricting to a minimum the probability of the guarantees being drawn upon.

The maximum credit risk exposure of financial assets is equivalent to their carrying amounts in the balance sheet. However, the actual credit risk exposure is lower due to collateral given in favor of the HOCHTIEF Group. The maximum risk exposure on financial guarantees given by HOCHTIEF is the maximum amount to be paid by HOCHTIEF. The maximum credit risk for loan commitments is the amount of the commitment. As of December 31, 2016, the maximum credit risk from financial guarantees and loan commitments amounted to EUR 97,509 thousand (2015: EUR 144,414 thousand). No recourse has ever been made to these guarantees provided by HOCHTIEF and, in light of the financial circumstances, none is currently anticipated for the future.

HOCHTIEF accepts collateral to secure contract performance by subcontractors, subcontractors' warranty obligations, and claims to remuneration. Such collateral includes guarantees relating to warranty obligations, contract performance, advance payments, and receivables. Acceptance of collateral is governed by a HOCHTIEF work instruction. Among other aspects, this covers the contractual drafting, implementation, and management of all agreements. The detailed rules vary according to factors such as the country jurisdiction and applicable case law. In the case of credit risk, HOCHTIEF examines the credit rating of the party providing the collateral for all guarantees accepted. HOCHTIEF uses external specialists (such as rating agencies) to assess credit standings where possible. The fair values of accepted collateral are not disclosed as they cannot be measured reliably as a rule.

The following table shows unimpaired financial assets that are past due:

	Dec. 31, 2016				Dec. 31, 2015			
(EUR thousand)	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days
Trade receivables	112,396	14,301	8,724	98,710	129,379	28,753	10,662	56,043
Current financial receivables	–	–	–	–	1	–	–	6,235
Other current receivables and other current financial assets	–	–	–	–	228	31	–	461
	112,396	**14,301**	**8,724**	**98,710**	**129,608**	**28,784**	**10,662**	**62,739**

The age structure of financial assets that are past due is shaped by industry-specific factors. Receipt of payment depends on acceptance (inspection) and invoice checking, which can often take a relatively long time, especially for large-scale projects. Most of the unimpaired financial assets that are past due are from public-sector clients and industrial companies with top credit ratings.

Individually impaired financial assets are shown below:

	Dec. 31, 2016			Dec. 31, 2015		
(EUR thousand)	Gross carrying amount	Impairment	Net carrying amount	Gross carrying amount	Impairment	Net carrying amount
Trade receivables	267,553	149,213	118,340	273,178	154,551	118,627
Financial receivables						
Non-current	47,807	42,557	5,250	59,974	42,223	17,751
Current	16,718	6,288	10,430	21,973	8,777	13,196
Other current receivables and other current financial assets	1,456	210	1,246	1,235	247	988
	333,534	**198,268**	**135,266**	**356,360**	**205,798**	**150,562**

The impairments in trade receivables mostly consist of impaired contracting-related claims, as is typical for the industry.

The following table shows changes in impairments on financial assets in 2016 and in the prior year:

Reconciliation of changes in impairments

(EUR thousand)	Jan. 1, 2015	Changes*	Dec. 31, 2015/ Jan. 1, 2016	Changes*	Dec. 31, 2016
Trade receivables	153,299	1,252	154,551	(5,338)	149,213
Financial receivables					
Non-current	46,705	(4,482)	42,223	334	42,557
Current	16,825	(8,048)	8,777	(2,489)	6,288
Other current receivables and other current financial assets	752	(505)	247	(37)	210
	217,581	**(11,783)**	**205,798**	**(7,530)**	**198,268**

*Changes result from allocations, reversals, utilizations, curreny adjustments and consolidation changes.

With regard to financial assets that are neither past due nor impaired, there are currently no indications of any need to recognize impairments for reasons relating to credit ratings.

Capital risk management

The HOCHTIEF Group manages capital with the aim of ensuring that all Group companies can continue to operate as a going concern. The Group keeps the cost of capital as low as possible by optimizing the balance between equity and debt as the need arises. These measures primarily serve to secure the best possible credit standing as well as to maximize shareholder returns.

The Group's capital structure consists of the balance sheet items comprising net debt (current and non-current liabilities less cash and cash equivalents) and shareholders' equity. The Risk Reporting Committee assesses and examines the Group's capital structure at regular intervals, taking into account the risk-adjusted cost of capital.

The overall capital risk management strategy did not change in the year under review compared with the prior year.

Additional information on financial instruments

In the following, carrying amounts and fair values are shown for each class of financial instrument and carrying amounts for each IAS 39 category as of December 31, 2016 and December 31, 2015.

2016	Carrying amount by category					Not belonging to any category			
	Financial assets			Financial liabilities					
(EUR thousand)	Available for sale	Held for trading	Loans and receivables	Held for trading	At amortized cost	Hedge accounting and finance leases	Not covered by IFRS 7	**Total carrying amounts Dec. 31, 2016**	**Total fair value Dec. 31, 2016**
Assets									
Other financial assets									
At fair value	61,879	–	–	–	–	–	–	61,879	64,597
At amortized cost	9,683	–	–	–	–	–	–	9,683	N/A
	71,562	**–**	**–**	**–**	**–**	**–**	**–**	**71,562**	**64,879**
Financial receivables									
Non-current	**–**	**–**	**818,579**	**–**	**–**	**–**	**–**	**818,579**	**818,579**
Current	**–**	**–**	**55,985**	**–**	**–**	**–**	**–**	**55,985**	**55,985**
Trade receivables	**–**	**–**	**2,696,596**	**–**	**–**	**–**	**2,328,664**	**5,025,260**	**5,025,260**
Other receivables and other financial assets									
Non-current									
At fair value	–	54,714	–	–	–	10,839	–	65,553	65,553
At amortized cost	–	–	–	–	–	–	–	–	–
Not covered by IFRS 7	–	–	–	–	–	–	115,188	115,188	115,188
	–	**54,714**	**–**			**10,839**	**115,188**	**180,741**	**180,741**
Current									
At fair value	–	642	–	–	–	1,085	–	1,727	1,727
At amortized cost	–	–	321,175	–	–	–	–	321,175	321,175
Not covered by IFRS 7	–	–	–	–	–	–	127,395	127,395	127,395
	–	**642**	**321,175**	**–**	**–**	**1,085**	**127,395**	**450,297**	**450,297**
Securities	**463,424**	**–**	**–**	**–**	**–**	**–**	**–**	**463,424**	**463,424**
Cash and cash equivalents	**–**	**–**	**2,847,426**	**–**	**–**	**–**	**–**	**2,847,426**	**2,847,426**
Liabilities and shareholders' equity									
Financial liabilities									
Non-current	**–**	**–**	**–**	**–**	**1,628,051**	**5,270**	**–**	**1,633,321**	**1,742,913**
Current	**–**	**–**	**–**	**–**	**1,028,972**	**17,962**	**–**	**1,046,934**	**1,031,706**
Trade payables	**–**	**–**	**–**	**–**	**5,361,662**	**–**	**1,106,705**	**6,468,367**	**6,468,367**
Other liabilities									
Non-current									
At fair value	–	–	–	–	–	557	–	557	557
At amortized cost	–	–	–	–	252	–	–	252	252
Not covered by IFRS 7	–	–	–	–	–	–	36,032	36,032	36,032
	–	**–**	**–**	**–**	**252**	**557**	**36,032**	**36,841**	**36,841**
Current									
At fair value	–	–	–	24	–	3,654	–	3,678	3,678
At amortized cost	–	–	–		258,669	–	–	258,669	258,669
Not covered by IFRS 7	–	–	–	–	–	–	292,994	292,994	292,994
	–	**–**	**–**	**24**	**258,669**	**3,654**	**292,994**	**555,341**	**555,341**

2015 (EUR thousand)	**Carrying amount by category**					**Not belonging to any category**			
	Financial assets			Financial liabilities					
	Available for sale	Held for trading	Loans and receivables	Held for trading	At amortized cost	Hedge accounting and finance leases	Not covered by IFRS 7	**Total carrying amounts Dec. 31, 2015**	**Total fair value Dec. 31, 2015**
Assets									
Other financial assets									
At fair value	115,623	–	–	–	–	–	–	115,623	115,623
At amortized cost	8,230	–	–	–	–	–	–	8,230	N/A
	123,853	**–**	**–**	**–**	**–**	**–**	**–**	**123,853**	**115,623**
Financial receivables									
Non-current	**–**	**–**	**679,461**	**–**	**–**	**–**	**–**	**679,461**	**679,461**
Current	**–**	**–**	**66,083**	**–**	**–**	**–**	**–**	**66,083**	**66,083**
Trade receivables	**–**	**–**	**2,547,742**	**–**	**–**	**–**	**1,989,255**	**4,536,997**	**4,536,997**
Other receivables and other financial assets									
Non-current									
At fair value	–	9,737	–	–	–	2,094	–	11,831	11,831
At amortized cost	–	–	30,701	–	–	–	–	30,701	30,701
Not covered by IFRS 7	–	–	–	–	–	–	104,481	104,481	104,481
	–	**9,737**	**30,701**			**2,094**	**104,481**	**147,013**	**147,013**
Current									
At fair value	–	376	–	–	–	998	–	1,374	1,374
At amortized cost	–	–	76,277	–	–	–	–	76,277	76,277
Not covered by IFRS 7	–	–	–	–	–	–	95,345	95,345	95,345
	–	**376**	**76,277**	**–**	**–**	**998**	**95,345**	**172,996**	**172,996**
Securities	**576,898**	**–**	**–**	**–**	**–**	**–**	**–**	**576,898**	**576,898**
Cash and cash equivalents	**–**	**–**	**2,808,707**	**–**	**–**	**–**	**–**	**2,808,707**	**2,808,707**
Liabilities and shareholders’ equity									
Financial liabilities									
Non-current	**–**	**–**	**–**	**–**	**2,283,255**	**71,834**	**–**	**2,355,089**	**2,457,046**
Current	**–**	**–**	**–**	**–**	**209,652**	**99,787**	**–**	**309,439**	**309,439**
Trade payables	**–**	**–**	**–**	**–**	**4,699,869**	**–**	**720,010**	**5,419,879**	**5,419,879**
Other liabilities									
Non-current									
At fair value	–	–	–	690	–	674	–	1,364	1,364
At amortized cost	–	–	–	–	30,700	–	–	30,700	30,700
Not covered by IFRS 7	–	–	–	–	–	–	35,976	35,976	35,976
	–	**–**	**–**	**690**	**30,700**	**674**	**35,976**	**68,040**	**68,040**
Current									
At fair value	–	–	–	1,821	–	541	–	2,362	2,362
At amortized cost	–	–	–		54,011	–	–	54,011	54,011
Not covered by IFRS 7	–	–	–	–	–	–	220,637	220,637	220,637
	–	**–**	**–**	**1,821**	**54,011**	**541**	**220,637**	**277,010**	**277,010**

As current financial instruments have short remaining maturities and are measured at market value, their carrying amounts generally correspond to market value as of the balance sheet date. Non-current securities in the available-for-sale category are measured at fair value through equity; as such, their carrying amounts also correspond to fair value.

Shares in non-consolidated subsidiaries and other participating interests are measured at fair value if fair value can be reliably determined. Otherwise, such items are measured at cost in the available-for-sale category.

In the disclosures on the fair value hierarchy for financial instruments measured at fair value as set out below, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e., the exit price). For non-financial assets, fair value is measured assuming the highest and best use of the asset by market participants. A three-level hierarchy is applied that reflects the observability of the inputs to valuation techniques used to measure fair value.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; e.g. quoted securities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); e.g. interest rate swaps and forward exchange contracts.

Level 3: No relevant observable inputs available, hence unobservable inputs are determined as an exit price from the perspective of a market participant that holds the asset or owes the liability; e.g. investments measured at fair value determined by business valuation.

Disclosures relating to the fair value hierarchy for financial instruments measured at fair value

		Dec. 31, 2016			Dec. 31, 2015	
(EUR thousand)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Other financial assets	1,270	20,506	40,103	1,044	31,248	83,331
Other receivables and other assets						
Non-current	–	14,169	51,384	–	11,831	–
Current	–	1,727	–	–	1,374	–
Marketable securities	409,821	53,603	–	482,035	94,863	–
Liabilities						
Other liabilities						
Non-current	–	557	–	–	1,364	–
Current	–	3,678	–	–	2,362	–

There were no transfers of assets measured at fair value between Level 1 and Level 2 of the fair value hierarchy in the year under review. This means that there were likewise no changes in Level 3.

In Level 3, the fair value of investments in unlisted entities is measured using generally recognized valuation techniques based on discounted cash flow analysis. The unobservable inputs used for this purpose are an internal rate of return of 9%, growth rates of between 2.5% and 3%, and required discount rates of between 10% and 15%. Call options are measured using Monte Carlo simulation. Assumed inputs are an expected exercise period of one to ten years, an EBITDA multiplier of six to twelve times, and a 15% discount factor. Changes in the unobservable inputs have no material effect on total comprehensive income, total assets and liabilities, or equity.

Reconciliation of beginning to ending balances for Level 3 measurements of financial instrument fair values

(EUR thousand)	Balance as of Jan. 1, 2016	Currency adjustments	Gains/(losses) recognized in profit or loss	Other changes	**Balance as of Dec. 31, 2016**
Other financial assets	83,331	943	1,036	(45,207)	40,103
Other receivables and other assets					
Non-current	–	886	50,498	–	51,384
Current	–	–	–	–	–

(EUR thousand)	Balance as of Jan. 1, 2015	Currency adjustments	Gains/(losses) recognized in profit or loss	Other changes	Balance as of Dec. 31, 2015
Other financial assets	74,690	(376)	3,147	5,870	83,331
Other receivables and other assets					
Non-current	–	–	–	–	–
Current	–	–	–	–	–

As in the prior year, the amounts recognized in profit or loss are accounted for in net income from other participating interests; the remaining changes are accounted for in other comprehensive income.

Financial assets with a carrying amount of EUR 191,004 thousand are pledged as collateral for recognized financial liabilities and unrecognized contingent liabilities as of December 31, 2016 (2015: EUR 146,842 thousand).

The following table shows the net profit from financial instruments by IAS 39 category:

Net profit from financial instruments

(EUR thousand)	**2016**	2015
Available for sale	12,107	39,626
Held for trading	60,431	1,826
Loans and receivables	16,710	62,737
Liabilities at amortized cost	(161,793)	(240,247)
	(72,545)	**(136,058)**

The calculation of net profit from financial instruments includes interest income and expenses, impairments and impairment reversals, income and expenses from currency translation, dividend income, gains and losses on disposal, and other changes in the fair value of financial instruments recognized in income.

Impairment losses on financial assets

(EUR thousand)	**2016**	2015
Non-consolidated subsidiaries and other participating interests – at amortized cost	–	158
Non-current financial receivables	3,948	10,864
Current financial receivables	8,505	57
Trade receivables	2,122	9,127
Other current receivables and financial assets	98	–
	14,673	**20,206**

34. Contingencies, commitments, and other financial obligations

(EUR thousand)	Dec. 31, 2016	Dec. 31, 2015
Obligations under guarantees	5,532	7,771

The commitments and potential obligations primarily serve as security for bank loans, contract performance, warranty obligations, and advance payments. Most guarantees as of the reporting date related to participating interests and construction joint ventures. HOCHTIEF Aktiengesellschaft is also jointly and severally liable for all construction joint ventures in which it has an interest in Germany.

Material guarantee facilities

	Total available		Utilized		Expires
(EUR billion)	2016	2015	2016	2015	
HOCHTIEF AG					
Syndicated guarantee facility (EUR)	1.50	1.50	0.78	0.86	April 2019
Further guarantee facilities (EUR)	1.68	1.50	1.03	0.92	n.a.
Turner/Flatiron					
Bonding (USD)	7.30	7.30	5.78	6.49	n.a.
Flatiron syndicated guarantee (CAD)	0.25	0.25	0.16	0.13	December 2018
CIMIC					
Syndicated guarantee facility (AUD)	1.28	1.05	1.14	0.73	July 2022
Further guarantee facilities (AUD)	3.82	3.63	2.24	2.42	n.a.

*See glossary on page 258.

The EUR 1.5 billion syndicated guarantee facility* continues to be a central long-term financing instrument for HOCHTIEF Aktiengesellschaft. The facility permits the furnishing of guarantees for ordinary activities, mainly of the HOCHTIEF Europe division.

**See glossary on page 257.

HOCHTIEF Aktiengesellschaft has provided an unlimited bonding** guarantee in favor of U.S. insurance companies in respect of obligations of the Turner Group and the Flatiron Group. There is also a syndicated credit facility in favor of Flatiron, which is likewise backed by a Group guarantee furnished by HOCHTIEF Aktiengesellschaft. No recourse has ever been made to these guarantees provided by HOCHTIEF, and none is currently anticipated for the future.

Group order exposure from awarded capital expenditure projects is EUR 55,707 thousand (2015: EUR 2,468 thousand) and mostly relates to the CIMIC Group in the amount of EUR 55,448 thousand (2015: EUR 2,211 thousand). In addition, letters of credit were issued in the CIMIC Group in the amount of EUR 77,191 thousand (2015: EUR 174,269 thousand). The CIMIC Group also has EUR 656,482 thousand (2015: EUR 603,145 thousand) in contingent liabilities relating to insurance, fulfillment, and payment guarantees.

There are cash call commitments in the amount of EUR 10,607 thousand to non-consolidated entities in the HOCHTIEF Asia Pacific division (2015: cash call commitments in the amount of EUR 4,209 thousand to joint ventures in the HOCHTIEF Europe division).

The term breakdown of minimum lease payments under operating leases is as follows:

Operating leases

	Dec. 31, 2016	Dec. 31, 2015
(EUR thousand)	Nominal value	Nominal value
Due within 1 year	198,043	199,808
Due in 1–5 years	421,346	461,618
Due after 5 years	183,142	54,793

The obligations from operating leases mainly relate to plant and machinery leased by the CIMIC Group. Lease payments under operating leases came to EUR 282,874 thousand in 2016 (2015: EUR 280,026 thousand).

Several companies in the HOCHTIEF Asia Pacific division have a number of leasing arrangements. The companies concerned are financed by third parties and HOCHTIEF itself holds neither interests in their equity nor assets such as loans or receivables. Relevant activities are managed by third parties under contractual agreement, as a result of which they are not consolidated. The minimum lease payments under operating leases come to EUR 129,693 thousand (2015: EUR 143,184 thousand).

Amounts due under long-term tenancies are EUR 146,725 thousand (2015: EUR 176,665 thousand). The term for which such tenancies cannot be terminated is between two and eleven years (2015: two and twelve years). The amounts due under tenancies are partly offset by anticipated rental income of EUR 61,174 thousand (2015: EUR 65,786 thousand).

Other financial obligations include EUR 69,314 thousand (2015: EUR 103,307 thousand) in commitments relating to shareholder loans and under long-term contracts for the supply of goods and services.

Legal disputes

HOCHTIEF Group companies are involved in various legal disputes and arbitration proceedings in the context of their operating activities. As currently assessed, however, HOCHTIEF does not anticipate that the disputes and arbitration proceedings will have any material adverse impact on the Group's business and financial situation.

35. Segment reporting

HOCHTIEF's structure reflects the operating focus of the business as well as the Group's presence in key national and international regions and markets. Segmental reporting in the HOCHTIEF Group is based on the Group's divisional operations. The breakdown mirrors the Group's internal reporting systems.

The Group's reportable segments* (divisions) are as follows:

HOCHTIEF Americas encompasses the construction activities of operational units in the USA and Canada

HOCHTIEF Asia Pacific pools the construction activities and contract mining in the Asia-Pacific region

HOCHTIEF Europe brings together the core business in Europe as well as selected other regions and designs, develops, builds, operates, and manages real estate and infrastructure.

The Corporate Headquarters/Consolidation unit comprises Corporate Headquarters, other activities not assignable to the separately listed divisions, including management of financial resources and insurance activities, plus consolidation effects. Insurance activities are managed from Corporate Headquarters under the responsibility of HOCHTIEF Insurance Broking and Risk Management Solutions GmbH with various companies in Luxembourg, including Builders Reinsurance S.A. The HOCHTIEF insurance companies primarily provide reinsurance offerings for contractors' casualty and surety, subcontractor default, liability, and occupational accident insurance.

*Detailed information on the various operating segments is included in the Management Report on pages 76 to 89.

Divisions	External sales		Intersegment sales		Sales by division (external plus intersegment)	
(EUR thousand)	2016	2015	2016	2015	2016	2015
HOCHTIEF Americas	10,905,814	10,354,362	–	–	10,905,814	10,354,362
HOCHTIEF Asia Pacific	7,302,970	8,946,139	–	–	7,302,970	8,946,139
HOCHTIEF Europe	1,586,004	1,655,532	10,505	4,618	1,596,509	1,660,150
Corporate Headquarters/ Consolidation	113,540	140,585	7,306	13,837	120,846	154,422
HOCHTIEF Group	**19,908,328**	**21,096,618**	**17,811**	**18,455**	**19,926,139**	**21,115,073**

Divisions	Profit after tax		Depreciation/ amortization		Impairment losses	
(EUR thousand)	2016	2015	2016	2015	2016	2015
HOCHTIEF Americas	154,059	123,662	24,630	23,510	–	–
HOCHTIEF Asia Pacific	305,342	275,717	227,192	332,861	6,733	33,700
HOCHTIEF Europe	11,520	(29,916)	26,831	21,474	–	158
Corporate Headquarters/ Consolidation	(37,427)	(36,269)	2,335	2,286	–	–
HOCHTIEF Group	**433,494**	**333,194**	**280,988**	**380,131**	**6,733**	**33,858**

Divisions	Non-cash expenses		Carrying amount of equity-method investments		Purchases of intangible assets, property, plant, equipment, and investment properties	
(EUR thousand)	2016	2015	2016	2015	2016	2015
HOCHTIEF Americas	160,809	139,256	183,080	166,598	38,448	35,934
HOCHTIEF Asia Pacific	195,009	147,259	422,378	720,362	197,891	180,116
HOCHTIEF Europe	119,367	164,618	99,439	92,760	36,225	58,735
Corporate Headquarters/ Consolidation	50,897	127,794	–	–	1,001	1,052
HOCHTIEF Group	**526,082**	**578,927**	**704,897**	**979,720**	**273,565**	**275,837**

Regions	External sales by customer location		Property, plant and equipment		Intangible assets	
(EUR thousand)	2016	2015	2016	2015	2016	2015
Germany	935,537	890,141	67,983	78,041	45,809	49,564
Rest of Europe	575,914	663,363	29,653	32,437	576	1,603
Americas	11,082,190	10,545,460	150,907	123,557	398,456	388,237
Asia	2,336,941	3,075,811	309,789	293,953	275,718	118,000
Australia	4,977,136	5,920,984	619,219	587,524	587,313	325,780
Africa	610	859	–	–	–	–
HOCHTIEF Group	**19,908,328**	**21,096,618**	**1,177,551**	**1,115,512**	**1,307,872**	**883,184**

Profit/(loss) from operating activities (segment result)		EBITDA		Operational earnings (EBIT)		Profit before tax (PBT)	
2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
160,611	110,057	248,156	214,842	223,526	191,332	203,771	154,898
531,283	562,979	793,016	994,179	559,092	627,619	431,944	424,370
(15,104)	(73,351)	68,489	1,864	41,659	(19,610)	18,696	(27,487)
(48,254)	(24,335)	(5,258)	(68,349)	(7,595)	(70,636)	(33,700)	(28,377)
628,536	**575,350**	**1,104,403**	**1,142,536**	**816,682**	**728,705**	**620,711**	**523,404**

Impairment reversals		Share of profits and losses of equity-method associates and joint ventures		Interest and similar income		Interest and similar expenses	
2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
–	–	54,309	60,784	4,601	4,010	12,460	16,701
1,036	3,147	(29,623)	(7,515)	25,312	38,940	124,921	200,137
64	44	50,431	25,766	3,603	9,169	24,859	28,679
82	833	–	–	6,344	7,678	(447)	(5,270)
1,182	**4,024**	**75,117**	**79,035**	**39,860**	**59,797**	**161,793**	**240,247**

Purchases of financial assets		Total purchases		Total assets (balance sheet total)		Gross debt	
2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
25,678	88,509	64,126	124,443	4,275,574	3,657,469	3,924,336	3,301,939
480,481	86,890	678,372	267,006	7,035,987	6,692,309	4,690,342	3,854,287
16,364	3,838	52,589	62,573	2,115,921	2,223,535	1,502,719	1,622,470
–	–	1,001	1,052	622,905	696,670	1,347,493	1,344,539
522,523	**179,237**	**796,088**	**455,074**	**14,050,387**	**13,269,983**	**11,464,890**	**10,123,235**

Carrying amount of equity-method investments		Total assets (balance sheet total)		Purchases	
2016	2015	**2016**	2015	**2016**	2015
34,677	41,942	1,489,377	1,642,483	12,804	13,168
2,672	2,668	1,077,220	1,122,771	12,130	38,321
245,169	214,748	4,310,362	3,724,646	92,691	136,453
253,479	386,109	2,633,146	2,352,024	62,080	65,784
168,900	329,151	4,540,282	4,428,059	616,383	201,348
–	5,102	–	–	–	–
704,897	**979,720**	**14,050,387**	**13,269,983**	**796,088**	**455,074**

Explanatory notes to the segmental data

Intersegment sales represent revenue generated between divisions. They are transacted on an arm's length basis. External sales mainly comprise revenue recognized using the percentage of completion method in the mainstream construction business, construction management, and contract mining, in the amount of EUR 16,946,731 thousand (2015: EUR 17,965,879 thousand). The sum of external sales and intersegment sales gives total sales revenue for each division.

The share of profits and losses of equity-method associates and joint ventures comprises income and expenses, including impairment losses, relating to equity-method investments.

Depreciation and amortization relates to intangible assets with finite useful lives, property, plant and equipment, and investment properties.

The impairment losses relate to intangible assets, property, plant and equipment, investment properties, and financial assets.

Purchases comprise additions to intangible assets, property, plant and equipment, investment properties, equity-method investments (excluding equity-method adjustments), subsidiaries, and other participating interests.

Total assets are equivalent to the divisions' totals in the Consolidated Balance Sheet. Gross debt equals total assets minus consolidated shareholders' equity.

Operational earnings (EBIT) are derived from profit from operating activities as follows:

(EUR thousand)	2016	2015
Earnings from operating activities	628,536	575,350
+ Net income from joint ventures	76,592	102,224
– Non-recurring items	(+) 111,554	(+) 51,131
Operational earnings (EBIT)	**816,682**	**728,705**

The net income from participating interests included in EBIT consists exclusively of net income from joint ventures. Non-recurring items consist of income and expenses classified as exceptional for business management purposes or resulting from exceptional transactions or not attributable to operating activities. The non-recurring items mainly relate to non-recurring expenses from leases at CIMIC as well as in connection with real estate properties at HOCHTIEF Europe and HOCHTIEF Asia Pacific (Devine), gains/losses on disposals and impairment losses, restructuring expenses, and exchange rate gains/losses.

36. Notes to the Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows classifies cash flows into operating, investing, and financing activities. Exchange rate effects are eliminated and their influence on the cash position is disclosed separately. Changes in cash and cash equivalents due to acquisitions and disposals of consolidated companies are shown separately under cash flow from investing activities. The EUR 163,986 thousand increase in cash and cash equivalents due to consolidation changes (2015: EUR 465,847 thousand decrease) comprised EUR 164,555 thousand (2015: EUR – thousand) in cash and cash equivalents from acquisitions and EUR 569 thousand (2015: EUR 465,847 thousand) in cash and cash equivalents in disposals.

The EUR 2,847,426 thousand (2015: EUR 2,808,707 thousand) year-end total for cash and cash equivalents shown on the cash flow statement matches the cash and cash equivalents item on the balance sheet. The total comprises EUR 728 thousand (2015: EUR 913 thousand) in cash in hand, EUR 2,209,678 thousand (2015: EUR 2,243,934 thousand) in cash balances at banks, and EUR 637,020 thousand (2015: EUR 563,860 thousand) in marketable securities with maturities of no more than three months at the time of acquisition. Cash and cash equivalents to the value of EUR 137,745 thousand are subject to restrictions (2015: EUR 110,963 thousand).

Cash flow from operations was EUR 1,173,391 thousand in 2016. Cash flow changes as a result of capital expenditure and asset disposals resulted in a net cash outflow from investing activities of EUR 66,172 thousand. The EUR 1,135,574 negative cash flow from financing activities includes the stock buyback programs at HOCHTIEF Aktiengesellschaft and CIMIC, additional share purchases at subsidiaries in the course of the acquisitions of UGL and Sedgman, dividend payments, and debt repayments. Including exchange rate changes, cash and cash equivalents increased overall by EUR 38,719 thousand.

All non-cash income and expense and all income from asset disposals or arising on deconsolidation is eliminated in cash flow from operations.

Cash flow from operations included:

- Interest income of EUR 49,381 thousand (2015: EUR 61,736 thousand),
- Interest expenses of EUR 161,793 thousand (2015: EUR 240,247 thousand),
- Income tax paid amounting to EUR 83,995 thousand (2015: EUR 428,899 thousand).

After deducting the non-cash component of income from equity-accounted interests, net income received (as dividends) from such interests was EUR 319,585 thousand (2015: EUR 116,703 thousand).

Divestments relate to the deconsolidation of fully consolidated subsidiaries. This reduced non-current assets by EUR 23,981 thousand (2015: EUR 832 thousand) and current assets by EUR 24,853 thousand (2015: EUR 548,510 thousand). Non-current liabilities decreased by EUR 21,765 thousand (2015: EUR 3 thousand) and current liabilities by EUR 12,633 thousand (2015: EUR 81,648 thousand). As in the prior year, the EUR 36,655 thousand (2015: EUR 494,008 thousand) sale proceeds as of the balance sheet date were settled in full from cash and cash equivalents.

Dividends of EUR 128,473 thousand (2015: EUR 128,926 thousand) were paid to HOCHTIEF's shareholders in the year under review. Dividends paid to minority shareholders totaled EUR 96,902 thousand (2015: EUR 107,294 thousand), of which EUR 68,796 thousand (2015: EUR 79,017 thousand) relates to the CIMIC Group.

Debt repayments came to EUR 936,495 thousand (2015: EUR 2,308,197 thousand), compared with EUR 681,803 thousand (2015: EUR 786,090 thousand) in new borrowing.

Financial assets and financial liabilities are made up as follows:

(EUR thousand)	Dec. 31, 2016	Dec. 31, 2015
Cash and cash equivalents	2,847,426	2,808,707
Marketable securities	463,424	576,898
Current financial receivables	55,985	66,083
Current tax receivables (excluding income taxes)	7,730	11,447
Total financial assets	**3,374,565**	**3,463,135**
Bonds or notes issued, and amounts due to banks	2,647,237	2,472,601
Lease liabilities	23,232	171,621
Financial liabilities to associates	–	1,000
Sundry other financial liabilities	223	12,512
Financial liabilities	**2,670,692**	**2,657,734**
Net financial assets	**703,873**	**805,401**

37. Related party disclosures

Significant related parties include ACS, the parent company of HOCHTIEF Aktiengesellschaft. No material transactions were entered into between HOCHTIEF Aktiengesellschaft or any Group company and ACS or its affiliates during the year under review.

HLG Contracting, a company accounted for using the equity method, is a related party that is material to the Group as of the balance sheet date. Transactions with HLG Contracting gave rise to items in the financial statements as follows:

(EUR thousand)	2016	2015
Loans	615,145	487,544
Receivables	99,532	79,307
Payables	–	766
Interest income	24,198	21,732

All transactions with related parties were conducted on an arm's length basis, with the exception of an interest-free loan for EUR 141,820 thousand (2015: EUR 105,958 thousand) granted by CIMIC to the Habtoor Leighton Group. No other material transactions were entered into between HOCHTIEF Aktiengesellschaft or any Group company and Executive or Supervisory Board members or persons or companies close to them during 2016. There were no conflicts of interest involving Executive Board or Supervisory Board members.

38. Total Executive Board and Supervisory Board compensation

The Compensation Report on pages 96–99 of this Group Report outlines the principles applied when determining Executive Board compensation at HOCHTIEF Aktiengesellschaft and explains the amount and composition of that compensation. The principles applied and the amount of Supervisory Board compensation are also described. The Compensation Report is based on the recommendations of the German Corporate Governance Code.

Benefits granted	Fernández Verdes				Legorburo				von Matuschka				Sassenfeld			
	Chairman of the Executive Board				Member of the Executive Board				Member of the Executive Board				Chief Financial Officer			
	Date joined: April 15, 2012				Date joined: May 7, 2014				Date joined: May 7, 2014				Date joined: November 1, 2011			
	2015[1]	2016			2015	2016			2015	2016			2015	2016		
(EUR thousand)		Granted	Minimum	Maximum		Granted	Minimum	Maximum		Granted	Minimum	Maximum		Granted	Minimum	Maximum
Fixed compensation	1,038	1,069	1,069	1,069	309	318	318	318	361	371	371	371	618	637	637	637
Fringe benefits	37	50	50	50	39	16	16	16	18	26	26	26	20	33	33	33
Total	**1,075**	**1,119**	**1,119**	**1,119**	**348**	**334**	**334**	**334**	**379**	**397**	**397**	**397**	**638**	**670**	**670**	**670**
One-year variable compensation	1,260	1,379	0	1,379	339	371	0	371	388	424	0	424	679	743	0	743
Multi-year variable compensation																
Long-term incentive component I[2]	1,066	1,167	0	1,167	339	371	0	371	388	424	0	424	679	743	0	743
Long-term incentive component II[3]																
LTIP stock awards (5-year term)[4]	533	583	0	583	170	186	0	186	194	212	0	212	339	371	0	371
LTIP stock appreciation rights (6-year term)[4]	533	583	0	583	170	186	0	186	194	212	0	212	339	371	0	371
Total	**4,467**	**4,831**	**1,119**	**4,831**	**1,366**	**1,448**	**334**	**1,448**	**1,543**	**1,669**	**397**	**1,669**	**2,674**	**2,898**	**670**	**2,898**
Pension expenses (service and interest cost)	1,824	1,742	1,742	1,742	246	233	233	233	313	288	288	288	548	534	534	534
Total compensation	**6,291**	**6,573**	**2,861**	**6,573**	**1,612**	**1,681**	**567**	**1,681**	**1,856**	**1,957**	**685**	**1,957**	**3,222**	**3,432**	**1,204**	**3,432**

[1] Excluding subsequent restatement (see compensation for past years)
[2] Transfer of shares with two-year bar
[3] Granted as long-term incentive plan
[4] Value at grant date

Benefits allocated	Fernández Verdes		Legorburo		von Matuschka		Sassenfeld	
	Chairman of the Executive Board		Member of the Executive Board		Member of the Executive Board		Chief Financial Officer	
	Date joined: April 15, 2012		Date joined: May 7, 2014		Date joined: May 7, 2014		Date joined: November 1, 2011	
(EUR thousand)	2016	2015[1]	2016	2015	2016	2015	2016	2015
Fixed compensation	1,069	1,038	318	309	371	361	637	618
Fringe benefits	50	37	16	39	26	18	33	20
Total	**1,119**	**1,075**	**334**	**348**	**397**	**379**	**670**	**638**
One-year variable compensation	1,379	1,260	371	339	424	388	743	679
Multi-year variable compensation								
Long-term incentive component I[2]	1,167	1,066	371	339	424	388	743	679
Long-term incentive component II	0	0	0	0	68	23	66	0
Total	**3,665**	**3,401**	**1,076**	**1,026**	**1,313**	**1,178**	**2,222**	**1,996**
Pension expenses (service and interest cost)	1,742	1,824	233	246	288	313	534	548
Total compensation	**5,407**	**5,225**	**1,309**	**1,272**	**1,601**	**1,491**	**2,756**	**2,544**

[1] Excluding subsequent restatement (see compensation for past years)
[2] Transfer of shares with two-year bar

The present value of pension benefits for current and former Executive Board members is EUR 104,427 thousand (2015: EUR 92,889 thousand).

Payments to former members of the Executive Board and their surviving dependents were EUR 4,471 thousand (2015: EUR 4,869 thousand). Pension obligations to former members of the Executive Board and their surviving dependents totaled EUR 90,698 thousand (2015: EUR 83,404 thousand).

(EUR thousand)		Present value of pension benefits
Fernández Verdes	2016	8,667
	2015	6,193
Legorburo	2016	774
	2015	432
von Matuschka	2016	934
	2015	537
Sassenfeld	2016	3,354
	2015	2,323
Executive Board total	2016	**13,729**
	2015	**9,485**

Executive Board compensation in relation to offices held at Group companies

For his services in Australia as CEO and Executive Chairman of CIMIC in 2016, Mr. Fernández Verdes received a lump-sum expense allowance of EUR 358 thousand*, fringe benefits in the amount of EUR 8 thousand*, and a special bonus of EUR 2,057 thousand for exceptional performance during his term in office. The stock appreciation rights granted by CIMC to Mr. Fernández Verdes in 2014 led to an expense in the amount of EUR 9,403 thousand.

*The euro amount depends on the exchange rate.

Further compensation for the holding of office on the boards of other companies in which HOCHTIEF has a direct or indirect interest are either not paid out to the Executive Board members or are set off against their Executive Board compensation.

Total compensation for the members of the Supervisory Board came to EUR 1,806,400 (2015: EUR 2,323,200).

39. Auditing fees

Fees for services provided by auditors Deloitte were paid and recognized as expenses as follows:

(EUR thousand)	2016	2015
Financial statement audits	1,188	1,189
Other assurance services	163	65
Tax consulting	7	–
	1,358	**1,254**

The fees for services provided in Germany relate to services of the appointed Group financial statement auditors Deloitte GmbH Wirtschaftsprüfungsgesellschaft and its affiliates within the meaning of Section 271 (2) of the German Commercial Code. The fees for financial statement audits mostly relate to fees charged by Group auditors Deloitte for auditing the HOCHTIEF Group consolidated financial statements, the combined HOCHTIEF Group and HOCHTIEF Aktiengesellschaft management report, and the financial statements of HOCHTIEF Aktiengesellschaft and its domestic subsidiaries. The other assurance services mainly relate to the assurance that sustainability reporting has been audited independently, as well as to other assurances.

40. Declaration pursuant to Section 161 of the German Stock Corporations Act

The declaration on corporate governance required by Section 161 of the German Stock Corporations Act (AktG) has been made available for the general public to view at any time on the HOCHTIEF website.*

*For further information on corporate governance at HOCHTIEF, please see ▸ www.hochtief.com/corporate-governance.

41. Events since the balance sheet date and the report on post-balance-sheet events

On February 13, 2017, the marketing process for a new promissory note loan issue by HOCHTIEF Aktiengesellschaft began. The promissory note loan under German law is divided into maturity tranches of five, seven, and ten years. In the event of positive investor demand, the EUR 150 million principal amount stated at the start of marketing may be increased. The loan amount will be used for general corporate finance and refinancing.

On January 25, 2017, through a consortium including UGL and its joint venture partner CH2M, the CIMIC Group terminated its contract with JKC Australia LNG for the design, construction, and commissioning of the Ichthys Combined Cycle Power Plant project. The impact of the termination is covered by corresponding provisions as of December 31, 2016.

On January 24, 2017, the CIMIC Group announced its intention to acquire those shares in Macmahon which it did not already own pursuant to an off-market takeover at a price of AUD 0.145 per share.

42. Use of the exempting provisions in Section 264 (3) (and Section 264b) of the German Commercial Code

The following domestic, fully consolidated subsidiaries made partial use of the exempting provisions in 2016:
A.L.E.X.-Bau GmbH, Essen,
Deutsche Baumanagement GmbH, Essen,
Deutsche Bau- und Siedlungs-Gesellschaft mbH, Essen,
Eurafrica Baugesellschaft mbH, Essen,
forum am Hirschgarten Nord GmbH & Co. KG (formerly: MK 3 Nord GmbH & Co. KG), Essen,
forum am Hirschgarten Süd GmbH & Co. KG (formerly: MK 3 Süd GmbH & Co. KG), Essen,
HOCHTIEF Americas GmbH, Essen,
HOCHTIEF Asia Pacific GmbH, Essen,
HOCHTIEF Bau und Betrieb GmbH, Essen,
HOCHTIEF Construction Erste Vermögensverwaltungsgesellschaft mbH, Essen,

HOCHTIEF Engineering GmbH, Essen,
HOCHTIEF Engineering International GmbH, Essen,
HOCHTIEF Infrastructure GmbH, Essen,
HOCHTIEF Insurance Broking and Risk Management Solutions GmbH, Essen,
HOCHTIEF LLBB GmbH, Essen,
HOCHTIEF ÖPP Projektgesellschaft mbH, Essen,
HOCHTIEF Offshore Crewing GmbH, Essen,
HOCHTIEF PPAC GmbH, Essen,
HOCHTIEF PPP Europa GmbH, Essen,
HOCHTIEF PPP Operations GmbH, Essen,
HOCHTIEF PPP Schulpartner Braunschweig GmbH, Braunschweig,
HOCHTIEF PPP Solutions GmbH, Essen,
HOCHTIEF PPP Transport Westeuropa GmbH, Essen,
HOCHTIEF Projektentwicklung GmbH, Essen,
HOCHTIEF Projektentwicklung “Helfmann Park” GmbH & Co. KG, Essen,
HOCHTIEF Solutions AG, Essen,
HOCHTIEF Solutions Real Estate GmbH, Essen,
HOCHTIEF ViCon GmbH, Essen,
HTP Immo GmbH, Essen,
HTP Projekt 2 (zwei) GmbH & Co. KG, Essen,
I.B.G. Immobilien- und Beteiligungsgesellschaft Thüringen-Sachsen mbH, Erfurt,
LOFTWERK Eschborn GmbH & Co. KG, Essen,
Maximiliansplatz 13 GmbH & Co. KG, Essen,
MK 1 Am Nordbahnhof Berlin GmbH & Co. KG, Essen,
Moltendra Grundstücks- und Vermietungsgesellschaft mbH & Co. Objekt Mainoffice KG, Frankfurt am Main,
Projektgesellschaft Börsentor Frankfurt GmbH & Co. KG, Essen,
Projektgesellschaft Konrad-Adenauer-Ufer Köln GmbH & Co. KG, Essen,
Projektgesellschaft Marco Polo Tower GmbH & Co. KG, Hamburg,
Projektgesellschaft Quartier 21 mbH & Co. KG, Essen,
Projekt Messeallee Essen GmbH & Co. KG, Essen,
SCE Chile Holding GmbH, Essen,
Spiegel-Insel Hamburg GmbH & Co. KG, Essen,
synexs GmbH, Essen,
Tivoli Garden GmbH & Co. KG, Essen,
Tivoli Office GmbH & Co. KG, Essen,
TRINAC GmbH, Essen.

43. Subsidiaries, associates, and other significant participating interests of the HOCHTIEF Group at December 31, 2016

The complete list of subsidiaries in accordance with the requirements of Section 313 of the German Commercial Code is published in the Bundesanzeiger (Federal Official Gazette) as well as on our website: www.hochtief.com/subsidiaries2016

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report, which is combined with the management report of HOCHTIEF Aktiengesellschaft, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Essen, February 24, 2017

HOCHTIEF Aktiengesellschaft

The Executive Board

Marcelino Fernández Verdes

Peter Sassenfeld

José Ignacio Legorburo Escobar

Nikolaus Graf von Matuschka

2015

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT 213

Front Range
Mobility Group

2015

HOCHTIEF Group Consolidated Financial Statements as of December 31, 2015

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Consolidated Financial Statements and Notes

Consolidated Statement of Earnings

(EUR thousand)	Note	2015	2014
Sales	(1)	21,096,618	22,099,054
Changes in inventories		18,468	(30,425)
Other operating income	(2)	217,498	225,403
Materials	(3)	(15,484,266)	(15,745,552)
Personnel costs	(4)	(3,655,734)	(4,415,757)
Depreciation and amortization	(5)	(413,831)	(440,427)
Other operating expenses	(6)	(1,203,403)	(1,767,628)
Profit from operating activities		**575,350**	**(75,332)**
Share of profits and losses of equity-method associates and joint ventures	(7)	79,035	75,482
Net income from other participating interests	(7)	76,676	43,006
Investment and interest income	(8)	92,840	104,352
Investment and interest expenses	(8)	(300,497)	(324,655)
Profit before taxes—continuing operations		**523,404**	**(177,147)**
Income taxes	(9)	(190,210)	45,366
Profit after tax—continuing operations		**333,194**	**(131,781)**
Profit after tax—discontinued operations*		–	537,564
Profit after tax—total		**333,194**	**405,783**
Of which: Consolidated net profit/(loss)		[208,287]	[251,687]
Of which: Minority interest	(10)	[124,907]	[154,096]
Earnings per share (EUR)			
Diluted and undiluted earnings per share—continuing operations	(33)	3.11	(1.77)
Diluted and undiluted earnings per share—discontinued operations	(33)	–	5.41
Earnings per share—total		**3.11**	**3.64**

*For further information, please see page 176 et seq.

Consolidated Statement of Comprehensive Income

(EUR thousand)	2015	2014
Profit after tax	**333,194**	**405,783**
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	148,334	370,594
Changes in fair value of financial instruments		
Primary	22,581	22,123
Derivative	1,543	(18)
Share of profits and losses of equity-method associates and joint ventures recognized directly in equity	1,004	3,595
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans	21,063	(110,576)
Other comprehensive income (after tax)	**194,525**	**285,718**
Total comprehensive income after tax	**527,719**	**691,501**
Of which: HOCHTIEF Group	[344,766]	[445,260]
Of which: Minority interest	[182,953]	[246,241]

Consolidated Balance Sheet

(EUR thousand)	Note	Dec. 31, 2015	Dec. 31, 2014
Assets			
Non-current assets			
Intangible assets	(11)	883,184	866,299
Property, plant and equipment	(12)	1,115,512	1,304,566
Investment properties	(13)	14,096	15,252
Equity-method investments	(14)	979,720	898,484
Other financial assets	(15)	123,853	129,374
Financial receivables	(16)	679,461	631,479
Other receivables and other assets	(17)	147,013	74,830
Non-current income tax assets	(18)	16,907	24,863
Deferred tax assets	(19)	170,582	265,527
		4,130,328	**4,210,674**
Current assets			
Inventories	(20)	767,760	919,505
Financial receivables	(16)	66,083	77,474
Trade receivables	(21)	4,536,997	5,066,174
Other receivables and other assets	(17)	172,996	199,045
Receivables from the sale of discontinued operations	(22)	–	1,108,112
Current income tax assets	(18)	51,933	139,867
Marketable securities	(23)	576,898	741,535
Cash and cash equivalents	(24)	2,808,707	2,585,359
Assets held for sale*		158,281	171,579
		9,139,655	**11,008,650**
		13,269,983	**15,219,324**
Liabilities and Shareholders' Equity			
Shareholders' equity	(25)		
Attributable to the Group			
Subscribed capital		177,432	177,432
Capital reserve		804,163	804,018
Revenue reserves		1,005,415	1,183,395
Of which: Deduction for treasury stock		[292,913]	[48,304]
Accumulated other comprehensive income		18,272	(118,207)
Unappropriated net profit		138,619	131,688
		2,143,901	**2,178,326**
Minority interest		**1,002,847**	**933,052**
		3,146,748	**3,111,378**
Non-current liabilities			
Provisions for pensions and similar obligations	(27)	353,448	378,697
Other provisions	(28)	449,937	449,906
Financial liabilities	(29)	2,355,089	3,073,471
Other liabilities	(30)	68,040	33,190
Deferred tax liabilities	(19)	29,719	47,158
		3,256,233	**3,982,422**
Current liabilities			
Other provisions	(28)	817,735	1,156,127
Financial liabilities	(29)	309,439	982,374
Trade payables	(31)	5,419,879	5,513,425
Other liabilities	(30)	277,010	399,653
Current income tax liabilities	(32)	10,257	10,682
Liabilities associated with assets held for sale		32,682	63,263
		6,867,002	**8,125,524**
		13,269,983	**15,219,324**

*For further information, please see page 176.

Consolidated Statement of Cash Flows

(EUR thousand) Note 37	2015	2014
Profit after tax	333,194	405,783
Depreciation, amortization, impairments, and impairment reversals	409,965	503,064
Changes in provisions	(2,400)	(134,353)
Changes in deferred taxes	60,986	(208,928)
Gains/(losses) from disposals of non-current assets and marketable securities	(9,181)	(47,199)
Other non-cash income and expenses (primarily equity accounting) and deconsolidations	(24,026)	(85,856)
Changes in working capital (net current assets)	358,666	307,557
Changes in other balance sheet items	8,002	15,965
Cash flow from operations	**1,135,206**	**756,033**
Intangible assets, property, plant and equipment, and investment properties		
Purchases	(285,475)	(575,335)
Proceeds from asset disposals	135,042	141,390
Acquisitions and participating interests		
Purchases	(116,016)	(147,964)
Proceeds from asset disposals/divestments	1,463,806	274,475
Changes in cash and cash equivalents due to consolidation changes	(465,847)	(309,079)
Changes in securities holdings and financial receivables	231,397	437,918
Cash flow from investing activities	**962,907**	**(178,595)**
Payment for repurchase of treasury stock	(245,511)	(49,227)
Payments received from sale of treasury stock	1,047	928
Payments for the purchase of additional shares in subsidiaries	(5,847)	(619,991)
Payments into equity by minority shareholders	2,683	2,559
Other financing activities	(2,843)	(1,335)
Dividends to HOCHTIEF's and minority shareholders	(236,220)	(212,084)
Proceeds from new borrowing	786,090	1,650,551
Debt repayment	(2,308,197)	(1,147,210)
Cash flow from financing activities	**(2,008,798)**	**(375,809)**
Net cash increase in cash and cash equivalents	**89,315**	**201,629**
Effect of exchange rate changes	134,033	193,598
Overall change in cash and cash equivalents	**223,348**	**395,227**
Cash and cash equivalents at the start of the year	2,585,359	2,190,132
Cash and cash equivalents at year-end	**2,808,707**	**2,585,359**

Consolidated Financial Statements and Notes

Consolidated Statement of Changes in Equity

Note 25	Subscribed capital of HOCHTIEF Aktiengesellschaft	Capital reserve of HOCHTIEF Aktiengesellschaft	Revenue reserves*	Accumulated other comprehensive income			Unappropriated net profit	Attributable to the Group	Attributable to minority interest	Total
(EUR thousand)				Remeasurement of defined benefit plans	Currency translation differences	Changes in fair value of financial instruments				
Balance as of Jan. 1, 2014	197,120	784,326	1,484,243	(201,696)	(81,450)	(32,428)	115,500	2,265,615	1,028,085	3,293,700
Dividends paid	–	–	–	–	–	–	(103,964)	(103,964)	(108,120)	(212,084)
Profit after tax	–	–	–	–	–	–	251,687	251,687	154,096	405,783
Currency translation differences and changes in fair value of financial instruments	–	–	–	–	275,956	28,305	–	304,261	92,033	396,294
Changes from remeasurement of defined benefit plans	–	–	–	(110,688)	–	–	–	(110,688)	112	(110,576)
Total comprehensive income	–	–	–	(110,688)	275,956	28,305	251,687	445,260	246,241	691,501
Transfer to revenue reserves	–	–	131,535	–	–	–	(131,535)	–	–	–
Other changes not recognized in the Statement of Earnings	(19,688)	19,692	(432,383)	3,794	–	–	–	(428,585)	(233,154)	(661,739)
Balance as of Dec. 31, 2014/ Jan. 1, 2015	**177,432**	**804,018**	**1,183,395**	**(308,590)**	**194,506**	**(4,123)**	**131,688**	**2,178,326**	**933,052**	**3,111,378**
Dividends paid	–	–	–	–	–	–	(128,926)	(128,926)	(107,294)	(236,220)
Profit after tax	–	–	–	–	–	–	208,287	208,287	124,907	333,194
Currency translation differences and changes in fair value of financial instruments	–	–	–	–	92,285	23,131	–	115,416	58,046	173,462
Changes from remeasurement of defined benefit plans	–	–	–	21,063	–	–	–	21,063	–	21,063
Total comprehensive income	–	–	–	21,063	92,285	23,131	208,287	344,766	182,953	527,719
Transfer to revenue reserves	–	–	72,430	–	–	–	(72,430)	–	–	–
Other changes not recognized in the Statement of Earnings	–	145	(250,410)	–	–	–	–	(250,265)	(5,864)	(256,129)
Balance as of Dec. 31, 2015	**177,432**	**804,163**	**1,005,415**	**(287,527)**	**286,791**	**19,008**	**138,619**	**2,143,901**	**1,002,847**	**3,146,748**

*As of December 31, 2015, treasury stock with a purchase cost of EUR 292,913 thousand (2014: EUR 48,304 thousand) was accounted for as a deduction from revenue reserves. The shares of treasury stock accounted for as a deduction from revenue reserves as of January 1, 2014 were canceled in the first quarter of 2014. This reduced the subscribed capital of HOCHTIEF Aktiengesellschaft by EUR 19,688 thousand and increased the additional paid-in capital of HOCHTIEF Aktiengesellschaft by EUR 19,688 thousand.

Notes to the consolidated financial statements

Accounting policies

General information

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with supplementary provisions of German commercial law applicable under Section 315a (1) of the German Commercial Code (HGB). The same accounting policies applied in the prior year.

Alongside the Consolidated Statement of Earnings, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, and the Consolidated Statement of Cash Flows, the Consolidated Financial Statements also include a Consolidated Statement of Changes in Equity. Segment reporting is provided in these Notes.

For purposes of clarity, a number of items are combined in the Balance Sheet and in the Statement of Earnings. These items are broken down into their constituents and commented on elsewhere in these Notes. The Statement of Earnings is presented using the nature of expense method of analysis.

The Consolidated Financial Statements are presented in euros.

As an independent listed group, HOCHTIEF Aktiengesellschaft, Essen, Germany, publishes its own consolidated financial statements, which are also included in the consolidated financial statements of ACS Actividades de Construcción y Servicios, S.A., Madrid, Spain (ACS).

The Consolidated Financial Statements relate to the year 2015, comprising the reporting period from January 1 to December 31, 2015.

The Executive Board of HOCHTIEF Aktiengesellschaft released the financial statements for publication on February 19, 2016. They will be approved at the Supervisory Board meeting on February 24, 2016.

Basis of consolidation

The Consolidated Financial Statements include HOCHTIEF Aktiengesellschaft as well as all significant domestic and foreign subsidiaries in which it directly or indirectly holds the majority of voting rights. This generally goes hand in hand with a majority shareholding. Two companies are consolidated by virtue of contractual arrangements. Associates and joint ventures are accounted for using the equity method. Companies in which HOCHTIEF Aktiengesellschaft holds a majority of voting rights but over which it exercises joint control by contractual arrangement with other owners are likewise accounted for using the equity method unless classified as joint operations.

Holdings in subsidiaries or associated companies or joint ventures deemed to be of minor overall significance from a Group perspective are not consolidated and are accounted for in accordance with IAS 39.

A number of the subsidiaries included in the Consolidated Financial Statements make partial use of the exempting provisions in either Section 264 (3) or Section 264b of the German Commercial Code. A list of the companies that make use of these exemptions is included on page 248 and 249.

The Consolidated Financial Statements as of December 31, 2015 include HOCHTIEF Aktiengesellschaft and a total of 58 German and 397 foreign consolidated companies as well as four special-purpose investment funds (Spezialfonds). The number of consolidated companies decreased by 15 and the number of special-purpose funds by one compared with the previous year. A total of four German and 28 foreign companies were consolidated for the first time in the reporting year. The additions were in the HOCHTIEF Asia Pacific division (17), the HOCHTIEF Europe division (11), and the HOCHTIEF Americas division (4). The majority are project companies. A total of four domestic and 43 foreign companies were removed from the consolidated group. Most of the companies removed from the consolidated group were in the HOCHTIEF Asia Pacific division (28) and the HOCHTIEF Europe division (18). An entity is generally added to or removed from the consolidated group at the time the equity stake in the entity is acquired or disposed of.

Fifty-two affiliated companies of minor overall significance to the Group's financial position and results of operations were not consolidated. Their combined sales represented less than 1% of consolidated sales.

Sixteen domestic and 166 foreign associates were accounted for using the equity method. This number declined by a total of 11 companies, with 14 companies added and 25 removed. Most of the additions were in the HOCHTIEF Asia Pacific division (7) and the HOCHTIEF Americas division (5). The removals related to the HOCHTIEF Asia Pacific division (16) and the HOCHTIEF Europe division (9). Due to their minor overall significance, a further 19 companies were not accounted for using the equity method.

A total of 59 joint operations from the HOCHTIEF Asia Pacific division are included in the Consolidated Financial Statements on a proportionate basis. In the year under review, ten entities were added and seven removed.

Consolidation policies

The financial statements of domestic and international companies included in the Consolidated Financial Statements are prepared in accordance with uniform Group accounting principles. All business combinations (acquisitions) are accounted for using the acquisition method. Business combinations are measured at the acquisition date by allocating the consideration given to the acquired subsidiary's net assets measured at fair value. Transaction costs arising in connection with such acquisitions are recognized directly as expense. All assets, liabilities, and contingent liabilities of an acquired subsidiary that satisfy the recognition criteria are measured at full fair value regardless of any minority interest. Intangible assets are recognized separately from goodwill if they are separable from the accounting entity or arise from contractual or other legal rights. Any goodwill then left is recognized as an asset. Goodwill is not amortized, but is tested instead for impairment in accordance with IAS 36 on an annual basis and whenever there are indications that it may be impaired. Negative goodwill arising on initial measurement is recognized immediately in income. On divestment, a pro rata share of the divesting division's goodwill is taken into account when measuring disposal proceeds.

Goodwill increased by EUR 40,494 thousand in the year under review, from EUR 666,677 thousand to EUR 707,171 thousand.

Income, expenses, receivables, and liabilities between consolidated companies are eliminated. Unrealized intercompany profits and losses are eliminated unless they are of minor significance. Any impairment losses recognized for consolidated companies in their separate financial statements are reversed.

The same policies apply to equity-method investments. These include the Group's associates and joint ventures. Any goodwill increases the carrying amount of an investment. Like other goodwill, goodwill on equity-method investments is not amortized. Reductions in carrying amount due to impairment are reported in the share of profits and losses of equity-method associates and joint ventures. The financial statements of all equity-method investments are prepared in accordance with uniform Group accounting policies.

Non-current assets held for sale and discontinued operations

Non-current assets held for sale (disposal group)

In view of the intention to sell, mining assets of PT Thiess Contractors Indonesia (HOCHTIEF Asia Pacific division) are accounted for in accordance with IFRS 5 as assets held for sale. Further negotiations were conducted during the 2015 reporting year and an agreement for the sale of the assets was signed in January 2016. Inventories, property, plant and equipment, and lease liabilities were consequently reclassified, the reclassification having no impact on the Statement of Earnings. The remaining assets and liabilities are classified as held for sale and presented separately in the balance sheet. The table below shows the major classes of assets and liabilities held for sale. No amount is additionally recognized in other comprehensive income.

(EUR thousand)	Dec. 31, 2015	Dec. 31, 2014
Property, plant and equipment	130,488	150,994
Inventories	27,793	20,585
Total assets	**158,281**	**171,579**
Non-current liabilities	–	–
Current liabilities	32,682	63,263
Liabilities	**32,682**	**63,263**

Discontinued operations

In accordance with its strategic alignment, HOCHTIEF Group Company CIMIC Holdings entered into binding agreements for the sale of the John Holland Group as well as Thiess Services and Leighton Contractors Services in December 2014. CIMIC's entire stake in its subsidiary John Holland Group (Melbourne, Australia) was consequently sold to CCCC International Holding Limited (Beijing, China). CIMIC brought 50% of its activities in Thiess Services (Brisbane, Australia) and Leighton Contractors Services (Sydney, Australia) under a joint venture established with subsidiaries of Apollo Global Management, LLC.

The prior-year Statement of Earnings for the HOCHTIEF Group showed EUR 537,564 thousand in profit after tax from discontinued operations. No divestments meeting the criteria of discontinued operations were made in 2015. It was therefore not necessary to report profit after tax from discontinued operations in 2015.

The table below shows the main figures, including for the prior year, for the discontinued operations of the John Holland Group as well as of Thiess Services and Leighton Contractors Services.

(EUR thousand)	2014
Income from discontinued operations	
Sales	3,688,767
Expenses	(3,531,328)
Net investment and interest income	995
Share of profit or loss of associates and joint ventures	10,459
Profit before tax (excluding income from disposals)	168,893
Income taxes	(39,872)
Profit after tax (excluding income from disposals)	**129,021**
Income from disposals, before tax	660,989
Income taxes	(252,446)
Income from disposals, after tax	**408,543**
Profit after taxes—discontinued operations	**537,564**
Net cash flow from discontinued operations	
Cash flow from operations	(198,737)
Cash frow from investing actitivies	(27,576)
Cash frow from financing actitivies	(2,785)
Net cash flow—discontinued operations	**(229,098)**

Currency translation

For currency translation purposes, the following exchange rates have been used for the main Group companies outside the euro area:

	Annual average		**Daily average at reporting date**	
(All rates in EUR)	**2015**	2014	**2015**	2014
1 U.S. dollar (USD)	0.91	0.76	0.92	0.82
1 Australian dollar (AUD)	0.67	0.68	0.67	0.67
1 British pound (GBP)	1.38	1.25	1.36	1.28
100 Polish złoty (PLN)	23.90	23.84	23.45	23.40
100 Qatari riyal (QAR)	24.88	20.78	25.22	22.57
100 Czech koruna (CZK)	3.67	3.63	3.70	3.61
100 Chilean pesos (CLP)	0.14	0.13	0.13	0.14

In their separate financial statements, Group companies disclose transactions denominated in foreign currency using the average exchange rate on the day of recording the transaction. Exchange gains or losses up to the reporting date on the measurement of foreign currency-denominated monetary assets or liabilities are included in other operating income or other operating expenses at the average exchange rate on the reporting date. Currency translation differences relating to a net investment in a foreign company are accounted for in accumulated other comprehensive income until the company is sold. This includes foreign currency receivables from fully consolidated Group companies for which settlement is neither planned nor likely to occur in the foreseeable future and which therefore resemble equity.

Financial statements of foreign companies are translated by applying the functional currency approach. As all companies outside the euro area operate autonomously in their own national currencies, their balance sheet items are translated into euros using the average exchange rate prevailing on the reporting date in accordance with official requirements. The same method is used to translate the shareholders' equity of equity-method foreign associates following equity-method adjustment. Differences from the previous year's translated amount are recognized in other comprehensive income and are reversed to income or expense on sale of the equity interest. Goodwill of commercially independent foreign Group entities is translated at the exchange rate prevailing on the reporting date. Income and expense items are translated into euros using the annual average exchange rate.

Accounting policies

Intangible assets are reported at amortized cost. All intangible assets have a finite useful life with the exception of company names recognized as assets on initial consolidation and of goodwill. Intangible assets include concessions and other licenses with useful lives of up to 30 years. These are amortized according to the pattern of consumption of economic benefits. They also include future earnings from additions to the order backlog arising from business acquisitions; these are amortized over the period in which the corresponding work is billed. Intangible assets further encompass software for commercial and engineering applications, which is amortized on a straight-line basis over three to five years, and entitlements to various financing arrangements with banks amortized over a maximum of 10 years in accordance with the term of the arrangement. Estimated useful lives and amortization methods are reviewed annually.

Company names and goodwill are not amortized. They are tested instead for impairment in accordance with IAS 36 on an annual basis and whenever there are indications that they may be impaired. The companies recognized in the HOCHTIEF Americas and HOCHTIEF Asia Pacific divisions were classified as intangible assets with an indefinite useful life as they do not have a product life cycle and are not subject to technical, technological, or commercial depletion or any other restriction.

Capitalized development costs are reported in intangible assets and are amortized on a straight-line basis over three to five years.

Property, plant and equipment is stated at depreciated cost. Only amounts directly attributable to an item of property, plant or equipment are included in its cost. Borrowing costs are included in cost in the case of qualifying assets. Property, plant and equipment is normally depreciated on a straight-line basis, except in the contract mining business where depreciation is mostly recognized on an activity basis.

Items of property, plant, machinery and equipment typically encountered in the HOCHTIEF Group are depreciated on a straight-line basis over the following uniform useful lives:

	No. of years
Buildings and investment properties	20–50
Technical equipment and machinery; transportation equipment	3–10
Other equipment and office equipment	3–8

Estimated useful lives and depreciation methods are reviewed annually.

Items of property, plant and equipment on finance leases are recognized at fair value or the present value of the minimum lease payments, whichever is lower, and are depreciated on a straight-line basis over their estimated useful life or over a shorter contract term if applicable.

Investment properties are stated at amortized cost. Transaction costs are included on initial measurement. The fair values of investment properties are disclosed in the Notes. They are assessed using internationally accepted valuation methods, such as taking comparable properties as a guide to current market prices or by applying the discounted cash flow method. Like property, plant and equipment, investment properties are normally depreciated using the straight-line method.

Impairment losses are recognized for intangible assets (including goodwill), property, plant and equipment, or investment properties if their recoverable amount falls below their carrying amount. The recoverable amount of an asset or cash-generating unit is normally defined as fair value less costs to sell or value in use, whichever is higher. Impairment testing may require assets and, in some cases, liabilities to be grouped into cash-generating units. For goodwill, impairment testing is performed on cash-generating units corresponding to the HOCHTIEF divisions that feature in segmental reporting. For any asset that is part of an independent cash-generating unit, impairment is determined with reference to the recoverable amount of the unit. If the recoverable amount of a cash-generating unit falls below its carrying amount, the resulting impairment loss is allocated first to any goodwill belonging to the unit and then to the unit's other assets, normally pro rata on the basis of the carrying amount of each asset. Except in the case of goodwill, impairment charges are reversed (up to a maximum of amortized cost) when the impairment ceases to exist.

A **joint arrangement** is an arrangement in which two or more parties have joint control. The parties to a joint arrangement classify it as a joint operation or a joint venture depending on their respective rights and obligations. In a joint operation, the parties have direct rights to the assets and direct obligations for the liabilities relating to the arrangement. Each party recognizes assets, liabilities, revenues, and expenses, together with its share of such items held or incurred jointly, relative to the HOCHTIEF Group's rights and obligations. In a joint venture, where the parties have rights to the net assets arising from the arrangement, the parties each account for their interests in the joint venture using the equity method.

Equity-method investments are stated at cost, comprising the acquired equity interest in an associate or joint ventures plus any goodwill. The carrying amount is increased or decreased annually to recognize the Group's share of after-tax profits or losses, any dividends, and other changes in equity. The full carrying amount is tested for impairment in accordance with IAS 36 whenever there are indications that it may be impaired. If the recoverable amount of an equity-method investment is less than its carrying amount, an impairment loss is recognized for the difference. Any subsequent reversal of an impairment loss is recognized in profit or loss.

All **other financial assets**, comprising interests in non-consolidated subsidiaries, other participating interests, and non-current securities, are classed as held for sale and are measured at fair value where a fair value can be reliably estimated. In the case of publicly listed financial assets, fair value is determined as the market price. If there is no active market, fair value is calculated using the most recent market transactions or a valuation method such as the discounted cash flow method. In cases where fair value cannot be measured reliably, financial assets are reported at cost (less any impairments). Initial measurement is performed as of the settlement date. Unrealized gains or losses are accounted for, after adjusting for deferred taxation, in other comprehensive income and are reversed to income or expense on disposal of the asset. If there is objective evidence of impairment, the carrying amount of an asset is reduced and the impairment loss recognized as an expense. Such evidence includes a significant or prolonged decline in fair value below cost.

Receivables and other assets are measured at amortized cost using the effective interest rate method (accounting for factors such as premiums and discounts). An impairment loss is recognized if there is any objective material evidence that a financial asset may be impaired. Objective evidence for impairment includes, for example, downgrading of a debtor's credit rating and related interruptions in payment or potential insolvency. Impairment losses are recognized according to actual credit risk. "Receivables" comprise financial receivables, trade receivables, and other receivables. Sales are shown net of VAT and other taxes and expected reductions such as trade discounts and rebates. Sales of goods are recognized when:

- The significant risks and rewards of ownership of the goods have been transferred to the buyer
- The HOCHTIEF Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- The amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the HOCHTIEF Group.

Revenue from transactions involving the rendering of services is recognized by reference to the stage of completion. Revenue under construction contracts is recognized as described below.

Long-term loans are stated at amortized cost. Loans yielding interest at normal market rates are reported at face value, and non-interest-bearing and low-interest-bearing loans are discounted to present value. Discounting is always done using a risk-adjusted discount rate.

*See glossary on page 260.

Construction contracts are reported using the percentage of completion* (POC) method. Cumulative work done to date, including the Group's share of net profit, is reported under sales on a pro rata basis according to the percentage completed. The percentage of completion is measured by reference to the stage of completion; that is, as the ratio of performance delivered up to the end of the reporting period to total contract performance. Construction contracts are reported in trade receivables and trade payables, as "Gross amount due from/to customers for/from contract work (POC)." If cumulative work done to date (contract costs plus contract net profit) of contracts in progress exceeds progress payments received, the difference is recognized as an asset and included in amounts due from customers for contract work. If the net amount after deduction of progress payments received is negative, the difference is recognized as a liability and included in amounts due to customers from contract work. Anticipated losses on specific contracts are accounted for on the basis of the identifiable risks. Construction contracts handled by construction joint ventures are also accounted for using the POC method. Trade receivables from construction joint ventures include pro rata entitlements to contract net profit. Anticipated losses are immediately recognized in full in contract net profit. Contract income on construction contracts undertaken by the Group independently or in construction joint ventures is recognized in accordance with IAS 11 as the income stipulated in the contract plus any claims and variation orders. Construction contract receivables are realized as part of the HOCHTIEF Group's operating cycle. In accordance with IAS 1, they are therefore included in current assets even though they are not expected to be realized within twelve months of the balance sheet date.

The POC method is used primarily in the mainstream construction business, construction management, and contract mining.

Deferred taxes arising from temporary differences between the IFRS accounts and tax base of individual Group companies or as a result of consolidation are recognized as separate assets and liabilities. Deferred tax assets are also recognized for tax refund entitlements resulting from the anticipated use of existing tax loss carryforwards in subsequent years provided it is sufficiently certain that they will be realized. Deferred tax assets and liabilities are offset within each company or group. Deferred taxes are measured on the basis of tax rates applying or expected to apply in each country when they are realized. For domestic operations, as in the prior year, a tax rate of 31.5% is assumed, taking account of corporate income tax plus the German "solidarity surcharge" and the average rate of municipal trade tax faced by Group companies. For all other purposes, deferred taxes are measured on the basis of the tax regulations in force or enacted at the reporting date.

Inventories are initially stated at cost of purchase or production. Production cost includes costs directly related to the units of production plus an appropriate allocation of materials and production overhead, including production-related depreciation charges. Borrowing costs for inventories that are qualifying assets are capitalized as part of cost. Most materials and supplies are measured on a FIFO or moving-average basis. Inventories are written down to net realizable value if their recoverable amount is less than their carrying amount at the reporting date. If the recoverable amount of inventories subsequently increases, the resulting gain must be recognized. This is done by reducing materials expense.

All **marketable securities** are classed as held for sale and measured at fair value. They mainly comprise securities held in special-purpose and investment funds as well as fixed-income securities with a residual term of more than three months at the time of acquisition and where there is no intention to hold the securities to maturity. Initial measurement is performed as of the settlement date and includes any transaction costs directly attributable to the acquisition of the securities. Unrealized gains or losses are reported in other comprehensive income and are reversed to income or expense on disposal. If there is objective evidence of impairment, the carrying amount of an asset is reduced and the impairment loss recognized as an expense. Such evidence includes a significant or prolonged decline in fair value below cost.

Cash and cash equivalents consist of petty cash, cash balances at banks, and marketable securities with maturities of no more than three months at the time of acquisition that are subject to insignificant fluctuations in value only.

Discontinued operations along with non-current assets held for sale and associated liabilities are measured in accordance with IFRS 5 and presented separately in the current section of the Consolidated Balance Sheet. To be classed as assets held for sale, assets must be available for immediate sale and their sale must be highly probable. Assets held for sale can be individual non-current assets, groups of assets held for sale (disposal groups), or discontinued operations. A component of an entity is a discontinued operation if it represents a separate major line of business or geographical area of operations and is part of a single coordinated plan to dispose of a major line of business or geographical area of operations, or if it is a subsidiary acquired exclusively with a view to resale. Liabilities disposed of with assets in a single transaction are part of a disposal group or discontinued operation. Non-current assets held for sale cease to be depreciated or amortized, and are measured at their carrying amount or at fair value less costs to sell, whichever is lower. Gains or losses arising on the measurement of individual assets held for sale or of disposal groups are reported in the Statement of Earnings under earnings from continuing operations until their ultimate disposal. Conversely, gains or losses arising on the measurement of discontinued operations at fair value less costs to sell, profits or losses of discontinued operations, and gains or losses on their disposal are presented separately in the Statement of Earnings under earnings from discontinued operations.

Share-based payment transactions are measured in accordance with IFRS 2. Stock option plans are accounted for Group-wide as cash-settled share-based payment transactions. Provisions for obligations under the Long-term Incentive Plans and the Top Executive Retention Plans are recognized in the amount of the expected expense that is or was spread over the stipulated waiting period. The fair value of stock options is measured using generally accepted financial models, the value of the plans being determined with the Black/Scholes option pricing model. The specific problem of valuing the plans in question is solved using binomial tree methods. The computations are performed by an outside appraiser.

Provisions for pensions and similar obligations are recognized for current and future benefit payments to active and former employees and their surviving dependants. The obligations primarily relate to pension benefits, partly for basic pensions and partly for optional supplementary pensions. The individual benefit obligations vary from one country to another and are determined for the most part by length of service and pay scales. The Turner Group's obligations to meet healthcare costs for retired staff are likewise included in pension provisions due to their pension-like nature.

Provisions for pensions and similar obligations are computed by the projected unit credit method. This determines the present value of future entitlements, taking into account current and future benefits already known at the reporting date plus anticipated future increases in salaries and pensions and, for the Turner Group, in healthcare costs. The computation is based on actuarial appraisals using biometric accounting principles. Plan assets as defined in IAS 19 are shown separately as deductions from pension obligations. Plan assets comprise assets transferred to pension funds to meet pension obligations, shares in investment funds purchased under deferred compensation arrangements, and qualifying insurance policies in the form of pension liability insurance. If the fair value of plan assets is greater than the present value of employee benefits, the difference is reported—subject to the limit in IAS 19—under other non-current assets.

Amounts ensuing from the remeasurement of defined benefit plans are recognized directly in equity in the period during which they arise. The current service cost is reported under personnel costs. The net interest component, comprising the interest element of the increase in pension obligations less the anticipated returns on plan assets (each calculated using the discount factor for the pension obligations), is reported in net investment and interest income.

Tax provisions comprise current tax obligations. Income tax provisions are offset against tax refund entitlements if they relate to the same tax jurisdiction and are congruent in nature and reporting period.

Other provisions account for all identifiable obligations as of the reporting date that result from past business transactions or events but are uncertain in their amount and/or settlement date. Provisions are stated at the estimated settlement amount, i.e. after making allowance for price and cost increases, and are not offset against any rights to reimbursement. For obligations with a settlement probability exceeding 50%, the amount set aside is calculated on the basis of the most likely settlement outcome. A provision can only be recognized on the basis of a legal or constructive obligation toward third parties. Non-current provisions are stated at the present value of the estimated settlement amount as of the reporting date and reported under non-current liabilities.

Liabilities are reported at amortized cost using the effective interest rate method (accounting for factors such as premiums and discounts). **Finance lease liabilities** are initially recognized at fair value at the inception of the lease or the present value of the minimum lease payments, whichever is lower.

Derivative financial instruments are measured at fair value regardless of their purpose and reported under other receivables and other assets or other liabilities. Initial measurement is as of the settlement date. All derivative financial instruments are measured on the basis of current market rates as of the balance sheet date. The recognition of changes in fair value depends on the purpose for which a derivative is held. Derivatives are only ever used in the HOCHTIEF Group for hedging purposes. Hedges are structured for maximum effectiveness. A cash flow hedge is a hedge of the exposure to variability in cash flows from a hedged item, as with the hedging of variable rate loans to counter variations in payment amounts due to interest rate changes. Unrealized gains and losses are initially recognized in equity, taking account of deferred taxes. The portion of the changes in value initially recognized in equity is reclassified to income or expense as soon as the hedged item is recognized in income or expense. If a hedged planned transaction subsequently results in recognition of a financial asset or a financial liability, gains or losses recognized in equity in the meantime are reclassified to income or expense in the period when the financial asset or financial liability affects income. If a hedged planned transaction subsequently results in recognition of a non-financial asset or liability, gains or losses recognized in equity in the meantime are taken out of equity and subtracted from or added to the initial cost of the asset or liability. In the cases described, only the portion of changes in value that are determined to be effective for hedging purposes are recognized in equity. The ineffective portion is recognized directly as income or expense. In the HOCHTIEF Group, only cash flow hedges are currently recognized. Derivatives are also used for economic hedging purposes where no hedge accounting is applied. In such cases, changes in fair value are recognized in income or expense.

Contingencies, commitments, and other obligations are possible or current obligations, based on past transactions, that are unlikely to lead to an outflow of resources. These are disclosed separately and not included in the Balance Sheet unless assumed in the course of a business combination. The amounts stated for contingent liabilities reflect the extent of the liabilities as of the reporting date.

Judgments made by management in applying the accounting policies primarily relate to the following issues:

- Leases must be assessed to determine whether the substantial risks and rewards of beneficial ownership transfer to the lessee.
- Securities may be grouped in different categories.
- Assets earmarked for sale must be assessed to confirm that they are available for immediate sale and their sale is highly probable. If the result of this assessment is positive, those assets and any liabilities to be disposed of in the same transaction must be reported and accounted for as assets held for sale and liabilities associated with assets held for sale.
- It is necessary to determine whether construction revenue is accounted for under IAS 11 or IAS 18.

The decision made by the HOCHTIEF Group for general application in each instance is set out under Accounting Policies in these Notes.

Preparation of the IFRS Consolidated Financial Statements requires **Group management to make estimates and assumptions** that affect the reported amount of assets, liabilities, income and expenses, and disclosures of contingencies, commitments, and other obligations. The main estimates and assumptions relate to the following:

- Assessing projects on a percentage of completion basis, in particular with regard to accounting for change orders, the timing of profit recognition, and the amount of profit recognized.
- Estimating the economic life of intangible assets, property, plant and equipment, and of investment properties.
- Accounting for provisions.
- Testing goodwill and other assets for impairment.
- Testing deferred tax assets for impairment.

All estimates and assumptions are based on current circumstances and appraisals. Forward-looking estimates and assumptions made as of the balance sheet date with a view to future business performance take account of circumstances prevailing on preparation of the Consolidated Financial Statements and future trends considered realistic for the global and industry environment. Actual amounts can vary from the estimated amounts due to changes in the operating environment that are at variance with the assumptions and lie beyond management control. If such changes occur, the assumptions and, if necessary, the carrying amounts of affected assets and liabilities are revised accordingly.

New accounting pronouncements

Adoption by the International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRS IC) of new and revised IFRS and IFRIC pronouncements has resulted in **changes to accounting policies** in those instances where the pronouncements have been adopted by the EU and their application is mandatory for the reporting period from January 1 to December 31, 2015.

Changes in IFRS and IFRIC affecting the HOCHTIEF Group are as follows:

- **Annual Improvements Cycle 2011–2013** and
- **IFRIC 21 Levies**

The IFRS pronouncements applicable in the reporting year had no material impact on the HOCHTIEF Consolidated Financial Statements.

Other new accounting pronouncements issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) take the form of standards and interpretations that affect the HOCHTIEF Consolidated Financial Statements but do not have to be applied for the 2015 year and in some cases have not yet been endorsed by the EU:

IFRS 9 Financial Instruments: After publishing the three phases of the new standard over the last few years, the IASB published the final version of IFRS 9 in July 2014. The new standard notably introduces major changes relating to the classification and measurement of financial assets, with classification to be based on the type of business model and on contractual cash flows. In the same connection, impairment assessment is extended from an incurred loss model to an expected loss model. A new hedge accounting model is also introduced that aims to bring hedge accounting more closely into line with the risk management activities of the entity.

The complete overhaul of IAS 39 with the publication of IFRS 9 results in additional disclosures.

The standard is applicable for annual periods beginning on or after January 1, 2018. Initial application is retrospective, although transitional provisions apply. Earlier application is permitted. EU endorsement is still pending. On current assessment, the new standard will result in a reclassification of financial assets in the HOCHTIEF Group. The new rules on financial liabilities will probably have no material effect on the HOCHTIEF Group. Further implications of IFRS 9 and its additional provisions cannot be assessed until final endorsement by the EU.

IFRS 15 Revenue from Contracts with Customers: The IASB issued this new standard in May 2014 with the objective of bringing together in one standard the rules on revenue recognition previously contained in various different standards and interpretations. IFRS 15 applies across all sectors to revenue from all contracts with customers except those that are within the scope of other IFRSs, such as leases, insurance contracts, and financial instruments. Revenue recognition is carried out with regard to both timing and amount by applying the following five steps:
(1) Identify the contracts with a customer
(2) Identify the performance obligations in the contract
(3) Determine the transaction price
(4) Allocate the transaction price to the performance obligations in the contract
(5) Recognize revenue when (or as) the entity satisfies a performance obligation.

Alongside this five-step model, IFRS 15 includes an array of further provisions, such as on contract modifications and additional notes disclosures. Due to postponement of the date of initial application in September 2015, the revised IFRS 15 applies for annual periods beginning on or after January 1, 2018; earlier application is permitted. EU endorsement is still pending. With regard to the HOCHTIEF Consolidated Financial Statements, it is assumed on current assessment that the new standard will lead to changes in revenue recognition. However, it will still be possible to recognize revenue over time. Otherwise, the main changes relate to additional requirements for notes disclosures. The effects of IFRS 15 cannot be finally assessed until final endorsement by the EU.

IFRS 16 Leases: The standard announced by the IASB in January 2016 mainly introduces new rules for the classification of leases by lessees. The previous risk-and-rewards approach is abandoned in favor of recognizing a right-of-use asset and a corresponding lease liability for all leases. Exceptions from this rule only exist for leases with lease terms of less than twelve months and leases where the underlying asset has a low value. Lessors, on the other hand, continue to classify leases as operating or financing leases according to whether substantially all the risks and rewards are transferred. The new IFRS 16 applies for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has also been applied. EU endorsement is still pending. The potential impact for the HOCHTIEF Group is currently under assessment.

Amendments to IFRS 10 Consolidated Financial Statements and **IAS 28 Investments in Associates and Joint Ventures:** In "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" published in September 2014, the IASB clarifies that recognition of a gain or loss on the sale or contribution of assets depends on whether the assets constitute a business as defined in IFRS 3. When a transaction involves a business, the investor recognizes a full gain or loss. When a transaction involves the sale of assets that do not constitute a business, a partial gain or loss is recognized. The amendments to IFRS 10 and IAS 28 apply for annual periods beginning on or after January 1, 2016; earlier application is permitted. EU endorsement is still pending. On current assessment, the amendments will have no material impact on the HOCHTIEF Consolidated Financial Statements.

Amendments to IFRS 11 Joint Arrangements: In "Accounting for Acquisitions of Interests in Joint Operations" published in May 2014, the IASB clarifies that the acquisition of an initial or additional interest in a joint operation when the operation constitutes a business as defined in IFRS 3 should be accounted for using the principles related to business combinations in IFRS 3 and other applicable standards with the exception of those principles that conflict with the guidance in IFRS 11. On the acquisition of additional interests in a joint operation, previously held interests are not remeasured. The amendments to IFRS 11 do not apply if the parties sharing joint control are under the common control of the same ultimate controlling party. The amendments apply for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments were endorsed by the EU in November 2015. The amendments are not expected to have a material impact on the HOCHTIEF Consolidated Financial Statements.

As part of its **annual improvements process**, the IASB published an omnibus standard in December 2013 (Annual Improvements Cycle 2010–2012) and another in September 2014 (Annual Improvements Cycle 2012–2014). This involved minor but necessary changes to various standards. The Annual Improvements Cycle 2010–2012 applies for annual periods beginning on or after February 1, 2015, and the Annual Improvements Cycle 2012–2014 for annual periods beginning on or after January 1, 2016. The EU has already endorsed both of those omnibus standards. On current assessment, the changes are not expected to have a material impact on the presentation of the financial position or financial performance of the HOCHTIEF Group.

The remaining IFRS pronouncements issued by the IASB have no major relevance to the HOCHTIEF Group and are therefore not expected to have a material impact on the Consolidated Financial Statements or their potential impact is currently under assessment:

- **Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities** and **IAS 28 Investments in Associates and Joint Ventures:** Investment Entities: Applying the Consolidation Exception
- **Amendments to IAS 1 Presentation of Financial Statements:** Disclosure Initiative
- **Amendments to IAS 7 Cash Flow Statements:** Disclosure Initiative
- **Amendments to IAS 12 Income Taxes:** Recognition of Deferred Tax Assets for Unrealised Losses
- **Amendments to IAS 16 Property, Plant and Equipment** and **IAS 38 Intangible Assets:** Clarification of Acceptable Methods of Depreciation and Amortisation
- **Amendments to IAS 16 Property, Plant and Equipment** and **IAS 41 Agriculture:** Bearer Plants
- **Amendments to IAS 19 Employee Benefits:** Defined Benefit Plans: Employee Contributions
- **Amendments to IAS 27 Separate Financial Statements:** Equity Method in Separate Financial Statements

Explanatory Notes to the Consolidated Statement of Earnings

1. Sales

The EUR 21,096,618 thousand (2014: EUR 22,099,054 thousand) sales figure comprises, firstly, contract sales recognized under the percentage of completion (POC) method in the mainstream construction business, construction management, and contract mining, plus products and services provided to construction joint ventures, and other related services. Secondly, the sales figure includes revenues from services such as construction planning, project development, logistics, asset management, and insurance and concessions business.

Sales recognized under the percentage of completion method came to EUR 17,965,879 thousand (2014: EUR 18,448,153 thousand).

*See glossary on page 260.

Sales figures provide only an incomplete view of work done* during the year. For additional information, work done by the Group is presented below, including the Group's share of work done in construction joint ventures.

The Group's total operating performance by divisions is as follows:

(EUR thousand)	2015	2014
HOCHTIEF Americas	10,874,926	9,163,954
HOCHTIEF Asia Pacific	10,870,972	12,441,905
HOCHTIEF Europe	2,066,437	2,520,698
Corporate Headquarters/Consolidation	135,283	119,379
	23,947,618	**24,245,936**

2. Other operating income

(EUR thousand)	2015	2014
Income from divestitures	92,104	13,872
Foreign exchange gains	41,876	28,993
Income from reversal of provisions	26,278	66,528
Income from the disposal of intangible assets, property, plant and equipment, and investment properties	2,229	26,125
Sundry other operating income	55,011	89,885
	217,498	**225,403**

Income from divestitures in the year under review mainly relates to the Corporate Headquarters/Consolidation and the HOCHTIEF Asia Pacific division. In the prior year, income from divestitures primarily reflected the sale of two companies in the HOCHTIEF Europe division.

Sundry other operating income includes lease and rental income, plus income from insurance claims.

3. Materials

(EUR thousand)	2015	2014
Raw materials, supplies, and purchased goods	2,192,741	2,649,822
Purchased services	13,291,525	13,095,730
	15,484,266	**15,745,552**

4. Personnel costs

(EUR thousand)	2015	2014
Wages and salaries	3,184,960	4,006,209
Social insurance, pensions, and support	470,774	409,548
	3,655,734	**4,415,757**

Expenditure on pensions totaled EUR 184,529 thousand (2014: EUR 191,307 thousand). This mostly comprises new entitlements accrued during the year under defined benefit pension plans and payments into defined contribution pension schemes. Payments to state pension insurance funds are included in social insurance.

Personnel costs include restructuring expenses of EUR 12,671 thousand (2014: EUR 43,477 thousand) in the HOCHTIEF Asia Pacific division.

Employees (average for the year)

	2015	2014
Waged/industrial employees	22,768	38,625
Salaried/office employees	24,361	29,801
	47,129	**68,426**

5. Depreciation and amortization

(EUR thousand)	2015	2014
Intangible assets	39,826	34,925
Property, plant and equipment	373,415	405,189
Investment properties	590	313
	413,831	**440,427**

Depreciation and amortization includes EUR 33,700 thousand in impairments in the HOCHTIEF Asia Pacific division (2014: EUR – thousand).

6. Other operating expenses

(EUR thousand)	2015	2014
Rentals and lease rentals	331,627	358,213
Insurance expenses	279,803	260,443
Technical and business consulting	65,858	110,982
External organization and programming	63,350	64,394
Travel expenses	47,655	59,394
Currency losses	41,864	31,095
Court costs, attorneys' and notaries' fees	39,664	42,968
Office supplies	35,084	38,825
Restructuring and adjustment costs/severance benefits	29,053	13,282
Marketing	15,175	16,000
Mail and funds transfer expenses	13,017	13,186
Impairment losses and losses on disposal of current assets (except inventories)	11,437	470,990
Legal costs	8,446	9,013
Commission	3,171	14,549
Deconsolidation expense	761	17,191
Sundry other operating expenses	217,438	247,103
	1,203,403	**1,767,628**

The insurance expenses mainly relate to project risk management in the Turner Group. Insurance covers of Turner and other project stakeholders such as suppliers and clients are combined to minimize project execution risks to Turner and its clients. The insurance expenses are counterbalanced by insurance revenue reported in sales.

The prior-year impairment losses and losses on disposal of current assets (except inventories) contained a EUR 458,467 thousand accounting provision to cover credit risk on project receivables in the HOCHTIEF Asia Pacific division.

Sundry other operating expenses mostly comprise order processing, costs of materials for administrative purposes, costs of preparing the annual financial statements, losses incurred on disposal of property, plant and equipment, and other expenses not reported elsewhere. Also included under this heading are sundry taxes amounting to EUR 14,319 thousand (2014: EUR 24,712 thousand).

Including personnel and material expenses, a total of EUR 4,678 thousand was spent on Group-wide research and development projects by the central innovation management function in 2015 (2014: EUR 3,167 thousand).

7. Net income from participating interests

Net income from participating interests includes all income and expenses relating to equity-method investments and participating interests.

Net income from participating interests is made up as follows:

(EUR thousand)	2015	2014
Share of profits and losses of equity-method associates and joint ventures	**79,035**	**75,482**
Of which: Impairment	[–]	[(13,418)]
Net income from non-consolidated subsidiaries	(117)	713
Of which: Impairment	[(158)]	[(20)]
Net income from other participating interests	8,618	7,486
Of which: Impairment	[–]	[(72)]
Income from the disposal of participating interests	36,793	6,058
Expenses on disposal of participating interests	(803)	(9)
Income from long-term loans to participating interests	32,185	32,499
Expenses relating to long-term loans to participating interests	–	(3,741)
Other income from participating interests	**76,676**	**43,006**
	155,711	**118,488**

The share of profits and losses of equity-method associates and joint ventures consists of minus EUR 23,189 thousand (2014: minus EUR 10,926 thousand) relating to associates and EUR 102,224 thousand (2014: EUR 86,408 thousand) relating to joint ventures. No impairments are included in the share of profits and losses of associates and joint ventures (2014: EUR 13,418 thousand). The prior-year impairments related to the HOCHTIEF Asia Pacific division.

As in the prior year, net income from other participating interests related in its entirety to the HOCHTIEF Europe division.

Participating interests measured at cost—less impairments—and disposed of in the year under review had a carrying amount of EUR 3,450 thousand (2014: EUR 1,826 thousand). Disposals realized a net loss on sale of EUR 691 thousand in 2015 (2014: net gain of EUR 287 thousand). As of the balance sheet date, there are no other plans to sell participating interests measured at cost.

8. Net investment and interest income

(EUR thousand)	2015	2014
Interest and similar income	59,797	63,234
Other investment income	33,043	41,118
Investment and interest income	**92,840**	**104,352**
Interest and similar expenses	(240,247)	(284,606)
Interest component of increase in non-current provisions	(9,908)	(9,042)
Of which: Net interest (expense)/income on pension obligations	[(9,092)]	[(8,148)]
Other investment expenses	(50,342)	(31,007)
Investment and interest expenses	**(300,497)**	**(324,655)**
	(207,657)	**(220,303)**

Interest and similar income consists of interest on cash investments, interest-bearing securities, and other long-term loans, plus profit shares and dividends from securities. Interest and similar expenses represent all interest incurred. Net interest income—the balance of interest and similar income and expenses—is minus EUR 180,450 thousand (2014: minus EUR 221,372 thousand).

Interest income of EUR 59,644 thousand was recorded in 2015 for financial instruments not carried at fair value through profit or loss (2014: EUR 62,781 thousand). Interest expenses of EUR 240,247 thousand were recorded for financial instruments not carried at fair value through profit or loss (2014: EUR 284,606 thousand).

Net interest expense/income from pension obligations—an amount of minus EUR 9,092 thousand (2014: minus EUR 8,148 thousand)—consists of EUR 29,671 thousand (2014: EUR 37,246 thousand) in annual interest on the net present value of long-term pension obligations rolled over into the new year, offset against EUR 20,579 thousand (2014: EUR 29,098 thousand) in interest income on plan assets.

Investment and interest income and expenses not included in interest and similar income and expenses or in the interest component of increases in long-term provisions are reported as other investment income and expenses. These mostly comprise income and expenses relating to sales of securities and to derivatives as well as expenses relating to impairment losses on securities and on other long-term loans.

9. Income taxes

(EUR thousand)	2015	2014
Current income taxes	129,224	163,562
Deferred taxes	60,986	(208,928)
	190,210	**(45,366)**

Current income taxes include EUR 9,547 thousand net tax income (2014: EUR 158 thousand) relating to prior periods.

Tax expense is derived from the theoretical tax expense. The theoretical tax rate applied to profit before tax is 31.5%, as in the prior year.

(EUR thousand)	2015	2014
Profit before tax	523,404	(177,147)
Theoretical tax income, at 31.5%	164,872	(55,801)
Difference between the above and foreign tax rates	1,512	13,788
Tax effects on:		
Tax-exempt income	(36,623)	(4,207)
Non-tax-allowable expenditure	27,631	58,418
Equity accounting of associates and joint ventures, including impairment of associates and joint ventures	(2,215)	330
Unrecognized deferred tax assets for domestic tax loss carryforwards	60,953	(4,809)
Other	(25,920)	(53,085)
Effective tax charges	**190,210**	**(45,366)**
Effective rate of tax (percent)	36.3	25.6

The tax-exempt income mostly relates to companies fully consolidated and accounted for using the equity method.

As in the prior year, the “Other” item mainly related to losses from foreign Group companies for which no deferred taxes have been recognized and to the reversal of deferred tax liabilities as the grounds requiring their recognition ceased to exist.

10. Minority interest

The EUR 124,907 thousand (2014: EUR 154,096 thousand) minority interest in consolidated net profit represents the balance of profits totaling EUR 126,982 thousand (2014: EUR 158,540 thousand) and losses totaling EUR 2,075 thousand (2014: EUR 4,444 thousand). The profits include EUR 102,501 thousand (2014: EUR 143,087 thousand) for minority shareholders in the CIMIC Group.

Explanatory notes to the Consolidated Balance Sheet

11. Intangible assets

The table below shows the composition of and changes in intangible assets on the Consolidated Balance Sheet for 2015 and the previous year:

(EUR thousand)	Concessions, industrial property and similar rights and assets, and licenses in such rights and assets	Goodwill arising on consolidation	Total
Cost of acquisition or production			
Jan. 1, 2015	352,493	666,677	1,019,170
Additions or disposals due to consolidation changes	(5)	(733)	(738)
Additions	11,812	–	11,812
Disposals	(26,530)	–	(26,530)
Reclassifications	–	–	–
Currency adjustments	13,846	41,227	55,073
Dec. 31, 2015	351,616	707,171	1,058,787
Cumulative amortization			
Jan. 1, 2015	152,871	–	152,871
Additions or disposals due to consolidation changes	(1)	–	(1)
Amortization	39,826	–	39,826
Disposals	(23,437)	–	(23,437)
Reclassifications	–	–	–
Currency adjustments	6,344	–	6,344
Impairment reversals	–	–	–
Dec. 31, 2015	175,603	–	175,603
Carrying amounts as of Dec. 31, 2015	**176,013**	**707,171**	**883,184**
Cost of acquisition or production			
Jan. 1, 2014	347,970	613,204	961,174
Additions or disposals due to consolidation changes	(27,078)	(7,676)	(34,754)
Additions	25,714	–	25,714
Disposals	(15,689)	–	(15,689)
Reclassifications	–	–	–
Currency adjustments	21,576	61,149	82,725
Dec. 31, 2014	352,493	666,677	1,019,170
Cumulative amortization			
Jan. 1, 2014	131,080	–	131,080
Additions or disposals due to consolidation changes	(6,296)	–	(6,296)
Amortization	34,925	–	34,925
Disposals	(15,144)	–	(15,144)
Reclassifications	–	–	–
Currency adjustments	8,306	–	8,306
Impairment reversals	–	–	–
Dec. 31, 2014	152,871	–	152,871
Carrying amounts as of Dec. 31, 2014	**199,622**	**666,677**	**866,299**

As in the prior year, intangible assets do not include any capitalized development costs.

Likewise as in the prior year, there were no impairment charges on intangible assets in the reporting year; as before, intangible assets are not subject to any restrictions.

Intangible assets include EUR 59,867 thousand (2014: EUR 54,457 thousand) for company names recognized on initial consolidation, accounted for by EUR 43,756 thousand (2014: EUR 38,272 thousand) in the HOCHTIEF Americas division and EUR 16,111 thousand (2014: EUR 16,185 thousand) in the HOCHTIEF Asia Pacific division. The changes compared with the prior year relate to currency adjustments. The company names are not subject to systematic amortization, but are tested for impairment annually and if there is any indication of impairment. Impairment testing is performed in accordance with IAS 36 as described below for goodwill. As in the prior year, no impairment was identified in the year under review.

Goodwill recognized for consolidated companies on initial consolidation is allocated to cash-generating units at segment level for the purposes of impairment testing as described in the following. The cash-generating units correspond to the divisions used in segment reporting.

Annual impairment testing of goodwill at segment (division) level is performed at HOCHTIEF in the fourth quarter of each year. In impairment testing, the recoverable amount of a division is compared with its carrying amount.

The recoverable amount for the HOCHTIEF Americas and HOCHTIEF Europe cash-generating units is measured separately for each unit as value in use. Value in use is the present value of future cash flows expected to arise from a cash-generating unit. It is determined from an internal Group perspective using the discounted cash flow method. This is carried out on the basis of cash flow budgets derived from the three-year budget for the detailed planning horizon as approved by the Executive Board and current at the time of impairment testing. The forecasts incorporate past experience and expected future market developments. Cash flows are assumed to remain constant in subsequent years. Weighted average cost of capital (WACC) is used for cost of capital data. Value in use is first measured on an after-tax basis by discounting the cash flows with an after-tax WACC determined separately for each cash-generating unit. The pretax discount rate is then found by iteration for the purposes of the Notes disclosures.

The discount rates used for cash-generating units in impairment testing are between 10.40% and 10.84% before tax (2014: between 10.40% and 12.20%).

The recoverable amount for the HOCHTIEF Asia Pacific cash-generating unit is measured at fair value based on CIMIC's stock market valuation.

As in the prior year, comparison of the divisions' recoverable amounts with their carrying amounts has not revealed any impairment of goodwill.

Changes in goodwill by division in 2015 were as follows:

(EUR thousand)	Jan. 1, 2015	Currency adjustments	Consolidation changes	**Dec. 31, 2015**
HOCHTIEF Americas	290,828	38,318	–	329,146
HOCHTIEF Asia Pacific	335,499	2,909	–	338,408
HOCHTIEF Europe	40,350	–	(733)	39,617
	666,677	**41,227**	**(733)**	**707,171**

12. Property, plant and equipment

(EUR thousand)	Land, similar rights and buildings, including buildings on land owned by third parties	Technical equipment and machinery, transportation equipment	Other equipment and office equipment	Prepayments and assets under construction	Total
Cost of acquisition or production					
Jan. 1, 2015	152,783	2,801,662	218,718	5,384	3,178,547
Additions or disposals due to consolidation changes	–	206	(9,651)	(6)	(9,451)
Additions	5,861	213,412	43,949	803	264,025
Disposals	(42,007)	(698,558)	(17,378)	(871)	(758,814)
Reclassifications	(751)	10,678	292	(196)	10,023
Currency adjustments	1,990	137,070	14,572	72	153,704
Dec. 31, 2015	117,876	2,464,470	250,502	5,186	2,838,034
Cumulative depreciation					
Jan. 1, 2015	82,199	1,656,790	134,526	466	1,873,981
Additions or disposals due to consolidation changes	–	–	(6,006)	(1)	(6,007)
Depreciation	9,194	339,060	22,915	2,246	373,415
Disposals	(22,425)	(531,613)	(14,614)	–	(568,652)
Reclassifications	(1,792)	(26,116)	1,547	–	(26,361)
Currency adjustments	1,120	64,564	11,295	–	76,979
Impairment reversals	–	–	(833)	–	(833)
Dec. 31, 2015	68,296	1,502,685	148,830	2,711	1,722,522
Carrying amounts as of Dec. 31, 2015	**49,580**	**961,785**	**101,672**	**2,475**	**1,115,512**
Cost of acquisition or production					
Jan. 1, 2014	194,394	2,906,856	268,063	4,004	3,373,317
Additions or disposals due to consolidation changes	(32,340)	(365,559)	(15,571)	–	(413,470)
Additions	7,088	501,303	54,238	2,614	565,243
Disposals	(23,716)	(511,812)	(104,767)	(1,142)	(641,437)
Reclassifications	(511)	(5,998)	(622)	(199)	(7,330)
Currency adjustments	7,868	276,872	17,377	107	302,224
Dec. 31, 2014	152,783	2,801,662	218,718	5,384	3,178,547
Cumulative depreciation					
Jan. 1, 2014	94,301	1,726,592	174,067	–	1,994,960
Additions or disposals due to consolidation changes	(14,872)	(200,718)	(14,439)	–	(230,029)
Depreciation	17,287	414,224	23,013	466	454,990
Disposals	(18,102)	(447,963)	(60,074)	–	(526,139)
Reclassifications	(167)	9,223	1	–	9,057
Currency adjustments	3,752	155,432	11,958	–	171,142
Impairment reversals	–	–	–	–	–
Dec. 31, 2014	82,199	1,656,790	134,526	466	1,873,981
Carrying amounts as of Dec. 31, 2014	**70,584**	**1,144,872**	**84,192**	**4,918**	**1,304,566**

Property, plant and equipment includes EUR 202,123 thousand (2014: EUR 252,572 thousand) in lease-financed assets. These largely comprise plant and machinery at CIMIC.

Impairments of EUR 33,700 thousand were recognized on property, plant and equipment in the HOCHTIEF Asia Pacific division in the year under review. None were recognized in the prior year.

Property, plant and equipment mainly in the HOCHTIEF Asia Pacific division is subject to restrictions in the amount of EUR 81,623 thousand (2014: EUR 111,022 thousand).

13. Investment properties

(EUR thousand)

Cost of acquisition or production	
Jan. 1, 2015	39,797
Additions	–
Disposals	(577)
Dec. 31, 2015	39,220
Cumulative amortization	
Jan. 1, 2015	24,545
Amortization	590
Disposals	(11)
Dec. 31, 2015	25,124
Carrying amounts as of Dec. 31, 2015	**14,096**
Cost of acquisition or production	
Jan. 1, 2014	41,901
Additions	–
Disposals	(2,104)
Dec. 31, 2014	39,797
Cumulative amortization	
Jan. 1, 2014	25,905
Amortization	313
Disposals	(1,673)
Dec. 31, 2014	24,545
Carrying amounts as of Dec. 31, 2014	**15,252**

As in the prior year, there were no impairment losses on investment properties in the year under review.

The fair values of investment properties came to EUR 16,003 thousand as of December 31, 2015 (2014: EUR 15,916 thousand). These are assessed as in the past using internationally accepted valuation methods, such as taking comparable properties as a guide to current market prices or by applying the discounted cash flow method. Of this total, EUR 1,435 thousand (2014: EUR 1,586 thousand) is accounted for by fair value adjustments following independent external appraisals.

Rental income from investment properties in the reporting year totaled EUR 971 thousand (2014: EUR 873 thousand). Direct operating expenses totaling EUR 986 thousand (2014: EUR 1,203 thousand) consisted of EUR 311 thousand (2014: EUR 503 thousand) in expenses for rented and EUR 675 thousand (2014: EUR 700 thousand) in expenses for unrented investment properties.

As in the prior year, investment properties are not subject to any restrictions.

14. Equity-method investments

(EUR thousand)	**Dec. 31, 2015**	Dec. 31, 2014
Equity-method associates	382,583	363,476
Equity-method joint ventures	597,137	535,008
	979,720	**898,484**

Material associates

In the following, information is provided on Al Habtoor Engineering Enterprises Co. LLC, Dubai, United Arab Emirates, which—in the view of management—is the one material associate of the HOCHTIEF Group as of December 31, 2015. The proportion of ownership interests and the proportion of voting rights (both 45%) are unaltered from the prior year. As in the prior year, there is no quoted market price as of December 31, 2015.

The following tables show the Group's share of items of the balance sheet and statement of comprehensive income of the above-mentioned material equity-method associate:

(EUR thousand)	**Dec. 31, 2015**	Dec. 31, 2014
Non-current assets	505,925	440,464
Current assets	1,248,546	932,839
Non-current liabilities	423,320	328,032
Current liabilities	1,208,615	786,699
Carrying amount	**298,536**	**258,572**

(EUR thousand)	**2015**	2014
Sales	781,528	499,316
Profit before tax	**(9,638)**	**–**
Income taxes	–	–
Profit after tax	**(9,638)**	**–**
Other comprehensive income	–	–
Total comprehensive income	**(9,638)**	**–**
Dividends received	–	–

Aggregated information on immaterial associates

The table below shows the carrying amounts and the Group's share of items of the statement of comprehensive income in aggregate for individually immaterial equity-method associates:

(EUR thousand)	2015	2014
Carrying amounts	**84,047**	**104,904**
Profit before tax	**(19,456)**	**(7,959)**
Income taxes	5,905	(2,967)
Profit after tax	**(13,551)**	**(10,926)**
Other comprehensive income	–	–
Total comprehensive income	**(13,551)**	**(10,926)**

Profit from equity-method associates in the prior year included EUR 12,549 thousand in impairment losses. These related to associates in the HOCHTIEF Asia Pacific division.

As in the prior year, investments in associates are not subject to any restrictions.

Aggregated information on immaterial joint ventures

The joint ventures of the HOCHTIEF Group are individually immaterial.

The table below shows the carrying amounts and the Group's share of items of the statement of comprehensive income in aggregate for individually immaterial equity-method joint ventures:

(EUR thousand)	2015	2014
Carrying amounts	**597,137**	**535,008**
Profit before tax	**106,515**	**96,044**
Income taxes	(4,291)	(9,636)
Profit after tax	**102,224**	**86,408**
Other comprehensive income	1,004	3,595
Total comprehensive income	**103,228**	**90,003**

Profit from immaterial equity-method joint ventures in the prior year included EUR 869 thousand in impairment losses. These related to joint ventures in the HOCHTIEF Asia Pacific division.

Investments in joint ventures are pledged in the amount of EUR 2,510 thousand (2014: EUR 5,192 thousand).

15. Other financial assets

(EUR thousand)	Dec. 31, 2015	Dec. 31, 2014
Non-consolidated subsidiaries	5,549	5,451
Other participating interests	118,304	123,923
	123,853	**129,374**

An amount of EUR 158 thousand in impairment losses was recognized on non-consolidated subsidiaries in the year under review (2014: EUR 20 thousand); an amount of EUR 72 thousand was recognized in the prior year on other participating interests.

As in the prior year, other financial assets are not subject to any restrictions.

16. Financial receivables

(EUR thousand)	Dec. 31, 2015 Non-current	Current	Dec. 31, 2014 Non-current	Current
Long-term loans to non-consolidated subsidiaries and to participating interests	582,771	16,632	539,231	13,644
Financial receivables from non-consolidated subsidiaries	7,391	14,211	7,189	20,371
Financial receivables from participating interests	78,204	28,586	62,650	38,487
Interest accruals	–	4,382	–	2,666
Other financial receivables	11,095	2,272	22,409	2,306
	679,461	**66,083**	**631,479**	**77,474**

Long-term loans to non-consolidated subsidiaries and to participating interests comprise loans to the Habtoor Leighton Group in the amount of EUR 487,544 thousand (2014: EUR 436,679 thousand).

Financial receivables from equity-accounted companies total EUR 691,862 thousand (2014: EUR 619,756 thousand).

17. Other receivables and other assets

(EUR thousand)	Dec. 31, 2015 Non-current	Current	Dec. 31, 2014 Non-current	Current
Prepaid expenses	3,081	52,030	2,667	58,162
Entitlements from sales of participating interests	–	16,727	–	50,451
Derivative receivables	11,831	1,374	6,414	4,998
Tax receivables (excluding income taxes)	–	11,447	–	7,115
Pension fund credit balances	6,214	–	1,456	–
Sundry other assets	125,887	91,418	64,293	78,319
	147,013	**172,996**	**74,830**	**199,045**

Prepaid expenses consist of insurance premiums as well as prepayments for maintenance and services. They also include commission paid by HOCHTIEF insurance companies for insurance arranged by direct insurers. Such commission is reversed to expense over the lifetime of the policy.

As in the prior year, sundry other assets are not subject to any restrictions in the year under review.

18. Income tax assets

The EUR 68,840 thousand (2014: EUR 164,730 thousand) in income tax assets comprises amounts receivable from domestic and foreign revenue authorities. These consist of EUR 16,907 thousand (2014: EUR 24,863 thousand) classified as non-current assets and EUR 51,933 thousand (2014: 139,867 thousand) classified as current assets.

19. Deferred taxes

Deferred tax assets and liabilities break down as follows:

	Dec. 31, 2015		Dec. 31, 2014	
(EUR thousand)	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Non-current assets	64,068	242,324	101,160	212,274
Current assets	262,208	244,462	214,319	261,146
Non-current liabilities				
Pension provisions	131,408	7,836	160,097	26,916
Other provisions	23,619	10,792	37,186	10,534
Sundry non-current liabilities	684	231	907	–
Current liabilities				
Other provisions	74,394	380	82,364	392
Sundry current liabilities	99,036	165,057	59,716	63,574
	655,417	**671,082**	**655,749**	**574,836**
Losses carried forward	156,528	–	137,456	–
Gross amount	**811,945**	**671,082**	**793,205**	**574,836**
Offsetting item	641,363	641,363	527,678	527,678
Reported amount	**170,582**	**29,719**	**265,527**	**47,158**

Deferred tax assets and deferred tax liabilities are offset within each company or group. The EUR 811,945 thousand (2014: EUR 793,205 thousand) gross amount of deferred tax assets includes the following tax refund entitlements arising from the expected future use of tax loss carryforwards:

(EUR thousand)	Dec. 31, 2015	Dec. 31, 2014
Corporate income tax	138,444	119,372
German municipal trade tax	18,084	18,084
	156,528	**137,456**

There is adequate assurance that the tax loss carryforwards will be realized. German tax loss carryforwards for which no deferred tax assets have been recognized amount to EUR 486,865 thousand (2014: EUR 696,944 thousand) in respect of corporate income tax and EUR 828,148 thousand (2014: EUR 914,280 thousand) in respect of German municipal trade tax. The change in the tax loss carryforward figures mainly relates to adjustments made on the basis of tax audits and subsequent changes that followed as a result.

No deferred tax assets have been recognized in relation to interest expense carryforwards in the amount of EUR 373,807 thousand (2014: EUR 321,106 thousand). The change in the interest expense carryforward figures relates to adjustments made on the basis of tax audits and ongoing changes.

Deferred tax assets are normally recognized for tax-deductible temporary differences if it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Group companies that generated losses in the past year or previous years have EUR 41,636 thousand (2014: Euro 68,124 thousand) in deferred tax assets resulting from temporary differences or tax loss carryforwards found not to be impaired.

Deferred tax liabilities totaling a gross amount of EUR 671,082 thousand (2014: EUR 574,836 thousand) are entirely due to taxable temporary differences, mostly from adjustments to ensure uniform Group-wide compliance with IFRS valuation principles.

EUR 6,411 thousand was charged to equity (2014: EUR 7,934 thousand) for deferred tax relating to exchange differences from translation of foreign entity financial statements. EUR 9,956 thousand (2014: EUR 10,984 thousand) was charged to equity for deferred tax on amounts recognized in equity for changes in the fair value of derivative and non-derivative financial instruments. EUR 7,453 thousand was charged to equity (2014: EUR 50,990 thousand credited to equity) for deferred tax relating to actuarial gains and losses. As of the balance sheet date, deferred tax from the measurement of financial instruments charged to equity amounted to EUR 14,948 thousand (2014: EUR 4,992 thousand), while EUR 155,543 thousand (2014: EUR 162,996 thousand) was credited to equity in connection with actuarial gains and losses.

20. Inventories

(EUR thousand)	**Dec. 31, 2015**	Dec. 31, 2014
Raw materials and supplies	137,529	159,457
Work in progress	609,871	748,552
Finished goods	15,421	5,084
Prepayments	4,939	6,412
	767,760	**919,505**

Borrowing costs of EUR 7,946 thousand were capitalized under work in progress in accordance with IAS 23 in 2015 (2014: EUR 12,779 thousand). The borrowing costs were determined on the basis of interest rates of between 1.50% and 10.80% (2014: between 1.58% and 10.80%).

Work in progress also includes properties under development that are subject to restrictions in the amount of EUR 322,703 thousand (2014: EUR 455,208 thousand).

21. Trade receivables

(EUR thousand)	**Dec. 31, 2015**	Dec. 31, 2014
Trade receivables		
Gross amount due from customers for contract work (POC)	4,801,439	4,866,197
Less: progress payments received	(2,812,184)	(2,512,716)
	1,989,255	**2,353,481**
From construction joint ventures	168,501	187,527
Other	2,369,095	2,512,758
	4,526,851	**5,053,766**
From non-consolidated subsidiaries	4,312	3,493
From participating interests	5,834	8,915
	4,536,997	**5,066,174**

The figure of EUR 1,989,255 thousand (2014: EUR 2,353,481 thousand), representing the gross amount due from customers for contract work (POC) less progress payments received, relates to construction contracts where contract costs incurred (including shares of contract net profit) exceed progress payments received from customers. The combined total of POC contract costs (including net profit shares) reported under trade receivables and trade payables is EUR 5,119,984 thousand (2014: EUR 5,201,642 thousand). The combined total of progress payments received and offset against the gross amounts due to and from customers for contract work (POC) in the year under review stands at EUR 3,839,359 thousand (2014: EUR 3,661,481 thousand).

Various fully consolidated companies in the HOCHTIEF Group have been granted service concession or similar arrangements. These arrangements are mostly accounted for as financial assets and reported as part of gross amount due from customers for contract work (POC). The service concession arrangements, which are in the social infrastructure/Europe segment, are agreements to build and modernize, operate, and maintain schools and other public buildings. Construction work and improvements are on schedule. These activities broke even with sales of EUR 34,289 thousand (2014: EUR 14,604 thousand). Accordingly, the HOCHTIEF Group companies concerned are required to perform their obligations under the service concession arrangements and are granted the rights necessary to do so in each case. At the end of the period of a service concession arrangement, the infrastructure to which the arrangement relates is returned to the public-sector client. The assets associated with a service concession arrangement generally remain public property for the entire duration of the arrangement. The sole termination option provided for in the service concession arrangements relates to termination for cause. Some arrangements have renewal options.

Trade receivables include EUR 606,312 thousand (2014: EUR 532,773 thousand) in contractual retention amounts.

Trade receivables also include properties under development that are subject to restrictions in the amount of EUR 14,541 thousand (2014: EUR – thousand).

Receivables from equity-accounted companies total EUR 1,392 thousand (2014: EUR 2,698 thousand).

22. Receivables from the sale of discontinued operations

The receivables recognized as of December 31, 2014 for the sale of the John Holland Group and of 50% of the ownership interest in Thiess Services and Leighton Contractors Services were settled on receipt of the corresponding payments in 2015.

23. Securities

The marketable securities totaling EUR 576,898 thousand (2014: EUR 741,535 thousand) mainly consist of securities held in special-purpose and general investment funds as well as fixed-income securities with maturities at the time of acquisition of more than three months where there is no intention to hold the securities to maturity.

All marketable securities are classified as available for sale and are carried at fair value. The carrying amount decreased due to fair value adjustments by EUR 10,664 thousand (2014: EUR 7,944 thousand).

Marketable securities are pledged in the amount of EUR 21,338 thousand (2014: EUR 23,262 thousand) as security for employee benefit entitlements under semi-retirement programs. In the prior year, marketable securities were also subject to restrictions in the amount of EUR 172,552 thousand.

Outside of externally managed investments, direct investment activities are exclusively restricted to the purchase of bonds from top-class issuers* with broad diversification to ensure that concentration risks relative to specific issuers are strictly avoided.

*See glossary on page 260.

24. Cash and cash equivalents

Cash and cash equivalents total EUR 2,808,707 thousand (2014: EUR 2,585,359 thousand) and comprise petty cash, cash at banks, and marketable securities with maturities at the time of acquisition of no more than three months. These are subject to an insignificant risk of changes in value. Cash and cash equivalents to the value of EUR 110,963 thousand are subject to restrictions (2014: EUR 26,518 thousand).

25. Shareholders’ equity

The Consolidated Statement of Changes in Equity is shown on page 173.

The Company’s capital stock is divided into 69,309,434 no-par-value bearer shares. The capital stock is EUR 177,432,151.04. As in the prior year, each share accounts for EUR 2.56 of capital stock.

As of December 31, 2015, HOCHTIEF Aktiengesellschaft held a total of 4,118,351 shares of treasury stock as defined in Section 160 (1) 2 of the German Stock Corporations Act (AktG). These shares were purchased from October 7, 2014 onward for the purposes provided for in the resolution of the Annual General Meeting of May 7, 2014 and that of May 6, 2015 and for all other purposes permitted under AktG, at a total price of EUR 292,913,194 (an average price of EUR 71.12 per share). The holdings of treasury stock represent EUR 10,542,979 (5.94%) of the Company's capital stock.

Between January 1, 2015 and December 31, 2015, 3,290,905 shares of treasury stock were purchased for a total price of EUR 245,511,524 (an average price of EUR 74.60 per share) as part of the stock buyback program decided upon on October 1, 2014 for the purposes provided for in the authorizing resolution of the Annual General Meeting of May 7, 2014 and that of May 6, 2015 and for all other purposes permitted under AktG. These shares represent EUR 8,424,717 (4.75%) of the Company's capital stock.

The capital reserve comprises premium on shares issued by HOCHTIEF Aktiengesellschaft.

The Executive Board is unaware of any restrictions on voting rights or on transfers of securities.

There are no shares with special control rights. The Executive Board is unaware of any employee shares where the control rights are not exercised directly by the employees.

Statutory rules on the appointment and replacement of Executive Board members are contained in Sections 84 and 85 and statutory rules on the amendment of the Articles of Association in Sections 179 and 133 of the German Stock Corporations Act (AktG). Under Section 7 (1) of the Company's Articles of Association, the Executive Board comprises at least two individuals. Section 23 (1) of the Articles of Association provides that resolutions of the Annual General Meeting require a simple majority of votes cast unless there is a statutory requirement stipulating a different majority. In instances where the Act requires a majority of the capital stock represented at the time of the resolution in addition to a majority of votes cast, Section 23 (3) of the Articles of Association provides that a simple majority will suffice unless there is a mandatory requirement stipulating a different majority.

Pursuant to Section 4 (5) of the Articles of Association, the Executive Board is authorized, subject to Supervisory Board approval, to increase the capital stock by issuing new no-par-value bearer shares for cash and/or non-cash consideration in one or more issues up to a total of EUR 54,000 thousand by or before May 5, 2020 (Authorized Capital I). Detailed provisions are contained in the stated section of the Articles.

Pursuant to Section 4 (4) of the Articles of Association, the Company's capital stock has been conditionally increased by up to EUR 49,280 thousand divided into up to 19,250,000 no-par-value bearer shares (conditional capital). Detailed provisions are contained in the stated section of the Articles.

Authorization to repurchase shares:

By resolution of the Annual General Meeting of May 6, 2015, the Company is authorized to repurchase its own shares in accordance with Section 71 (1) 8 of the German Stock Corporations Act (AktG). Said authorization expires on May 5, 2020. It is limited to 10% of the capital stock at the time of the Annual General Meeting resolution or at the time of exercising the authorization, whichever figure is smaller. Exercised directly by the Company or by a company in its control or majority ownership or by third parties engaged by the Company or engaged by a company in its control or majority ownership, the authorization allows the share repurchase to be executed in one or more installments covering the entire amount or any fraction. The repurchase may be effected through the stock exchange or by public offer to all shareholders, or by public invitation to all shareholders to tender shares for sale, or by issuing shareholders with rights to sell shares. The conditions governing the repurchase are set forth in detail in the resolution.

By resolution of the Annual General Meeting of May 6, 2015, the Executive Board is authorized, subject to Supervisory Board approval, in the event of a sale of treasury shares effected by way of an offer to all shareholders, to issue subscription rights to the shares to holders of warrant-linked and/or convertible bonds issued by the Company or by any subordinate Group company. Subject to Supervisory Board approval, the Executive Board is also authorized to sell treasury shares other than through the stock exchange and other than by way of an offer to all shareholders, provided that the shares are sold for cash at a price not substantially below the current stock market price for Company shares of the same class at the time of sale.

The HOCHTIEF Aktiengesellschaft Executive Board is also authorized, subject to Supervisory Board approval and the conditions set out in the following, to offer and transfer treasury shares to third parties other than through the stock exchange and other than by way of an offer to all shareholders. Such transactions may take place in the course of acquisitions of business enterprises in whole or in part and in the course of mergers. They are also permitted for the purpose of obtaining a listing for the Company's shares on foreign stock exchanges where it is not yet listed. In addition, the shares may be offered for purchase by employees or former employees of the Company or its affiliates. Holders of bonds which the Company or a Group company subordinate to it issues or has issued under the authorization granted at the Annual General Meeting of May 12, 2011 (agenda item 8) may also be issued with the shares upon exercising the option and/or conversion rights and/or obligations attached to the bonds.

On condition that they be held for at least two years after transfer, the shares may also be transferred to (current or past) members of the Executive Board of the Company and to (current or past) members of the executive boards and general management of companies under its control within the meaning of Section 17 of the German Stock Corporations Act (AktG), as well as to current or past employees of the Company or of a company under its control within the meaning of Section 17 AktG. Such transfers are only permitted for the purpose of settling the transferees' variable compensation entitlements in place of cash settlement. Further conditions of transfer are detailed in the resolution. Where shares are issued to members of the Executive Board of the Company, the decision to issue the shares is taken solely by the Supervisory Board.

Shareholders' statutory subscription rights to such shares are barred pursuant to Sections 71 (1) 8 and 186 (3) and (4) of the German Stock Corporations Act (AktG) to the extent that the shares are used in exercise of the authorizations set out above.

Subject to Supervisory Board approval, the Executive Board is additionally authorized to retire treasury stock without a further resolution of the Annual General Meeting being required for the share retirement itself or its execution.

The conditions governing awards of subscription rights and the sale, transfer, and retirement of treasury stock are set forth in detail in the Annual General Meeting resolution.

By a further resolution of the Annual General Meeting of May 6, 2015, the Company is authorized to acquire treasury shares in accordance with Section 71 (1) 8 AktG using equity derivatives as well as to exclude shareholders' rights to sell shares and subscription rights. This is not intended to increase the volume of shares that may be purchased; instead, it merely opens the way for other alternatives to purchase treasury shares within and against the upper limit set in the aforementioned authorization to acquire treasury shares. The Executive Board has been authorized to acquire options which, when exercised, entitle the Company to acquire shares of the Company (call options). The Executive Board has been further authorized to sell options which, when exercised by their holders, require the Company to acquire shares of the Company (put options). Additionally, the shares can be acquired using a combination of call and put options or forward purchase agreements. The conditions governing the use of equity derivatives to acquire treasury shares and the exclusion of shareholders' rights to sell shares and subscription rights are set forth in detail in the Annual General Meeting resolution.

In May 2015, 15,743 shares of treasury stock were transferred to members of the Executive Board of the Company and to members of the Executive Board of HOCHTIEF Solutions AG at a price of EUR 66.51 per share on condition that the shares be held for at least two years after transfer. The transfer settled the transferees' variable compensation entitlements. These shares represent EUR 40,302 (0.023%) of the Company's capital stock.

Unappropriated net profit is identical for HOCHTIEF Aktiengesellschaft and the HOCHTIEF Group.

A dividend of EUR 128,926 thousand was paid out in the year under review (2014: EUR 103,964 thousand).

The minority interest in the shareholders' equity of consolidated Group companies totals EUR 1,002,847 thousand (2014: EUR 933,052 thousand); EUR 849,758 thousand (2014: EUR 787,831 thousand) of this relates to the CIMIC Group.

A subsidiary of HOCHTIEF Aktiengesellschaft, CIMIC Group Limited is based in Sydney, Australia. HOCHTIEF's Consolidated Financial Statements include non-controlling interests in CIMIC that are material to HOCHTIEF. As in the prior year, our ownership interest in CIMIC is 69.62% as of December 31, 2015. Summary financial information on the subsidiary is provided in the table below.

(EUR thousand)	**Dec. 31, 2015**	Dec. 31, 2014
Non-current assets	2,901,943	3,256,234
Current assets	3,593,899	5,202,745
Non-current liabilities	842,456	1,525,110
Current liabilities	2,890,874	4,383,794
Shareholders' equity	**2,762,512**	**2,550,075**
Of which: Minority interest	15,092	18,842
Minority interest in total shareholders' equity	**849,758**	**787,831**
Sales	8,946,139	11,397,065
Profit before tax – continuing operations	**495,368**	**(54,824)**
Income tax	(148,653)	(15,054)
Profit after tax – continuing operations	**346,715**	**(69,878)**
Profit after tax – discontinued operations	–	537,564
Profit after tax – total	**346,715**	**467,686**
Of which: Minority interest	(4,066)	1,442
Minority interest in total profit (after tax)	**102,501**	**143,087**
Cash flow from operations	977,599	776,921
Cash flow from investing activities	840,831	(781,297)
Cash flow from financing activities	(1,724,817)	135,836

Accumulated other comprehensive income is part of revenue reserves. It includes amounts recognized in equity for changes in the fair value of primary and derivative financial instruments and exchange differences from translation of foreign entity financial statements. Accumulated other comprehensive income also includes the Group's share of changes recognized directly in the other comprehensive income of equity-method associates and joint ventures, plus the portion of other comprehensive income from the remeasurement of defined benefit plans that will not subsequently be reclassified to profit or loss. The changes in other comprehensive income are presented on a year-on-year basis in the following table:

Changes in other comprehensive income

(EUR thousand)	Dec. 31, 2015	Dec. 31, 2014
Currency translation differences		
Changes in other comprehensive income for the period	219,853	377,935
Amounts reclassified to profit or loss	(71,519)	(7,341)
	148,334	**370,594**
Changes in fair value of financial instruments – primary		
Changes in other comprehensive income for the period	9,999	24,129
Amounts reclassified to profit or loss	12,582	(2,006)
	22,581	**22,123**
Changes in fair value of financial instruments – derivative		
Changes in other comprehensive income for the period	2,138	1,172
Amounts reclassified to profit or loss	(595)	(1,190)
	1,543	**(18)**
Share of profits and losses of equity-method associates and joint ventures recognized directly in equity		
Changes in other comprehensive income for the period	(8,866)	(2,325)
Amounts reclassified to profit or loss	9,870	5,920
	1,004	**3,595**
Remeasurement of defined benefit plans	**21,063**	**(110,576)**
Other comprehensive income after tax	**194,525**	**285,718**

The tax effects relating to changes in other comprehensive income are distributed as follows:

		Dec. 31, 2015			Dec. 31, 2014	
(EUR thousand)	Before tax	Taxes	After tax	Before tax	Taxes	After tax
Currency translation differences	148,334	–	148,334	370,594	–	370,594
Changes in fair value of financial instruments – primary	32,147	(9,566)	22,581	31,587	(9,464)	22,123
Changes in fair value of financial instruments – derivative	1,933	(390)	1,543	1,502	(1,520)	(18)
Share of profits and losses of equity-method associates and joint ventures recognized directly in equity	1,004	–	1,004	3,595	–	3,595
Remeasurement of defined benefit plans	28,516	(7,453)	21,063	(163,148)	52,572	(110,576)
Other comprehensive income	**211,934**	**(17,409)**	**194,525**	**244,130**	**41,588**	**285,718**

26. Share-based payment

The following Group-wide share-based payment systems were in force for managerial staff of HOCHTIEF Aktiengesellschaft and its affiliates in 2015:

Top Executive Retention Plan 2008

The Executive Board resolved in June 2008 to launch a Top Executive Retention Plan 2008 (TERP 2008) for selected managerial employees.

This plan is based on stock awards and consists of three tranches. The first tranche was granted in July 2008, the second in July 2009, and the third in July 2010.

The total term of the plan is ten years. The waiting period after the granting of each tranche is three years. The exercise period is between five and seven years, depending on the tranche.

The conditions stipulate that, after the waiting period, entitled individuals receive for each stock award either a HOCHTIEF share or, at HOCHTIEF Aktiengesellschaft's discretion, a compensatory cash amount equal to the closing price of HOCHTIEF stock on the last stock market trading day before the exercise date. The gain is capped for each year of the exercise period. The cap rises annually up to a maximum gain at the end of the term. The maximum gain is set to EUR 160 per stock award for the first tranche, EUR 81.65 for the second tranche, and EUR 166.27 for the third tranche.

The first tranche was exercised in full in 2015.

Long-term Incentive Plan 2010

The Long-term Incentive Plan 2010 (LTIP 2010) was launched by resolution of the Supervisory Board in 2010 and is open to Executive Board members and upper managerial employees of HOCHTIEF Aktiengesellschaft and its affiliates. Alongside grants of stock appreciation rights (SARs), LTIP 2010 also provided for grants of stock awards. The SARs can only be exercised if, for at least ten consecutive stock market trading days before the exercise date, the ten-day average (arithmetic mean) stock market closing price of HOCHTIEF stock is higher relative to the issue price compared with the ten-day average closing level of the MDAX index relative to the index base (relative performance threshold) and, additionally, return on net assets (RONA) in the then most recently approved set of consolidated financial statements is at least 10% (absolute performance threshold). The relative performance threshold is waived if the average stock market price of HOCHTIEF stock exceeds the issue price by at least 10% on ten consecutive stock market trading days after the end of the waiting period.

Provided that the targets are met, the SARs can be exercised at any time after a four-year waiting period except during a short period before publication of any business results. When SARs are exercised, the issuing entity pays out the difference between the then current stock price and the issue price. The gain is limited to EUR 27.28 per SAR.

The LTIP conditions for stock awards stipulated that for each stock award exercised within a two-year exercise period following a three-year waiting period, entitled individuals received at HOCHTIEF Aktiengesellschaft's discretion either a HOCHTIEF share or a compensatory cash amount equal to the closing price of HOCHTIEF stock on the last stock market trading day before the exercise date. The maximum gain was set to EUR 81.83 per stock award.

The plan for the stock awards ended in 2015.

Long-term Incentive Plan 2011

The Long-term Incentive Plan 2011 (LTIP 2011) was launched by resolution of the Supervisory Board in 2011 and is open to Executive Board members and upper managerial employees of HOCHTIEF Aktiengesellschaft and its affiliates. The conditions do not differ in any material respect from those of LTIP 2010. The gain is limited to EUR 32.67 per SAR and EUR 98.01 per stock award.

Long-term Incentive Plan 2012

The Long-term Incentive Plan 2012 (LTIP 2012) was launched by resolution of the Supervisory Board in 2012 and is open to Executive Board members and upper managerial employees of HOCHTIEF Aktiengesellschaft and its affiliates. The plan conditions differ from those of LTIP 2011 in two points:

1. Return on net assets (RONA) as per the most recently approved Consolidated Financial Statements must be at least 15%.

2. The waiting time for stock awards was extended from three to four years and the total term of the plan accordingly from five to six years.

The gain is limited to EUR 25.27 per SAR and EUR 75.81 per stock award.

Long-term Incentive Plan 2013

The Long-term Incentive Plan 2013 (LTIP 2013) was launched by resolution of the Supervisory Board in 2013 and is open to Executive Board members. The plan conditions differ from those of LTIP 2012 in only one point:

The performance target for RONA was replaced with a performance target for adjusted free cash flow. The number of SARs that can be exercised depends on attainment of the planned value range for adjusted free cash flow. This value range is set in the business plan for each exercise year.

The gain is limited to EUR 24.61 per SAR and EUR 73.83 per stock award.

Long-term Incentive Plan 2014

The Long-term Incentive Plan 2014 (LTIP 2014) was launched by resolution of the Supervisory Board in 2014 and is open to Executive Board members. The plan conditions do not differ in any material respect from those of LTIP 2013.

The gain is limited to EUR 30.98 per SAR and EUR 92.93 per stock award.

Long-term Incentive Plan 2015

The Long-term Incentive Plan 2015 (LTIP 2015) was launched by resolution of the Supervisory Board in 2015 and is open to Executive Board members. The plan conditions do not differ in any material respect from those of LTIP 2014.

The gain is limited to EUR 31.68 per SAR and EUR 95.04 per stock award.

Other information

Return on net assets (RONA)

Return on net assets (RONA) indicates how well HOCHTIEF's assets are performing as an investment and thus measures the profitability of the HOCHTIEF Group. RONA measures return as a percentage of net assets. For this purpose, return is defined as operational earnings (EBIT, shown in the Operational Statement of Earnings) plus interest income from the Group's financial assets. The net assets figure reflects the total capital commitment from which returns are to be generated.

The HOCHTIEF Group generated a return on net assets (RONA) of 13.2% in 2015 (2014: 20.3%). RONA thus decreased by 7.1 percentage points compared with the prior year.

The conditions of all plans stipulate that on the exercise of SARs or stock awards—and the fulfillment of all other requisite criteria—HOCHTIEF Aktiengesellschaft normally has the option of delivering HOCHTIEF shares instead of paying out the gain in cash. Where the entitled individuals are not employees of HOCHTIEF Aktiengesellschaft, the expense incurred on exercise of SARs or stock awards is met by the affiliated company concerned.

The quantities of SARs and stock awards granted, expired, and exercised under the plans are as follows:

	Originally granted	Outstanding at Dec. 31, 2014	Granted in 2015	Expired in 2015	Exercised/ settled in 2015	**Outstanding at Dec. 31, 2015**
TERP 2008/Tranche 1	130,900	4,800	–	–	4,800	0
TERP 2008/Tranche 2	359,000	16,950	–	–	13,650	3,300
TERP 2008/Tranche 3	174,100	22,300	–	–	13,100	9,200
LTIP 2010 – SARs	353,200	49,050	–	800	44,150	4,100
LTIP 2010 – stock awards	166,000	3,800	–	1,900	1,900	0
LTIP 2011 – SARs	275,250	157,050	2,800	4,600	125,850	29,400
LTIP 2011 – stock awards	124,850	15,750	–	200	13,450	2,100
LTIP 2012 – SARs	457,406	290,706	–	13,800	–	276,906
LTIP 2012 – stock awards	82,991	46,814	–	2,520	–	44,294
LTIP 2013 – SARs	38,288	38,288	–	–	–	38,288
LTIP 2013 – stock awards	9,297	9,297	–	–	–	9,297
LTIP 2014 – SARs	86,907	86,907	–	–	–	86,907
LTIP 2014 – stock awards	20,453	20,453	–	–	–	20,453
LTIP 2015 – SARs	–	–	96,801	–	–	96,801
LTIP 2015 – stock awards	–	–	20,262	–	–	20,262

Provisions recognized for the stated share-based payment arrangements totaled EUR 14,811 thousand as of the balance sheet date (2014: EUR 11,766 thousand). The total expense recognized for the stated arrangements in 2015 was EUR 8,335 thousand (2014: EUR 1,784 thousand). The intrinsic value of options exercisable at the end of the reporting period was EUR 2,195 thousand (2014: EUR 4,150 thousand).

27. Provisions for pensions and similar obligations

Defined benefit plans

Under defined benefit plans, the Company's obligation is to provide agreed benefits to current and former employees. The main pension obligations in Germany consist of direct commitments under the current 2000+ pension plan and deferred compensation plans. The 2000+ plan in force since January 1, 2000 takes the form of a modular defined contribution plan. The size of the annual pension component depends on employee income and age (resulting in an annuity conversion factor) and a general pension contribution reviewed by HOCHTIEF Aktiengesellschaft every three years and adjusted as necessary. The future pension amount is the sum total of the pension components earned each year. In isolated instances, length-of-service and final salary pension arrangements are in existence for executive staff, although except at Executive Board level such arrangements have no longer been offered since 1995. Benefits comprise an old-age pension, an invalidity pension, and a surviving dependants' pension, and in almost all cases are granted as a lifelong annuity.

Up to December 31, 2013, employees in Germany additionally had the option of deferred compensation in a company pension plan. The deferred compensation was invested in selected investment funds. The pension amount is based on the present value of acquired fund units at retirement, subject to a minimum of the deferred compensation amount plus an increment that is guaranteed by HOCHTIEF and ranges from 3.50% down to 1.75% p.a. There is a choice at retirement between a lump sum payment and an annuity for five or six years.

Outside of Germany, there are defined benefit plans at Turner in the USA and HOCHTIEF UK in the United Kingdom. The plan at Turner was frozen as of December 31, 2003, and no new entitlements can be earned under it. Benefits comprise an old-age pension, an invalidity pension, and a surviving dependants' pension. There is a choice at retirement between a lifelong annuity and a lump sum payment. Commitments at Turner also include post-employment benefits in the form of medical care for pensioners. HOCHTIEF UK has a length-of-service, final salary pension plan. For each year of service, 1/75th of the eligible final salary is granted as a monthly pension. Benefits comprise an old-age pension, an invalidity pension, and a surviving dependants' pension.

Defined benefit obligations in the HOCHTIEF Group are made up as follows:

		Dec. 31, 2015	
(EUR thousand)	Germany	USA	UK
Active members	116,993	90,919	12,842
Final salary	[15,964]	–	[12,842]
Not final salary	[101,029]	[90,919]	–
Vested benefits	154,162	46,477	17,077
Current benefit payments	488,211	102,376	15,468
Similar obligations	93	54,350	–
Total	**759,459**	**294,122**	**45,387**
Duration in years (weighted)	**14.7**	**7.9**	**21.0**

		Dec. 31, 2014	
(EUR thousand)	Germany	USA	UK
Active members	144,137	87,107	11,212
Final salary	[19,613]	–	[11,212]
Not final salary	[124,524]	[87,107]	–
Vested benefits	171,419	44,594	15,110
Current benefit payments	521,605	100,762	15,069
Similar obligations	91	48,827	–
Total	**837,252**	**281,290**	**41,391**
Duration in years (weighted)	**14.8**	**8.3**	**20.0**

Plan assets

There are no statutory or regulatory minimum funding requirements for pension plans in Germany. Domestic pension obligations are fully funded. The funded plans take the form of a contractual trust arrangement (CTA). The transferred assets have been administered since January 1, 2015 by an external trustee and serve exclusively to fund domestic pension obligations. To ensure that final investment decisions continue to be made in-house as in past years, HOCHTIEF Pension Trust e.V. has set up what is known as the Investment Committee as a new decision-making body within the Trust, which is a registered association under German law. The core function of the Investment Committee is to collectively represent the interests of the trustors vis-à-vis an external trustee with regard to the administration and investment of their trust assets. The transferred cash is invested in the capital market in accordance with investment principles set out in the trust agreement and the investment guidelines. The investment guidelines and decisions are based on the findings of an asset liability matching (ALM) study compiled by outside specialists at regular intervals of three to five years. This uses Monte Carlo simulation to model the development of the pension liabilities and other key economic factors over a very long forward horizon and in numerous combinations. Based on the ALM study, a range of criteria are then applied to determine the optimum asset allocation in order to ensure that pension liabilities can be met in the long term. To assure an optimum conservative risk structure, we have also established risk overlay management using the services of an external overlay manager who is given a fixed annual risk budget and works fully autonomously in a clearly structured risk overlay management process. HOCHTIEF aims to ensure full funding of pension obligations and to fund new vested benefits on the basis of current service cost annually or at least on a timely basis. The companies pay in additional amounts from time to time in the event of any shortfall. Pension commitments in Germany in excess of the contribution assessment ceiling applied in the statutory pension insurance scheme are additionally covered using pension liability insurance. Pension liabilities from deferred employee compensation are funded by the purchase of retail fund units. Funding of the obligations served by HOCHTIEF Pension Trust e.V. as of December 31, 2015 is about 61% (2014: 60%); the figure for Germany as a whole is about 67% (2014: 64%). It should be noted in this connection that the size of pension obligations has increased significantly in recent years due to the low level of market interest rates and that the funding ratio will significantly increase again when interest rates recover.

The frozen defined benefit obligations in the Turner Group are likewise managed in a pension fund. Plan assets are administered in trust by BNY Mellon and serve exclusively to fund the plan. The trust's independence is reviewed annually and attested to by auditors. Investment decisions are not made by the trust but by a special committee. The investment of plan assets is based on a regularly compiled ALM study. The investment objectives are to maximize the funding ratio and reduce volatility in the funding ratio. With the pension obligations fully funded, high-risk investments in equities are to be reduced in favor of fixed-interest bonds. These ideally perform in line with plan liabilities, thus ensuring full funding. There is no statutory minimum funding requirement, but low funding levels result in higher contributions to the Pension Benefit Guarantee Corporation, and limits to lump-sum payments, hence maximum funding is aimed for. The funding of obligations covered by plan assets at Turner as of December 31, 2015 is about 87% (2014: 91%); funding at Turner overall is about 71% (2014: 75%). Funding of plan assets at

HOCHTIEF UK is likewise on a trust basis. Statutory minimum funding requirements apply. If funding is insufficient to make up a funding shortfall, an additional restructuring plan is drawn up. Plan funding is reviewed at least once every three years. Funding of pension obligations at HOCHTIEF UK is about 81% (2014: 81%).

Defined benefit obligations are covered by plan assets as follows:

Coverage of defined benefit obligations by plan assets

	Dec. 31, 2015		Dec. 31, 2014	
(EUR thousand)	Defined benefit obligations	Plan assets	Defined benefit obligations	Plan assets
Uncovered by plan assets	55,705	–	50,159	–
Partially covered by plan assets	977,080	679,337	1,039,671	711,133
Incompletely covered by plan assets	**1,032,785**	**679,337**	**1,089,830**	**711,133**
Fully covered by plan assets	66,183	72,397	70,103	71,559
Total	**1,098,968**	**751,734**	**1,159,933**	**782,692**

Actuarial assumptions

The size of pension provisions is determined on an actuarial basis. This necessarily involves estimates. Specifically, the actuarial assumptions used are as follows:

	2015			2014		
(Percent)	Germany	USA	UK	Germany	USA	UK
Discount factor*	2.50	4.20	3.70	2.00	3.85	4.00
Salary increases	3.25	–	1.90	3.00	–	2.15
Pension increases*	1.75	–	4.45	1.75	–	4.48
Health cost increases	–	5.00	–	–	5.00	–

*Weighted average

The discount factors are derived from the Mercer Pension Discount Yield Curve (MPDYC) model, taking into account the company-specific duration of pension liabilities. Salary and pension increases ceased to be taken into account in the USA (Turner Group) in 2004 due to the changeover in pension arrangements. Mortality assumptions are based on published country-specific statistics and experience. Domestically, they are determined using the Prof. Dr. Klaus Heubeck 2005 G tables. Turner uses the RP 2014 separate annuitant/non-annuitant no collar tables with generational improvement using scale MP-2014 as published by the Society of Actuaries (SOA); HOCHTIEF UK uses the S2PxA CMI_2015 [1.25%] males [1.00%] females year of birth mortality tables.

The present value of defined benefit obligations and the market value of plan assets have changed as follows:

Changes in the present value of defined benefit obligations

		2015			2014	
(EUR thousand)	Domestic	International	Total	Domestic	International	Total
Defined benefit obligations at start of year	**837,252**	**322,681**	**1,159,933**	**720,051**	**275,098**	**995,149**
Current service cost	9,102	2,074	11,176	6,667	1,652	8,319
Past service cost	–	–	–	1,515	–	1,515
Gain on settlements	–	–	–	–	(1,158)	(1,158)
Interest expense	16,352	13,319	29,671	24,304	12,942	37,246
Remeasurements						
Actuarial gains/(losses) arising from changes in demographic assumptions	–	(842)	(842)	–	7,379	7,379
Actuarial gains/(losses) arising from changes in financial assumptions	(54,446)	(8,063)	(62,509)	139,474	22,692	162,166
Actuarial gains/(losses) arising from experience adjustments	(10,257)	980	(9,277)	1,543	(2,336)	(793)
Benefits paid from Company assets	(433)	(2,836)	(3,269)	(482)	(1,794)	(2,276)
Benefits paid from fund assets	(38,059)	(19,114)	(57,173)	(37,539)	(18,800)	(56,339)
Settlements paid from fund assets	–	(3,525)	(3,525)	–	(9,096)	(9,096)
Employee contributions	–	201	201	–	187	187
Effect of transfers	(52)	–	(52)	(2,041)	–	(2,041)
Consolidation changes	–	–	–	(16,240)	–	(16,240)
Currency adjustments	–	34,634	34,634	–	35,915	35,915
Defined benefit obligations at end of year	**759,459**	**339,509**	**1,098,968**	**837,252**	**322,681**	**1,159,933**

Changes in the market value of plan assets

		2015			2014	
(EUR thousand)	Domestic	International	Total	Domestic	International	Total
Plan assets at start of year	**537,858**	**244,834**	**782,692**	**540,833**	**222,141**	**762,974**
Interest on plan assets	10,702	9,877	20,579	18,832	10,266	29,098
Plan expenses paid from plan assets recognized in profit or loss	–	(1,130)	(1,130)	–	(944)	(944)
Remeasurements						
Return on plan assets not included in net interest expense/income	(12,051)	(12,993)	(25,044)	11,761	12,629	24,390
Difference between plan expenses expected and recognized in profit or loss	–	(237)	(237)	–	–	–
Employer contributions	8,427	964	9,391	15,548	743	16,291
Employee contributions	–	201	201	–	187	187
Effect of transfers	–	–	–	(1,328)	–	(1,328)
Benefits paid	(38,059)	(19,114)	(57,173)	(37,539)	(18,800)	(56,339)
Settlements paid	–	(3,525)	(3,525)	–	(9,096)	(9,096)
Consolidation changes	–	–	–	(10,249)	–	(10,249)
Currency adjustments	–	25,980	25,980	–	27,708	27,708
Plan assets at end of year	**506,877**	**244,857**	**751,734**	**537,858**	**244,834**	**782,692**

Investing plan assets to cover future pension obligations generated actual expenditure of EUR 4,465 thousand in 2015 (2014: returns of EUR 53,488 thousand).

The pension provisions are determined as follows:

Reconciliation of pension obligations to provisions for pensions and similar obligations

(EUR thousand)	Dec. 31, 2015	Dec. 31, 2014
Defined benefit obligations	1,098,968	1,159,933
Less plan assets	751,734	782,692
Funding status	**347,234**	**377,241**
Adjustments arising from the limit in IAS 19	–	–
Assets from overfunded pension plans	6,214	1,456
Provision for pensions and similar obligations	**353,448**	**378,697**

The fair value of plan assets is divided among asset classes as follows:

Composition of plan assets

Dec. 31, 2015	Fair value			
(EUR thousand)	Quoted in an active market	Not quoted in an active market	Total	%
Stock				
U.S. equities	29,272	–	29,272	3.89
European equities	72,296	18,734	91,030	12.11
Emerging market equities	46,337	–	46,337	6.16
Other equities	10,224	–	10,224	1.36
Bonds				
U.S. government bonds	–	–	–	–
European government bonds	97,688	412	98,100	13.05
Emerging market government bonds	34,335	–	34,335	4.57
Corporate bonds*	225,637	–	225,637	30.02
Other bonds	–	–	–	–
Investment funds	45,802	42,239	88,041	11.71
Real estate	–	31,938	31,938	4.25
Insurance policies	–	80,021	80,021	10.65
Commodities	–	–	–	–
Cash	13,259	–	13,259	1.76
Other	–	3,540	3,540	0.47
Total	**574,850**	**176,884**	**751,734**	**100.00**

*Of which EUR 8,446 thousand state-guaranteed bonds.

Dec. 31, 2014	Fair value			
(EUR thousand)	Quoted in an active market	Not quoted in an active market	Total	%
Stock				
U.S. equities	40,599	–	40,599	5.19
European equities	78,110	18,616	96,726	12.36
Emerging market equities	52,960	–	52,960	6.77
Other equities	15,422	–	15,422	1.97
Bonds				
U.S. government bonds	–	–	–	–
European government bonds	123,453	–	123,453	15.77
Emerging market government bonds	39,022	–	39,022	4.99
Corporate bonds	190,253	12,361	202,614	25.89
Other bonds	–	–	–	–
Investment funds	45,148	–	45,148	5.77
Real estate	–	31,573	31,573	4.03
Insurance policies	–	78,834	78,834	10.07
Commodities	32,362	–	32,362	4.13
Cash	18,880	–	18,880	2.41
Other	–	5,099	5,099	0.65
Total	**636,209**	**146,483**	**782,692**	**100.00**

As of December 31, 2015, anticipated pension payments for future years are as follows:

(EUR thousand)	
Due in 2016	63,813
Due in 2017	62,773
Due in 2018	63,259
Due in 2019	62,324
Due in 2020	62,064
Due in 2021 to 2025	298,787

Pension expense under defined benefit plans is made up as follows:

	2015			2014		
(EUR thousand)	Domestic	International	Total	Domestic	International	Total
Current service cost	9,102	2,074	11,176	6,667	1,652	8,319
Past service cost	–	–	–	1,515	–	1,515
Gain on settlements	–	–	–	–	(1,158)	(1,158)
Total personnel expense	**9,102**	**2,074**	**11,176**	**8,182**	**494**	**8,676**
Interest expense for accrued benefit obligations	16,352	13,319	29,671	24,304	12,942	37,246
Return on plan assets	(10,702)	(9,877)	(20,579)	(18,832)	(10,266)	(29,098)
Net interest expense/income (net investment and interest income)	**5,650**	**3,442**	**9,092**	**5,472**	**2,676**	**8,148**
Plan expenses paid from plan assets recognized in profit or loss	**–**	**1,130**	**1,130**	**–**	**944**	**944**
Total amount recognized in profit or loss	**14,752**	**6,646**	**21,398**	**13,654**	**4,114**	**17,768**

In addition to the expenses recognized in profit or loss, the Consolidated Statement of Comprehensive Income includes EUR 28,516 thousand in actuarial gains recognized in 2015 before deferred taxes and after consolidation changes and exchange rate adjustments (2014: EUR 157,772 thousand actuarial losses). Before deferred taxes, the cumulative amount is actuarial losses of EUR 443,071 thousand (2014: EUR 471,587 thousand).

The Turner Group's obligations to meet healthcare costs for retired staff are included in pension provisions due to their pension-like nature. The defined benefit obligation as of December 31, 2015 came to EUR 54,350 thousand (2014: EUR 48,827 thousand). Healthcare costs accounted for EUR 1,785 thousand (2014: EUR 1,416 thousand) of the current service cost and EUR 2,223 thousand (2014: EUR 2,004 thousand) of the interest expense.

Sensitivity analysis

Pension obligations in the HOCHTIEF Group are subject to various risks. The main risks result from general changes in interest and inflation rates; there is no unusual risk inherent in the pension obligations.

One major risk is interest rate risk. For defined benefit plans, (notional) contributions are translated into benefits using a table of fixed interest rates, independent of the current market interest rate. HOCHTIEF thus bears the risk of general capital market interest rate changes with regard to the determination of benefits. Pension obligations have increased significantly in recent years due to the generally low level of capital market interest rates. The correspondingly large impact is due to the relatively long term of the obligations.

There is also inflation risk. By law, company pensions in Germany must be raised level with the inflation rate at least every three years. German company pensions under the 2000+ plan rise at a fixed 1% p.a., hence there is only minor inflation risk in the pension phase. Turner plans are free from inflation risk as the main defined benefit plan was frozen and no more adjustments to the company pension are made.

In addition, there is longevity risk. The granting of lifelong pensions means that HOCHTIEF bears the risk of pensioners living longer than actuarial calculations predict. This risk normally cancels out collectively across all pension plan members and only comes into play if general longevity is longer than expected.

The impact of the stated risks on the defined benefit obligations under a corresponding change in actuarial assumptions is shown in the sensitivity analysis that follows.

Impact on the defined benefit obligation

	Dec. 31, 2015					
	Domestic		International		Total	
(EUR thousand)	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate +0.50% / -0.50%	(48,716)	54,437	(15,559)	17,146	(64,275)	71,583
Discount rate +1.00% / -1.00%	(91,976)	116,235	(29,730)	36,105	(121,706)	152,340
Salary increases +0.50% / -0.50%	423	(369)	609	(564)	1,032	(933)
Pension increases +0.25% / -0.25%	17,468	(18,402)	1,232	(1,377)	18,700	(19,779)
Medical costs +1.00% / -1.00%	–	–	82	(77)	82	(77)
Life expectancy +1 year	31,274	n/a	8,223	n/a	39,497	n/a

	Dec. 31, 2014					
	Domestic		International		Total	
(EUR thousand)	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate +0.50% / -0.50%	(56,560)	64,496	(15,332)	16,767	(71,892)	81,263
Discount rate +1.00% / -1.00%	(106,949)	137,612	(29,511)	35,329	(136,460)	172,941
Salary increases +0.50% / -0.50%	329	(315)	514	(478)	843	(793)
Pension increases +0.25% / -0.25%	21,016	(21,500)	1,081	(1,121)	22,097	(22,621)
Medical costs +1.00% / -1.00%	–	–	73	(67)	73	(67)
Life expectancy +1 year	36,406	n/a	6,575	n/a	42,981	n/a

Defined contribution plans

Under defined contribution plans, the Company pays into a state or private pension fund voluntarily or in accordance with statutory or contractual stipulations. It has no obligation to pay further contributions.

There are defined contribution plans at Turner, Flatiron, and E.E. Cruz in the USA as well as at CIMIC in Australia. Depending on length of service and salary level, Turner pays between 3% and 6% of an employee's salary into an external fund. In addition, Turner employees have an option to pay up to 25% of their salaries into an investment fund as part of a 401 (k) plan. Turner matches the first 5% of the deferred compensation by up to 100% depending on length of service. All employees can join the plan immediately, and are vested in the company's contributions after three years' service. Tax relief is granted on payments into the fund; the investment risk is borne by employees. The defined contribution plans at Flatiron and E.E. Cruz are likewise 401 (k) plans. All non-union employees are entitled. Flatiron pays a contribution in the amount of 6.0% of the wage or salary, while E.E. Cruz doubles one-third of employee contributions, in each case up to the statutory maximum. In Australia, since July 1, 2014 CIMIC has paid 9.50% (previously 9.25%) of the wage and salary total into the statutory pension (superannuation) scheme. The contribution rate is expected to rise incrementally up to 12.0% by 2025. Employees have a choice of investment funds and bear the investment risk. They are able to pay top-up contributions on a voluntary basis. Tax relief is granted on top-up contributions.

EUR 172,255 thousand was paid into defined contribution plans in 2015 (2014: EUR 182,071 thousand), mostly in the CIMIC Group (EUR 129,525 thousand; 2014: EUR 148,689 thousand) and the Turner Group (EUR 38,207 thousand; 2014: EUR 30,731 thousand). An additional EUR 69,881 thousand was paid into state pension schemes in 2015 (2014: EUR 66,366 thousand). Costs of defined contribution plans are reported as part of personnel expenses.

28. Other provisions

	Dec. 31, 2015			Dec. 31, 2014		
(EUR thousand)	Non-current	Current	Total	Non-current	Current	Total
Provisions for taxes	**–**	**89,089**	**89,089**	**–**	**437,113**	**437,113**
Personnel-related provisions	151,492	331,674	483,166	180,911	332,517	513,428
Provisions for insurance claims	194,521	8,362	202,883	131,580	52,614	184,194
Warranty obligations	–	49,627	49,627	–	52,359	52,359
Restructuring costs	964	19,127	20,091	2,327	19,981	22,308
Litigation risks	–	14,222	14,222	–	12,687	12,687
Sundry other provisions	102,960	305,634	408,594	135,088	248,856	383,944
Other provisions	**449,937**	**728,646**	**1,178,583**	**449,906**	**719,014**	**1,168,920**
	449,937	**817,735**	**1,267,672**	**449,906**	**1,156,127**	**1,606,033**

The decline in tax provisions to EUR 89,089 thousand (2014: EUR 437,113 thousand) is mainly due to payments to the tax authorities in connection with the sale of John Holland and of the services business at CIMIC Group companies Thiess and Leighton Contractors in 2014.

Personnel-related provisions primarily comprise provisions for stock option schemes, long-service awards, leave entitlements, termination benefits, and early retirement arrangements.

The size of provisions for insurance claims is computed annually by an external actuary.

Items covered by sundry other provisions include contract administration, contract costs incurred subsequent to invoicing, investment risk, preparation of annual financial statements, payments for damages, and other uncertain liabilities.

Statement of provisions

(EUR thousand)	Balance at Jan. 1, 2015	Allocations to provisions	Reversal of provisions	Consolidation changes, currency adjustments, reclassifications, and transfer	Use of provisions	**Balance at Dec. 31, 2015**
Provisions for taxes	**437,113**	**64,573**	**(7,647)**	**(10,398)**	**(394,552)**	**89,089**
Personnel-related provisions	513,428	268,003	(4,819)	18,040	(311,486)	483,166
Provisions for insurance claims	184,194	47,192	–	21,123	(49,626)	202,883
Sundry other provisions	471,298	158,312	(21,459)	(18,364)	(97,253)	492,534
Other provisions	**1,168,920**	**473,507**	**(26,278)**	**20,799**	**(458,365)**	**1,178,583**
	1,606,033	**538,080**	**(33,925)**	**10,401**	**(852,917)**	**1,267,672**

29. Financial liabilities

	Dec. 31, 2015		Dec. 31, 2014	
(EUR thousand)	Non-current	Current	Non-current	Current
Bonds or notes issued	2,236,835	65,339	2,436,129	235,409
Amounts due to banks	33,908	136,519	492,860	651,565
Financial liabilities to non-consolidated subsidiaries	–	2,448	–	1,707
Financial liabilities to participating interests	–	5,346	–	27,665
Lease liabilities	71,834	99,787	132,693	65,595
Sundry other financial liabilities	12,512	–	11,789	433
	2,355,089	**309,439**	**3,073,471**	**982,374**

The bonds and notes issued by the HOCHTIEF Group are as follows:

	Carrying amount Dec. 31, 2015 (EUR thousand)	Carrying amount Dec. 31, 2014 (EUR thousand)	Principal amount Dec. 31, 2015 (EUR thousand)	Coupon (%)	Initial term (in years)	Matures
HOCHTIEF AG bond (2014)	504,671	503,744	EUR 500,000	2.63	5	May 2019
HOCHTIEF AG bond (2013)	767,343	766,057	EUR 750,000	3.88	7	March 2020
HOCHTIEF AG bond (2012)	519,884	518,652	EUR 500,000	5.50	5	March 2017
CIMIC US$ Senior Notes (2012)	185,103	416,265	USD 500,000	5.95	10	November 2022
CIMIC US$ Senior Notes (2010)	239,086	291,386	USD 350,000			
Series A-Notes	[–]	[74,926]	USD 90,000	4.51	5	July 2015
Series B-Notes	[133,336]	[120,734]	USD 145,000	5.22	7	July 2017
Series C-Notes	[105,750]	[95,726]	USD 115,000	5.78	10	July 2020
CIMIC US$ Senior Notes (2008)	72,645	140,698	USD 169,000			
Series B-Notes	[–]	[74,926]	USD 90,000	7.19	7	October 2015
Series C-Notes	[72,645]	[65,772]	USD 79,000	7.66	10	October 2018
Other CIMIC bonds	13,442	34,736				
	2,302,174	**2,671,538**				

In June 2015, CIMIC repaid a principal amount of USD 298.7 million on the bearer bond issued in November 2012 ahead of schedule as part of a bond buyback program.

Amounts due to banks include a EUR 50,000 thousand portion of a bilateral promissory note loan taken out by HOCHTIEF Aktiengesellschaft on December 13, 2012. The loan has an initial term of four years and has a fixed interest rate. Repayment of a promissory note loan issue placed in the market in 2008 with an initial term of seven years and a nominal amount of EUR 39,000 thousand was completed on schedule at the end of its term on July 4, 2015.

An international banking syndicate provided HOCHTIEF with a credit facility on market terms with a term to April 30, 2019 comprising a EUR 1.5 billion guarantee tranche and a EUR 500,000 thousand cash tranche. As in the prior year, there are no drawings on the cash tranche as of December 31, 2015.

The sum of EUR 34,914 thousand (2014: EUR 946,146 thousand) of amounts due to banks concerns borrowings by CIMIC.

Amounts due to banks at the balance sheet date comprise EUR 111,392 thousand (2014: EUR 1,018,922 thousand) subject to variable rates of interest and EUR 59,035 thousand (2014: EUR 125,503 thousand) subject to fixed rates of interest. The average interest rate on the variable-interest portion stood at 2.42% (2014: 2.31%) and the average interest rate on the fixed-interest portion was 3.84% (2014: 3.72%). The average term was one year (2014: 1.5 years).

Financial liabilities due to companies accounted for using the equity method were EUR 1,000 thousand (2014: EUR 23,307 thousand).

The EUR 171,621 thousand (2014: EUR 198,288 thousand) in lease liabilities mainly relates to plant and equipment under finance leases at CIMIC.

The minimum lease payments for liabilities under finance leases break down as follows:

Finance leases

	Dec. 31, 2015			Dec. 31, 2014		
(EUR thousand)	Nominal value	Discount	Present value	Nominal value	Discount	Present value
Due in up to 1 year	105,539	5,752	99,787	74,921	9,326	65,595
Due in 1–5 years	73,325	1,491	71,834	137,483	4,790	132,693
Due after 5 years	–	–	–	–	–	–

30. Other liabilities

	Dec. 31, 2015		Dec. 31, 2014	
(EUR thousand)	Non-current	Current	Non-current	Current
Liabilities to employees	–	147,182	–	176,945
Deferred income	35,816	24,737	31,248	28,533
Tax liabilities (excluding income taxes)	–	34,032	–	38,989
Social insurance liabilities	–	7,943	–	13,878
Liabilities under derivative financial instruments	1,364	2,362	1,349	4,517
Sundry other liabilities	30,860	60,754	593	136,791
	68,040	**277,010**	**33,190**	**399,653**

Deferred income mainly comprises insurance premiums received in advance for subsequent years (these are reversed to income over the life of the policies) and rental payments.

Sundry other liabilities comprise other non-trade payables.

31. Trade payables

(EUR thousand)	Dec. 31, 2015	Dec. 31, 2014
Trade payables		
Gross amount due to customers from construction work (POC)	(318,545)	(335,445)
Progress payments received	1,027,175	1,148,765
	708,630	**813,320**
To construction joint ventures	106,614	97,570
Other	4,573,916	4,587,015
	5,389,160	**5,497,905**
Advance payments received	11,380	7,315
From non-consolidated subsidiaries	345	430
From participating interests	18,994	7,775
	5,419,879	**5,513,425**

The EUR 708,630 thousand (2014: EUR 813,320 thousand) gross amount due to customers for contract work (POC) represents such amounts where the progress payments received from customers exceed the incurred contract costs including a pro rata allocation of contract net profit.

Payables due to equity-accounted companies total EUR 18,519 thousand (2014: EUR 6,208 thousand).

32. Current income tax liabilities

The EUR 10,257 thousand (2014: EUR 10,682 thousand) in current income tax liabilities comprises amounts payable to domestic and foreign revenue authorities.

Other disclosures

33. Undiluted and diluted earnings per share

Undiluted earnings per share are calculated by dividing the consolidated net profit attributable to the Company's stock by the average number of shares in circulation. This indicator can become diluted as a result of potential shares (mainly stock options and convertible bonds). HOCHTIEF's share-based payment arrangements do not have a dilutive effect on earnings. Consequently, diluted and undiluted earnings per share are identical.

	2015	2014
Consolidated net profit—continuing operations (EUR thousand)	208,287	(122,439)
Consolidated net profit—discontinued operations (EUR thousand)	–	374,126
Total consolidated net profit (EUR thousand)	**208,287**	**251,687**
Number of shares in circulation in thousands (weighted average)	66,953	69,124
Consolidated net profit per share—continuing operations (EUR)	3.11	(1.77)
Consolidated net profit per share—discontinued operations (EUR)	–	5.41
Total earnings per share (EUR)	**3.11**	**3.64**
Dividend per share (EUR)		1.90
Proposed dividend per share (EUR)	2.00	

The number of shares outstanding as of December 31, 2015 was 65,191 thousand. The number as of December 31, 2014 was 68,466 thousand and is equal to the number of shares outstanding at the beginning of the period, as of January 1, 2015 (January 1, 2014: 69,309 thousand).

34. Reporting on financial instruments

Financial instruments include financial assets and liabilities as well as contractual claims and obligations relating to exchanges and transfers of financial assets. Financial instruments can be derivative or non-derivative.

Non-derivative financial assets mostly comprise cash and cash equivalents, marketable securities, receivables, and other financial assets. Marketable securities are carried at fair value. The fair values of available-for-sale financial assets are established with reference to market prices or, in the absence of such prices, determined using accepted valuation methods.

Non-derivative financial liabilities are mostly current liabilities measured at amortized cost.

According to their fair value, derivative financial instruments are reported either in other receivables and other assets or in other liabilities. Derivatives are used in the HOCHTIEF Group exclusively for hedging existing transactions and in asset management.

Holdings of non-derivative and derivative financial instruments are carried on the balance sheet; the maximum risk of loss or default is equal to total financial assets. Any such risk identified in respect of financial assets is accounted for with an impairment loss.

Risk management

All financial activities in the HOCHTIEF Group are conducted on the basis of a Group-wide financial framework directive. This is fleshed out by individual, function-specific operating directives on issues such as currency and collateral management. These lay down principles for dealing with the various classes of financial risk.

Trading, control, and settlement activities are divided within Corporate Finance between front, middle, and back offices. This ensures effective operational risk management in that monitoring and settlement of front office external trading activities are performed by a separate and independent back office. All external trading actions are also subject to at least dual control. Internal authorizations to give instructions are strictly limited in number and monetary amount, and are reassessed at least once a year and adjusted as necessary.

Management of liquidity risk

HOCHTIEF uses predominantly centralized liquidity structures—in particular cash pooling—to pool liquidity at Group level, among other things to avoid liquidity bottlenecks at the level of individual entities. The central liquidity position is calculated at regular monthly intervals and budgeted in a bottom-up process over a rolling 18-month period. Liquidity budgets are supplemented with monthly stress testing. HOCHTIEF uses liquidity budgets in active management of the securities portfolio and loans portfolio.

The tables below show maximum payments. The tables show the worst-case scenario for HOCHTIEF, i.e. the earliest possible contractual payment date in each case. Creditors' rights of termination are taken into account. Foreign currency items are translated using the closing rate as of the balance sheet date. Interest payments on variable rate items are translated uniformly using the last interest rate fixed prior to the balance sheet date. Both primary and derivative financial instruments (for example, forward exchange contracts and interest rate swaps) are taken into account. Credit facilities granted but not yet drawn in their full amount are also included, as are financial guarantees given by the Group.

The maximum payments shown in the following tables (worst case scenario) are offset by contractually fixed receipts in the same periods that are not shown here (for example, from trade receivables). These cover most of the cash outflows shown.

Maximum payments as of December 31, 2015

(EUR thousand)	2016	2017	2018-2019	after 2019	**Total**
Primary financial liabilities	5,121,480	866,428	700,033	1,113,095	7,801,036
Derivative financial instruments	2,362	674	690	–	3,726
Loan commitments and financial guarantees	144,414	–	–	–	144,414
	5,268,256	**867,102**	**700,723**	**1,113,095**	**7,949,176**

Maximum payments as of December 31, 2014

(EUR thousand)	2015	2016	2017-2018	after 2018	**Total**
Primary financial liabilities	5,893,098	264,049	1,291,077	2,012,640	9,460,864
Derivative financial instruments	4,517	1,116	233	–	5,866
Loan commitments and financial guarantees	193,657	–	–	–	193,657
	6,091,272	**265,165**	**1,291,310**	**2,012,640**	**9,660,387**

In addition, Group liquidity is adequately secured for the long term with cash in hand and on deposit, marketable securities holdings, and undrawn revolving credit facilities. The following table shows the main liquidity instruments:

(EUR thousand)	**Dec. 31, 2015**	Dec. 31, 2014
Cash in hand and on deposit	2,133,884	2,291,978
Marketable securities	1,119,420	812,585
Undrawn revolving credit facilities	2,191,196	2,027,911
	5,444,500	**5,132,474**

The revolving credit facilities include a credit facility tranche with a facility amount of EUR 500,000 thousand under the syndicated guarantee and credit facility that was extended ahead of term in April 2014 to April 30, 2019. As in the prior year, the credit facility was undrawn as of December 31, 2015. HOCHTIEF Aktiengesellschaft also has short-term, bilateral, revolving money market facilities with a total facility amount of EUR 239,000 thousand (2014: EUR 259,349 thousand); as in the prior year, these are undrawn as of the balance sheet date. Some of the facilities are subject to creditors' rights of termination in connection with a financial covenant, which is continuously monitored as part of corporate planning. In light of the broad international syndication in each instance and the successful extension of the credit and guarantee facilities in April 2014, there is no refinancing risk with regard to long-term guarantee and credit facilities. As a further precautionary measure, there is appropriate scope for raising additional capital under resolutions adopted at the 2011 Annual General Meeting.

HOCHTIEF also has sufficient revolving guarantee facilities, which play an important role for the Group. The guarantee facilities have a total size of EUR 13.96 billion (2014: EUR 12.90 billion) and are 75% drawn (2014: 66%).

Under a legally binding arrangement with banks, financial assets in the HOCHTIEF Asia Pacific division in the amount of EUR 856,688 thousand (2014: EUR 1,065,540 thousand) and financial liabilities in the amount of EUR 407,601 thousand (2014: EUR 600,576 thousand) are offset and presented in the balance sheet with their net amount of EUR 449,087 thousand (2014: EUR 464,946 thousand).

Management of currency risk

HOCHTIEF is exposed to currency risk (in the form of transaction risk) from receivables, liabilities, cash and cash equivalents, securities, and pending transactions in currencies other than the functional currency of the Group company concerned in each case. Currency derivatives, mainly forward exchange contracts, are used to hedge against fluctuations in these payments or items caused by exchange rates. HOCHTIEF normally hedges all currency risk.

Hedges for Group companies—with the exception of hedges in the CIMIC Group—are mainly administered via HOCHTIEF Aktiengesellschaft. Binding guidelines clarify their use as well as separate controls and responsibilities for all Group companies. Currency derivatives are normally only used to hedge risk. Any form of speculation is ruled out under a binding, Group-wide risk directive. The counterparties for derivatives entered into externally are banks with a top credit rating.

The following table shows the fair values of currency derivatives:

(EUR thousand)	Dec. 31, 2015	Dec. 31, 2014
Assets		
Forward exchange contracts/currency swaps		
for hedging purposes (cash flow hedges)	3,092	1,612
for hedging purposes (but not hedge accounted)	213	1,987
	3,305	**3,599**
Liabilities and shareholders' equity		
Forward exchange contracts/currency swaps		
for hedging purposes (cash flow hedges)	1,215	1,902
for hedging purposes (but not hedge accounted)	1,772	746
	2,987	**2,648**

The maximum residual term of currency derivatives in cash flow hedges as of December 31, 2015 is 19 months (2014: 13 months). As of December 31, 2015, the maximum residual term of currency derivatives for which hedge accounting is not applied is eleven months (2014: 25 months).

Where hedge accounting is used, unrealized gains and losses on hedges are initially recognized in other comprehensive income, taking into account deferred tax. Gains and losses are not realized until a hedged item affects income. Derivatives are measured on the basis of current market rates as of the balance sheet date. When interpreting positive or negative fair value changes relating to derivatives, it is important to remember that they balance hedged items whose values move in the opposite direction. A net EUR 2,167 thousand was credited to equity in 2015 (2014: EUR 5,019 thousand charged to equity) for market value changes on the above derivatives in cash flow hedges. Where hedge accounting is not applied, all unrealized gains and losses on the hedged item are recognized immediately in profit or loss; in 2015 this related to a net loss of EUR 2,800 thousand (2014: EUR 1,511 thousand).

The following sensitivity analyses demonstrate the impact on HOCHTIEF Group equity and profit that would result from a 10% fluctuation in foreign currencies relative to each Group company's functional currency. The analysis is based on holdings as of the balance sheet date.

		Dec. 31, 2015		Dec. 31, 2014	
		Exchange rate		Exchange rate	
(EUR thousand)		10% increase	10% decrease	10% increase	10% decrease
Change in equity due to market value fluctuations of currency derivatives used for hedging (cash flow hedges)					
Functional currency	Foreign currency				
EUR	CHF	(1,924)	1,924	–	–
PLN	EUR	(4,929)	4,929	12,337	(10,419)
EUR	CZK	(854)	854	(1)	1
AUD	CNH	970	(970)	–	–
AUD	NZB	1,510	(1,510)	(33)	33
AUD	EUR	(3,088)	3,088	–	–
AUD	USD	(214)	214	38	(38)
Change in profit or loss due to unhedged currency exposures in primary financial instruments and to market value fluctuations in derivative financial instruments (not hedge accounted)					
Functional currency	Foreign currency				
EUR	PLN	(2,009)	2,009	224	(224)
USD	EUR	(2,388)	2,388	2,134	(2,134)
EUR	RON	1,424	(1,424)	(1,611)	1,611
EUR	CAD	(9,207)	9,207	–	–
EUR	SEK	(4,318)	4,318	(2,543)	2,543
AUD	HKD	4,646	(4,646)	3,560	(3,560)
AUD	USD	(70,751)	70,751	(112,461)	112,461
CZK	EUR	(1,997)	1,997	(832)	832
QAR	EUR	2,691	(2,691)	(7,285)	7,285

Management of interest rate risk

HOCHTIEF is exposed to interest rate risk through financial items primarily consisting of interest-bearing marketable securities on the assets side and financial liabilities on the liabilities side of the balance sheet. Two approaches are used to minimize this risk. Firstly, the Company uses natural hedging, meaning that it eliminates contrary interest rate risk from primary financial instruments on the asset and liabilities side. The second method is to use interest rate derivatives. These generally take the form of interest rate swaps used in accordance with the Group annual financing strategy to manage cash flow risk from changes in interest rates for variable-rate financial items.

As with currency derivatives, hedges for Group companies—with the exception of hedges in the CIMIC Group—are mainly administered via HOCHTIEF Aktiengesellschaft. There are also parallel regulations and guidelines, and derivatives are used solely for hedging (i.e. not speculatively) as a matter of principle. The counterparties for derivatives entered into externally are banks with a top credit rating.

The following table shows the fair values of interest rate derivatives:

(EUR thousand)	Dec. 31, 2015	Dec. 31, 2014
Assets		
Interest rate swaps		
for hedging purposes (cash flow hedges)	–	–
for hedging purposes (but not cash flow hedge accounted)	–	–
Interest rate futures		
not for hedging purposes (for asset management structuring)	149	190
	149	**190**
Liabilities and shareholders' equity		
Interest rate swaps		
for hedging purposes (cash flow hedges)	–	450
for hedging purposes (but not cash flow hedge accounted)	–	2,461
Interest rate futures		
not for hedging purposes (for asset management structuring)	47	65
	47	**2,976**

The maximum residual term of interest rate swaps both in cash flow hedges and otherwise in the prior year was 31 months. As of December 31, 2015, the interest rate futures have a maximum residual term of 363 months (2014: 363 months).

An amount of EUR 450 thousand was credited to equity in 2015 (2014: EUR 10,327 thousand) for market value changes on interest rate derivatives in cash flow hedges. An amount of EUR 595 thousand was reclassified to profit or loss (2014: EUR 1,190 thousand). There was no hedge ineffectiveness. A net EUR 2,438 thousand was recognized in profit or loss (2014: EUR 2,432 thousand) for market value changes on the remaining interest rate derivatives.

The following sensitivity analyses demonstrate the impact that a one percentage point change in the respective market interest rate would have had on equity and profit. The analysis is based on holdings as of the balance sheet date.

	Dec. 31, 2015		Dec. 31, 2014	
	Market interest rate		Market interest rate	
(EUR thousand)	1% increase	1% decrease	1% increase	1% decrease
Change in equity due to market value fluctuations of interest rate derivatives used for hedging (cash flow hedges) and of fixed-interest securities measured at fair value through equity	(916)	915	(9,874)	9,871
Change in profit or loss due to unhedged variable rate interest rate exposures on primary financial instruments and to market value fluctuations in derivative financial instruments (not hedge accounted)	3,016	(3,080)	(9,634)	9,973

Management of other price risk

At HOCHTIEF, other price risk results through investing in current and non-current non-interest-bearing securities, chiefly shares and funds, that are classified as available for sale and therefore measured at fair value through equity. Other price risk stems from participating interests that are classified as available for sale to the extent that they are measured at fair value. Such items are shown in the following table. Participating interests measured at amortized cost because their fair value cannot be reliably measured are not included.

(EUR thousand)	Dec. 31, 2015	Dec. 31, 2014
Price risk exposure on non-current assets	115,623	118,732
Price risk exposure on current assets	66,181	83,454

HOCHTIEF actively manages price risk. Continuous monitoring and analysis of the markets make it possible to marshal investments at short notice. This allows the Company to detect negative developments on the capital market at an early stage and take appropriate action. Derivatives are only used to control price risk in exceptional instances.

To hedge our share-based compensation plans, stock-based derivatives were entered into with a maximum residual term of 39 months as of December 31, 2015 (2014: 51 months). They are not subject to hedge accounting, but are deployed as a natural hedge. Gains and losses in the fair value of these derivatives are contained in personnel costs.

The following table shows the fair values of equity options, stock forward contracts, and index-based options:

(EUR thousand)	Dec. 31, 2015	Dec. 31, 2014
Assets		
Equity options and stock forward contracts for hedging purposes (but not hedge accounted)	9,751	7,623
Index-based options, not for hedging purposes	–	–
	9,751	**7,623**
Liabilities and shareholders' equity		
Forward purchase contracts for hedging purposes (cash flow hedges)	–	–
Equity options and stock forward contracts for hedging purposes (but not hedge accounted)	692	242
Options written, not for hedging purposes	–	–
	692	**242**

As in the prior year, no market value changes on the above forward contracts in cash flow hedges were recognized in equity in the year under review. A net EUR 1,678 thousand was credited to profit or loss (2014: EUR 868 thousand charged to profit or loss) for market value changes on equity options, stock forward contracts, index-based options not in hedges, and on the written options.

The following sensitivity analyses demonstrate the impact on HOCHTIEF Group equity and profit that would result from a 10% fluctuation in the market value of primary and derivative financial instruments. The analysis is based on holdings as of the balance sheet date.

	Dec. 31, 2015		Dec. 31, 2014	
	Market value		Market value	
(EUR thousand)	10% increase	10% decrease	10% increase	10% decrease
Change in profit or loss due to market value fluctuations of derivatives to which hedge accounting is not applied	2,811	(2,725)	1,223	(1,223)
Change in equity due to changes in market price of unimpaired securities	9,690	(9,690)	8,345	(8,345)
Change in equity due to changes in value of unimpaired participating interests measured at fair value	8,490	(8,490)	7,442	(7,442)
Change in equity due to increases in the value of impaired participating interests measured at fair value	–	–	233	–
Change in profit or loss due to decreases in the value of impaired participating interests measured at fair value	–	–	–	(233)

Management of credit risk

The HOCHTIEF Group is exposed to credit risk from operations and from certain financing activities.

HOCHTIEF performs risk management for operations by continuously monitoring trade receivables at divisional level. If a specific credit risk is detected, it is countered by recognizing an individual impairment.

The HOCHTIEF Group has given third parties financial guarantees and loan commitments in respect of Group companies. Financial guarantees and loan guarantees are only given in respect of companies with top credit standing, restricting to a minimum the probability of the guarantees being drawn upon.

The maximum credit risk exposure of financial assets is equivalent to their carrying amounts in the balance sheet. However, the actual credit risk exposure is lower due to collateral given in favor of the HOCHTIEF Group. The maximum risk exposure on financial guarantees given by HOCHTIEF is the maximum amount to be paid by HOCHTIEF. The maximum credit risk for loan commitments is the amount of the commitment. As of December 31, 2015, the maximum credit risk from financial guarantees and loan commitments amounted to EUR 144,414 thousand (2014: EUR 193,657 thousand). As of the reporting date, the probability of the financial guarantees and loan commitments being drawn upon is very small.

HOCHTIEF accepts collateral to secure contract performance by subcontractors, subcontractors' warranty obligations, and claims to remuneration. Such collateral includes guarantees relating to warranty obligations, contract performance, advance payments, and receivables. Acceptance of collateral is governed by a HOCHTIEF directive. Among other aspects, this covers the contractual drafting, implementation, and management of all agreements. The detailed rules vary according to factors such as the country jurisdiction and applicable case law. In the case of credit risk, HOCHTIEF examines the credit rating of the party providing the collateral for all guarantees accepted. HOCHTIEF uses external specialists (for example, rating agencies) to assess credit ratings where possible. The fair values of accepted collateral are not disclosed as they often cannot be measured reliably.

The following table shows unimpaired financial assets that are past due:

	Dec. 31, 2015				Dec. 31, 2014			
(EUR thousand)	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days
Trade receivables	129,379	28,753	10,662	56,043	155,438	24,778	19,577	99,334
Current financial receivables	1	–	–	6,235	3	144	–	7,528
Other current receivables and other current financial assets	228	31	–	461	29	33	–	111
	129,608	**28,784**	**10,662**	**62,739**	**155,470**	**24,955**	**19,577**	**106,973**

The age structure of financial assets that are past due is shaped by industry-specific factors. Receipt of payment depends on acceptance (inspection) and invoice checking, which can often take a relatively long time, especially for large-scale projects. Most of the unimpaired financial assets that are past due are from public-sector clients and industrial companies with top credit ratings.

Individually impaired financial assets are shown below:

		Dec. 31, 2015			Dec. 31, 2014	
(EUR thousand)	Gross carrying amount	Impairment	Net carrying amount	Gross carrying amount	Impairment	Net carrying amount
Trade receivables	273,178	154,551	118,627	273,871	153,299	120,572
Financial receivables						
Non-current	59,974	42,223	17,751	52,710	46,705	6,005
Current	21,973	8,777	13,196	44,394	16,825	27,569
Other current receivables and other current financial assets	1,235	247	988	6,318	752	5,566
Securities	–	–	–	–	–	–
	356,360	**205,798**	**150,562**	**377,293**	**217,581**	**159,712**

The impairments in trade receivables mostly consist of impaired contracting-related claims as is typical for the industry.

The following table shows changes in impairments on financial assets in 2015 and in the prior year:

Reconciliation of changes in impairments

(EUR thousand)	Jan. 1, 2014	Changes*	Dec. 31, 2014/ Jan. 1, 2015	Changes*	Dec. 31, 2015
Trade receivables	72,062	81,237	153,299	1,252	154,551
Financial receivables					
Non-current	31,051	15,654	46,705	(4,482)	42,223
Current	16,574	251	16,825	(8,048)	8,777
Other current receivables and other current financial assets	397	355	752	(505)	247
Securities	6,630	(6,630)	–	–	–
	126,714	**90,867**	**217,581**	**(11,783)**	**205,798**

*Changes result from allocations, reversals, utilizations, curreny adjustments and consolidation changes.

With regard to financial assets that are neither past due nor impaired, there are currently no indications of any need to recognize impairments for reasons relating to credit ratings.

Capital risk management

The HOCHTIEF Group manages capital with the aim of ensuring that all Group companies can continue to operate as a going concern. The Group keeps the cost of capital as low as possible by optimizing the balance between equity and debt as the need arises. These measures primarily serve to secure the best possible credit standing as well as to maximize shareholder earnings.

The Group's capital structure consists of the balance sheet items comprising net debt (current and non-current liabilities less cash and cash equivalents) and shareholders' equity. The Risk Reporting Committee assesses and examines the Group's capital structure at regular intervals, taking into account the risk-adjusted cost of capital.

In 2015, the overall capital risk management strategy did not change compared with the prior year.

Additional information on financial instruments

The table overleaf shows carrying amounts and fair values for each class of financial instrument and carrying amounts for each IAS 39 category as of December 31, 2015 and December 31, 2014.

2015	Carrying amount by category					Not belonging to any category			
	Financial assets			Financial liabilities					
(EUR thousand)	Available for sale	Held for trading	Loans and receivables	Held for trading	At amortized cost	Hedge accounting and finance leases	Not covered by IFRS 7	Total carrying amounts Dec. 31, 2015	Total fair value Dec. 31, 2014
Assets									
Other financial assets									
At fair value	115,623	–	–	–	–	–	–	115,623	115,623
At amortized cost	8,230	–	–	–	–	–	–	8,230	N/A
	123,853	**–**	**–**	**–**	**–**	**–**	**–**	**123,853**	**115,623**
Financial receivables									
Non-current	**–**	**–**	**679,461**	**–**	**–**	**–**	**–**	**679,461**	**679,461**
Current	**–**	**–**	**66,083**	**–**	**–**	**–**	**–**	**66,083**	**66,083**
Trade receivables	**–**	**–**	**2,547,742**	**–**	**–**	**–**	**1,989,255**	**4,536,997**	**4,536,997**
Other receivables and other financial assets									
Non-current									
At fair value	–	9,737	–	–	–	2,094	–	11,831	11,831
At amortized cost	–	–	30,701	–	–	–	–	30,701	30,701
Not covered by IFRS 7	–	–	–	–	–	–	104,481	104,481	104,481
	–	**9,737**	**30,701**			**2,094**	**104,481**	**147,013**	**147,013**
Current									
At fair value	–	376	–	–	–	998	–	1,374	1,374
At amortized cost	–	–	76,277	–	–	–	–	76,277	76,277
Not covered by IFRS 7	–	–	–	–	–	–	95,345	95,345	95,345
	–	**376**	**76,277**	**–**	**–**	**998**	**95,345**	**172,996**	**172,996**
Receivables from the sale of discontinued operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Securities	**576,898**	**–**	**–**	**–**	**–**	**–**	**–**	**576,898**	**576,898**
Cash and cash equivalents	**–**	**–**	**2,808,707**	**–**	**–**	**–**	**–**	**2,808,707**	**2,808,707**
Liabilities and shareholders' equity									
Financial liabilities									
Non-current	**–**	**–**	**–**	**–**	**2,283,255**	**71,834**	**–**	**2,355,089**	**2,457,046**
Current	**–**	**–**	**–**	**–**	**209,652**	**99,787**	**–**	**309,439**	**309,439**
Trade payables	**–**	**–**	**–**	**–**	**4,699,869**	**–**	**720,010**	**5,419,879**	**5,419,879**
Other liabilities									
Non-current									
At fair value	–	–	–	690	–	674	–	1,364	1,364
At amortized cost	–	–	–	–	30,700	–	–	30,700	30,700
Not covered by IFRS 7	–	–	–	–	–	–	35,976	35,976	35,976
	–	**–**	**–**	**690**	**30,700**	**674**	**35,976**	**68,040**	**68,040**
Current									
At fair value	–	–	–	1,821	–	541	–	2,362	2,362
At amortized cost	–	–	–		54,011	–	–	54,011	54,011
Not covered by IFRS 7	–	–	–	–	–	–	220,637	220,637	220,637
	–	**–**	**–**	**1,821**	**54,011**	**541**	**220,637**	**277,010**	**277,010**

2014	Carrying amount by category					Not belonging to any category			
	Financial assets			Financial liabilities					
(EUR thousand)	Available for sale	Held for trading	Loans and receivables	Held for trading	At amortized cost	Hedge accounting and finance leases	Not covered by IFRS 7	**Total carrying amounts Dec. 31, 2014**	**Total fair value Dec. 31, 2014**
Assets									
Other financial assets									
At fair value	118,732	–	–	–	–	–	–	118,732	118,732
At amortized cost	10,642	–	–	–	–	–	–	10,642	N/A
	129,374	**–**	**–**	**–**	**–**	**–**	**–**	**129,374**	**118,732**
Financial receivables									
Non-current	**–**	**–**	**631,479**	**–**	**–**	**–**	**–**	**631,479**	**631,479**
Current	**–**	**–**	**77,474**	**–**	**–**	**–**	**–**	**77,474**	**77,474**
Trade receivables	**–**	**–**	**2,712,693**	**–**	**–**	**–**	**2,353,481**	**5,066,174**	**5,066,174**
Other receivables and other financial assets									
Non-current									
At fair value	–	6,392	–	–	–	22	–	6,414	6,414
At amortized cost	–	–	1	–	–	–	–	1	1
Not covered by IFRS 7	–	–	–	–	–	–	68,415	68,415	68,415
	–	**6,392**	**1**	**–**	**–**	**22**	**68,415**	**74,830**	**74,830**
Current									
At fair value	–	3,408	–	–	–	1,590	–	4,998	4,998
At amortized cost	–	–	108,574	–	–	–	–	108,574	108,574
Not covered by IFRS 7	–	–	–	–	–	–	85,473	85,473	85,473
	–	**3,408**	**108,574**	**–**	**–**	**1,590**	**85,473**	**199,045**	**199,045**
Receivables from the sale of discontinued operations	**–**	**–**	**1,108,112**	**–**	**–**	**–**	**–**	**1,108,112**	**1,108,112**
Securities	**741,535**	**–**	**–**	**–**	**–**	**–**	**–**	**741,535**	**741,535**
Cash and cash equivalents	**–**	**–**	**2,585,359**	**–**	**–**	**–**	**–**	**2,585,359**	**2,585,359**
Liabilities and shareholders' equity									
Financial liabilities									
Non-current	**–**	**–**	**–**	**–**	**2,940,778**	**132,693**	**–**	**3,073,471**	**3,238,759**
Current	**–**	**–**	**–**	**–**	**916,779**	**65,595**	**–**	**982,374**	**982,374**
Trade payables	**–**	**–**	**–**	**–**	**4,692,790**	**–**	**820,635**	**5,513,425**	**5,513,425**
Other liabilities									
Non-current									
At fair value	–	–	–	756	–	593	–	1,349	1,349
At amortized cost	–	–	–	–	73	–	–	73	73
Not covered by IFRS 7	–	–	–	–	–	–	31,768	31,768	31,768
	–	**–**	**–**	**756**	**73**	**593**	**31,768**	**33,190**	**33,190**
Current									
At fair value	–	–	–	2,758	–	1,759	–	4,517	4,517
At amortized cost	–	–	–	–	122,865	–	–	122,865	122,865
Not covered by IFRS 7	–	–	–	–	–	–	272,271	272,271	272,271
	–	**–**	**–**	**2,758**	**122,865**	**1,759**	**272,271**	**399,653**	**399,653**

As current financial instruments have short residual terms and are measured at market value, their carrying amounts correspond to market value as of the balance sheet date. Non-current securities in the available-for-sale category are measured at fair value through equity and, as such, their carrying amounts also correspond to fair value.

Shares in non-consolidated subsidiaries and other participating interests are measured at fair value if fair value can be reliably determined. Otherwise, such items are measured at cost in the available-for-sale category.

In the disclosures on the fair value hierarchy for financial instruments measured at fair value, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e., the exit price). For non-financial assets, fair value is measured assuming the highest and best use of the asset by market participants. A three-level hierarchy is applied that reflects the observability of the inputs to valuation techniques used to measure fair value.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; e.g. quoted securities.

Level 2: 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); e.g. interest rate swaps and forward exchange contracts.

Level 3: No relevant observable inputs available, hence unobservable inputs are determined as an exit price from the perspective of a market participant that holds the asset or owes the liability; e.g. investments measured at fair value determined by business valuation.

Disclosures relating to the fair value hierarchy for financial instruments measured at fair value

	Dec. 31, 2015			Dec. 31, 2014		
(EUR thousand)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Other financial assets	1,044	31,249	83,331	1,044	42,998	74,690
Other receivables and other assets						
Non-current	–	11,831	–	–	6,414	–
Current	–	1,374	–	–	4,998	–
Marketable securities	482,035	94,863	–	655,788	85,747	–
Liabilities						
Other liabilities						
Non-current	–	1,364	–	–	1,349	–
Current	–	2,362	–	–	4,517	–

There were no transfers of assets measured at fair value between Level 1 and Level 2 of the fair value hierarchy in the year under review. This means that there were likewise no changes in Level 3.

The fair value of investments in unlisted entities and of debt instruments not traded in an active market is measured using the discounted cash flow method. Any discounting is done using current market interest rates.

Reconciliation of beginning to ending balances for Level 3 measurements of financial instrument fair values

(EUR thousand)	Balance as of Jan. 1, 2015	Currency adjustments	Gains/(losses) recognized in profit or loss	Other changes	**Balance as of Dec. 31, 2015**
Other financial assets	74,690	(376)	3,147	5,870	83,331
Other liabilities					
Non-current	–	–	–	–	–
Current	–	–	–	–	–

(EUR thousand)	Balance as of Jan. 1, 2014	Currency adjustments	Gains/(losses) recognized in profit or loss	Other changes	Balance as of Dec. 31, 2014
Other financial assets	59,098	2,272	(68)	13,388	74,690
Other liabilities					
Non-current	–	–	–	–	–
Current	5,945	–	–	(5,945)	–

As in the prior year, the amounts recognized in profit or loss are accounted for in net income from other participating interests; the other changes are accounted for in other comprehensive income.

Financial assets with a carrying amount of EUR 146,842 thousand are provided as collateral for recognized financial liabilities and unrecognized contingent liabilities as of December 31, 2015 (2014: EUR 222,332 thousand).

The following table shows the net profit from financial instruments by IAS 39 category:

Net profit from financial instruments

(EUR thousand)	**2015**	2014
Available for sale	39,626	23,084
Held for trading	1,826	7,434
Loans and receivables	62,737	72,754
Liabilities at amortized cost	(240,247)	(283,830)
	(136,058)	**(180,558)**

The calculation of net profit from financial instruments includes interest income and expenses, impairments and impairment reversals, income and expenses from currency translation, dividend income, gains and losses on disposal, and other changes in the fair value of financial instruments recognized in income.

Impairments of financial assets totaling EUR 20,206 thousand were recognized in 2015 (2014: EUR 110,431 thousand). Of this figure, EUR 158 thousand (2014: EUR 24 thousand) relates to the carrying amounts of non-consolidated subsidiaries and other participating interests measured at cost where a fair value is not available. In the prior year, an additional EUR 68 thousand related to the carrying amounts of non-consolidated subsidiaries and other participating interests measured at fair value. Impairments of EUR 10,864 thousand (2014: EUR 3,490 thousand) were recorded on non-current financial receivables in 2015. Impairments of EUR 57 thousand (2014: EUR 6,866 thousand) were recognized for current financial receivables and impairments of EUR 9,127 thousand (2014: EUR 99,526 thousand) were recognized for trade receivables. In the prior year, additional impairments of EUR 457 thousand were recognized for other current receivables and other current financial assets.

35. Contingencies, commitments, and other financial obligations

(EUR thousand)	Dec. 31, 2015	Dec. 31, 2014
Obligations under guarantees	7,771	8,779

These commitments and potential obligations primarily serve as security for bank loans, contract performance, warranty obligations, and advance payments. Most guarantees as of the reporting date related to participating interests and construction joint ventures. HOCHTIEF is also jointly and severally liable for all construction joint ventures in which it has an interest in Germany.

The syndicated credit and guarantee facility for EUR 2 billion taken out in December 2011 and extended ahead of term in April 2014 continues to be a central long-term financing instrument for HOCHTIEF Aktiengesellschaft. The syndicated facility has a guarantee tranche with a facility amount of EUR 1.5 billion, drawings on which amounted to EUR 857,719 thousand as of December 31, 2015 (2014: EUR 946,578 thousand), and a EUR 500,000 thousand cash tranche, which, as in the prior year, is undrawn as of December 31, 2015. The facility permits the furnishing of guarantees for ordinary activities, mainly of the HOCHTIEF Europe division. The credit and guarantee facility had an initial term of five years and was extended in April 2014 to April 30, 2019.

In addition, the HOCHTIEF Group has available a further EUR 5.76 billion (2014: EUR 6.05 billion) in guarantee facilities provided by insurance companies and banks. This includes a three-year syndicated guarantee facility with a total principal amount of AUD 1 billion (EUR 704,840 thousand) negotiated by CIMIC in May 2013. The facility's maturity date was extended in December 2014 by 18 months from initially June 2016 to December 2017. The facility was undrawn as of December 31, 2015 (2014: drawn by AUD 600,000 thousand/EUR 402,766 thousand).

HOCHTIEF Aktiengesellschaft has provided an unlimited bonding guarantee in favor of U.S. insurance companies in respect of obligations of the Turner Group and the Flatiron Group. Bonding is a statutory form of security used in the U.S. to guarantee performance of public projects. It is also used with other selected customers. The total bonding amount was increased to USD 7,300 million in 2015. An amount of USD 6,491 million was utilized in the year under review (2014: USD 5,032 million). No recourse has ever been made to this guarantee provided by HOCHTIEF, and none is currently anticipated for the future. There is also a CAD 350 million syndicated credit facility in favor of Flatiron (2014: CAD 240 million) that matures in December 2018, which was drawn down by CAD 147.4 million as of December 31, 2015 (2014: CAD 74.5 million). This facility is also backed by a Group guarantee from HOCHTIEF Aktiengesellschaft.

Group order exposure from awarded capital expenditure projects is EUR 2,468 thousand (2014: EUR 22,521 thousand) and mostly relates to mining activities at the CIMIC Group.

Cash call commitments on financial assets totaled EUR 4,209 thousand (2014: EUR 19,068 thousand) and relate to joint ventures in the HOCHTIEF Europe division. In the prior year, an additional EUR 13,059 thousand related to PPP project companies in the HOCHTIEF Asia Pacific division.

The term breakdown of minimum lease payments under operating leases is as follows:

Operating leases

(EUR thousand)	Dec. 31, 2015 Nominal value	Dec. 31, 2014 Nominal value
Due within 1 year	199,808	259,616
Due in 1–5 years	461,618	650,720
Due after 5 years	54,793	62,960

The obligations from operating leases mainly relate to technical equipment and machinery leased by the CIMIC Group. Lease payments under operating leases came to EUR 280,026 thousand in 2015 (2014: EUR 318,512 thousand).

Several companies in the HOCHTIEF Asia Pacific division have a number of leasing arrangements. The companies concerned are financed by third parties and HOCHTIEF itself holds neither interests in their equity nor assets such as loans or receivables. Relevant activities are managed by third parties under contractual agreement, as a result of which they are not consolidated. The minimum lease payments under operating leases come to EUR 143,184 thousand (2014: EUR 244,789 thousand).

Amounts due under long-term tenancies are EUR 176,665 thousand (2014: EUR 194,499 thousand). The term for which such tenancies cannot be terminated is between two and twelve years (2014: two and 13 years). The amounts due under tenancies are partly offset by anticipated rental income of EUR 65,786 thousand (2014: EUR 90,046 thousand).

Other financial obligations include EUR 103,307 thousand (2014: EUR 116,453 thousand) in commitments relating to shareholder loans and under long-term contracts for the supply of goods and services.

Legal disputes

HOCHTIEF Group companies are involved in various legal disputes in the context of their operating activities. HOCHTIEF does not anticipate that the disputes will have any material adverse impact on the Group's business and financial situation.

36. Segment reporting

HOCHTIEF's structure reflects the operating focus of our business as well as the Group's presence in key national and international regions and markets. Segmental reporting in the HOCHTIEF Group is based on the Group's divisional operations. The breakdown mirrors the Group's internal reporting systems.

The Group's reportable segments* (divisions) are as follows:

HOCHTIEF Americas encompasses the construction activities of operational units in the USA and Canada

HOCHTIEF Asia Pacific pools the construction activities and contract mining in the Asia-Pacific region

HOCHTIEF Europe brings together the core business in Europe as well as selected other regions and designs, develops, builds, operates, and manages real estate and infrastructure.

The Corporate Headquarters/Consolidation unit comprises Corporate Headquarters, other activities not assigned to separately listed divisions, including management of financial resources and insurance activities, plus consolidation effects. Insurance activities are managed from Corporate Headquarters under the responsibility of HOCHTIEF Insurance Broking and Risk Management Solutions GmbH with various companies in Luxembourg, including Builders Reinsurance S.A. The HOCHTIEF insurance companies primarily provide mainly reinsurance offerings for builders' risk, subcontractor default, third-party liability, and workers's compensation insurance.

*Detailed information on the various operating segments is included in the Management Report on pages 80 to 93.

The segment reporting figures relating to the Consolidated Statement of Earnings only include continuing operations.

Divisions	External sales		Intersegment sales		Sales by division (external plus intersegment)	
(EUR thousand)	**2015**	2014	**2015**	2014	**2015**	2014
HOCHTIEF Americas	10,354,362	8,615,179	–	–	10,354,362	8,615,179
HOCHTIEF Asia Pacific	8,946,139	11,397,065	–	–	8,946,139	11,397,065
HOCHTIEF Europe	1,655,532	1,961,734	4,618	3,790	1,660,150	1,965,524
Corporate Headquarters/ Consolidation	140,585	125,076	13,837	24,569	154,422	149,645
HOCHTIEF Group	**21,096,618**	**22,099,054**	**18,455**	**28,359**	**21,115,073**	**22,127,413**

Divisions	Profit after tax		Depreciation/ amortization		Impairment losses	
(EUR thousand)	**2015**	2014	**2015**	2014	**2015**	2014
HOCHTIEF Americas	123,662	78,245	23,510	23,281	–	–
HOCHTIEF Asia Pacific	275,717	(129,602)	332,861	392,506	33,700	13,486
HOCHTIEF Europe	(29,916)	(84,790)	21,474	21,858	158	23
Corporate Headquarters/ Consolidation	(36,269)	4,366	2,286	2,782	–	–
HOCHTIEF Group	**333,194**	**(131,781)**	**380,131**	**440,427**	**33,858**	**13,509**

Divisions	Non-cash expenses		Carrying amount of equity-method investments		Purchases of intangible assets, property, plant, equipment, and investment properties	
(EUR thousand)	**2015**	2014	**2015**	2014	**2015**	2014
HOCHTIEF Americas	139,256	83,915	166,598	109,263	35,934	27,581
HOCHTIEF Asia Pacific	147,259	868,987	720,362	683,438	180,116	514,108
HOCHTIEF Europe	164,618	160,933	92,760	105,783	58,735	42,838
Corporate Headquarters/ Consolidation	127,794	77,096	–	–	1,052	6,430
HOCHTIEF Group	**578,927**	**1,190,931**	**979,720**	**898,484**	**275,837**	**590,957**

Regions	External sales by customer location		Property, plant and equipment		Intangible assets	
(EUR thousand)	**2015**	2014	**2015**	2014	**2015**	2014
Germany	890,141	1,256,006	78,041	69,789	49,564	52,731
Rest of Europe	663,363	569,392	32,437	32,424	1,603	1,592
Americas	10,545,460	8,816,689	123,557	105,308	388,237	346,822
Asia	3,075,811	2,962,670	293,953	365,813	118,000	117,127
Australia	5,920,984	8,493,469	587,524	731,232	325,780	348,027
Africa	859	828	–	–	–	–
HOCHTIEF Group	**21,096,618**	**22,099,054**	**1,115,512**	**1,304,566**	**883,184**	**866,299**

Profit/(loss) from operating activities (segment result)		EBITDA		Operational earnings (EBIT)		Profit before tax (PBT)	
2015	2014	2015	2014 (restated)	2015	2014 (restated)	2015	2014
110,057	92,051	214,842	146,455	191,332	123,174	154,898	108,419
562,979	31,121	994,179	935,991	627,619	543,485	424,370	(114,549)
(73,351)	(96,340)	1,864	(30,722)	(19,610)	(52,581)	(27,487)	(72,748)
(24,335)	(102,164)	(68,349)	(52,119)	(70,636)	(54,900)	(28,377)	(98,269)
575,350	**(75,332)**	**1,142,536**	**999,605**	**728,705**	**559,178**	**523,404**	**(177,147)**

Impairment reversals		Share of profits and losses of equity-method associates and joint ventures		Interest and similar income		Interest and similar expenses	
2015	2014	2015	2014	2015	2014	2015	2014
–	–	60,784	30,719	4,010	6,240	16,701	16,973
3,147	673	(7,515)	11,189	38,940	39,770	200,137	221,985
44	–	25,766	33,574	9,169	11,825	28,679	33,235
833	–	–	–	7,678	5,399	(5,270)	12,413
4,024	**673**	**79,035**	**75,482**	**59,797**	**63,234**	**240,247**	**284,606**

Purchases of financial assets		Total purchases		Total assets (balance sheet total)		Gross debt	
2015	2014	2015	2014	2015	2014	2015	2014
88,509	59,055	124,443	86,636	3,657,469	3,090,054	3,301,939	2,721,910
86,890	51,406	267,006	565,514	6,692,309	8,575,646	3,854,287	5,948,830
3,838	14,206	62,573	57,044	2,223,535	2,391,697	1,622,470	1,854,491
–	–	1,052	6,430	696,670	1,161,927	1,344,539	1,582,715
179,237	**124,667**	**455,074**	**715,624**	**13,269,983**	**15,219,324**	**10,123,235**	**12,107,946**

Carrying amount of equity-method investments		Total assets (balance sheet total)		Purchases	
2015	2014	2015	2014	2015	2014
41,942	52,113	1,642,483	1,959,865	13,168	19,733
2,668	11,952	1,122,771	1,244,795	38,321	14,684
214,748	150,981	3,724,646	3,238,068	136,453	115,642
386,109	350,996	2,352,024	3,034,048	65,784	234,530
329,151	332,442	4,428,059	5,742,548	201,348	331,035
5,102	–	–	–	–	–
979,720	**898,484**	**13,269,983**	**15,219,324**	**455,074**	**715,624**

Discontinued operations regarding John Holland and Leighton's Services business:

Divisions	External sales		Intersegment sales		Sales by division (external plus intersegment)	
(EUR thousand)	**2015**	2014	**2015**	2014	**2015**	2014
HOCHTIEF Asia Pacific	–	3,688,767	–	–	–	3,688,767
HOCHTIEF Group	**–**	**3,688,767**	**–**	**–**	**–**	**3,688,767**

Divisions	Profit after tax		Depreciation/amortization		Impairment losses	
(EUR thousand)	**2015**	2014	**2015**	2014	**2015**	2014
HOCHTIEF Asia Pacific	–	537,564	–	49,801	–	–
HOCHTIEF Group	**–**	**537,564**	**–**	**49,801**	**–**	**–**

Total from continuing and discontinued operations:

Divisions	External sales		Intersegment sales		Sales by division (external plus intersegment)	
(EUR thousand)	**2015**	2014	**2015**	2014	**2015**	2014
HOCHTIEF Americas	10,354,362	8,615,179	–	–	10,354,362	8,615,179
HOCHTIEF Asia Pacific	8,946,139	15,085,832	–	–	8,946,139	15,085,832
HOCHTIEF Europe	1,655,532	1,961,734	4,618	3,790	1,660,150	1,965,524
Corporate Headquarters/ Consolidation	140,585	125,076	13,837	24,569	154,422	149,645
HOCHTIEF Group	**21,096,618**	**25,787,821**	**18,455**	**28,359**	**21,115,073**	**25,816,180**

Divisions	Profit after tax		Depreciation/amortization		Impairment losses	
(EUR thousand)	**2015**	2014	**2015**	2014 (restated)	**2015**	2014
HOCHTIEF Americas	123,662	78,245	23,510	23,281	–	–
HOCHTIEF Asia Pacific	275,717	407,962	332,861	442,307	33,700	13,486
HOCHTIEF Europe	(29,916)	(84,790)	21,474	21,858	158	23
Corporate Headquarters/ Consolidation	(36,269)	4,366	2,286	2,782	–	–
HOCHTIEF Group	**333,194**	**405,783**	**380,131**	**490,228**	**33,858**	**13,509**

Profit/(loss) from operating activities (segment result)		EBITDA		Operational earnings (EBIT)		Profit before tax (PBT)	
2015	2014	2015	2014 (restated)	2015	2014 (restated)	2015	2014
–	818,428	–	897,025	–	847,225	–	829,882
–	**818,428**	**–**	**897,025**	**–**	**847,225**	**–**	**829,882**

Impairment reversals		Share of profits and losses of equity-method associates and joint ventures		Interest and similar income		Interest and similar expenses	
2015	2014	2015	2014	2015	2014	2015	2014
–	–	–	10,459	–	1,819	–	824
–	**–**	**–**	**10,459**	**–**	**1,819**	**–**	**824**

Profit/(loss) from operating activities (segment result)		EBITDA		Operational earnings (EBIT)		Profit before tax (PBT)	
2015	2014	2015	2014 (restated)	2015	2014 (restated)	2015	2014
110,057	92,051	214,842	146,455	191,332	123,174	154,898	108,419
562,979	849,549	994,179	1,833,016	627,619	1,390,710	424,370	715,333
(73,351)	(96,340)	1,864	(30,722)	(19,610)	(52,581)	(27,487)	(72,748)
(24,335)	(102,164)	(68,349)	(52,119)	(70,636)	(54,900)	(28,377)	(98,269)
575,350	**743,096**	**1,142,536**	**1,896,630**	**728,705**	**1,406,403**	**523,404**	**652,735**

Impairment reversals		Share of profits and losses of equity-method associates and joint ventures		Interest and similar income		Interest and similar expenses	
2015	2014	2015	2014	2015	2014	2015	2014
–	–	60,784	30,719	4,010	6,240	16,701	16,973
3,147	673	(7,515)	21,648	38,940	41,589	200,137	222,809
44	–	25,766	33,574	9,169	11,825	28,679	33,235
833	–	–	–	7,678	5,399	(5,270)	12,413
4,024	**673**	**79,035**	**85,941**	**59,797**	**65,053**	**240,247**	**285,430**

Explanatory notes to the segmental data

Intersegment sales represent revenue generated between divisions. They are transacted on an arm's length basis. External sales mainly comprise revenue recognized using the percentage-of-completion method in the mainstream construction business, construction management, and contract mining, in the amount of EUR 17,965,879 thousand (2014: EUR 18,448,153 thousand). The sum of external sales and intersegment sales gives total sales revenue for each division.

The share of profits and losses of equity-method associates and joint ventures comprises income and expenses, including impairment losses relating to companies accounted for using the equity method.

Depreciation and amortization relate to intangible assets with finite useful lives, property, plant and equipment, and investment properties.

The impairment losses relate to intangible assets, property, plant and equipment, investment properties, and financial assets.

Purchases comprise additions to intangible assets, property, plant and equipment, investment properties, equity-method investments (excluding equity-method adjustments), subsidiaries, and other participating interests.

Total assets are equivalent to the divisions' totals in the Consolidated Balance Sheet. Gross debt equals total assets minus consolidated shareholders' equity.

Operational earnings (EBIT) are derived from profit from operating activities as follows:

(EUR thousand)	2015	2014 (restated)
Earnings from operating activities	575,350	(75,332)
+ Net income from joint ventures	102,224	86,408
– Non-recurring items	(+) 51,131	(+) 548,102
Operational earnings (EBIT)	**728,705**	**559,178**

The method used to calculate EBIT was standardized across the Group in 2015 and the prior-year figures were restated accordingly. The net income from participating interests included in EBIT now consists exclusively of earnings from joint ventures. Non-recurring items comprise income and expenses deemed exceptional for business management purposes, or resulting from exceptional transactions, or not attributable to the operating business. Non-recurring items are mainly attributable to restructuring expenses, exchange rate gains or losses, as well as income or expenses from asset disposals or arising on deconsolidation. In the previous year, the non-recurring items item was also impacted by an accounting provision to cover default risk on project receivables in the HOCHTIEF Asia Pacific division.

37. Notes to the Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows classifies cash flows into operating, investing, and financing activities. Exchange rate effects are eliminated and their influence on the cash position is disclosed separately. Changes in cash and cash equivalents due to acquisitions and disposals of consolidated companies are shown separately under cash used in or provided by investing activities. As in the prior year, the EUR 465,847 thousand decrease (2014: EUR 309,079 thousand) in cash and cash equivalents due to consolidation changes consists in its entirety of cash and cash equivalents disposed of in divestments.

The EUR 2,808,707 thousand (2014: EUR 2,585,359 thousand) year-end total for cash and cash equivalents shown on the cash flow statement matches the cash and cash equivalents item on the balance sheet. The total comprises EUR 913 thousand (2014: EUR 1,574 thousand) in petty cash, EUR 2,243,934 thousand (2014: EUR 2,316,922 thousand) in cash balances at banks, and EUR 563,860 thousand (2014: EUR 266,863 thousand) in marketable securities with maturities of no more than three months at the time of acquisition. Cash and cash equivalents to the value of EUR 110,963 thousand are subject to restrictions (2014: EUR 26,518 thousand).

Cash flow from operations represented a cash inflow of EUR 1,135,206 thousand. The balance of cash flows relating to capital expenditure and asset disposals/divestments resulted in a EUR 962,907 thousand net cash inflow in cash flow from investing activities. This reflects the sale of John Holland as well as the Thiess and Leighton Contractors service business at CIMIC in late 2014, which led to a cash inflow in 2015. The net cash outflow of EUR 2,008,798 thousand in cash flow from financing activities was largely attributable to extensive debt repayment. Including exchange rate changes, cash and cash equivalents increased overall by EUR 223,348 thousand.

All non-cash income and expense and all income from asset disposals or arising on deconsolidation is eliminated in cash flow from operations.

Cash flow from operations included:

- Interest income of EUR 61,736 thousand (2014: EUR 57,272 thousand),
- Interest expenses of EUR 240,247 thousand (2014: EUR 284,606 thousand),
- Income tax paid amounting to EUR 428,899 thousand (2014: EUR 81,792 thousand).

After deducting the non-cash component of income from equity-accounted interests, net income received (as dividends) from such interests was EUR 116,703 thousand (2014: EUR 106,844 thousand).

Divestments relate to the deconsolidation of fully consolidated subsidiaries. This reduced non-current assets by EUR 832 thousand (2014: EUR 342,708 thousand) and current assets by EUR 548,510 thousand (2014: EUR 1,665,507 thousand). Non-current liabilities decreased by EUR 3 thousand (2014: EUR 60,192 thousand) and current liabilities by EUR 81,648 thousand (2014: EUR 1,352,758 thousand). As of the balance sheet date, the sale proceeds of EUR 494,008 thousand (2014: EUR 1,067,124 thousand) were settled in full (2014: in the amount of EUR 145,350 thousand) in the form of cash and cash equivalents.

Dividends of EUR 128,926 thousand (2014: EUR 103,964 thousand) were paid to HOCHTIEF's shareholders in the year under review. Dividends paid to minority shareholders totaled EUR 107,294 thousand (2014: EUR 108,120 thousand), of which EUR 79,017 thousand (2014: EUR 96,891 thousand) relates to the CIMIC Group.

Debt repayments came to EUR 2,308,197 thousand (2014: EUR 1,147,210 thousand), compared with EUR 786,090 thousand (2014: EUR 1,650,551 thousand) in new borrowing.

Financial assets and financial liabilities are made up as follows:

(EUR thousand)	**Dec. 31, 2015**	Dec. 31, 2014 (restated)
Cash and cash equivalents	2,808,707	2,585,359
Marketable securities	576,898	741,535
Current financial receivables	66,083	77,474
Current tax receivables (excluding income taxes)	11,447	7,115
Receivables from the sale of discontinued operations	–	1,108,112
Total financial assets	**3,463,135**	**4,519,595**
Bonds or notes issued, and amounts due to banks	2,472,601	3,815,963
Lease liabilities	171,621	198,288
Financial liabilities to associates	1,000	23,306
Sundry other financial liabilities	12,512	12,222
Financial liabilities	**2,657,734**	**4,049,779**
Net financial assets	**805,401**	**469,816**

The method and criteria used to calculate net financial assets was standardized across the HOCHTIEF Group in the current year. This mainly affects current financial receivables as well as financial liabilities to associates and sundry other financial liabilities, which are now included in net financial assets. The prior-year figures were restated accordingly.

In the prior year, the total financial assets of EUR 4,519,595 thousand included, under receivables from the sale of discontinued operations, proceeds of EUR 1,108,112 thousand from the sale of John Holland and of the services business at Thiess and Leighton Contractors.

Financial assets are subject to certain restrictions on their use. Other than by financial liabilities, net financial assets are offset by advance payments from clients, cash call commitments on financial assets, and order exposure from awarded capital expenditure projects. Advance payments from clients came to EUR 708,630 thousand (2014: EUR 813,320 thousand) and serve to fund contract costs. Cash call commitments on financial assets total EUR 4,209 thousand (2014: EUR 6,009 thousand) and relate to joint ventures in the HOCHTIEF Europe division. The prior-year figure also included cash call commitments for PPP project companies in the HOCHTIEF Asia Pacific division in the amount of EUR 13,059 thousand. Group order exposure from awarded capital expenditure projects is EUR 2,468 thousand (2014: EUR 22,521 thousand) and mostly relates to the CIMIC Group’s mining activities.

38. Related party disclosures

Significant related parties include ACS, the parent company of HOCHTIEF Aktiengesellschaft. No material transactions were entered into between HOCHTIEF Aktiengesellschaft or any Group company and ACS or its affiliates during the year under review.

The Habtoor Leighton Group, a company accounted for using the equity method, is a related party that is material to the Group as of the balance sheet date.

Transactions with material related parties gave rise to amounts in the financial statements as follows:

(EUR thousand)	**2015**	2014
Loans	487,544	436,679
Receivables	79,307	75,317
Payables	766	870
Goods and services purchased	–	77
Other operating income	–	500
Interest income	21,732	20,668

The loans relate to the Habtoor Leighton Group.

All transactions with related parties were conducted on an arm’s length basis, with the exception of an interest-free loan for EUR 105,958 thousand (2014: EUR 91,207 thousand) to an associate in the HOCHTIEF Asia Pacific division. No other material transactions were entered into between HOCHTIEF Aktiengesellschaft or any Group company and Executive or Supervisory Board members or persons or companies close to them during 2015. There were no conflicts of interest involving Executive Board or Supervisory Board members.

On November 12, 2015, the CIMIC Group made a takeover offer for the 49% of Devine Limited that it did not already own at a price of AUD 0.75 per share. The offer ended on December 29, 2015 with an increase in CIMIC’s shareholding from 51% to 59%.

39. Total Executive Board and Supervisory Board compensation

The Compensation Report on pages 100–103 of this Group Report outlines the principles applied when determining Executive Board compensation at HOCHTIEF Aktiengesellschaft and explains the amount and composition of that compensation. The principles applied and the amount of Supervisory Board compensation are also described. The Compensation Report is based on the recommendations of the German Corporate Governance Code.

Benefits granted	Fernández Verdes Chairman of the Executive Board Date joined: April 15, 2012				Legorburo Member of the Executive Board Date joined: May 7, 2014				von Matuschka Member of the Executive Board Date joined: May 7, 2014				Sassenfeld Chief Financial Officer Date joined: November 1, 2011			
	2014[1]	2015			2014	2015			2014	2015			2014	2015		
(EUR thousand)		Granted	Minimum	Maximum		Granted	Minimum	Maximum		Granted	Minimum	Maximum		Granted	Minimum	Maximum
Fixed compensation	1,008	1,038	1,038	1,038	195	309	309	309	228	361	361	361	600	618	618	618
Fringe benefits	46	37	37	37	79	39	39	39	12	18	18	18	22	20	20	20
Total	**1,054**	**1,075**	**1,075**	**1,075**	**274**	**348**	**348**	**348**	**240**	**379**	**379**	**379**	**622**	**638**	**638**	**638**
One-year variable compensation	1,048	1,260	0	1,339	184	339	0	361	210	388	0	412	564	679	0	721
Multi-year variable compensation																
Long-term incentive component I[2]	886	1,066	0	1,133	184	339	0	361	210	388	0	412	564	679	0	721
Long-term incentive component II[3]																
LTIP stock awards (6-year term)	443	533[4]	0	567	92	170[4]	0	180	105	194[4]	0	206	282	339[4]	0	361
LTIP stock appreciation rights (7-year term)	443	533[4]	0	567	92	170[4]	0	180	105	194[4]	0	206	282	339[4]	0	361
Total	**3,874**	**4,467**	**1,075**	**4,681**	**826**	**1,366**	**348**	**1,430**	**870**	**1,543**	**379**	**1,615**	**2,314**	**2,674**	**638**	**2,802**
Service cost (service and interest cost)	1,020	1,824	1,824	1,824	166	246	246	246	219	313	313	313	392	548	548	548
Total compensation	**4,894**	**6,291**	**2,899**	**6,505**	**992**	**1,612**	**594**	**1,676**	**1,089**	**1,856**	**692**	**1,928**	**2,706**	**3,222**	**1,186**	**3,350**

[1] Excluding subsequent restatement (see compensation for past years)
[2] Transfer of shares with two-year bar
[3] Granted as long-term incentive plan
[4] Value at grant date

Benefits allocated	Fernández Verdes Chairman of the Executive Board Date joined: April 15, 2012		Legorburo Member of the Executive Board Date joined: May 7, 2014		von Matuschka Member of the Executive Board Date joined: May 7, 2014		Sassenfeld Chief Financial Officer Date joined: November 1, 2011	
(EUR thousand)	2015	2014[1]	2015	2014	2015	2014	2015	2014
Fixed compensation	1,038	1,008	309	195	361	228	618	600
Fringe benefits	37	46	39	79	18	12	20	22
Total	**1,075**	**1,054**	**348**	**274**	**379**	**240**	**638**	**622**
One-year variable compensation	1,260	1,048	339	184	388	210	679	564
Multi-year variable compensation								
Long-term incentive component I[2]	1,066	886	339	184	388	210	679	564
Long-term incentive component II	0	0	0	0	23	0	0	0
Total	**3,401**	**2,988**	**1,026**	**642**	**1,178**	**660**	**1,996**	**1,750**
Service cost (service and interest cost)	1,824	1,020	246	166	313	219	548	392
Total compensation	**5,225**	**4,008**	**1,272**	**808**	**1,491**	**879**	**2,544**	**2,142**

[1] Excluding subsequent restatement (see compensation for past years)
[2] Transfer of shares with two-year bar

The present value of pension benefits for current and former Executive Board members is EUR 92,889 thousand (2014: EUR 98,186 thousand).

Payments to former members of the Executive Board and their surviving dependents were EUR 4,869 thousand (2014: EUR 7,676 thousand). Pension obligations to former members of the Executive Board and their surviving dependents totaled EUR 83,404 thousand (2014: EUR 90,590 thousand).

(EUR thousand)		Present value of pension benefits
Fernández Verdes	2015	6,193
	2014	5,068
Legorburo	2015	432
	2014	236
von Matuschka	2015	537
	2014	301
Sassenfeld	2015	2,323
	2014	1,991
Executive Board total	2015	**9,485**
	2014	**7,596**

Executive Board compensation in relation to offices held at Group companies

Peter Sassenfeld received pension awards under Australian law for the services on the CIMIC Board in the amount of EUR 1 thousand*.

For his services in Australia as CEO of CIMIC, Mr. Fernández Verdes received an expense allowance of EUR 340 thousand* and fringe benefits in the amount of EUR 24 thousand* for 2015. The conditions for exercising the stock appreciation rights (SARs) granted by CIMIC in 2014 were modified in 2015. Following the waiting period, up to 40% of the SARs—as previously—may be exercised per annum in the first two years of the exercise period. However, all remaining unexercised SARs may be exercised in the third year of the exercise period. The sole effect of this amendment to the conditions was the increase of the fair value as of the grant date by EUR 2.1 million*. Neither the basis of calculation nor the maximum value of the SARs was altered as a result of the amendment.

Further compensation for the holding of office on the boards of other companies in which HOCHTIEF has a direct or indirect interest are either not paid out to the Executive Board members or are set off against their Executive Board compensation.

Total compensation for the members of the Supervisory Board came to EUR 2,323,200 (2014: EUR 2,783,400).

*The euro amount depends on the exchange rate.

40. Auditing fees

Fees for services provided by auditors Deloitte & Touche were paid and recognized as expenses as follows:

(EUR thousand)	2015	2014
Financial statement audits	6,462	5,568
Of which in Germany	[1,189]	[1,190]
Other assurance services	492	1,084
Of which in Germany	[65]	[118]
Tax consulting	63	136
Of which in Germany	[–]	[–]
Other services for HOCHTIEF Aktiengesellschaft or subsidiaries	91	237
Of which in Germany	[–]	[68]
	7,108	**7,025**

The fees for services provided in Germany relate to services of the appointed Group financial statement auditors Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft and its affiliates within the meaning of Section 271 (2) of the German Commercial Code. The fees for financial statement audits mostly relate to fees charged by Group auditors Deloitte & Touche for auditing the HOCHTIEF Group consolidated financial statements, the combined HOCHTIEF Group and HOCHTIEF Aktiengesellschaft management report, and the financial statements of HOCHTIEF Aktiengesellschaft and its domestic and international subsidiaries. Tax consulting encompasses all services provided in connection with tax matters, mostly for HOCHTIEF Aktiengesellschaft's international subsidiaries. The other assurance services and other services mainly relate to projects in the HOCHTIEF Asia Pacific division.

41. Declaration pursuant to Section 161 of the German Stock Corporations Act

The declaration on corporate governance required by Section 161 of the German Stock Corporations Act (AktG) has been made available for the general public to view at any time on the HOCHTIEF website.*

*For further information on corporate governance at HOCHTIEF, please see www.hochtief.com/corporate-governance.

42. Events since the balance sheet date

On January 11, 2016, the Executive Board of HOCHTIEF Aktiengesellschaft opted to continue the stock buyback program completed on December 31, 2015. The stock buyback program is based on the authorization granted at the Annual General Meeting of May 6, 2015 to repurchase shares in the amount of up to 10% of the Company's capital stock by May 5, 2020. Repurchases can commence from January 12, 2016.

On December 14, 2015, the CIMIC Group Board approved a share buyback of up to 10% of CIMIC's fully paid ordinary shares within the next twelve months. The purchased CIMIC shares will then be canceled. No CIMIC shares were purchased up to December 31, 2015.

On January 13, 2016, the CIMIC Group, through subsidiary CIMIC Group Investments Pty Limited (CGI), announced its intention to make a takeover offer to acquire the 63.01% of Sedgman that it does not yet already own at a price of AUD 1.07 per share.

43. Use of the exempting provisions in Section 264 (3) (and Section 264b) of the German Commercial Code

The following domestic fully consolidated subsidiaries made partial use of the exempting provisions in 2015:
A.L.E.X.-Bau GmbH, Essen,
Deutsche Baumanagement GmbH, Essen,
Deutsche Bau- und Siedlungs-Gesellschaft mbH, Essen,
Eurafrica Baugesellschaft mbH, Essen,
forum am Hirschgarten Nord GmbH & Co. KG (formerly: MK 3 Nord GmbH & Co. KG), Essen,
forum am Hirschgarten Süd GmbH & Co. KG (formerly: MK 3 Süd GmbH & Co. KG), Essen,
GVG mbH & Co. Objekt RPU Berlin 2 KG, Essen,

HOCHTIEF Ackerstraße 71–76 GmbH & Co. KG, Berlin,
HOCHTIEF Americas GmbH, Essen,
HOCHTIEF Asia Pacific GmbH, Essen,
HOCHTIEF Aurestis Beteiligungsgesellschaft mbH, Essen,
HOCHTIEF Bau und Betrieb GmbH, Essen,
HOCHTIEF Building GmbH, Essen,
HOCHTIEF Construction Erste Vermögensverwaltungsgesellschaft mbH, Essen,
HOCHTIEF Engineering GmbH, Essen,
HOCHTIEF Engineering International GmbH, Essen,
HOCHTIEF Infrastructure GmbH, Essen,
HOCHTIEF Insurance Broking and Risk Management Solutions GmbH, Essen,
HOCHTIEF LLBB GmbH, Essen,
HOCHTIEF ÖPP Projektgesellschaft mbH, Essen,
HOCHTIEF Offshore Crewing GmbH, Essen,
HOCHTIEF PANDION Oettingenstraße GmbH & Co. KG, Essen,
HOCHTIEF PPAC GmbH, Essen,
HOCHTIEF PPP Europa GmbH, Essen,
HOCHTIEF PPP Operations GmbH, Essen,
HOCHTIEF PPP Solutions GmbH, Essen,
HOCHTIEF PPP Schulpartner Braunschweig GmbH, Braunschweig,
HOCHTIEF Projektentwicklung GmbH, Essen,
HOCHTIEF Projektentwicklung “Helfmann Park” GmbH & Co. KG, Essen,
HOCHTIEF Solutions AG, Essen,
HOCHTIEF Solutions Real Estate GmbH, Essen,
HOCHTIEF Trade Solutions GmbH, Essen,
HOCHTIEF ViCon GmbH, Essen,
HTP Immo GmbH, Essen,
HTP Projekt 2 (zwei) GmbH & Co. KG, Essen,
I.B.G. Immobilien- und Beteiligungsgesellschaft Thüringen-Sachsen mbH, Erfurt,
LOFTWERK Eschborn GmbH & Co. KG, Essen,
Maximiliansplatz 13 GmbH & Co. KG, Essen,
MK 1 Am Nordbahnhof Berlin GmbH & Co. KG, Essen,
Moltendra Grundstücks- und Vermietungsgesellschaft mbH & Co. Objekt Mainoffice KG, Frankfurt am Main,
Projektgesellschaft Börsentor Frankfurt GmbH & Co. KG, Essen,
Projektgesellschaft Konrad-Adenauer-Ufer Köln GmbH & Co. KG, Essen,
Projektgesellschaft Marco Polo Tower GmbH & Co. KG, Hamburg,
Projektgesellschaft Quartier 21 mbH & Co. KG, Essen,
Projekt Messeallee Essen GmbH & Co. KG, Essen,
SCE Chile Holding GmbH, Essen,
Spiegel-Insel Hamburg GmbH & Co. KG, Essen,
Tivoli Garden GmbH & Co. KG, Essen,
Tivoli Office GmbH & Co. KG, Essen,
TRINAC GmbH, Essen.

44. Subsidiaries, associates, and other significant participating interests of the HOCHTIEF Group at December 31, 2015

The complete list of subsidiaries in accordance with the requirements of Section 313 of the German Commercial Code is published in the Bundesanzeiger (Federal Official Gazette) as well as on our website: www.hochtief.com/subsidiaries2015

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report, which is combined with the management report of HOCHTIEF Aktiengesellschaft, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Essen, February 19, 2016

HOCHTIEF Aktiengesellschaft

The Executive Board

Marcelino Fernández Verdes

Peter Sassenfeld

José Ignacio Legorburo Escobar

Nikolaus Graf von Matuschka

Consolidated Financial Statements
and Notes

Independent Auditors' Report

We have audited the consolidated financial statements—comprising Group statement of earnings, consolidated statement of comprehensive income, Group balance sheet, statement of cash flows, statement of changes in equity, and notes to the consolidated financial statements, prepared by HOCHTIEF Aktiengesellschaft, Essen/Germany, as well as the group management report, which has been combined with the parent company's management report for the financial year from January 1, to December 31, 2015. The preparation of the consolidated financial statements and the group management report in accordance with International Financial Reporting Standards (IFRS), as applicable in the EU, and the regulations under German commercial law as complementarily applicable under § 315a (1) German Commercial Code (HGB) is the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 German Commercial Code (HGB) in compliance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with applicable accounting regulations and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, which is based on the results of our audit, the consolidated financial statements of HOCHTIEF Aktiengesellschaft, Essen/Germany, comply with the IFRS, as applicable in the EU, and the regulations under German commercial law as complementarily applicable under § 315a (1) German Commercial Code (HGB) and convey a true and fair view of the Group's net assets, financial position and results of operations in accordance with these regulations. The group management report is consistent with the consolidated financial statements, conveys, in the aggregate, a true and fair view of the Company's and Group's position and suitably presents the risks and opportunities of future development.

Düsseldorf, February 19, 2016

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Schlereth)
Wirtschaftsprüfer (German Public Auditor)

(Bedenbecker)
Wirtschaftsprüfer (German Public Auditor)

3.2 Material Changes in Financial Condition

Front Range
Mobility Group

A ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

HOCHTIEF

HOCHTIEF Aktiengesellschaft - D-45128 Essen

CORPORATE
HEADQUARTERS

Opernplatz 2
45128 Essen
Germany
Tel.: +49 201 824-2858
Fax: +49 201 824-2750

Form G-1: Material Changes

June 1, 2017

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222
Attn: Keith Stefanik, Procuring Authorities' Contact Person

Re. Material Changes Letter
in connection with the Instruction to Proposers for the Central 70 Project ("ITP")

We, Peter Sassenfeld, in my capacity as Chief Financial Officer, and Georg von Bronk, in my capacity as Head of Corporate Governance of HOCHTIEF Aktiengesellschaft (the "Company"), a Financially Responsible Party in Front Range Mobility Group, and not in our personal capacities, deliver this letter pursuant to Section 3.2 of the Administrative and Technical Proposal Submission Requirements and hereby confirm as follows.

Except as set forth in the Exhibit(s) attached hereto, there have been no material changes in the Company's financial capacity since Proposer submitted its SOQ and no material changes are anticipated to occur during the remainder of the Company's current fiscal year.

Unless defined herein, capitalized terms used in this letter have the meanings given to them in the ITP.

Yours sincerely,
for **HOCHTIEF Aktiengesellschaft**
Authorized Signatures:

Name: Peter Sassenfeld
Title: Chief Financial Officer

Name: Georg von Bronk
Title: Head of Corporate Governance

RESPONSE

With regard to the list of examples set out in the ITP that are considered to be a material change in financial condition, please note the details outlined in the attached Exhibits to this Form G-1. For consistency and to avoid unintended exchange rate effects, the monetary details set out in the Exhibits are in EUR values only. The disclosed information is in line with the Company's consolidated Financial Statements, Notes and Annual Reports, which reflect the entire picture of the Company's financial condition. The disclosures in the attached Exhibits are made for (i) the most recently completed fiscal years for which financial statements were not submitted in the SOQ (years 2015 and 2016); and (ii) the current fiscal year 2017 being the current reporting period with published interim financial statements for Q1 2017. As fiscal year 2017 has not been completed yet, statements made for (ii) are forward looking and reflect, to the best of our knowledge, potential material changes in financial condition with regard to the list of examples set out in the ITP. As of the date hereof, there is no knowledge of any impact that will affect the Company's participation in the Project.

EXHIBIT A

Part I. In accordance with Section 3.1.2.a of the Financial Proposal Instructions, the following sets out a description of an actual or anticipated material change:

i. such change;

Between January 1, 2015 and December 31, 2015, 3,290,905 shares of treasury stock were purchased for a total price of EUR 245,511,524 (an average price of EUR 74.60 per share) as part of the stock buyback program decided upon on October 1, 2014 for the purposes provided for in the authorizing resolution of the Annual General Meeting of May 7, 2014 and that of May 6, 2015 and for all other purposes permitted under AktG.

Between January 12, 2016 and March 10, 2016, 954,717 shares of treasury stock were purchased for a total price of EUR 79,655,955 (an average price of EUR 83.43 per share) as part of the stock buyback program decided upon on January 11, 2016 for the purposes provided for in the authorizing resolutions of the Annual General Meeting of May 7, 2014 and that of May 6, 2015 and for all other purposes permitted under AktG.

Making use of the authorization granted at the Annual General Meeting of May 11, 2016 to cancel shares of treasury stock and shares acquired in accordance with Section 71 (1) No. 8 of the German Stock Corporations Act (AktG), the Executive Board adopted a resolution on September 19, 2016 to cancel 5,009,434 shares of treasury stock. The Supervisory Board approved the cancellation. Following the cancellation, the Company's capital stock is divided into 64,300,000 no-par-value bearer shares. Concurrently with the cancellation, the Company's capital stock was reduced to EUR 164,608,000.00. The capital reduction was effected by cancellation of treasury stock acquired in accordance with Section 71 (1) No. 8 Sentence 6 AktG by application of the simplified cancellation procedure (Section 237 (3) No. 2 AktG). Each share accounts for EUR 2.56 of capital stock.

In December 2015, CIMIC, a group company of the Company, resolved to conduct a stock buyback program, with up to 33,850,356 shares (up to 10% of the share capital) to be bought back in the twelve months from December 29, 2015. The buyback was aimed at improving shareholder returns, enhancing capital efficiency, and maintaining sufficient balance sheet flexibility to pursue future growth and investment opportunities. The initiative reflects CIMIC's strong balance sheet position, solid cash flow generation, and disciplined approach to capital management. The buyback was funded by a combination of CIMIC's existing cash balances and working capital facilities. By the end of 2016, CIMIC had repurchased 14,249,466 shares, 4.2% of its share capital at AUD 29.89 per share. In Australia, shares are automatically retired soon after being repurchased, resulting in an increase in HOCHTIEF's stake in CIMIC to 72.68% (year-end 2015: 69.6%).

The stock buyback programs affected HOCHTIEF group's equity and therefore tangible net worth. The 2016 consolidated statement of changes in equity includes minus EUR 286.7 million for the purchase of treasury stock by CIMIC and minus EUR 79.7 million for the purchase of treasury stock by the Company.

ii. actual and anticipated changes or disruptions in executive management relating to such change;

None

iii. the likelihood that such change will continue during the proposed period of Project construction;

The Company is authorized by resolution of the Annual General Meeting of May 11, 2016 to repurchase its own shares in accordance with Section 71 (1) No. 8 of the German Stock Corporations Act (AktG). The authorization expires on May 10, 2021. It is limited to 10% of the capital stock at the time of the Annual General Meeting resolution or at the time of exercising the authorization, whichever figure is smaller.

On December 12, 2016, the Board of CIMIC approved a further on-market share buyback of up to 10% of

CIMIC shares for a period of twelve months commencing on December 29, 2016 (New Buy Back). The New Buy Back will be funded by a combination of CIMIC's existing cash balances and working capital facilities.

iv. the projected full extent, nature and impact, positive and negative, of such change experienced and anticipated to be experienced in the proposed period of Project construction;

The share retirement creates value for all HOCHTIEF shareholders.

v. how such change is anticipated to affect the organizational and financial capacity and ability of the relevant entity to remain engaged in the procurement described in the RFP and to ultimately participate in the Project as anticipated by the relevant Proposal.

As of the date hereof, this change is not anticipated to affect the organizational and financial capacity and ability of the Company to remain engaged in the procurement and participate in the Project.

Part II. In accordance with Section 3.1.2.b of the Financial Proposal Instructions, set out below are estimates of the impact of the material change on:

i. revenues;

n. a.

ii. expenses;

n. a.

iii. change in equity availability.

As of the date hereof, there is no anticipated impact on equity availability for the Project.

Part III. In accordance with Section 3.1.2.c of the Financial Proposal Instructions, if the material change will have a negative financial impact, an explanation of measures that have been taken, are currently in progress or would be reasonably anticipated to be taken to insulate the Project from any such material change:

n. a.

EXHIBIT B

Part I. In accordance with Section 3.1.2.a of the Financial Proposal Instructions, the following sets out a description of an actual or anticipated material change:

i. such change;

On October 10, 2016 the CIMIC Group, through its subsidiary CIMIC Group Investments No. 2 Pty Limited (CGI2), a group company of the Company, acquired 13.84% of the issued shares of Australian services group UGL Limited ("UGL") and gave notice in a takeover bid that it wished to acquire the shares not yet held at a price of AUD 3.15 per share. Effective November 24, 2016, CIMIC increased its holding to over 50% and consolidated UGL. The holding as of December 31, 2016 balance sheet date was 95%. Acquisition of the remaining shares was completed on January 20, 2017, following which CIMIC holds 100% of the shares. The purchase price transferred for obtaining the non-controlling interests was EUR 167.3 million as of December 31, 2016. An amount of EUR 19.7 million was recognized as a liability for outstanding shares.

On January 13, 2016, the CIMIC Group, through its subsidiary CIMIC Group Investments Pty Limited, a group company of the Company, gave notice in a takeover bit that it wished to acquire the 63.01% ownership interest not yet held in publicly listed mining services group Sedgman Limited, New South Wales, Australia ("Sedgman"). CIMIC increased its holding and thereby gained control of Sedgman on February 23, 2016. The acquisition of the remaining shares was completed on April 13, 2016, following which CIMIC holds 100% of the shares. The total purchase consideration comprises cash paid of EUR 3.8 million on the date of obtaining control and the fair value of the previously held equity interest in the amount of EUR 70.4 million.

Both acquisitions affected the tangible net worth of HOCHTIEF Group due to the recognition of a goodwill in the amount of EUR 323.7 million for the UGL acquisition and EUR 41.4 million for the Sedgman acquisition. Further, HOCHTIEF Group equity was reduced by EUR 384.5 million due to acquisitions by CIMIC during 2016 which is included in "Other changes not recognized in the Statement of Earnings" of the Company's consolidated statement of changes in equity.

ii. actual and anticipated changes or disruptions in executive management relating to such change;

None.

iii. the likelihood that such change will continue during the proposed period of Project construction;

Both acquisitions are completed; CIMIC holds 100% of the shares.

iv. the projected full extent, nature and impact, positive and negative, of such change experienced and anticipated to be experienced in the proposed period of Project construction;

The companies strengthen the HOCHTIEF group's activities in the services industry.

v. how such change is anticipated to affect the organizational and financial capacity and ability of the relevant entity to remain engaged in the procurement described in the RFP and to ultimately participate in the Project as anticipated by the relevant Proposal.

As of the date hereof, this change is not anticipated to affect the organizational and financial capacity and ability of the Company to remain engaged in the procurement and participate in the Project.

Part II. In accordance with Section 3.1.2.b of the Financial Proposal Instructions, set out below are estimates of the impact of the material change on:

i. ***revenues;***

Effective November 24, 2016, CIMIC Group increased its holding of UGL Limited to over 50%, fully consolidating the entity; from this date on to the December 31, 2016 balance sheet date, UGL contributed EUR 137.5 million to sales.

On February 23, 2016, the CIMIC Group gained control over Sedgman Limited South Wales, Australia. From this date on to the December 31, 2016 balance sheet date, CIMIC consolidated EUR 150.6 million of sales from Sedgman.

ii. expenses;

n. a.

iii. change in equity availability.

As of the date hereof, there is no anticipated impact on equity availability for the Project.

Part III. In accordance with Section 3.1.2.c of the Financial Proposal Instructions, if the material change will have a negative financial impact, an explanation of measures that have been taken, are currently in progress or would be reasonably anticipated to be taken to insulate the Project from any such material change:

n. a.

EXHIBIT C

Part I. In accordance with Section 3.1.2.a of the Financial Proposal Instructions, the following sets out a description of an actual or anticipated material change:

i. such change;

In 2015, the number of HOCHTIEF Group's employees decreased by 31.12%. The main transformation processes taking place in recent years in the HOCHTIEF Asia Pacific and Europe divisions were completed. The number of direct employees in both companies fell in 2015 due to transformation, including divestments of non-core activities in prior year.

ii. actual and anticipated changes or disruptions in executive management relating to such change;

None

iii. the likelihood that such change will continue during the proposed period of Project construction;

n. a.

iv. the projected full extent, nature and impact, positive and negative, of such change experienced and anticipated to be experienced in the proposed period of Project construction;

n. a.

v. how such change is anticipated to affect the organizational and financial capacity and ability of the relevant entity to remain engaged in the procurement described in the RFP and to ultimately participate in the Project as anticipated by the relevant Proposal.

As of the date hereof, this change is not anticipated to affect the organizational and financial capacity and ability of the Company to remain engaged in the procurement and participate in the Project.

Part II. In accordance with Section 3.1.2.b of the Financial Proposal Instructions, set out below are estimates of the impact of the material change on:

i. revenues;

n. a.

ii. expenses;

n. a.

iii. change in equity availability.

As of the date hereof, there is no anticipated impact on equity availability for the Project.

Part III. In accordance with Section 3.1.2.c of the Financial Proposal Instructions, if the material change will have a negative financial impact, an explanation of measures that have been taken, are currently in progress or would be reasonably anticipated to be taken to insulate the Project from any such material change:

n. a.

3.3 Off Balance Sheet Liabilities

Front Range
Mobility Group
Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

HOCHTIEF

HOCHTIEF Aktiengesellschaft - D-45128 Essen

CORPORATE
HEADQUARTERS

Form G-2: Off Balance Sheet Liabilities

June 1, 2017

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222
Attn: Keith Stefanik, Procuring Authorities' Contact Person

Re. Off Balance Sheet Liabilities Letter
in connection with the Instruction to Proposers for the Central 70 Project ("ITP")

We, Peter Sassenfeld, in my capacity as Chief Financial Officer, and Georg von Bronk, in my capacity as Head of Corporate Governance of HOCHTIEF Aktiengesellschaft (the "Company"), a Financially Responsible Party in Front Range Mobility Group, and not in our personal capacities, deliver this letter pursuant to Section 3.3 of the Administrative and Technical Proposal Submission Requirements set out in the ITP and hereby confirm as follows.

There are no off balance sheet liabilities for any fiscal year of the Company in respect of which financial statements have been submitted in accordance with Section 3.1 of the Administrative and Technical Proposal Submission Requirements that exceed $25 million in aggregate in such fiscal year.

Yours sincerely,
for **HOCHTIEF Aktiengesellschaft**
Authorized Signatures:

Name: Peter Sassenfeld
Title: Chief Financial Officer

Name: Georg von Bronk
Title: Head of Corporate Governance

3.4 Credit Ratings

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

Form G-3: Credit Ratings

Proposer Name: Front Range Mobility Group

Credit Ratings

Role	Entity Name	Fitch	Moody's	S&P	DBRS	Change(s) in any credit ratings since SOQ?	Describe Change(s)
EM, LO	HOCHTIEF PPP Solutions North America, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	ACS Infrastructure Development, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	AECOM Capital, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM	John Laing Investments Limited	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Flatiron Constructors, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Dragados USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	AECOM Energy & Construction, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	CH2M HILL Engineers, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	AECOM Technical Services, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF Aktiengesellschaft	Not rated	Not rated	**BBB**	Not rated	☒ Yes ☐ No	Now rated by S&P
FRP	HOCHTIEF PPP Solutions GmbH	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	ACS Servicios y Concesiones, S.L.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	AECOM	Not rated	**Ba2**	**BB**	Not rated	☒ Yes ☐ No	Now rated by S&P in addition to Moody's; Moody's rating has not changed since the SOQ
FRP	Dragados, S.A.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	John Laing Group plc	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	CH2M HILL Companies, Ltd	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	

S&P Global
Ratings

RatingsDirect®

Research Update:

Germany-Based Engineering And Construction Company HOCHTIEF AG Rated 'BBB/A-2'; Outlook Stable

Primary Credit Analyst:
Alexandra Balod, London (44) 20-7176-3891; alexandra.balod@spglobal.com

Secondary Contact:
Renato Panichi, Milan (39) 02-72111-215; renato.panichi@spglobal.com

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Research Update:

Germany-Based Engineering And Construction Company HOCHTIEF AG Rated 'BBB/A-2'; Outlook Stable

Overview

- HOCHTIEF AG (Hochtief) is the largest subsidiary of Spain-based ACS, Actividades de Construcción y Servicios S.A. (ACS; BBB/Stable/A-2), one of the world's largest engineering and construction groups, and accounts for more than half of the consolidated group's revenues, assets, profits, and cash flow.
- In our view, Hochtief's large size and wide business and geographic diversity support its business profile and partly offset the risks inherent to the cyclical construction industry.
- We expect that in 2017-2019, Hochtief will maintain its currently strong balance sheet and will continue to represent the majority of the ACS group's operating cash flow. We are assigning our 'BBB/A-2' long- and short-term corporate credit ratings to Hochtief, in line with our ratings on ACS.
- The stable outlook reflects our view that in 2017-2018, ACS will further consolidate its improved performance of 2015-2016, focusing on cash flow generation and disciplined working capital management.

Rating Action

On May 9, 2017, S&P Global Ratings assigned its 'BBB/A-2' long- and short-term corporate credit ratings to Germany-based engineering and construction company HOCHTIEF AG (Hochtief). The outlook is stable.

Rationale

Our rating on Hochtief is in line with the long-term corporate credit rating on its Spain-based parent ACS, Actividades de Construcción y Servicios S.A. (ACS). Hochtief is 72%-owned by ACS and constitutes more than half of ACS' consolidated group assets, earnings, and cash flow.

Since 2011, ACS has gradually increased its share of ownership in Hochtief, and has simplified the corporate structure, enhanced integration, and aligned the strategy and risk management within the consolidated group. This was further reinforced in May 2017, when ACS announced that Mr Marcelino Fernández Verdes will be appointed CEO of ACS on May 11, 2017 and will remain CEO of Hochtief. Also, in the past few years, ACS has significantly reduced debt through noncore asset disposals and group streamlining, particularly in those

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parts of the group that are outside Hochtief's perimeter. As a result, the ACS group's leverage metrics have significantly improved. We believe that the improved financial risk profile at the ACS consolidated group level and enhanced integration within the group are credit positive for both ACS' and Hochtief's creditworthiness.

We do not view Hochtief as an insulated subsidiary within the ACS group, even though there are significant minority shareholders. In 2010, Hochtief adopted a ring-fencing policy to limit cash transfers to ACS. We understand that since 2017, Hochtief has discontinued this ring-fencing policy and is gradually refinancing the outstanding financial debt by issuing new debt instruments with no ring-fencing terms. Under German corporate law we believe the presence of significant minority shareholders may to some extent constrain cash movement within the group. At the same time, ACS would likely be able to access Hochtief's cash flow if needed, given its current 72% ownership rate if it achieved a domination agreement.

Our ratings on ACS reflect the group's large size, geographic and business diversity, leading positions in construction markets in several countries, and ability to implement large and technically complex projects that help to offset the typical high volatility and low entry barriers in the construction business. ACS' financial leverage metrics have improved significantly over the past few years, reflecting the group's strategic decision to significantly reduce its exposure to concessions and adopt a light business model. The group focused on debt reduction through noncore asset disposals and group streamlining. Our ratio of adjusted funds from operations (FFO) to debt for the group stood at 30.4% at end-2016, up from 23.9% in 2015 and 12.7% in 2014. In 2017-2018, we expect ACS will consolidate its 2016 improvement in leverage and will continue generating positive free operating and discretionary cash flows. Specifically, we anticipate FFO to debt will stand at around 30%. (For more details see "Spanish Engineering And Construction Company ACS Actividades de Construccion y Servicios Rated 'BBB/A-2'; Outlook Stable," published on May 8, 2017).

Our stand-alone credit profile on Hochtief reflects its large size, diverse business portfolio, and leading market positions in several countries. Hochtief is one of the world's largest engineering and construction companies, with more than €20 billion revenues and more than €40 billion backlog at the end of 2016. It operates in building and civil construction, including transportation, energy, and social and urban infrastructure, as well as contract mining, public-private partnership projects, and services segments. Hochtief mainly operates in developed markets, which offer lower returns than emerging markets, but are subject to lower country risk and benefit from more stable and predictable economic, political, and legal environments. The group derives about 55% of revenues from North America, 35% from Asia Pacific, and 10% from Europe, and we understand that over the medium term it will focus on further strengthening its positions in existing markets rather than entering new ones.

Hochtief's strategy of carefully selecting and taking on low-risk projects in

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developed markets translates into relatively stable margins, which are in line with the group's international peer average. This reflects the high competition and lower risk and reward in the U.S. and Europe compared with emerging markets. On average, over the past five years, Hochtief's adjusted EBITDA margin stood at around 6%, and we forecast it will remain broadly at the same level in 2017-2019. Nevertheless, we believe that over the medium term, the positive macroeconomic environment and the need to increase investment into infrastructure in the group's key markets will continue to support the group's backlog and revenue growth and profitability.

In 2016, Hochtief's backlog significantly increased due to acquisitions and new project intake, and currently provides revenue visibility for at least the next two years. The group's proven ability to deliver large scale and technically complex projects, including tunnels, undergrounds, and bridges supports its ability to win new contracts. The backlog is well diversified by industry and by project, which reduces the risk of delays and cost overruns hindering profitability and cash flows. We understand that at the end of 2016, the largest 10 contracts represented a limited share of about 15% of the total backlog.

Over the past three to five years Hochtief's financial leverage has improved, reflecting enhanced integration with ACS, disposal of non-core assets, and improved working capital management.

Adjusted debt to EBITDA reduced to about 1.4x at the end of 2016 from about 2x in 2012-2013, and adjusted FFO to debt improved to more than 55% from 35% in the same period. We believe that over the next two to three years, the group will broadly keep credit metrics at similar levels to 2016. Nevertheless, we believe that having achieved a strong balance sheet in recent years, over time, the group may use its ample cash reserves and positive cashflows to pursue larger acquisitions or continue share buybacks, including at the level of Hochtief's Australia-based subsidiary CIMIC.

In our base case, we assume:

- Revenue growth of up to 10% in 2017, reflecting the integration of the UGL acquisition by Hochtief's Australia-based subsidiary CIMIC, and a large new backlog intake in 2016. In 2018-2019, we expect revenues will increase at about 4%-5%, reflecting new project wins, underpinned by the good prospects of the construction sector in its key markets, mainly in the U.S. and Australia.
- Adjusted EBITDA to stay at around 6%, slightly down from 2016 levels that were boosted by higher-than-usual dividends received from equity accounted investments.
- Limited working capital cash absorption in 2017-2018 despite a healthy increase in revenues and reflecting increased focus on efficiency.
- Capital expenditure (capex) below 2% of revenues, and investment in associates of up to €150 million.
- Dividends in line with management guidance.
- A limited amount of bolt-on acquisitions.

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Based on these assumptions, we arrive at the following credit metrics:

- Adjusted FFO to debt of about 50%-55%.
- Adjusted debt to EBITDA of about 1.3x-1.5x.
- Solid discretionary cash flow.

When calculating our credit metrics, we make several adjustments to Hochtief's reported debt. We add €654 million of operating leases, €294 million of pension liabilities, slightly below €500 million of factoring facilities, and €10 million of financial guarantees provided to equity-accounted associates to debt. We also apply a haircut of about €860 million to the group's surplus cash, which accounts for the cash and liquid short-term investments that we believe would not be immediately available for debt repayment.

Liquidity

The short-term rating on Hochtief is 'A-2'. We view the group's liquidity as strong, based on our forecast that sources of liquidity will exceed uses by more than 1.5x over the next 24 months. This reflects the group's ample cash reserves and our expectation of solid positive cash flows, which will more than offset short-term debt maturities and seasonal working capital outflows over this period. Moreover, we believe the group has solid relationships with leading international banks, and generally follows a prudent risk management policy aimed at maintaining a strong liquidity position.

Principal liquidity sources for the next 12 months starting from March 31, 2017, include:

- Cash and cash equivalents of around €2 billion;
- Available undrawn committed credit lines of about €820 million with maturities greater than one year. These mainly consist of a €500 million credit facility, which is part of the €2 billion syndicated guarantee and credit facility maturing in April 2019; and
- Unadjusted FFO generation of about €920 million.

Principal liquidity uses for the same period include:

- Debt maturities of about €330 million;
- Seasonal working capital requirements of up to €700 million, and a maximum €100 million-€150 million non-seasonal working capital outflow;
- Capex of about €300 million-€320 million and investment in associates of up to another €150 million;
- Bolt-on acquisitions of up to €150 million; and
- Dividends in line with management guidance.

There are no financial covenants in Hochtief's bonds. There is one financial covenant in the syndicated guarantee and credit facility and we expect the group will maintain ample headroom under this covenant in our base-case scenario.

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Outlook

The stable outlook on Hochtief reflects the outlook on ACS. In our view, in 2017-2018, ACS will consolidate its improved performance of 2015-2016, focusing on cash flow generation and disciplined working capital management. We forecast the group's adjusted EBITDA margins at 7.0%-7.5% in 2017 to be underpinned by already secured backlog and intake of new projects. We expect ACS' adjusted FFO to debt at around 30% in 2017-2018. We view positively ACS' management's commitment to maintain a conservative financial policy, with reported net debt to EBITDA not exceeding 1x.

Downside scenario

We could lower our ratings if we lowered our rating on ACS, for example if ACS's adjusted FFO to debt weakened to below 22% and discretionary cash flow (DCF) to debt reduced to about 5% without short-term prospects for recovery. In our view, this could happen as a result of a significant project setback that might decrease working capital. Pressure on the ratings may also arise from markedly higher debt owing, for instance, to sizable acquisitions or increased shareholder returns that we do not factor into our base-case scenario. A weakening of ACS' group liquidity would also weigh negatively on the ratings.

Upside scenario

In our view, ratings upside potential is currently limited. An upgrade of Hochtief would require an upgrade of ACS. We could raise the ratings on ACS if it committed to a more conservative financial policy, and we observed a track record of the group maintaining stronger credit metrics, including FFO to debt comfortably above 30% and DCF to debt above 10%. An upgrade would also require improved integration and cash movement within the group. We view such a scenario as unlikely, however, in 2017-2018.

Ratings Score Snapshot

Corporate Credit Rating: BBB/Stable/A-2

Business risk: Satisfactory
- Country risk: Very low risk
- Industry risk: Moderately high risk
- Competitive position: Satisfactory

Financial risk: Modest
- Cash flow/Leverage: Modest

Anchor: bbb+

Modifiers

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- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Liquidity: Strong (no impact)
- Financial policy: Negative (-1 notch)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: bbb

Group credit profile: bbb

Entity status within group: Core subsidiary

Related Criteria

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria - Corporates - Industrials: Key Credit Factors For The Engineering And Construction Industry, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Corporates - General: 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

Related Research

- Spanish Engineering And Construction Company ACS Actividades de Construccion y Servicios Rated 'BBB/A-2'; Outlook Stable, May 8, 2017

Ratings List

New Rating; Outlook

HOCHTIEF AG	
Corporate Credit Rating	BBB/Stable/A-2

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NOT FOR REDISTRIBUTION UNLESS OTHERWISE PERMITTED.

Additional Contact:
Industrial Ratings Europe; Corporate_Admin_London@spglobal.com

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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HOCHTIEF PPP Solutions GmbH

Front Range Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

HOCHTIEF PPP Solutions GmbH

3.1 Financial Statements

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

Front Range
Mobility Group

Front Range Mobility Group
375 Hudson Street, 6th Floor
New York, NY 10014

June 01, 2017

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
Colorado Department of Transportation
4201 East Arkansas Avenue
Denver, Colorado 80222
Attn: HPTE Director and Colorado Bridge Enterprise Director

Re: Financial Statements for Submittal in connection with the Central 70 Project

As explained in the Organizational Update Submission, HOCHTIEF PPP Solutions GmbH (the "Company") voluntarily started preparing audited, consolidated IFRS financial statements for fiscal years 2014 and 2015 (which were previously submitted) and is in the process of completing its audit for fiscal year 2016. As a result, audited, consolidated IFRS financial statements for the Company for fiscal year 2016 will not be available for the Technical Submission but will be submitted with the Financial Submission on August 01, 2017.

Please let us know if you have any questions or concerns.

Proposer: Front Range Mobility Group

By: ______________________________
Name: Roberto Friedrich
Title: Official Representative

3.2 Material Changes in Financial Condition

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

3.2 Material Changes in Financial Condition

HOCHTIEF
PPP Solutions GmbH

Alfredstraße 236
45133 Essen
Germany
Tel: +49 201 824-2148
Fax: +49 201 824-2030

Form G-1: Material Changes

June 1, 2017

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222
Attn: Keith Stefanik, Procuring Authorities' Contact Person

Re. Material Changes Letter
in connection with the Instruction to Proposers for the Central 70 Project ("ITP")

We, Peter Coenen, in my capacity as Chief Executive Officer, and Bernd Holtwick, in my capacity as Chief Financial Officer of HOCHTIEF PPP Solutions GmbH (the "Company"), a Financially Responsible Party in Front Range Mobility Group, and not in our personal capacities, deliver this letter pursuant to Section 3.2 of the Administrative and Technical Proposal Submission Requirements and hereby confirm as follows.

Except as set forth in the Exhibit(s) attached hereto, there have been no material changes in the Company's financial capacity since Proposer submitted its Proposer Update Submission in respect of the Approved Organizational Change that resulted in the Company becoming a Core Proposer Team Member and no material changes are anticipated to occur during the remainder of the Company's current fiscal year.

Unless defined herein, capitalized terms used in this letter have the meanings given to them in the ITP.

Yours sincerely,
for **HOCHTIEF PPP Solutions GmbH**
Authorized Signatures:

	ppa.
Name: Peter Coenen	Name: Bernd Holtwick
Title: Chief Executive Officer	Title: Chief Financial Officer

RESPONSE

With regard to the list of examples set out in the ITP that are considered to be a material change in financial condition, please note the details outlined in the attached Exhibit to this Form G-1. The disclosed information is in line with the Company's Financial Statements. The disclosures in the attached Exhibit are made for (i) since the date of the Proposer Update Submission. As fiscal year 2017 has not been completed yet, statements made for (i) are forward looking and reflect, to the best of our knowledge, potential material changes in financial condition with regard to the list of examples set out in the ITP. As of the date hereof, there is no knowledge of any impact that will affect the Company's participation in the Project.

EXHIBIT A

Part I. In accordance with Section 3.1.2.a of the Financial Proposal Instructions, the following sets out a description of an actual or anticipated material change:

i. such change;

The portfolio of the Company comprises various PPP projects in the transportation as well as social infrastructure segment. The status of the projects varies from construction to operation phase. In the past years, the Company sold shares in various mature project companies. It is part of the Company's strategy to partially recover invested capital for the procurement of new projects.

ii. actual and anticipated changes or disruptions in executive management relating to such change;

None

iii. the likelihood that such change will continue during the proposed period of Project construction;

The Company continuously looks into profitable opportunities to partially recover invested capital out of its portfolio.

iv. the projected full extent, nature and impact, positive and negative, of such change experienced and anticipated to be experienced in the proposed period of Project construction;

By partially recovering invested capital the Company intends to sustain or even strengthen its financial position.

v. how such change is anticipated to affect the organizational and financial capacity and ability of the relevant entity to remain engaged in the procurement described in the RFP and to ultimately participate in the Project as anticipated by the relevant Proposal.

As of the date hereof, this change is not anticipated to affect the organizational and financial capacity and ability of the Company to remain engaged in the procurement and participate in the Project.

Part II. In accordance with Section 3.1.2.b of the Financial Proposal Instructions, set out below are estimates of the impact of the material change on:

i. revenues;

n. a.

ii. expenses;

n. a.

iii. change in equity availability.

As of the date hereof, there is no anticipated impact on equity availability for the Project.

Part III. In accordance with Section 3.1.2.c of the Financial Proposal Instructions, if the material change will have a negative financial impact, an explanation of measures that have been taken, are currently in progress or would be reasonably anticipated to be taken to insulate the Project from any such material change:

n. a.

3.3 Off Balance Sheet Liabilities

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

HOCHTIEF
PPP Solutions GmbH

Alfredstraße 236
45133 Essen
Germany
Tel: +49 201 824-2148
Fax: +49 201 824-2030

Form G-2: Off Balance Sheet Liabilities

June 1, 2017

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222
Attn: Keith Stefanik, Procuring Authorities' Contact Person

Re. Off Balance Sheet Liabilities Letter
in connection with the Instruction to Proposers for the Central 70 Project ("ITP")

We, Peter Coenen, in my capacity as Chief Executive Officer, and Bernd Holtwick, in my capacity as Chief Financial Officer of HOCHTIEF PPP Solutions GmbH (the "Company"), a Financially Responsible Party in Front Range Mobility Group, and not in our personal capacities, deliver this letter pursuant to Section 3.3 of the Administrative and Technical Proposal Submission Requirements set out in the ITP and hereby confirm as follows.

There are no off balance sheet liabilities for any fiscal year of the Company in respect of which financial statements have been submitted in accordance with Section 3.1 of the Administrative and Technical Proposal Submission Requirements that exceed $25 million in aggregate in such fiscal year.

Yours sincerely,
for **HOCHTIEF PPP Solutions GmbH**
Authorized Signatures:

Name: Peter Coenen
Title: Chief Executive Officer

ppa.
Name: Bernd Holtwick
Title: Chief Financial Officer

3.4 Credit Ratings

Front Range
Mobility Group
Steele St
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Colorado Blvd
ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

3.4 Credit Ratings

Form G-3: Credit Ratings

Proposer Name: Front Range Mobility Group

Credit Ratings

Role	Entity Name	Fitch	Moody's	S&P	DBRS	Change(s) in any credit ratings since SOQ?	Describe Change(s)
EM, LO	HOCHTIEF PPP Solutions North America, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	ACS Infrastructure Development, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	AECOM Capital, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM	John Laing Investments Limited	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Flatiron Constructors, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Dragados USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	AECOM Energy & Construction, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	CH2M HILL Engineers, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	AECOM Technical Services, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF Aktiengesellschaft	Not rated	Not rated	**BBB**	Not rated	☒ Yes ☐ No	Now rated by S&P
FRP	HOCHTIEF PPP Solutions GmbH	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	ACS Servicios y Concesiones, S.L.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	AECOM	Not rated	**Ba2**	**BB**	Not rated	☒ Yes ☐ No	Now rated by S&P in addition to Moody's; Moody's rating has not changed since the SOQ
FRP	Dragados, S.A.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	John Laing Group plc	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	CH2M HILL Companies, Ltd	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	

HOCHTIEF USA, Inc.

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL

THE EXTRA MILE

CONNECTING COMMUNITIES

HOCHTIEF USA, Inc.

3.1 Financial Statements

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

HOCHTIEF

HOCHTIEF USA, Inc. – New York

375 Hudson Street
New York, NY 10014

Phone: 212 229 6479
Fax: 212 229 6416

June 1, 2017

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222
Attn: Keith Stefanik, Procuring Authorities' Contact Person

Re: Financial Statements for Submittal in connection with the Central 70 Project

HOCHTIEF USA, Inc. (the "Company"), Financially Responsible Party for Flatiron Constructors, Inc., is currently in the process of completing its 2016 financial statements. It is expected that such audited financial statements will be available mid-June 2017 and will then be submitted with the Financial Submission on August 01, 2017.

In the meantime, please refer to the previously submitted financial statements for fiscal years 2013 to 2015 and the attached Forms G-1, G-2 and G-3 for the Company.

Unless defined herein, capitalized terms used in this letter have the meanings given to them in the ITP.

Yours sincerely,
for **HOCHTIEF USA, Inc.**
Authorized Signatures:

Name: Marc Scheer
Title: Managing Director

3.2 Material Changes in Financial Condition

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

3.2 Material Changes in Financial Condition

HOCHTIEF

HOCHTIEF USA, Inc. – New York

375 Hudson Street
New York, NY 10014

Phone: 212 229 6479
Fax: 212 229 6416

Form G-1: Material Changes

June 1, 2017

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222
Attn: Keith Stefanik, Procuring Authorities' Contact Person

Re. Material Changes Letter
in connection with the Instruction to Proposers for the Central 70 Project ("ITP")

We, Lars Petzold, in my capacity as Managing Director, and Marc Scheer, in my capacity as Managing Director of HOCHTIEF USA, Inc. (the "Company"), a Financially Responsible Party in Front Range Mobility Group, and not in our personal capacities, deliver this letter pursuant to Section 3.2 of the Administrative and Technical Proposal Submission Requirements and hereby confirm as follows.

There have been no material changes in the Company's financial capacity since Proposer submitted its Proposer Update Submission in respect of the Approved Organizational Change that resulted in the Company becoming a Core Proposer Team Member and no material changes are anticipated to occur during the remainder of the Company's current fiscal year.

Unless defined herein, capitalized terms used in this letter have the meanings given to them in the ITP.

Yours sincerely,
for **HOCHTIEF USA, Inc.**
Authorized Signatures:

Name: Lars Petzold
Title: Managing Director

Name: Marc Scheer
Title: Managing Director

3.3 Off Balance Sheet Liabilities

Front Range
Mobility Group
Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

HOCHTIEF

HOCHTIEF USA, Inc. – New York

375 Hudson Street
New York, NY 10014

Phone: 212 229 6479
Fax: 212 229 6416

Form G-2: **Off Balance Sheet Liabilities**

June 1, 2017

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222
Attn: Keith Stefanik, Procuring Authorities' Contact Person

Re. Off Balance Sheet Liabilities Letter
in connection with the Instruction to Proposers for the Central 70 Project ("ITP")

We, Lars Petzold, in my capacity as Managing Director, and Marc Scheer, in my capacity as Managing Director of HOCHTIEF USA, Inc. (the "Company"), a Financially Responsible Party in Front Range Mobility Group, and not in our personal capacities, deliver this letter pursuant to Section 3.3 of the Administrative and Technical Proposal Submission Requirements set out in the ITP and hereby confirm as follows.

There are no off balance sheet liabilities for any fiscal year of the Company in respect of which financial statements have been submitted in accordance with Section 3.1 of the Administrative and Technical Proposal Submission Requirements that exceed $25 million in aggregate in such fiscal year.

Yours sincerely,
for **HOCHTIEF USA, Inc.**
Authorized Signatures:

Name: Lars Petzold
Title: Managing Director

Name: Marc Scheer
Title: Managing Director

3.4 Credit Ratings

Front Range
Mobility Group
Steele St
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Colorado Blvd
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CONNECTING COMMUNITIES

Form G-3: Credit Ratings

Proposer Name: Front Range Mobility Group

Credit Ratings

Role	Entity Name	Fitch	Moody's	S&P	DBRS	Change(s) in any credit ratings since SOQ?	Describe Change(s)
EM, LO	HOCHTIEF PPP Solutions North America, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	ACS Infrastructure Development, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	AECOM Capital, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM	John Laing Investments Limited	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Flatiron Constructors, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Dragados USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	AECOM Energy & Construction, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	CH2M HILL Engineers, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	AECOM Technical Services, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF Aktiengesellschaft	Not rated	Not rated	**BBB**	Not rated	☒ Yes ☐ No	Now rated by S&P
FRP	HOCHTIEF PPP Solutions GmbH	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	ACS Servicios y Concesiones, S.L.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	AECOM	Not rated	**Ba2**	**BB**	Not rated	☒ Yes ☐ No	Now rated by S&P in addition to Moody's; Moody's rating has not changed since the SOQ
FRP	Dragados, S.A.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	John Laing Group plc	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	CH2M HILL Companies, Ltd	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	

ACS Servicios y Concesiones, S.L.

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
ELEMENTARY SCHOOL

THE EXTRA MILE

CONNECTING COMMUNITIES

ACS Servicios y Concesiones, S.L.

3.1 Financial Statements

Front Range
Mobility Group

THE EXTRA MILE
CONNECTING COMMUNITIES

2016

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT 213

Front Range
Mobility Group

2016

2015

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT
213

Front Range
Mobility Group

2015

3.2 Material Changes in Financial Condition

Front Range Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

3.3 Off Balance Sheet Liabilities

Front Range Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

ACS
SERVICIOS Y CONCESIONES

June 1, 2017

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222
Attn: Keith Stefanik, Procuring Authorities' Contact Person

Registro Mercantil Madrid, Hoja M-297433, Folio 33, Tomo 18.350 General, C.I.F. B-83211318

Re. Off Balance Sheet Liabilities Letter
in connection with the Instruction to Proposers for the Central 70 Project ("ITP")

Mr. Stefanik:

I, Francisco Reinoso Torres, in my capacity as Chief Financial Officer of ACS Servicios Y Concesiones, S.L. the "Company"), a Financially Responsible Party in Front Range Mobility Group, and not in my personal capacity, deliver this letter pursuant to Section 3.3 of the Administrative and Technical Proposal Submission Requirements set out in the ITP and hereby confirm as follows.

There are no off balance sheet liabilities for any fiscal year of the Company in respect of which financial statements have been submitted in accordance with Section 3.1 of the Administrative and Technical Proposal Submission Requirements that exceed $25 million in aggregate in such fiscal year.

Respectfully Submitted,

Francisco Reinoso Torres
Chief Financial Officer
ACS SERVICIOS Y CONCESIONES, S.L.

EXHIBIT A

In accordance with Section 3.3 of the Administrative and Technical Proposal Submission Requirements, the following sets out a description of off balance sheet liabilities:

Fiscal year[1] for which there are off balance sheet liabilities in excess of $25m in aggregate:

N/A

[1] Proposers to repeat for each fiscal year for which off balance sheet liabilities exceed $25m in aggregate.

3.4 Credit Ratings

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

Form G-3: Credit Ratings

Proposer Name: Front Range Mobility Group

Credit Ratings

Role	Entity Name	Fitch	Moody's	S&P	DBRS	Change(s) in any credit ratings since SOQ?	Describe Change(s)
EM, LO	HOCHTIEF PPP Solutions North America, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	ACS Infrastructure Development, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	AECOM Capital, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM	John Laing Investments Limited	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Flatiron Constructors, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Dragados USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	AECOM Energy & Construction, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	CH2M HILL Engineers, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	AECOM Technical Services, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF Aktiengesellschaft	Not rated	Not rated	**BBB**	Not rated	☒ Yes ☐ No	Now rated by S&P
FRP	HOCHTIEF PPP Solutions GmbH	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	ACS Servicios y Concesiones, S.L.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	AECOM	Not rated	**Ba2**	**BB**	Not rated	☒ Yes ☐ No	Now rated by S&P in addition to Moody's; Moody's rating has not changed since the SOQ
FRP	Dragados, S.A.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	John Laing Group plc	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	CH2M HILL Companies, Ltd	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	

AECOM

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL
THE EXTRA MILE

CONNECTING COMMUNITIES

AECOM

3.1 Financial Statements

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

2016

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT 213

Front Range
Mobility Group

2016

2015

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT 213

Front Range
Mobility Group

2015

3.2 Material Changes in Financial Condition

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

3.2 Material Changes in Financial Condition

AECOM

AECOM
1999 Avenue of the Stars, Suite 2600
Los Angeles, CA 90067

213.593.8000 tel
www.aecom.com

Form G-1: Material Changes

May 30, 2017

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222
Attn: Keith Stefanik, Procuring Authorities' Contact Person

Re. Material Changes Letter
in connection with the Instruction to Proposers for the Central 70 Project ("ITP")

I, Keenan E. Driscoll, in my capacity as Senior Vice President, Treasurer of AECOM (the "Company"), a Financially Responsible Party in Front Range Mobility Group, and not in my personal capacity, deliver this letter pursuant to Section 3.2 of the Administrative and Technical Proposal Submission Requirements and hereby confirm as follows.

Other than as disclosed in the Company's periodic filings with the U.S. Securities and Exchange Commission, there have been no material changes in the Company's financial capacity since Proposer submitted its SOQ and no material changes are anticipated to occur during the remainder of the Company's current fiscal year.

Unless defined herein, capitalized terms used in this letter have the meanings given to them in the ITP.

Respectfully submitted,

Signature:
Name: Keenan E. Driscoll
Title: Senior Vice President, Treasurer
AECOM

3.3 Off Balance Sheet Liabilities

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

3.3 Off Balance Sheet Liabilities

AECOM

AECOM
1999 Avenue of the Stars, Suite 2600
Los Angeles, CA 90067

213.593.8000 tel
www.aecom.com

Form G-2: Off Balance Sheet Liabilities

May 30, 2017

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222
Attn: Keith Stefanik, Procuring Authorities' Contact Person

Re. Off Balance Sheet Liabilities Letter
in connection with the Instruction to Proposers for the Central 70 Project ("ITP")

I, Keenan E. Driscoll, in my capacity as Senior Vice President, Treasurer of AECOM (the "Company"), a Financially Responsible Party in Front Range Mobility Group, and not in my personal capacity, deliver this letter pursuant to Section 3.3 of the Administrative and Technical Proposal Submission Requirements set out in the ITP and hereby confirm as follows.

Other than as disclosed in the Company's periodic filings with the U.S. Securities and Exchange Commission, there are no off balance sheet liabilities for any fiscal year of the Company in respect of which financial statements have been submitted in accordance with Section 3.1 of the Administrative and Technical Proposal Submission Requirements.

Respectfully submitted,

Signature:
Name: Keenan E. Driscoll
Title: Senior Vice President, Treasurer
AECOM

3.4 Credit Ratings

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

Form G-3: Credit Ratings

Proposer Name: Front Range Mobility Group

Credit Ratings

Role	Entity Name	Fitch	Moody's	S&P	DBRS	Change(s) in any credit ratings since SOQ?	Describe Change(s)
EM, LO	HOCHTIEF PPP Solutions North America, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	ACS Infrastructure Development, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	AECOM Capital, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM	John Laing Investments Limited	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Flatiron Constructors, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Dragados USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	AECOM Energy & Construction, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	CH2M HILL Engineers, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	AECOM Technical Services, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF Aktiengesellschaft	Not rated	Not rated	**BBB**	Not rated	☒ Yes ☐ No	Now rated by S&P
FRP	HOCHTIEF PPP Solutions GmbH	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	ACS Servicios y Concesiones, S.L.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	AECOM	Not rated	**Ba2**	**BB**	Not rated	☒ Yes ☐ No	Now rated by S&P in addition to Moody's; Moody's rating has not changed since the SOQ
FRP	Dragados, S.A.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	John Laing Group plc	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	CH2M HILL Companies, Ltd	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	

S&P Global
Ratings

RatingsDirect®

AECOM's Proposed $750 Million Unsecured Notes Due 2027 Rated 'BB' (Recovery Rating: '4'); Other Debt Ratings Affirmed

Primary Credit Analyst:
Michael E Durand, CFA, New York (1) 212-438-1138; michael.durand@spglobal.com

Secondary Contact:
Robyn P Shapiro, New York (1) 212-438-7224; robyn.shapiro@spglobal.com

NEW YORK (S&P Global Ratings) Feb. 15, 2017--S&P Global Ratings today assigned its 'BB' issue-level rating and '4' recovery rating to AECOM's proposed $750 million unsecured notes due 2027. The '4' recovery rating indicates our expectation for average (30%-50%; upper half of the range) recovery in a payment default scenario. The proposed notes rank pari-passu with AECOM's existing unsecured notes.

At the same time, we affirmed our 'BB' issue-level ratings on AECOM's existing $800 million unsecured notes due 2022 and $800 million unsecured notes due 2024. The '4' recovery ratings remain unchanged, indicating our expectation for average recovery (30%-50%; upper half of the range) in a payment default scenario.

Additionally, we affirmed our 'BBB-' issue-level rating on AECOM's senior secured credit facility. The '1' recovery rating remains unchanged, indicating our expectation for very high (90%-100%) recovery in a payment default scenario.

Finally, we affirmed our 'BB-' issue-level rating on the company's senior unsecured debt issued by URS Corp. The '5' recovery rating remains unchanged, indicating our expectation for modest (10%-30%; lower end of the range) recovery in the event of a payment default.

The company anticipates that it will use the proceeds from the new $750 million unsecured notes to fully repay its term loan B due 2021, pay down its revolving credit facility borrowings, and repay a portion of its term loan A due 2021. We plan to withdraw our ratings on the term loan B when the transaction is finalized.

The refinancing transaction will not significantly alter the company's credit metrics, therefore our corporate credit rating on AECOM remains unchanged. Our ratings on the company reflect its participation in the volatile and competitive engineering and construction industry. We expect that AECOM will maintain debt leverage of less than 5x.

RECOVERY ANALYSIS

Key analytical factors

- Our default scenario assumes that general economic weakness leads to a reduction in the number of capital projects in 2021 and 2022, which significantly reduces the demand for AECOM's service offerings and causes the company to default in 2022.
- We assume that the $185 million delayed draw term loan is fully drawn and the proceeds are utilized to repay the URS 3.850% senior notes due April 2017.

Simulated default assumptions

- Simulated year of default: 2022
- EBITDA at emergence: $570 million
- EBITDA multiple: 6x

Simplified waterfall

- Gross enterprise value: $3.42 billion
- Administrative expenses: $171 million
- Net enterprise value: $3.25 billion
- Valuation split (obligors/nonobligors): 64%/36%
- Value available to first-lien debt (collateral/noncollateral): $2.73 billion/$347 million
- Secured first-lien debt claims: $1.85 billion
- --Recovery expectations: 90%-100%
- Total value available to unsecured claims (AECOM/URS): $1.19 billion/$42 million
- Senior AECOM unsecured debt and pari passu unsecured claims: $2.5 billion
- --Recovery expectations 30%-50% (upper half of the range)
- Structurally subordinated URS unsecured debt: $254 million
- --Recovery expectations 10%-30% (lower half of the range)

Note: All debt amounts include six months of prepetition interest. Collateral value equals asset pledge from obligors after priority claims plus equity pledge from nonobligors after nonobligor debt.

RELATED CRITERIA

- Criteria - Corporates - General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 07, 2016
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- Criteria - Corporates - Industrials: Key Credit Factors For The Engineering And Construction Industry, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers, May 07, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Corporates - General: 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

RATINGS LIST

AECOM	
Corporate Credit Rating	BB/Stable/--

New Ratings

AECOM	
$750M Unsecured Notes Due 2027	BB
Recovery Rating	4H

Ratings Affirmed; Recovery Band Revised

	To	From
AECOM		
Senior Unsecured	BB	BB
Recovery Rating	4H	4L

Ratings Affirmed; Recovery Rating Unchanged

AECOM	
Senior Secured	BBB-
Recovery Rating	1

URS Corp.	
URS Fox US LP	
Senior Unsecured	BB-
Recovery Rating	5L

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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Research Update:

AECOM Senior Secured Debt Rating Raised To 'BBB-' (Recovery Rating: '1'); All Other Ratings Affirmed; Outlook Stable

Primary Credit Analyst:
Robyn P Shapiro, New York (1) 212-438-7224; robyn.shapiro@standardandpoors.com

Secondary Contact:
Michael E Durand, CFA, New York (1) 212-438-1138; michael.durand@standardandpoors.com

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Research Update:

AECOM Senior Secured Debt Rating Raised To 'BBB-' (Recovery Rating: '1'); All Other Ratings Affirmed; Outlook Stable

Overview

- We are raising our issue-level rating on U.S.-based engineering and construction company AECOM's senior secured debt to 'BBB-' from 'BB+'. We are also revising the recovery rating on the credit facility to '1' from '2'.
- At the same time, we are affirming all of our other ratings on AECOM, including our 'BB' corporate credit rating.
- The stable outlook reflects our view that company will successfully execute its cost-savings initiatives. We believe that AECOM's near-term operating prospects are good, buoyed by the company's large backlog. We expect that these factors will allow the company to reduce its debt leverage below 5x in 2016.

Rating Action

On Oct. 16, 2015, Standard & Poor's Ratings Services affirmed its 'BB' corporate credit rating on Los Angeles-based engineering and construction (E&C) company AECOM. The outlook is stable.

At the same time, we raised our issue-level rating on AECOM's senior secured debt to 'BBB-' from 'BB+' and revised the recovery rating on the debt to '1' from '2'. The '1' recovery rating reflects our expectation of very high (90%-100%) recovery in the event of a payment default.

We also affirmed our 'BB-' issue-level rating on AECOM's senior unsecured debt. The '5' recovery rating on the debt is unchanged, reflecting our expectation of modest (10%-30%; upper end of the range) recovery of principal in the event of a payment default.

Additionally, we affirmed our 'BB-' issue-level rating on the company's senior unsecured debt issued by URS Corp. The '5' recovery rating on the debt is unchanged, reflecting our expectation of modest (10%-30%; lower end of the range) recovery of principal in the event of a payment default.

Rationale

We raised our issue-level rating on the company's senior secured debt to reflect our view of the improved recovery prospects for the senior secured lenders from AECOM's debt reduction efforts since the closing of its acquisition of URS Corp. in October 2014. Our corporate credit rating on AECOM reflects the company's participation in the volatile and competitive E&C industry. We expect that the company's debt leverage will decline below 5x in fiscal-year 2016.

AECOM has good scale and diversity as a provider of professional and technical services. The company designs, builds, finances, and operates infrastructure assets for public and private clients globally. Although AECOM has good geographic diversification across North America, its revenues are concentrated in the U.S. and Canada (comprising about 76% of its revenue), with some exposure to Europe, the Middle East, and Africa (EMEA) (about 15%) and the Asia-Pacific region (the remaining 9%).

AECOM operates across a diverse range of end markets, including the industrial and facilities, federal, transportation, oil and gas, environmental, and power segments. For the company's public-sector clients, federal, state, and local spending and budgets drive the overall demand for government projects. In the nongovernmental, private client side of the company's business, demand is generally driven by its clients' capital budgets, which often vary depending on factors that drive other industries, such as raw material prices (for the crude oil, thermal coal, metallurgical coal, and metals and minerals industries) and the demand for power (for the utilities).

We view the E&C industry as fraught with operating risks, including cyclical end markets, potentially significant swings in earnings and cash flow, and possible charges for cost overruns on fixed-price construction contracts (which comprise about 1% of AECOM's revenue). Most of the company's backlog is comprised of "cost-plus" contracts, which should mitigate the potential for major cost overruns during the next few years. Under these cost reimbursable contracts, the client reimburses AECOM's cost of completing a project and, in some cases, pays a fixed negotiated fee or a fee based on a percentage of the cost incurred in completing the project.

Our base-case forecast includes the following assumptions:

- The U.S. economy should continue its slow, steady recovery, with our economists currently forecasting GDP growth of 2.5% in 2015 and 2.8% in 2016;
- Overall sales growth in the low-single digit percent range in fiscal-year 2016;
- EBITDA margins will improve somewhat and remain in the mid-single digit percent range in 2016 due to the company's focus on cost savings and the execution of its cost-reduction initiatives in its oil and gas construction business;
- The company will continue to use its free cash flow for debt reduction to improve its credit protection measures over the next two years; and
- No additional debt-funded acquisitions or distributions to shareholders during the next few years and careful management of working capital.

Based on these assumptions, we expect AECOM's adjusted debt-to-EBITDA metric to decline below 5x in fiscal-year 2016 while its free operating cash flow (FOCF)-to-debt ratio remains above 10%.

Liquidity

We assess AECOM's liquidity as "adequate." Our assessment is based on the following assumptions:

- The company's sources of liquidity, including cash and credit facility availability, should adequately cover its uses over the next 12-18 months;
- The company's net liquidity sources should remain positive even if its forecasted EBITDA declines by 15%; and
- The company has sound relationships with its banks, a generally satisfactory standing in the credit markets, and prudent risk management.

The principal liquidity sources include the following:

- $606 million in cash balances as of June 30, 2015 (including $138 million in consolidated joint ventures);
- $976 million of availability under the $1.05 billion revolving credit facility due 2019; and
- Cash from operations of more than $500 million annually after any working capital swings.

The principal liquidity uses include the following:

- We assume capital expenditures of about 1% of sales annually; and
- Required amortization under the term loans of about $104 million annually.

Covenants

As of June 30, 2015, the company was in compliance with the maximum leverage and minimum interest coverage covenants under its senior secured credit agreement. Although we expect that the company's headroom under the leverage covenant could fall below 15%, we believe that it will remain in compliance with its covenants over the next two years.

Outlook

The stable outlook reflects our view that company will successfully execute its cost-savings initiatives in its oil and gas construction business. We believe that AECOM's near-term operating prospects are good, buoyed by the company's large backlog. We expect that these factors will allow the company to reduce its debt leverage to below 5x in 2016.

Downside scenario

We could lower our rating on AECOM during the next 12 months if the company's operating performance weakens and it appears that its debt-to-EBITDA metric would remain above 5x on a sustained basis, or if its FOCF-to-debt ratio falls below 5%. We could also lower our rating on the company if, for example, management's cost-savings initiatives do not proceed as planned, or if the company experiences large cost overruns on several of its larger contracts.

Upside scenario

We could raise our rating on AECOM during the next 12 months if, as a result of its good operating performance and debt reduction, we expect that its adjusted debt leverage will remain below 4x and its free cash flow-to-debt ratio will remain above 10% on a sustained basis.

Ratings Score Snapshot

Corporate credit rating: BB/Stable/--

Business risk: Satisfactory

- Country risk: Very low
- Industry risk: Moderately high
- Competitive position: Strong

Financial risk: Aggressive

- Cash flow/leverage: Aggressive

Anchor: bb

Modifiers

- Diversification/portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Financial policy: Neutral (no impact)
- Management and governance: Fair (no impact)
- Comparable rating analysis: Neutral (no impact)

Recovery Analysis

Key analytical factors

- Our simulated default scenario envisions economic weakness causing a reduction in the amount of capital projects in 2018 and 2019, leading to significantly reduced demand for AECOM's service offerings.
- We have valued the company on a going-concern basis.

Simulated default assumptions

- Simulated year of default: 2020
- EBITDA at emergence: $625 million
- EBITDA multiple: 6x

Simplified waterfall

- Net enterprise value (after 5% administrative costs): $3.563 billion
- Valuation split (obligors/nonobligors): 65%/35%
- Priority claims: $180 million
- Value available to secured creditors (collateral/noncollateral): $2.868 billion/$21 million

- Secured debt claims: $2.992 billion
- Recovery expectations: 90%-100%
- Value available to unsecured claims (AECOM/URS): $372 million/$23 million
- Senior unsecured AECOM debt and pari passu claims: $1.7 billion
- Recovery expectations: 10%-30% (high end of the range)
- Senior unsecured URS debt: $248 million
- Recovery expectations: 10%-30% (low end of the range)

Note: All debt amounts include six months of prepetition interest. The collateral value equals asset pledge from obligors after priority claims plus equity pledge from nonobligors after nonobligor debt.

Related Criteria And Research

Related Criteria

- Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Revised Revolver Usage Assumptions For Recovery Analysis In Corporate Ratings, Nov. 20, 2014
- Group Rating Methodology, Nov. 19, 2013
- Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Key Credit Factors For The Engineering And Construction Industry, Nov. 19, 2013
- Methodology: Industry Risk, Nov. 19, 2013
- Corporate Methodology, Nov. 19, 2013
- Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Criteria Guidelines For Recovery Ratings On Global Industrials Issuers' Speculative-Grade Debt, Aug. 10, 2009

Ratings List

Ratings Affirmed

AECOM	
Corporate Credit Rating	BB/Stable/--
Senior Unsecured	BB-
Recovery Rating	5H
URS Corp.	
URS Fox US LP	
Senior Unsecured	BB-
Recovery Rating	5L

Upgraded; Recovery Rating Revised

	To	From
AECOM		
Senior Secured	BBB-	BB+

Recovery Rating	1	2H

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Moody's
INVESTORS SERVICE

Rating Action: Moody's assigns Ba3 rating to AECOM's proposed senior unsecured notes

Global Credit Research - 15 Feb 2017

$750 million of debt securities affected

New York, February 15, 2017 -- Moody's Investors Service, ("Moody's"), has assigned a Ba3 rating to AECOM's proposed $750 million senior unsecured notes due 2027. The company plans to use the proceeds from the notes offering to retire outstanding debt and to pay related fees and expenses. Moody's affirmed AECOM's Ba2 corporate family rating, Ba2-PD probability of default rating, the Ba1 rating on its senior secured credit facilities, the Ba3 rating on its existing senior unsecured notes and its Speculative Grade Liquidity Rating of SGL-2. The ratings outlook remains stable.

..Issuer: AECOM

Affirmations:

..Issuer: AECOM

.... Corporate Family Rating, Affirmed Ba2

.... Probability of Default Rating, Affirmed Ba2-PD

.... Speculative Grade Liquidity Rating, Affirmed SGL-2

....Senior Secured Bank Credit Facility, Affirmed Ba1, (to LGD2 from LGD3)

....Senior Unsecured Regular Bond/Debenture, Affirmed Ba3 (LGD5)

Assignments:

....Senior Unsecured Regular Bond/Debenture, Assigned Ba3 (LGD5)

Outlook Actions:

..Issuer: AECOM

....Outlook, Remains Stable

RATINGS RATIONALE

AECOM's Ba2 corporate family rating reflects its large scale, diverse end market exposure, solid market position, moderate fixed price construction risk and strong and consistent operating cash flow. The company is one of the largest and most diversified engineering & construction companies in North America. AECOM's rating also reflects its acquisitive history, elevated leverage, moderate interest coverage, low level of funds from operations as a percent of outstanding debt and its increased exposure to construction risk after the acquisitions of URS (October 2014) and the Hunt Construction Group (July 2014).

AECOM plans to issue $750 million of senior unsecured notes and to use the proceeds to retire its term loan B and to repay portions of its term loan A and revolving credit facility debt. This refinancing will extend a portion of the company's debt maturities, reduce its secured borrowings and lock in long term financing at a low fixed interest rate. However, it will also result in a moderate increase in its interest costs in the near term.

Moody's expects AECOM to generate modestly weaker operating results in fiscal 2017 (ends September 2017) due to lower expected benefits from favorable project close outs and the timing of the ramp up on sizeable new projects. Fiscal 2017 should be somewhat of a transition year given the high level of bids submitted on a robust pipeline of work in all of its segments contributing to a record backlog of $43.8 billion as of December 31, 2016. The company is benefitting from the wide array of services it offers along with strength in the power sector, increased federal and state funding allocated for investments in infrastructure and an unprecedented pipeline of work for its Management Services segment. However, these favorable end market dynamics are not likely to impact AECOM's operating performance until late fiscal 2017 or fiscal 2018. Therefore, Moody's expects AECOM to generate adjusted EBITDA modestly below the $1.4 billion produced in fiscal 2016.

AECOM should continue to produce strong operating cash flows in the range of $600 million to $750 million in fiscal 2017. Free cash flow after capital expenditures will be about $500 million to $650 million. Moody's expects the company to use the majority of its free cash flow to continue to pay down debt considering the company has retired about $1.2 billion of debt since it closed the acquisition of URS in October 2014. This will result in the company's leverage ratio (Debt/EBITDA) declining to 4.2x-4.4x in September 2017 from 4.5x in September 2016, while its interest coverage ratio (EBITA/Interest Expense) rises to 2.6x-2.8x from 2.5x.

AECOM's speculative grade liquidity rating of SGL-2 reflects its good liquidity profile. The company had $561 million of cash and $862 million of availability on its $1.05 billion revolving credit facility as of December 31, 2016. AECOM also had $137 million of cash in consolidated joint ventures, but that cash is not readily accessible and is earmarked to support specific projects. AECOM's credit facilities have financial maintenance covenants including a maximum leverage ratio requirement that steps down to 4.75x for the quarter ended March 2017, and a minimum interest coverage ratio requirement of 3.0x. We expect the company to remain well in compliance with the interest coverage requirement, but the buffer on the leverage ratio covenant could get tight depending on the volatility of quarterly earnings.

AECOM's stable ratings outlook presumes the company's operating results will be relatively stable over the next 12 to 18 months and result in substantial free cash flow and a gradual deleveraging. It also assumes the company will carefully balance its leverage with its growth strategies.

A ratings upgrade is possible if the company continues to use its free cash flow to pay down debt and reduces its leverage ratio to below 3.5x.

Negative rating pressure could develop if deteriorating operating results, weaker than expected cash flow or debt financed acquisitions result in the leverage ratio rising above 5.0x or funds from operations (CF from operations before working capital changes) falling below 15% of outstanding debt. A significant reduction in borrowing availability or liquidity could also result in a downgrade.

The principal methodology used in these ratings was Construction Industry published in November 2014. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Headquartered in Los Angeles, CA, AECOM is a fully integrated professional and technical services firm providing engineering & design, planning and construction services to the infrastructure, transportation, industrial, environmental, oil and gas, power, water and government sectors. The company operates under three business segments: design & consulting services (44% of revenues), construction services (37%) and management services (19%). AECOM generated revenues of about $17.5 billion during the trailing 12 months ended December 31, 2016.

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For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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Front Range
Mobility Group

VOLUME 3 – FINANCIAL CAPACITY UPDATES

Binder 3 of 3

CENTRAL 70 PROJECT

PUBLIC DISCLOSURE

Administrative and Technical Proposal:

Front Range Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
EA ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

CENTRAL 70 PROJECT
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John Laing Group plc

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL

THE EXTRA MILE

CONNECTING COMMUNITIES

John Laing Group plc

3.1 Financial Statements

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

2016

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT 213

Front Range
Mobility Group

2016

JOHN LAING GROUP PLC

Year end exchange rates	1.2329

Group Income Statement

for the year ended 31 December 2016

	Year ended 31 December 2016 Statutory USD million
Continuing operations	
Net gain on investments at fair value through profit or loss	**269.8**
Other income	**51.8**
Operating income	**321.5**
Cost of sales	**-**
Gross profit	**321.5**
Administrative expenses	**(72.0)**
Profit from operations	**249.5**
Finance costs	**(12.7)**
Profit before tax	**236.8**
Tax charge	**(2.2)**
Profit from continuing operations	**234.6**
Discontinued operations	
Profit from discontinued operations (after tax)	**-**
Profit for the year attributable to the Shareholders of the Company	**234.6**

Group Balance Sheet

as at 31 December 2016

	31 December 2016 Statutory USD million
Non-current assets	
Intangible assets	-
Plant and equipment	**0.4**
Investments at fair value through profit or loss	**1,550.4**
Deferred tax assets	**1.2**
	1,552.0
Current assets	
Trade and other receivables	**9.1**
Cash and cash equivalents	**2.0**
	11.1
Assets classified as held for sale	-
Total assets	**1,563.1**
Current liabilities	
Current tax liabilities	**(5.1)**
Borrowings	**(199.0)**
Trade and other payables	**(18.1)**
	(222.2)
Liabilities directly associated with assets classified as held for sale	-
Net current liabilities	**(211.1)**
Non-current liabilities	
Retirement benefit obligations	**(85.4)**
Provisions	**(1.8)**
	(87.3)
Total liabilities	**(309.5)**
Net assets	**1,253.6**
Equity	
Share capital	**45.2**
Share premium	**268.8**
Other reserves	**3.3**
Retained earnings	**936.3**
Equity attributable to the Shareholders of the Company	**1,253.6**

Group Cash Flow Statement

for the year ended 31 December 2016

	Year ended 31 December 2016 Statutory
	USD million
Net cash outflow from operating activities	**(45.7)**
Investing activities	
Net cash transferred to investments held at fair value through profit or loss	**(90.5)**
Cash acquired on acquisition of subsidiaries	-
Purchase of plant and equipment	**(0.1)**
Net cash used in investing activities	**(90.6)**
Financing activities	
Dividends paid	**(32.3)**
Finance costs paid	**(11.0)**
Proceeds from borrowings	**203.4**
Repayment of borrowings	**(23.4)**
Proceeds on issue of share capital	-
Net cash from financing activities	**136.7**
Net increase/(decrease) in cash and cash equivalents	**0.4**
Cash and cash equivalents at beginning of the year	**1.4**
Effect of foreign exchange rate changes	**0.2**
Cash and cash equivalents at end of year	**2.0**

John laing

making infrastructure happen

JOHN LAING GROUP PLC

2016

Annual Report & Accounts

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OUR MARKETS

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

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

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

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

Opportunities in other infrastructure markets
in sectors closely linked to PPP and renewable energy. These include areas such as high speed broadband, water resource management and large scale battery storage of electricity.

John laing
making infrastructure happen

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

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

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

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

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

- Since making our first infrastructure investment in 1969, we have committed to invest in 126 projects.
- As at 31 December 2016, we held a portfolio of 42 investments in infrastructure projects in 11 countries with a book value of £1,166 million.
- plus a shareholding in JLEN (a listed environmental asset investment fund) valued at £10 million, making an overall investment portfolio of £1,176 million.

KEY PERFORMANCE INDICATORS (KPIs) AND HIGHLIGHTS

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

KPIs

£ million (unless otherwise stated)	**2016**	2015[1]
Net asset value (NAV)	**1,016.8**	889.6
NAV per share	**277p**	242p
Profit before tax[3]	**192.1**	106.6
Earnings per share (EPS)[4]	**51.9p**	27.6p
Total dividend per share	**8.15p**	6.9p
Portfolio valuation	**1,175.9**	841.4
Cash yield from investments	**34.8**	38.9
New investment committed	**181.9**	180.5
External Assets under Management (AuM)[5]	**1,472.3**	1,135.6

HIGHLIGHTS

- 14.3% increase in Net Asset Value (NAV), from £889.6 million at 31 December 2015 to £1,016.8 million
- NAV per share at 31 December 2016 of 277p (31 December 2015 – 242p)
- New investment commitments of £181.9 million (2015 – £180.5 million)
- Realisations of £146.6[2] million from the sale of investments
- Profit before tax of £192.1 million compared to £106.6 million (pro forma) in 2015[3]
- Earnings per share of 51.9p (2015 – 27.6p pro forma)[4]
- 30% increase in external Assets under Management (AuM) to £1,472 million[5]
- Cash yield from investment portfolio of £34.8 million (2015 – £38.9 million)
- Continuing international growth including the Group's first offshore wind farm investment and first renewable energy investment in the US
- Final dividend of 6.3p per share (including a special dividend of 2.6p per share), giving a total 2016 dividend of 8.15p (2015 – total dividend of 6.9p)

[1] Pro forma financial information.

[2] Realisations include £19.5 million in respect of British Transport Police and Oldham Housing transactions which counted towards guidance for 2015.

[3] Profit before tax from continuing operations of £192.1 million (2015 – £100.9 million) and from discontinued operations of £nil (2015 – £5.7million).

[4] Basic EPS from continuing operations.

[5] External AuM based on published portfolio values of JLIF and JLEN at 30 September 2016.

OUR BUSINESS MODEL

OUR BUSINESS IS ORGANISED ACROSS THREE KEY AREAS OF ACTIVITY:

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

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

→ **Asset Management:** we actively manage our own Primary and Secondary Investment portfolios and provide investment advice and asset management services to two external funds, John Laing Infrastructure Fund (JLIF) and John Laing Environmental Assets Group (JLEN), through John Laing Capital Management Limited (JLCM), which is regulated by the Financial Conduct Authority (FCA), as well as in respect of a small number of PPP assets held by John Laing Pension Fund (JLPF).

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

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

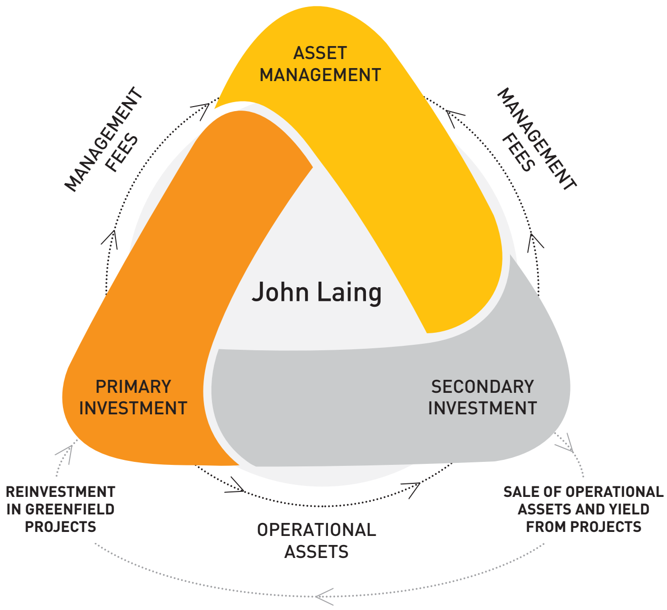
Once operational, investments move from our Primary Investment portfolio to our Secondary Investment portfolio.

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

These realisations release capital to recycle into primary investment opportunities.

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

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



OUR BUSINESS MODEL

The John Laing business model is based on strong investment and asset management capabilities

and is supported by the current strong demand in secondary markets for operational infrastructure assets.

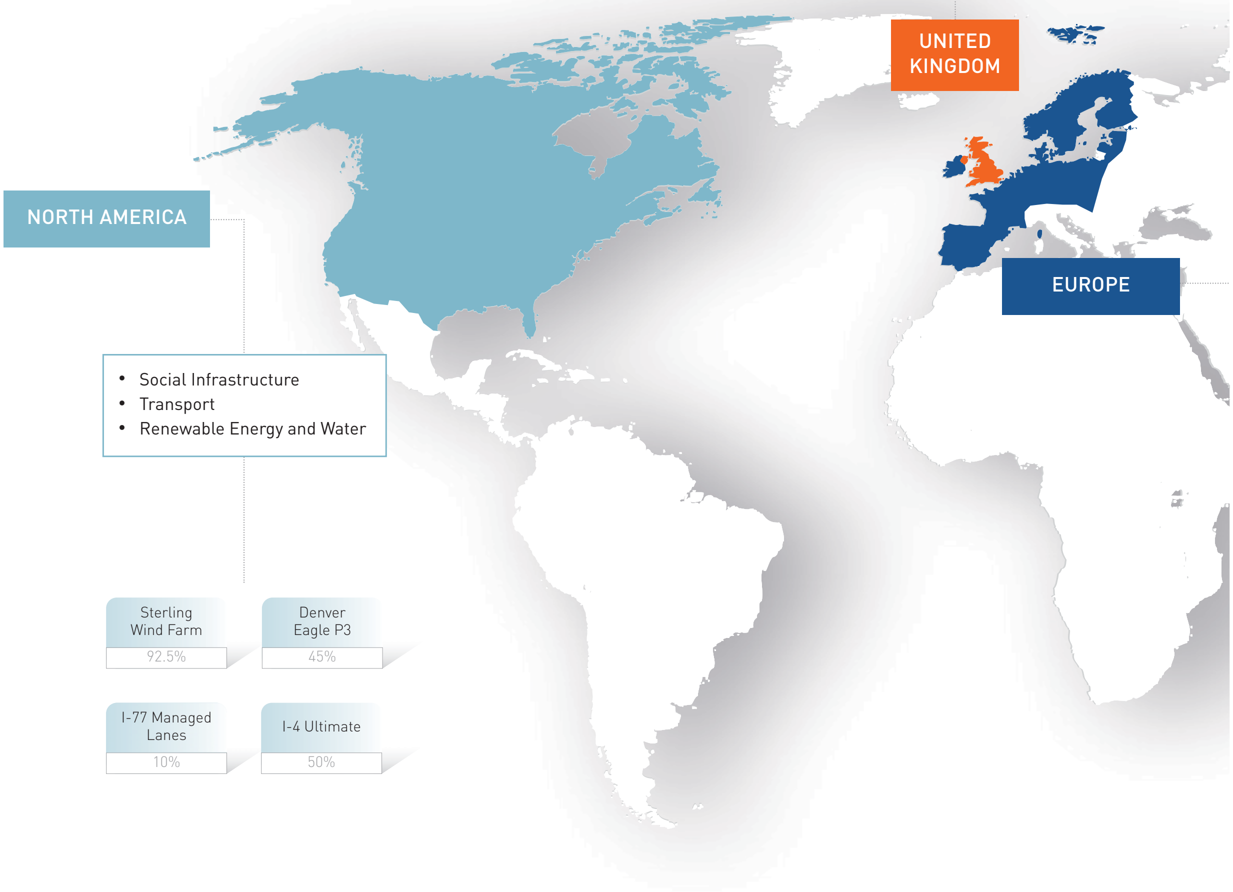
OUR INTERNATIONAL REACH

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

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

Alder Hey Children's Hospital 40%	DARA Red Dragon 100%	Aylesbury Vale Parkway 50%	Severn River Crossing 35%
A130 100%	City Greenwich Lewisham (DLR) 5%	Coleshill Parkway 100%	Croydon & Lewisham SL 50%
Manchester Waste VL Co 50%	Manchester Waste TPS Co 37.43%	IEP (Phase 1) 24%	IEP (Phase 2) 30%
Cramlington Biomass 44.7%	Lambeth Housing 50%	Llynfi Wind Farm 100%	Speyside Biomass 43.35%

- Social Infrastructure
- Transport
- Environmental, including Renewable Energy and Waste



- Social Infrastructure
- Transport
- Renewable Energy and Water

Sterling Wind Farm 92.5%	Denver Eagle P3 45%
I-77 Managed Lanes 10%	I-4 Ultimate 50%

Primary

Secondary

* Conditional sale agreed as of 31 December 2016.

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

OUR SECTORS

Our activities are focused on the following infrastructure sectors:

Transport

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

Environmental

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

Social

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

Horath Wind Farm	81.82%
Pasilly Wind Farm	100%
A1 Germany	42.5%
M6 Hungary	30%*
A1 Gdansk Poland	29.69%*
Rammeldalsberget Wind Farm	100%
Klettwitz Wind Farm	100%
Svartvallsberget Wind Farm	100%
A15 Netherlands	28%
Nordergründe Wind Farm	30%
A6 Parkway Netherlands	85%
Sommette Wind Farm	100%
St. Martin Wind Farm	100%
Glencarbry Wind Farm	100%

ASIA PACIFIC

- Social Infrastructure
- Transport
- Renewable Energy

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

Hornsdale Wind Farm	30%
Auckland South Corrections Facility	30%
New Royal Adelaide Hospital	17.26%
New Perth Stadium	50%
Sydney Light Rail	32.5%
Kiata Wind Farm	72.3%
Hornsdale 2 Wind Farm	20%
New Generation Rollingstock	40%

- Social Infrastructure
- Transport
- Renewable Energy

CHAIRMAN'S STATEMENT

LAST YEAR, WE STATED THAT "LOOKING FORWARD, WE HAVE CONFIDENCE IN THE ROBUSTNESS OF OUR BUSINESS MODEL AND THE DELIVERABILITY OF OUR STRATEGY". OUR RESULTS FOR 2016 CONFIRM THAT CONFIDENCE, IN WHAT HAS BEEN A YEAR OF POLITICAL AND ECONOMIC TURBULENCE.

When facing an uncertain environment, we believe in keeping our strategy simple, focused and flexible. In 2016, we simplified our business through the disposal of our non-core Project Management Services (PMS) activities in the UK. This allows management to concentrate on the core tasks of origination of greenfield projects, active management of construction and operational risk and timely realisations in order to monetise value. Our focus remains on PPP infrastructure and renewable energy in Asia Pacific, Europe and North America. Our pipeline is strong and diversified by sector and geography, which gives us flexibility in origination, and the funds we manage and the active secondary market give us flexibility in distribution.

Our performance in 2016 was strong:

- Net Asset Value (NAV) grew by 14.3% to £1,016.8 million or 277p per share at 31 December 2016, from £889.6 million or 242p per share at 31 December 2015;
- Investment commitments reached £182 million, in line with our guidance;
- Realisations of investments for dividend purposes were £127 million, ahead of our guidance for 2016 of approximately £100 million;
- Our total external Assets under Management grew to £1,472 million, an increase of 30%; and
- We are proposing a final dividend for 2016 of 6.3p per share made up of a base dividend of 3.7p per share and a special dividend of 2.6p per share.

Our three core markets all saw continued strong demand for new privately-financed infrastructure projects. Using our experienced teams, sector specialists and working with local partners, we have committed capital to both PPP and renewable energy in all three regions, and increasingly also see prospects in related infrastructure sectors, for instance in the water or broadband sectors.

During the year, the markets in which we are active continued to be affected by significant movements in macro-economic factors. In particular, the Brexit vote in June 2016 precipitated a prolonged weakening of Sterling versus the major currencies we invest in. While this has been positive for the value of our overseas investment portfolio in Sterling terms, our preference would be for a more stable foreign exchange environment. At a governmental level, there are signs that a number of countries are moving towards fiscal rather than monetary policy in order to stimulate economic growth. We would agree that increased infrastructure expenditure is a good way to provide such fiscal stimulus and in some of the jurisdictions we operate in, notably Australia and Canada, we see it already happening. Other countries – including the UK and the US – look as if they could follow suit.

No changes to the Board took place during the year. At a senior management level, Derek Potts, Group Managing Director of Primary Investment, has decided to retire, and will leave us at the end of March 2017. Derek originally joined John Laing in 2001. He has had responsibility for all the Group's bidding and primary investment activities and has been instrumental in leading the Group's expansion into international markets and new sectors. During his time with the Group, he has made an exceptional contribution and we are very sorry to see him go.

During the year under review, the Board complied with all applicable provisions of the UK Corporate Governance Code (the Code). We have a balanced group of directors who worked well as a board during the year. With the impending retirement of Derek Potts, we reviewed our succession plans and I was encouraged to see much promise among our senior management team. As well as regular Board meetings, we held reviews in June and in October 2016 to address the future strategy and direction of the business. These reconfirmed our commitment to creating further shareholder value through the continued application of our current business model.

As Chairman, I interact regularly with many members of staff both from overseas and the UK and, on behalf of the Board, I would like to thank all of them for their contribution to these results. I would also like to extend the Board's thanks to all the Group's stakeholders for their continued support.

Our dividend policy has two parts:

- a base dividend of £20 million (starting from 2015) growing at least in line with inflation; the Board is recommending a final base dividend for 2016 of 3.7p per share; and
- a special dividend of approximately 5% – 10% of gross proceeds from the sale of investments on an annual basis, subject to specific investment requirements in any one year. The Board is recommending a special dividend for 2016 of 2.6p per share. This has been arrived at by applying 7.5% to realisations for dividend purposes of £127 million achieved in 2016, which exclude the combined proceeds of £19.5 million from the disposals of our shareholdings in British Transport Police and Oldham Housing.

“**When facing an uncertain environment,** we believe in keeping our strategy simple, focused and flexible.”

The total final dividend therefore amounts to 6.3p per share, which, together with the interim dividend of 1.85p paid in October 2016, makes a total dividend for 2016 of 8.15p per share, an increase of 7% over 2015, after taking into account the timing of the IPO in February 2015. The final dividend will be put to shareholders for their approval at the Company's Annual General Meeting (AGM) which will be held on 11 May 2017. At the Company's AGM on 12 May 2016, all resolutions were approved by shareholders.

There are positive signs in each of our core infrastructure markets of a strong level of deal flow over the coming years. With our flexible business model and our strong geographical presence, we believe we are well positioned to take advantage of the opportunities this will create.

Phil Nolan
CHAIRMAN

→ **NAV**
£1,016.8 million

→ **Profit before tax**
£192.1 million

→ **Portfolio valuation**
£1,175.9 million

→ **New investment committed**
£181.9 million

CHIEF EXECUTIVE OFFICER'S REVIEW

2016 WAS OUR FIRST FULL YEAR SINCE OUR IPO IN FEBRUARY 2015 AND I AM DELIGHTED TO REPORT THAT WE CONTINUED TO DELIVER STRONG RESULTS.

The highlights included:

- 14.3% increase in NAV, from £889.6 million at 31 December 2015 to £1,016.8 million;
- NAV per share at 31 December 2016 of 277p (31 December 2015 – 242p);
- New investment commitments of £181.9 million in six different countries;
- Realisations of £146.6 million from the sale of assets;
- Profit before tax of £192.1 million compared to £106.6 million in 2015;
- 30% increase in external Assets under Management (AuM) to £1,472 million;
- Cash yield from investment portfolio of £34.8 million (2015 – £38.9 million); and
- Sale of UK activities of Project Management Services (PMS).

Outlook for our markets

As I have said before, we operate in an international market for new infrastructure primarily driven by population growth, urbanisation and climate change. Population growth and urbanisation create the need for new infrastructure, particularly in transport and in social infrastructure such as healthcare. Equally, climate change is the catalyst behind new infrastructure in the renewable energy, waste management and water sectors.

In addition, there are strong drivers for public sector authorities to involve the private sector in the procurement of new infrastructure, including risk transfer, funding and access to the best international contractors and investors. As a recognised international greenfield infrastructure expert, we target all the above sectors and therefore benefit from the overall growth in public-private infrastructure.

In Primary Investment, we continue to see a robust and diverse pipeline of future opportunities in each of the three regions where we currently operate: Asia Pacific (Australia and New Zealand); North America (Canada and the US); and Europe. We entered 2017 with an increased level of activity and strong positions in eight short-listed PPP consortia and with a number of exclusive renewable energy opportunities.

- Asia Pacific: we remain very active in the PPP markets in both Australia and New Zealand. In Australia, the renewable energy sector continues to grow and gain momentum following resolution of the Federal Renewable Energy Target in 2015 and our team is taking advantage of this.
- Europe: even if the overall PPP market remains subdued, we focus our attention on those countries which are bringing projects to market, such as the Netherlands, the Republic of Ireland, Germany, Norway, the Czech Republic and potentially the UK where we believe the current government will announce new PPP projects. Many of the opportunities are in the transport sector, which fits well with our credentials. In renewable energy, the level of activity remains high, with attractive risk-return profiles. We concentrate on selected countries with governmental support mechanisms in order to reduce energy price exposure.
- North America: four of our eight shortlisted PPP positions are for potential investments in North America. In Canada, we see a strong commitment to PPP from federal and local authorities, especially in Ontario and British Columbia, mainly in the transport sector. In the US, we concentrate on those states where we see a growing pipeline of PPP opportunities particularly in the transport sector and potentially the water sector. During the year, we made our first investment in renewable energy, a wind farm project in New Mexico.

"**During the year,** we demonstrated again why we believe it is essential for us to be an active investor."

Overall, our reputation in North America is growing, leading to more opportunities to join consortia for new projects. This bodes well for the future, especially when considering the obvious needs in the US for new infrastructure.

Beyond the PPP and renewable energy markets, we continue to research other asset classes that look as if they could fit our business model in order to feed future growth. The due diligence we carry out before investing in new markets follows a rigorous process that eventually rules out many opportunities. Currently, we are reviewing: broadband, driven in Europe by the EU directive to see 100% high speed coverage by 2025; water resource management, driven by climate change; and energy storage, driven by the changing way in which electricity is generated across transmission and distribution networks. We expect these sectors to offer a number of investment opportunities in the future.

Active management

During the year, we demonstrated again why we believe it is essential for us to be an active investor. For us, it means not only participating actively in consortia at the bidding stage, but also being actively involved in project companies during the construction phase in order to protect our investment and help when delays occur or problems arise:

- In South Australia, our team has been particularly active in helping the New Royal Adelaide Hospital project company to resolve the sometimes competing priorities of the Government of South Australia, the bank lending consortium and the construction contractor. This situation has arisen principally because technical completion of the hospital has been delayed, having been scheduled for April 2016. Following mediation discussions in late 2016 and early 2017, the parties are now working towards technical completion later this month (March 2017) followed by commercial acceptance three months later; it is intended that remaining disputes will be dealt with through a process of arbitration. The Government of South Australia is making the necessary preparations for the hospital to be ready to open for patients before the peak of the winter flu season.
- At Manchester Waste VL Co, the project's operational performance is good; it has been achieving diversion of waste from landfill ahead of contractual requirements. The Greater Manchester Waste Disposal Authority (GMWDA) has indicated it wants to achieve cost savings and efficiencies. While the project company had proposed that such savings could be achieved within the existing contractual structure, this has not been accepted by the GMWDA. Separately, the GMWDA has challenged aspects of the operational service levels provided by the project company and the operator; this is strongly refuted by the project company and the matter is being addressed through an independent third party under the procedures in the project agreement with a decision due at the end of March 2017. The project company believes there will be a resolution with the GMWDA. If, as part of this, the GMWDA were to seek to take the project into public ownership, this would only be acceptable to the project company if it resulted in appropriate compensation for all stakeholders. The project company is working with its shareholders, John Laing and Viridor, to protect the value of the equity in the project and also to minimise any impact on Manchester Waste TPS Co which is contractually linked to Manchester Waste VL Co.

For both investments, we have taken account of current developments in our portfolio valuation at 31 December 2016. Taken together, the investments in New Royal Adelaide Hospital and Manchester Waste VL Co which are not linked, make up approximately 8% of our investment portfolio of £1,176 million.

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

Business model

Our business model has three key areas of activity:

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

Strategic Report
Governance
Financial Statements

CHIEF EXECUTIVE OFFICER'S REVIEW (CONTINUED)

Our business model is based on our specialist infrastructure investment and asset management capabilities and the increasing recognition of operational infrastructure assets as an attractive investment class.

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

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

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

Objectives and outcomes

Our overall strategy is to create value for shareholders by originating, investing in and managing infrastructure assets internationally. In that respect, we see NAV growth and dividends as key measures of our success. In 2016, our NAV grew by 14.3% from £889.6 million at 31 December 2015 to £1,016.8 million at 31 December 2016. We are proposing dividends of 8.15p per share in total for 2016 compared to dividends of 6.9p per share for 2015. This represents growth of 7% over 2015, once the 2015 base dividend is adjusted to reflect the timing of our IPO in February 2015.

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

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

Growth in primary investment volumes over the medium term

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

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

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

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

Our total commitment to new investments in 2016 was £181.9 million, made up of £134.8 million in renewable energy and £47.1 million in PPP assets, at a similar level to investment commitments of £180.5 million in 2015. Our international growth continued with investment commitments in six different countries, including the following projects:

- A6 Parkway (Netherlands) – £9.0 million
- Kiata wind farm (Australia) – £20.4 million
- Nordergründe offshore wind farm (Germany) – £36.7 million
- Sommette wind farm (France) – £11.7 million
- Sterling wind farm (US) – £15.7 million.

Growth in the value of external AuM and related fee income

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

We made good progress during the year, with the value of external AuM growing from £1,136 million to £1,472 million, an increase of 30%. Fee income from external AuM was £15.8 million for 2016, up from £12.0 million in 2015.

Investment portfolio and realisations

At 31 December 2016, our portfolio comprised investments in 42 infrastructure projects and our shareholding in JLEN (31 December 2015 – 39 projects). Our year end portfolio value, including the shareholding in JLEN, was £1,175.9 million (31 December 2015 – £841.4 million). The increase was primarily due to cash injections into projects, favourable foreign exchange movements and growth in the retained portfolio, offset by investment realisations.

The portfolio valuation represents our assessment of the fair value of investments in projects on the basis that each asset is held to maturity, other than shares in JLEN which are held at market value. The 2016 year end valuation reflected underlying growth of 22.3% after adjusting for acquisitions, realisations, cash invested and cash yield. This growth is analysed further in the Portfolio Valuation section.

The cash yield in 2016 was £34.8 million (2015 – £38.9 million), a yield of 7.6% (2015 – 9.8%) on the average Secondary Investment portfolio, in line with our guidance of a 6.5% to 8.5% yield. Cash yield represents cash receipts in the form of dividends, interest and shareholder loan repayments from project companies and listed investments.

During the year, we agreed a number of realisations:

- sale of our investments in the British Transport Police and Oldham Housing PPP projects to JLIF for £19.5 million which, as previously explained, counted towards our 2015 year end guidance and special dividend;
- proceeds from a further four completed transactions of £127.1 million, which form the basis for our special dividend calculation for 2016;
- agreed sale of our 29.69% shareholding in the A1 motorway, Poland. Proceeds of €137.3 million (adjusted for distributions received in late 2016) were received on 2 March 2017; and
- agreed sale of our 30% shareholding in the M6 road project in Hungary for €26.6 million which is expected to complete in the second quarter of 2017.

We were particularly pleased to achieve prices in line with portfolio valuation for our investments in the A1 motorway in Poland and the M6 road project in Hungary, both in jurisdictions where there is a less developed secondary market.

Profit before tax

Our total profit before tax was £192.1 million in 2016, compared to £106.6 million in 2015. Profit before tax is primarily driven by the fair value movement in our investment portfolio, which in 2016 benefited significantly from favourable foreign exchange movements.

Funding

In February 2015, we entered into a five-year £350.0 million committed corporate banking facility and associated ancillary facilities, all of which expire in March 2020. These revolving facilities enable us to issue letters of credit and/or put up cash collateral to back investment commitments. We finance new investments through a combination of cash flow from existing assets, the above corporate banking facilities and realisations of investments in operational projects.

In June 2016, the above facilities were increased to £400.0 million. In addition, in November 2016, we entered into additional £50.0 million liquidity facilities, which together with surety financing entered into earlier in the year, had the effect of increasing our committed facilities to £450.0 million until March 2018.

Organisation and staff

In June 2016, we announced the sale of the business and assets of our PMS activities in the UK to HCP Management Services Limited (HCP). The reason for the sale was to concentrate our resources and attention on our greenfield activities where we create most value. As part of the sale, 81 staff roles and 52 Management Services Agreements (MSAs) transferred to HCP. The sale completed on 30 November 2016 for total proceeds of £4.0 million, £1.9 million of which was received on completion and £2.1 million of which was received in January 2017 once all consents were obtained. Principally as a result of the sale, our staff numbers fell from 252 at 31 December 2015 to 160 at the end of 2016.

We now have 36% of staff located outside the UK (2015 – 22%). This growing internationalisation is consistent with where our future opportunities lie.

Reflecting Derek Potts' retirement in early 2017, we have re-organised our Primary Investment management teams so that the heads in each of our three geographical regions now report directly to me. We will miss Derek's enthusiasm and experience but I am very pleased that he has agreed to continue to assist our Investment Committee on a consultancy basis.

I visited our offices around the world several times during 2016. We have strong individuals and great teams in each region and I want to extend my heartfelt thanks to all staff for their contribution during the year. As I have said before, the success of our business depends on them.

Current trading and guidance

Our total investment pipeline at 31 December 2016 was £1,859 million and includes £1,408 million of PPP opportunities looking out three years or so as well as nearer term renewable energy opportunities of £451 million. The current pipeline does not include potential opportunities that may come from additional public-private infrastructure in the UK post Brexit or in the US under the new administration. We will aim to maintain a majority of availability-based cash flows in our portfolio. At 31 December 2016, the balance was 73% availability-based versus 27% volume-based.

As our investment pipeline continues to grow, our aim is to increase our investment commitments for 2017 by approximately 10% compared to 2016. We expect realisations to be at a broadly similar level to our investment commitments, consistent with our self-funding model.

We have a proven business model and we believe we are in a good position to take advantage of opportunities for investment in greenfield infrastructure in a growing market. In the two years since we have been listed, we have delivered steady growth despite changing governmental policies and macro-economic environments. Against this background, we have confidence in the future.

Olivier Brousse
CHIEF EXECUTIVE OFFICER

PRIMARY INVESTMENT

OUR PRIMARY INVESTMENT ACTIVITIES ARE FOCUSED ON GREENFIELD INFRASTRUCTURE PROJECTS.

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

The Primary Investment portfolio comprises the Group's shareholdings in 11 PPP projects, and in ten renewable energy projects, which are in the construction phase. The Group's Primary Investment portfolio was valued at £696.3 million at 31 December 2016 (31 December 2015 – £405.9 million).

NEW INVESTMENT COMMITMENTS

During 2016, the Primary Investment team successfully secured ten new investments, and made additional commitments to one existing investment, resulting in total commitments of £181.9 million:

- Asia Pacific – the Hornsdale 2 wind farm project in South Australia reached financial close in June 2016 and we closed the Kiata wind farm project in Victoria in November 2016, further strengthening the Group's presence in the renewable energy market in the region.
- North America – we continued to increase our activities in the market. During the year, we secured a stake in the Sterling wind farm project in New Mexico, our first investment in renewable energy in this region, and we made a small additional investment in the I-77 Managed Lanes project in North Carolina.
- Europe –
  - We made a £9.0 million commitment to the A6 Parkway PPP project in the Netherlands;
  - We acquired an additional 6% stake in the IEP (Phase 1) project in the UK from a co-investor;
  - We committed to four on-shore wind farm investments, one in each of the UK and Germany, and two in France; and
  - We also secured and closed the Group's first investment in the offshore wind sector, acquiring a 30% stake in the Nordergründe wind farm project in Germany.

Our investment commitments for 2016 are summarised in the table below:

Investment commitments	Region	PPP £ million	RE* £ million	Total £ million
Intercity Express Programme (IEP) (Phase 1)	UK	37.0	–	37.0
Llynfi wind farm	UK	–	24.9	24.9
A6 Parkway	Europe	9.0	–	9.0
Nordergründe offshore wind farm	Europe	–	36.7	36.7
Sommette wind farm	Europe	–	11.7	11.7
Horath wind farm	Europe	–	14.3	14.3
Saint–Martin–L'Ars wind farm	Europe	–	5.1	5.1
I–77 Managed Lanes	North America	1.1	–	1.1
Sterling wind farm	North America	–	15.7	15.7
Hornsdale wind farm (Phase 2)	Asia Pacific	–	6.0	6.0
Kiata wind farm	Asia Pacific	–	20.4	20.4
Totals		**47.1**	**134.8**	**181.9**

* RE = renewable energy

Since 31 December 2016, we have committed £10.0 million for a 20% shareholding in the Hornsdale wind farm (Phase 3) in Australia.

ACTIVITIES

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

We target a wide range of infrastructure sectors:

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

We are also assessing opportunities in new infrastructure sectors such as the emerging energy storage programmes to support electricity grid performance, and broadband infrastructure upgrades, where we believe our business model could be successfully applied.

GWR
Isambard Kingdom Brunel
800004
MIND THE GAP

Project:
Intercity Express Programme

- Location:
  United Kingdom
- Partners:
  Hitachi Rail Europe
- Description:
  The IEP is an innovative scheme covering the finance, design, manufacture, delivery into daily service and maintenance of a fleet of 122 state-of-the-art Hitachi Super Express trains over a guaranteed minimum usage period of 26 years for the Great Western Main Line (Phase 1) and the East Coast Main Line (Phase 2) in the UK.

  Construction of the Phase 1 (Great Western) depots completed in early 2016 and development of the Phase 2 (East Coast) depots is progressing well. During 2016, trains commenced testing on the UK rail network for Phase 1 and remain scheduled to become operational during 2017.

The project is one of the largest PPP's globally, raising a total of £4.7 billion of funding. John Laing has a 24% interest in Phase 1 and a 30% interest in Phase 2.

Location: United Kingdom

Project:
I-4 Ultimate, Florida

This availability-based road project involves reconstructing 15 major interchanges, building more than 140 bridges and adding four variable toll Express Lanes.

Location: US

- **Location:**
  Orlando, Florida, USA
- **Partners:**
  Skanska Infrastructure Development
- **Description:**
  This availability-based road project has total capital expenditure of US$2.3 billion and involves reconstructing 15 major interchanges, building more than 140 bridges, adding four variable toll Express Lanes, and completely rebuilding the general use lanes of 21 miles of the existing I-4 interstate in central Florida. Construction commenced in 2015 and is anticipated to finish in 2021.

PRIMARY INVESTMENT (CONTINUED)

PROJECT FINANCE

Pricing of project finance facilities remained broadly stable during 2016, although the trend of falling prices and improving terms experienced in recent years appears to have levelled off. We were able to secure financing for projects where required. Institutional sources of long-term project finance were available in Europe, although commercial bank debt was typically more competitively priced. In Australia and New Zealand, medium-term bank debt and refinancing requirements are well established, with a large number of international banks being active in these markets. In Canada and the US, projects tend to be financed in the debt capital markets rather than with bank financing. Overall, financial markets in the regions in which the Group is active supported our growing levels of investment and we expect this to continue in 2017.

PIPELINE

At 31 December 2016, our overall investment pipeline of £1,859 million was higher than the pipeline of £1,494 million at 31 December 2015. The pipeline comprises opportunities to invest equity in PPP projects with the potential to reach financial close over the next three years, while the renewable energy pipeline relates to the next two years. The growth compared to 2015 reflects an increase in renewable energy pipelines in Asia Pacific and North America, as well as some impact from the devaluation of Sterling.

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

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

Pipeline at 31 December 2016 by bidding stage	Number of projects	PPP £ million	RE* £ million	Total £ million
Shortlisted/exclusive	18	234	173	407
Other active bids	4	185	–	185
Other pipeline	49	989	278	1,267
Totals	**71**	**1,408**	**451**	**1,859**

* RE = renewable energy

The shortlisted PPP projects at 31 December 2016 comprised a prison project in Australia, a broadband upgrade project in Ireland, and six availability-based transportation and schools projects, spread across the US, Canada and Australia.

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

Pipeline at 31 December 2016 by target market	PPP £ million	RE* £ million	Total £ million
Asia Pacific	491	142	633
North America	449	97	546
Europe (including the UK)	468	212	680
Totals	**1,408**	**451**	**1,859**

* RE = renewable energy

Some 34% of our pipeline relates to the Asia Pacific region which continues to offer substantial opportunities. In this region, the Group's current bidding activities are focused on Australia and New Zealand, where the Group has built up a strong base. Our growing presence in the renewable energy sector in Australia offers significant potential in the coming years.

In North America (the US and Canada), which makes up 29% of the pipeline, our focus is on what is becoming a very substantial PPP market, whilst continuing to progress our presence in the renewable energy market, following our first US wind farm investment in 2016. We continue to explore PPP opportunities primarily in the transportation sector and also the growing water and social infrastructure sectors. The Canadian market continues to demonstrate strong PPP deal flow, which we are actively pursuing. At the end of 2016, we were shortlisted on four large PPP projects.

The balance of our pipeline is in Europe, where PPP activity remains at a satisfactory level in countries such as the Netherlands. However, in 2017 we expect to increase our activities in markets such as Germany, Norway and the Czech Republic. There is also a significant PPP programme in Turkey, but we have deferred further work on this market following the challenges in that country in 2016. The UK government has given indications of a new pipeline of privately financed projects, and we are waiting for the programme to become more clearly defined.

Selected countries in Europe, Asia Pacific and North America will provide our main focus for renewable energy opportunities in 2017. Our pipeline includes many potential wind and solar projects as well as investment opportunities in biomass plant.

Our overall renewable energy pipeline was £451 million at 31 December 2016, higher than at 31 December 2015. In the main, we target investments where a substantial proportion of revenue is supported by governmental support mechanisms which leads to reduced exposure to energy price fluctuations. During the year, we closed our first offshore wind farm investment, and this sector offers strong potential in the coming years, though our pipeline does not currently include any offshore wind opportunities.

In addition to the above, the Group continues to monitor new geographic markets which offer potential in the medium to long term. These include countries in South America, such as Chile and Colombia, and other Asia Pacific markets such as Singapore.

I will be retiring at the end of March 2017 but I am confident in the ability and experience of our teams within Primary Investment and the strength of our pipeline. Following my retirement, the heads of Primary Investment in each of our three geographical regions will report directly to the Chief Executive Officer.

Derek Potts
GROUP MANAGING DIRECTOR, PRIMARY INVESTMENT

The stadium will predominantly be used for Australian-rules football but will be able to readily accommodate other sports, as well as entertainment events, through the use of drop-in seats.

Location: Australia

Project:
New Perth Stadium

- Location:
  Perth, Australia
- Partners:
  Brookfield Multiplex
  Brookfield Global Integrated Services
- Description:
  The New Perth Stadium will be a major sporting and entertainment venue with an initial 60,000 seat capacity, capable of staging national and international events. The stadium will predominantly be used for Australian-rules football but will be able to readily accommodate other sports, as well as entertainment events, through the use of drop-in seats. Construction works are on track for completion in advance of the 2018 Australian Football League season.

→ Project:
Nordergründe offshore wind farm

- Location:
  North Sea north of Wilhelmshaven, Germany
- Partners:
  wpd AG and Gothaer Leben Renewables GmbH
- Description:
  Nordergründe, in which John Laing has a 30% stake, is John Laing's second German wind investment and its first investment in offshore wind. Electricity generation will come from 18 Senvion 6.2 M126 turbines with total capacity of 110.7MW.

  The project will benefit from the German feed in tariff mechanism and operations are due to start in late 2017.

Electricity generation will come from 18 turbines with total capacity of 110.7MW.

Location: Germany

SECONDARY INVESTMENT

AT 31 DECEMBER 2016, THE SECONDARY INVESTMENT PORTFOLIO COMPRISED 15 PPP PROJECTS AND SIX RENEWABLE ENERGY PROJECTS WITH A BOOK VALUE OF £479.6 MILLION (31 DECEMBER 2015 – £419.4 MILLION).

The Secondary Investment portfolio also included a 3.3% shareholding in JLEN valued at £10.0 million at 31 December 2016 (31 December 2015 – 7.0% shareholding valued at £16.1 million).

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

INVESTMENT REALISATIONS

During the year, we achieved proceeds of £146.6 million from the realisation of investments:

- Our investments in two PPP projects, British Transport Police and Oldham Housing, were sold to JLIF for £19.5 million;
- Our investments in Dungavel Wind Farm (100%) and New Albion Wind Farm (100%) were sold to JLEN for a total of £50.0 million;
- Our investment in the A55 project and 20% of our interest in IEP (Phase 1) were sold to JLIF in the second half of the year; and
- We sold a 2.2% shareholding in JLEN for £6.4 million.

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

Realisations completed	Shareholding	Purchaser	Total £ million
British Transport Police*	54.17%	JLIF	19.5*
Oldham Housing*	95%		
Dungavel Wind Farm	100%	JLEN	38.2
New Albion Wind Farm	100%		11.8
Shareholding in JLEN	2.2%	Market placing	6.4
A55	100%	JLIF	28.3
IEP (Phase 1)	6%		42.4
Total			**146.6**

* counted towards guidance for 2015

Excluding the sales of our investments in British Transport Police and Oldham Housing, we achieved disposals for dividend purposes of £127.1 million, ahead of our guidance of approximately £100 million.

We also agreed two further disposals:

- Sale of our 29.69% shareholding in Gdansk Transport Company S.A (GTC), the owner and operator of part of the A1 motorway in Poland, for €137.3 million (adjusted for distributions received in November and December 2016), subject to certain reductions and adjustments. A sale and purchase agreement was originally entered into with FS Amber Holdings BV, an entity managed by First State Investments, in late 2016. However, as the result of the exercise of pre-emption rights by NDI Autostrada SP.2.0.0 (NDIA), a co-shareholder in GTC, a new sale and purchase agreement was entered into with NDIA in January 2017. Completion of the disposal was subject to certain consents and conditions and occurred on 2 March 2017.
- Sale of our 30% shareholding in the M6 road, Hungary for €26.6 million. This sale was originally agreed in December 2016. However, following the exercise of pre-emption rights by co-shareholders in the project company, Strabag AG and Intertoll-Europe ZRT (Intertoll), new sale and purchase agreements were entered into on 1 February 2017. Completion of the disposal is subject to obtaining certain consents and satisfying certain conditions and is expected to take place in the second quarter of 2017.

TRANSFERS FROM THE PRIMARY INVESTMENT PORTFOLIO

During the year, six investments became part of the Secondary Investment portfolio as the underlying projects moved into the operational stage:

Croydon & Lewisham Street Lighting, UK (50% interest)

The final milestone for the construction and installation of more than 23,000 street lights was completed in late November 2016, resulting in the project moving to a fully operational status.

Rammeldalsberget Wind Farm, Sweden (100% interest)

Located near Kramfors in central Sweden, the project comprises six wind turbines of 2.5MW each. Operations commenced in June 2016 and revenue is supported by a fixed price power purchasing agreement for 50% of production until the end of 2019.

New Albion Wind Farm, UK (100% interest, disposed in July 2016)

Located in Northamptonshire, UK, the project comprises seven Senvion turbines, each with 2.05MW capacity. Following commencement of operations in January 2016, this project was sold to JLEN in July 2016 for £11.8 million.

Pasilly Wind Farm, France (100% interest)

Located in the Yonne region of Burgundy, this was our first renewable energy project in France. The wind farm comprises ten Gamesa G97 turbines of 2MW each. Full operation commenced in December 2016, with revenue supported by a feed-in-tariff for the first 15 years.

Hornsdale Wind Farm Phase One, Australia (30% interest)

The project comprises a 32 turbine wind farm in South Australia with an installed capacity of 102.4MW and represents our first renewable energy project in the Asia Pacific region. The project benefits from a 20 year offtake from a government counterparty (Australian Capital Territory).

A15, Netherlands (28% interest)

This availability-based road project comprises the expansion of two intersections and the provision of maintenance along a 37km motorway section in the Rotterdam region of the Netherlands for a period of 20 years after completion of construction. The scope of the project included widening the motorway and rebuilding many of the structures and junctions connecting the motorway with the road network.

Chris Waples
GROUP MANAGING DIRECTOR, ASSET MANAGEMENT

Project:
Speyside Biomass

- Location:
  Speyside, Scotland
- Partners:
  Estover Energy Ltd
  UK Green Investment Bank
- Description:
  This 15MW combined heat and power plant supplies the adjacent Macallan whisky distillery with renewable heat and exports power to the grid. Its fuel is virgin wood sourced from the local region supplied by a consortium of local growers and forest industry suppliers.

This 15MW combined heat and power plant supplies the adjacent whisky distillery with renewable heat and exports power to the grid.

Location: Scotland

ASSET MANAGEMENT

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

INVESTMENT MANAGEMENT SERVICES

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

External IMS JLCM provides advisory services to JLIF and JLEN under investment advisory agreements. As at 30 September 2016, JLIF and JLEN had published portfolio values of £1,113.8 million and £320.7 million respectively. JLCM has an independent chairman and two separate dedicated fund management teams whose senior staff are authorised and regulated by the FCA. The teams focus their advice primarily on sourcing new investments for and arranging capital raisings by the two funds. They operate behind information barriers in view of the market sensitive nature of their activities and to ensure the separation of "buy-side" and "sell-side" teams when John Laing is selling investments to either fund. Both funds have a right of first offer over certain investments should they be offered for sale by the Group, and both are stand-alone entities separate from the Group. Each fund maintains an independent board of directors and is independently owned.

At 31 December 2016, the Group also managed two PPP investments valued at £37.8 million held by JLPF.

Fee income from external IMS grew from £12.0 million in 2015 to £15.8 million in 2016.

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

Value protection – examples

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

Value enhancement – examples

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

The total IMS income for the year ended 31 December 2016 of £17.8 million (2015 – £13.4 million) includes £2.0 million (2015 – £1.4 million) of fee income for the provision of directors on project company boards.

PROJECT MANAGEMENT SERVICES

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

On 30 November 2016, the Group completed the divestment of its PMS activities in the UK to HCP Management Services Limited (HCP). As part of the sale, 81 staff roles and 52 MSAs transferred to HCP. The activities sold contributed £7.9 million of the total PMS revenues of £14.9 million.

The remaining PMS activities are principally focused on MSAs relating to projects outside the UK. At 31 December 2016, the Group held 19 MSAs (31 December 2015 – 75 MSAs).

PROJECTS UNDER CONSTRUCTION

John Laing's investments in projects are managed by the Asset Management division. An update on significant projects under construction is set out below.

Intercity Express Programme (IEP)

John Laing is in partnership with Hitachi to manage the contracts that cover the design, manufacture, finance and delivery into daily service and maintenance of a fleet of 122 Super Express trains for the UK's Great Western Main Line (Phase 1 – 24% interest) and the East Coast Main Line (Phase 2 – 30% interest). With a total capital expenditure across the two phases of £3.4 billion, it is one of the largest PPP projects to be awarded. Construction of the Phase 1 (Great Western) depots completed in early 2016 and development of the Phase 2 (East Coast) depots is progressing well. During 2016, trains commenced testing on the UK rail network for Phase 1 and remain scheduled to become operational during 2017.

In November 2016, it was announced that electrification of certain parts of the Great Western Route being undertaken by Network Rail on behalf of the Department for Transport would be further delayed. The Department for Transport has asked the Phase 1 project company to convert all trains for use as bi-mode which can be powered by diesel or electricity. We are not expecting any negative impact on our investments from these delays.

New Royal Adelaide Hospital (NRAH), South Australia (17.3% interest)

This project is currently one of the largest building construction projects in Australia. Containing 700 single bedrooms and 100 same-day beds, NRAH will have the capacity to admit over 80,000 patients per year. Delays relating to this project are addressed in the Chief Executive Officer's Review on page 8. Technical completion is now expected to occur in March 2017 followed by commercial acceptance three months later.

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

This project is to design, build, finance, maintain and operate two commuter rail lines and a section of a third in the Denver Metropolitan area. The fleet of rolling stock has been completed. The first line (A Line, East Corridor) became operational in the second quarter of 2016, and the second line (B Line, North West Corridor electrified segment) in the third quarter. The third line (G Line) is scheduled to become operational in the first quarter of 2017.

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

This availability-based road project has total capital expenditure of US$2.3 billion and involves reconstructing 15 major interchanges, building more than 140 bridges, adding four variable toll Express Lanes, and completely rebuilding the general use lanes of 21 miles of the existing I-4 interstate in central Florida. Construction commenced in 2015 and is anticipated to finish in 2021.

New Perth Stadium, Western Australia (50% interest)

The New Perth Stadium will be a major sporting and entertainment venue, capable of staging national and international events. The stadium will predominantly be used for Australian-rules football but will be able to readily accommodate other sports, as well as entertainment events through the use of drop-in seats. Construction works are on track for completion in advance of the 2018 Australian Football League season.

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

The project involves the provision and maintenance of 75 new six-car trains for Queensland Rail. The first train is now being tested with progress slower than expected in part due to reduced availability of train drivers.

Nordergründe offshore wind farm, Germany (30% interest)

The final turbine (of 18) for this offshore wind farm was installed in December 2016. In September 2016, the sub-contractor responsible for provision of the offshore electrical sub-station went into administration and this caused some delays to the project. The project company, with the support of its lenders, has entered into an agreement with the administrator and work on the sub-station has resumed. Operations are due to start in late 2017.

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

This light rail project will form an integral part of Sydney's public transport infrastructure network and pedestrianise one of its busiest streets, providing a commuter route into the Central Business District and access to the south east of the city. Services are scheduled to begin in the first half of 2019.

Speyside Biomass, UK (43.35% equity interest)

This 15MW combined heat and power plant supplies the adjacent Macallan whisky distillery with heat and exports power to the grid. Its fuel is virgin wood sourced from the local region. In January 2017, the plant achieved functional take-over.

Chris Waples
GROUP MANAGING DIRECTOR, ASSET MANAGEMENT

PORTFOLIO VALUATION

		PRIMARY INVESTMENT	SECONDARY INVESTMENT
SOCIAL INFRASTRUCTURE	Health	New Royal Adelaide Hospital 17.26%	Alder Hey Children's Hospital 40%
	Justice and Emergency Services		Auckland South Corrections Facility 30%
	Defence		DARA Red Dragon 100%
	Regeneration	Lambeth Housing 50%	
	Other Accommodation	New Perth Stadium 50%	
TRANSPORT	Roads	I-4 Ultimate 50% I-77 Managed Lanes 10% 🟨 A6 Parkway Netherlands 85%	A1 Germany 42.5% A1 Gdansk Poland 29.69% Severn River Crossing 35% M6 Hungary 30% A130 100% A15 Netherlands 28%
	Rail	IEP (Phase 1) 24% IEP (Phase 2) 30% Denver Eagle P3 45% New Generation Rollingstock 40% Sydney Light Rail 32.5%	Coleshill Parkway 100% Aylesbury Vale Parkway 50% City Greenwich Lewisham (DLR) 5%
	Street Lighting		Croydon & Lewisham SL 50%
ENVIRONMENTAL	Waste		Manchester Waste VL Co 50% Manchester Waste TPS Co 37.43%
	Renewable Energy – Biomass	Speyside Biomass 43.35% Cramlington Biomass 44.7%	
	Renewable Energy – Wind	Glencarbry Wind Farm 100% 🟨 Hornsdale 2 Wind Farm 20% 🟨 Llynfi Wind Farm 100% 🟨 Nordergründe Offshore Wind Farm 30% 🟨 Sommette Wind Farm 100% 🟨 Sterling Wind Farm 92.5% 🟨 Kiata Wind Farm 72.3% 🟨 St. Martin Wind Farm 100%	Svartvallsberget Wind Farm 100% Rammeldalsberget Wind Farm 100% Klettwitz Wind Farm 100% Hornsdale Wind Farm 30% Pasilly Wind Farm 100% 🟨 Horath Wind Farm 81.82%

⬜ New investment commitment pre 2016
🟨 New investment commitment in 2016

The portfolio valuation at 31 December 2016 was £1,175.9 million compared to £841.4 million at 31 December 2015. After adjusting for realisations, cash yield and cash invested, this represented a positive movement in fair value of £214.4 million (22.3%):

	Investments in projects £ million	Listed investment £ million	Total £ million
Portfolio valuation at 1 January 2016	825.3	16.1	841.4
– Cash invested	301.5	–	301.5
– Cash yield	(33.9)	(0.9)	(34.8)
– Proceeds from realisations	(140.2)	(6.4)	(146.6)
Rebased valuation	**952.7**	**8.8**	**961.5**
– Movement in fair value	213.2	1.2	214.4
Portfolio valuation at 31 December 2016	**1,165.9**	**10.0**	**1,175.9**

Cash investment in respect of eight new projects (one PPP and seven renewable energy) entered into during 2016 totalled £109.3 million. We committed to an additional stake in one existing PPP project during the year for £37.0 million. In addition, equity and loan note subscriptions of £155.2 million were injected into existing projects in the portfolio as they progressed through, or completed, construction.

During 2016, the Group completed the realisation of five investments for a total consideration of £146.6 million. Cash yield received from projects during the year totalled £34.8 million.

The movement in fair value of £214.4 million is analysed in the table below. The fair value movement includes a net benefit of £27.5 million from the amendment of benchmark discount rates for certain investments in response to our understanding and experience of the secondary market.

	Year ended 31 December 2016 Total £ million	Year ended 31 December 2015 Total £ million
Unwinding of discount	**77.1**	61.0
Reduction of construction risk premia	**52.7**	22.8
Impact of foreign exchange movements	**74.7**	(9.2)
Change in macroeconomic assumptions	**(13.8)**	(9.4)
Change in power and gas price forecasts	**(17.6)**	(10.7)
Change in operational benchmark discount rates	**27.5**	19.5
Uplift on financial closes	**31.0**	27.1
Value enhancements and other changes	**(17.2)**	31.0
Movement in fair value	**214.4**	132.1

The net movement in fair value comprised unwinding of discounting (£77.1 million), the reduction of construction risk premia (£52.7 million), the reduction in operational benchmark discount rates (£27.5 million), favourable foreign exchange movements (£74.7 million) and uplift on financial closes (£31.0 million), offset by adverse movements from lower power and gas price forecasts (£17.6 million), adverse movements in macroeconomic forecasts (£13.8 million) and a net adverse movement from value enhancements and other changes (£17.2 million). Foreign exchange movements are addressed further in the Financial Review section.

The adverse fair value movement of £17.2 million relating to value enhancements and other changes arose partly due to the matters described in the Chief Executive Officer's Review in relation to the Group's investments in New Royal Adelaide Hospital and Manchester Waste VL Co. There were also value reductions on some other investments, offset by value enhancements.

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

	31 December 2016		31 December 2015	
	£ million	**%**	£ million	%
Primary Investment	**696.3**	**59.2**	405.9	48.2
Secondary Investment	**479.6**	**40.8**	435.5	51.8
Portfolio valuation	**1,175.9**	**100.0**	841.4	100.0

The increase in the Primary Investment portfolio is due to a movement in fair value of £136.5 million, including value enhancements and financial closes achieved during the period, and cash invested of £287.1 million, offset by transfers to the Secondary Investment portfolio of £89.6 million, cash from investment realisation of £42.4 million and cash yield of £1.2 million.

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PORTFOLIO VALUATION (CONTINUED)

	Primary Investment £ million
Portfolio valuation at 1 January 2016	405.9
– Cash invested	287.1
– Cash yield	(1.2)
– Proceeds from realisations	(42.4)
– Transfers to Secondary Investment	(89.6)
Rebased valuation	**559.8**
– Movement in fair value	136.5
Portfolio valuation at 31 December 2016	**696.3**

The increase in the Secondary Investment portfolio is due to transfers from the Primary Investment portfolio of £89.6 million, cash investment of £14.4 million and a movement in fair value of £77.9 million, offset by investment realisations during the year of £104.2 million and cash yield of £33.6 million.

	Secondary Investment £ million
Portfolio valuation at 1 January 2016	435.5
– Cash invested	14.4
– Cash yield	(33.6)
– Proceeds from realisations	(104.2)
– Transfers from Primary Investment	89.6
Rebased valuation	**401.7**
– Movement in fair value	77.9
Portfolio valuation at 31 December 2016	**479.6**

METHODOLOGY

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

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

The discounted cash flow valuation is based on future cash distributions from projects forecast as at 31 December 2016, derived from detailed financial models for each underlying project. These incorporate the Group's expectations of likely future cash flows, including value enhancements.

For the 31 December 2016 valuation, the overall weighted average discount rate was 8.9% compared to the weighted average discount rate at 31 December 2015 of 9.5%. The decrease was primarily due to changes in operational discount rates for certain investments as referred to earlier. The weighted average discount rate at 31 December 2016 was made up of 9.1% (31 December 2015 – 9.7%) for the Primary Investment portfolio and 8.4% (31 December 2015 – 8.9%) for the Secondary Investment portfolio.

The overall weighted average discount rate of 8.9% reflects the fact that project cash flows for investments in the Primary Investment portfolio tend to have a longer duration than for investments in the Secondary Investment portfolio.

Compared to other market benchmarks, the weighted average discount rate of 8.4% for the Secondary Investment portfolio reflects (i) the impact of renewable energy projects which tend to have higher discount rates than PPP projects and (ii) a few PPP projects with above average discount rates because of location or an element of volume/technology risk.

The discount rate ranges used in the portfolio valuation at 31 December 2016 were as set out below:

Sector	Primary Investment %	Secondary Investment %
PPP projects	7.3 – 11.3	7.0 – 10.0
Renewable energy projects	7.6 – 11.6	7.0 – 9.3

The shareholding in JLEN was valued at its closing market price on 31 December 2016 of 106p per share (31 December 2015 – 103p per share).

The Directors have obtained an independent opinion from a third party, which has considerable expertise in valuing the type of investments held by the Group, that the investment portfolio valuation represented a fair market value in the market conditions prevailing at 31 December 2016.

MACRO-ECONOMIC ASSUMPTIONS

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

The table below summarises the main macro-economic assumptions used in the portfolio valuation:

Assumption			31 December 2016	31 December 2015
Long term inflation	UK	RPI & RPIX	**2.75%**	2.75%
	Europe	CPI	**1.60%-2.00%**	2.00%
	US	CPI	**2.25%-2.50%**	2.25%-2.50%
	Asia Pacific	CPI	**2.00%-2.75%**	2.00%-2.75%
Foreign exchange rates	GBP/EUR		**1.1708**	1.3592
	GBP/AUD		**1.7094**	2.0340
	GBP/USD		**1.2329**	1.4833
	GBP/NZD		**1.7754**	2.1692

Investments in overseas projects are fair valued based on the spot exchange rate on the balance sheet date. As at 31 December 2016, a 5% movement of each relevant currency against Sterling would decrease or increase the value of investments in overseas projects by c.£27 million.

At 31 December 2016, based on a sample of seven of the larger PPP investments by value, a 0.25% increase in inflation is estimated to increase the value of PPP investments by £14 million and a 0.25% decrease in inflation is estimated to decrease the value of PPP investments by £13 million. Certain of the underlying project companies incorporate some inflation hedging.

DISCOUNT RATE SENSITIVITY

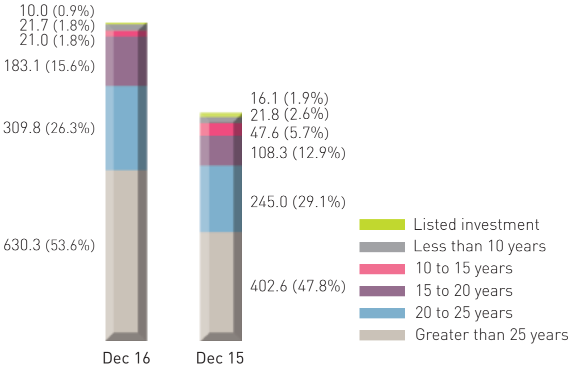
The weighted average discount rate applied at 31 December 2016 was 8.9% (31 December 2015 – 9.5%). The table below shows the sensitivity of each 0.25% change in this rate of up to plus or minus 0.75%.

Discount rate sensitivity	Portfolio valuation £ million	Increase/ decrease in valuation £ million
+0.75%	1,083.6	(92.3)
+0.50%	1,113.0	(62.9)
+0.25%	1,143.8	(32.1)
–	1,175.9	–
-0.25%	1,209.5	33.6
-0.50%	1,244.7	68.8
-0.75%	1,281.6	105.7

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

BY TIME REMAINING ON PROJECT CONCESSION/ OPERATIONAL LIFE

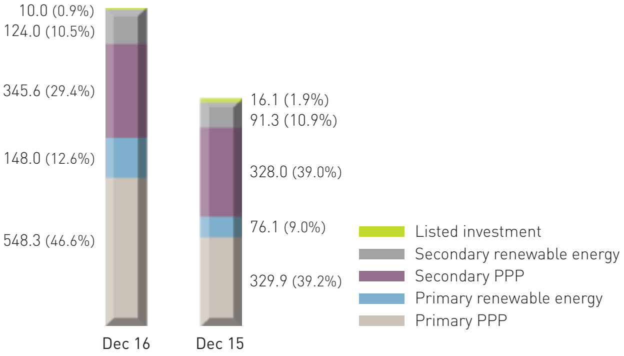
£ million



PPP projects are based on long-term concessions and renewable energy assets have long-term useful economic lives. As demonstrated in the table above, 53.6% of the portfolio by value had a greater than 25-year unexpired concession term or useful economic life remaining at 31 December 2016, compared to 47.8% at 31 December 2015. The investment in JLEN, which represented 0.9% (31 December 2015 – 1.9%) of the portfolio valuation, is shown separately.

SPLIT BETWEEN PPP AND RENEWABLE ENERGY

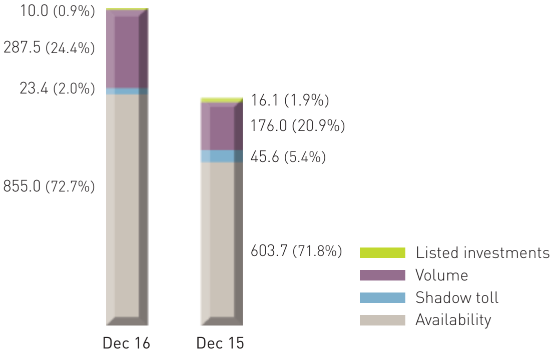
£ million



Primary PPP investments made up the largest part of the portfolio, representing 46.6% of the portfolio valuation at 31 December 2016, with Secondary PPP investments representing a further 29.4%.

BY REVENUE TYPE

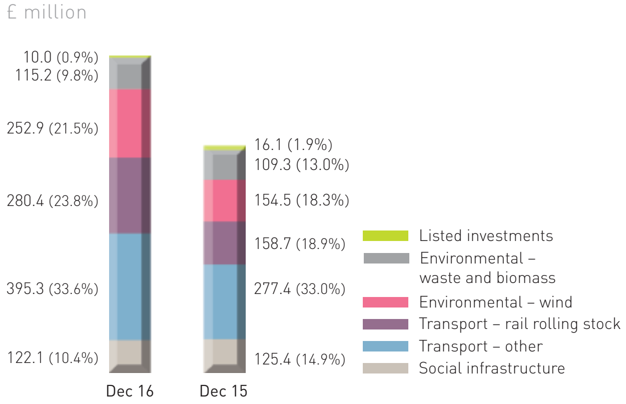
£ million



Availability-based investments continued to make up the majority of the portfolio, representing 72.7% of the portfolio valuation at 31 December 2016. Renewable energy investments comprised the majority of the volume-based investments. The investment in JLEN, which holds investments in PPP and renewable energy projects, is shown separately.

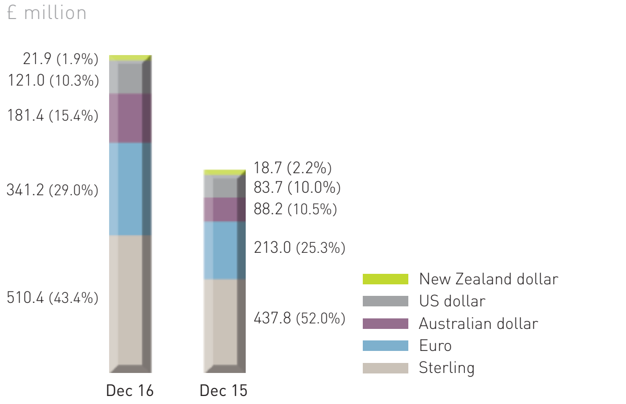
PORTFOLIO VALUATION (CONTINUED)

BY SECTOR



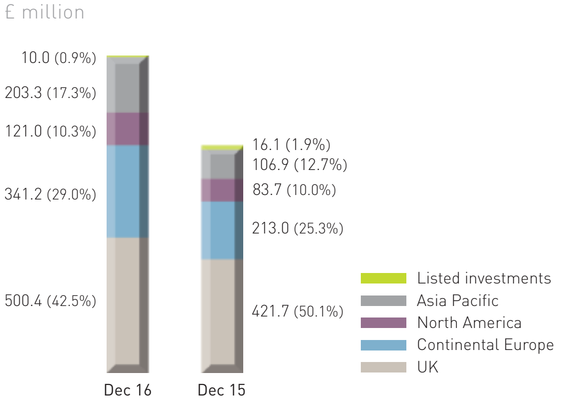
Investments in the transport sector (excluding rail rolling stock) continued to make up the largest proportion of the portfolio valuation, representing 33.6% of the portfolio at 31 December 2016, with rail rolling stock investments accounting for a further 23.8%. Wind investments made up 21.5% of the portfolio by value, social infrastructure investments – 10.4% and waste and biomass investments – 9.8%. The portfolio underlying the JLEN shareholding consists of a mix of renewable energy and environmental projects.

BY CURRENCY



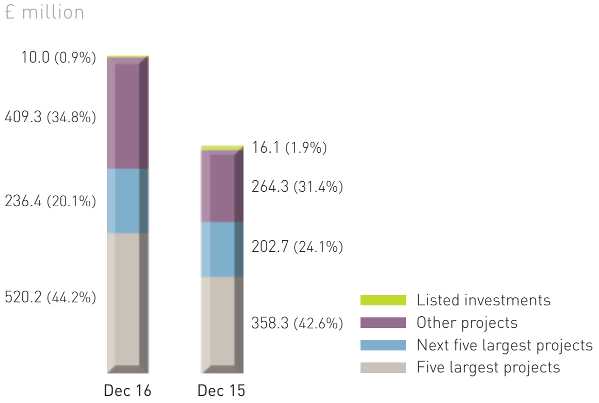
The percentage of investments denominated in foreign currencies increased from 48.0% to 56.6%. This was partly caused by the weakness of Sterling during 2016 but is also consistent with our pipeline and the overseas jurisdictions we target.

BY GEOGRAPHICAL REGION



Investments in the UK continued to make up the largest single region in the portfolio valuation, representing 42.5% of the portfolio at 31 December 2016. Continental Europe remained the next largest category with 29.0%. Investments in projects located in the Asia Pacific region made up 17.3% and investments in North America 10.3%. A substantial majority of the JLEN portfolio consists of investments in UK based projects.

BY INVESTMENT SIZE



The top five investments in the portfolio made up 44.2% of the portfolio at 31 December 2016. The next five largest investments made up a further 20.1%, with the remaining investments in the portfolio comprising 34.8%. The shareholding in JLEN made up 0.9% of the portfolio.

FINANCIAL REVIEW

BASIS OF PREPARATION

Statutory financial information for the year ended 31 December 2016 is presented in the Group Income Statement, the Group Statement of Comprehensive Income and the Group Statement of Changes in Equity alongside comparative statutory and pro forma financial information for the year ended 31 December 2015. Both the Group Balance Sheet at 31 December 2016 and at 31 December 2015 are presented on a statutory basis. The comparative pro forma financial information was prepared on the basis that the restructuring associated with the Company's admission to listing in February 2015, as described in more detail in the Financial Review section of the 2015 Annual Report, had been in place throughout the year ended 31 December 2015. In the opinion of the Directors, presenting pro forma information for 2015 was necessary in order to give a true and fair view of the state of the Company's affairs for that year.

The statutory and pro forma financial information has been prepared on the historical cost basis except for the revaluation of the investment portfolio and financial instruments that are measured at fair value at the end of each reporting period. The Company meets the definition of an Investment Entity set out in IFRS 10. Investment Entities are required to account for all investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss (FVTPL), except for those directly-owned subsidiaries that provide investment-related services or engage in permitted investment-related activities with investees (Service Companies). Service Companies are consolidated rather than recorded at FVTPL.

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

RE-PRESENTED FINANCIAL RESULTS

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

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

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

RE-PRESENTED INCOME STATEMENT

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

FINANCIAL REVIEW (CONTINUED)

	2016			2015[d]	
	IFRS Group Income Statement £ million	Adjustments £ million	**Re-presented income statement £ million**	Re-presented income statement £ million	**Re-presented income statement line items**
Fair value movements – investment portfolio	214.4	–	214.4	132.1	Fair value movements – investment portfolio
Fair value movements – other	(2.6)	(0.6)[a]	(3.2)	(7.5)	Fair value movements – other
Investment fees from projects	7.0	–	7.0	7.7	Investment fees from projects
Net gain on investments at fair value through profit or loss	**218.8**	**(0.6)**	**218.2**	132.3	
IMS revenue	17.8	–	17.8	13.4	IMS revenue
PMS revenue	14.9	–	14.9	17.0	PMS revenue
Recoveries on financial close	7.5	–	7.5	3.4	Recoveries on financial close
Other income	1.8	(1.8)[b]	–	–	
Other income	**42.0**	**(1.8)**	**40.2**	33.8	
Total income	**260.8**	**(2.4)**	**258.4**	166.1	
Third party costs	(7.7)	–	(7.7)	(6.6)	Third party costs
Staff costs	(34.1)	–	(34.1)	(32.5)	Staff costs
General overheads	(13.2)	–	(13.2)	(11.7)	General overheads
Other net costs	(1.8)	1.1[a,b]	(0.7)	(3.6)	Other net costs
Pension and other charges	(1.6)	1.6[c]	–	–	
Administrative expenses	**(58.4)**	**2.7**	**(55.7)**	(54.4)	
EBIT	**202.4**	**0.3**	**202.7**	111.7	
Finance costs	(10.3)	2.6[a,c]	(7.7)	(6.6)	Finance costs
Pension and other charges	–	(2.9)[c]	(2.9)	(4.2)	Pension and other charges
Profit before tax	**192.1**	**–**	**192.1**	100.9	

Notes:

a Adjustments primarily comprise a £1.5 million provision offset by a £0.8 million release of other provisions reclassified from 'fair value movements – other' to 'other net costs'; as well as £1.3 million interest income reclassified from 'fair value movements – other' to 'finance costs'.

b Adjustments primarily comprise £1.6 million part proceeds received from the sale of the PMS UK business reclassified from 'other income' to 'other net costs' and £0.2 million of other income from projects reclassified from 'other income' to 'other net costs'.

c Under IAS 19, the costs of the pension schemes comprise a service cost of £1.6 million (2015 – £1.5 million), included in administrative expenses in the Group Income Statement, and a finance charge of £1.3 million (2015 – £2.7 million), included in finance costs in the Group Income Statement. These amounts are combined together under management reporting.

d For a reconciliation between the IFRS Group Income Statement and re-presented income statement for the year ended 31 December 2015, please see the Additional Financial Information on page 125.

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

	Primary Investment		**Secondary Investment**		**Asset Management**		**Total**	
Year ended 31 December	**2016 £ million**	2015 £ million	**2016 £ million**	2015 £ million	**2016 £ million**	2015 £ million	**2016 £ million**	2015 £ million
Profit before tax for reportable segments	**113.1**	50.7	**57.1**	43.0	**19.9**	15.5	**190.1**	109.2
Post retirement charges							**(2.9)**	(4.2)
Other net gain/(loss)							**4.9**	(4.1)
Profit before tax							**192.1**	100.9

Profit before tax from continuing operations for the year ended 31 December 2016 was £192.1 million (2015 – £100.9 million). The main reason for the higher profit before tax was a higher fair value movement compared to 2015, which in turn was principally as a result of favourable foreign exchange rate movements.

- The main profit contributor in 2016 was the Primary Investment division. Its contribution was higher than last year primarily because of a higher fair value movement, which in turn was principally as a result of favourable foreign exchange rate movements and a higher value uplift from the reduction of construction risk premia offset by an adverse fair value movement relating to value enhancements and other changes referred to in the Portfolio Valuation section.
- The higher contribution in 2016 from the Secondary Investment division was also primarily as a result of foreign exchange gains on the portfolio as well as higher value enhancements offset by adverse other changes referred to in the Portfolio Valuation section.
- The higher contribution in 2016 from the Asset Management division was principally due to higher fee income from IMS as a result of increased external Assets under Management.

The movement in fair value on the portfolio for the year ended 31 December 2016, after adjusting for the impact of investments, cash yield and realisations, was a £214.4 million gain (2015 – £132.1 million gain). The higher value uplift is primarily due to favourable foreign exchange movements in 2016 compared to the previous year. For further details of the movement in fair value on the portfolio, see the Portfolio Valuation section on page 22.

There were other fair value movements for the year ended 31 December 2016 of a £3.2 million loss which comprised net foreign exchange losses of £11.2 million, (principally comprising £11.9 million losses on foreign exchange hedges held by the Group during the year and at 31 December 2016 – see the foreign currency exposure section in this review for further details) offset by fair value gains of £0.9 million in respect of non-portfolio investments in small joint ventures, £6.6 million of tax income and a partial release of £0.5 million of a provision created in the year ended 31 December 2015. For the year ended 31 December 2015, other fair value movements primarily comprised a loss of £8.2 million from providing against a loan to a project company in the UK healthcare sector.

The Group earned IMS revenue of £17.8 million (2015 – £13.4 million) for investment advisory and asset management services primarily to the external funds JLIF and JLEN, with the increase from last year due to the higher level of external Assets under Management.

The Group also earned PMS revenue of £14.9 million (2015 – £17.0 million). As mentioned in the Chief Executive Officer's Review, on 30 November 2016, the Group completed the sale of the business and assets of its PMS activities in the UK to HCP. As part of the sale, 81 staff roles and 52 MSAs transferred to HCP. The activities sold contributed approximately £7.9 million of the £14.9 million PMS revenues for the year ended 31 December 2016 referred to above and had attributable costs of c.£6.0 million.

The Group achieved recoveries of bidding costs on financial closes of £7.5 million in the year ended 31 December 2016 (2015 – £3.4 million), in line with third party bid costs incurred in the year.

Staff costs by division are shown below:

	Primary Investment		**Secondary Investment**		**Asset Management**		**Central**		**Total**	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	£ million	£ million	**£ million**	£ million	**£ million**	£ million	**£ million**	£ million	**£ million**	£ million
Staff costs	**9.6**	9.0	**–**	–	**17.1**	17.0	**7.4**	6.5	**34.1**	32.5

Included within Asset Management staff costs are costs relating to:

	Investment Management Services		**Project Management Services**		**Total Asset Management**	
	2016	2015	**2016**	2015	**2016**	2015
	£ million	£ million	**£ million**	£ million	**£ million**	£ million
Staff costs	**9.0**	8.1	**8.1**	8.9	**17.1**	17.0

The overall increase in staff costs is principally due to the higher costs under IFRS 2 of share-based incentive schemes with costs in the year ended 31 December 2016 of £2.0 million compared to £0.7 million in the prior year. See note 5 of the Group financial statements for further details on the share-based incentive schemes.

Other net costs of £3.6 million in 2015 primarily comprised staff incentive costs in relation to the Company's listing in February 2015.

Finance costs of £7.7 million (2015 – £6.6 million) include costs arising on the corporate banking facilities net of any interest income, with the increase from last year primarily due to higher average usage of the corporate banking facilities.

The Group's overall tax credit on profit on continuing activities for 2016 was £4.8 million (2015 – charge of £0.1 million). This comprised a tax charge of £1.8 million (2015 – £2.1 million) in recourse group subsidiary entities that are consolidated (shown in the 'Tax' line of the Group Income Statement), primarily in relation to group relief payable to entities held at FVTPL, and a tax credit of £6.6 million (2015 – £2.0 million) in recourse group subsidiary entities that are held at FVTPL (included within 'net gain on investments at fair value through profit or loss' on the Group Income Statement), including group relief receivable from recourse group subsidiary entities that are consolidated together with group and consortium relief received from project companies.

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

In November 2016 and January 2017, HM Treasury issued draft provisions for the Finance Bill 2017, which included new proposed legislation to restrict tax deductible interest to 30% of a company's earnings before interest, tax, depreciation and amortisation (EBITDA) with effect from 1 April 2017. This followed the publication by HM Treasury of a consultation in May 2016 on Base Erosion and Profit Shifting (BEPS) to which the Company responded as part of industry representative forums. The Company holds a provision as at 31 December 2016 for the estimated impact of the new proposed legislation on the basis that the proposed new legislation had been enacted at that date; this provision is not material in the context of the Company's net asset value at this date.

FINANCIAL REVIEW (CONTINUED)

RE-PRESENTED BALANCE SHEET

The re-presented balance sheet is reconciled to the Group Balance Sheet at 31 December 2016 below. The re-presented balance sheet involves the reclassification of certain amounts within the Group Balance Sheet principally in relation to assets and liabilities of £76.6 million (31 December 2015 – £123.4 million) within certain of the Company's recourse subsidiaries that are included in investments at FVTPL in the Group Balance sheet as a result of the requirement under IFRS 10 to fair value investments in these subsidiaries.

31 December	**2016**			2015[g]	
	IFRS Group Balance Sheet £ million	Adjustments £ million	**Re-presented balance sheet £ million**	Re-presented balance sheet £ million	**Re-presented balance sheet line items**
Non-current assets					
Plant and equipment	0.3	(0.3)[c]	**–**	–	
Investments at FVTPL	1,257.5	(81.6)[a]	**1,175.9**	841.4	Portfolio book value
	–	23.7[b]	**23.7**	123.9	Cash collateral balances
	–	0.3[a]	**0.3**	0.5	Non-portfolio investments
Deferred tax assets	1.0	(1.0)[c]	**–**	–	
	–	3.7[c,e]	**3.7**	5.6	Other long term assets
	1,258.8	(55.2)	**1,203.6**	971.4	
Current assets					
Trade and other receivables	7.4	(7.4)[d]	**–**	–	
Cash and cash equivalents	1.6	51.5[a]	**53.1**	5.5	Cash and cash equivalents
	9.0	44.1	**53.1**	5.5	
Total assets	1,267.8	(11.1)	**1,256.7**	976.9	
Current liabilities					
	–	(5.6)[b,d,e]	**(5.6)**	(22.1)	Working capital and other balances
Current tax liabilities	(4.1)	4.1[d]	**–**	–	
Borrowings	(161.4)	(3.6)[e]	**(165.0)**	(19.0)	Cash borrowings
Trade and other payables	(14.7)	14.7[d]	**–**	–	
	(180.2)	9.6	**(170.6)**	(41.1)	
Net current liabilities	(171.2)	53.7	**(117.5)**	(35.6)	
Non-current liabilities					
Retirement benefit obligations	(69.3)	8.0[f]	**(61.3)**	(38.9)	Pension deficit (IAS 19)
	–	(8.0)[f]	**(8.0)**	(7.3)	Other retirement benefit obligations
Provisions	(1.5)	1.5[d]	**–**	–	
	(70.8)	1.5	**(69.3)**	(46.2)	
Total liabilities	(251.0)	11.1	**(239.9)**	(87.3)	
Net assets	1,016.8	–	**1,016.8**	889.6	

Notes:

[a] Investments at fair value through profit or loss (FVTPL) comprise: portfolio valuation of £1,175.9 million (31 December 2015 – £841.4 million), other investments not included in the portfolio valuation of £0.3 million (31 December 2015 – £0.5 million) and other assets and liabilities within recourse investment entity subsidiaries of £81.3 million (31 December 2015 – £123.4 million) (see note 11 to the Group financial statements). Re-presented cash and cash equivalents increased from £1.6 million (31 December 2015 – £1.1 million) on the Group Balance Sheet because of the inclusion of available cash balances in recourse group investment subsidiaries of £51.5 million (31 December 2015 – £4.4 million) excluding cash collateral balances of £23.7 million (31 December 2015 – £123.9 million); see the Financial Resources section on page 32.

[b] Other assets and liabilities within recourse investment entity subsidiaries of £81.3 million (31 December 2015 – £123.4 million) referred to in note (a) include (i) cash and cash equivalents of £75.2 million (31 December 2015 – £128.3 million), of which £23.7 million (31 December 2015 – £123.9 million) is held to collateralise future investment commitments, and (ii) positive working capital and other balances of £6.1 million (31 December 2015 – £4.9 million).

[c] Plant and equipment and deferred tax assets are combined as other long term assets.

[d] Trade and other receivables, current tax liabilities, trade and other payables and provisions are combined as working capital and other balances.

[e] Borrowings comprise cash borrowings of £165.0 million (31 December 2015 – £19.0 million) net of unamortised financing costs of £3.6 million (31 December 2015 – £4.1 million), with the non-current portion of £2.4 million (31 December 2015 – £3.0 million) re-presented as other long term assets and the current portion of £1.2 million (31 December 2015 – £1.1 million) re-presented as working capital and other balances.

[f] Total retirement benefit obligations are shown in their separate components as in note 18 to the Group financial statements.

[g] For a reconciliation between the IFRS Group Balance Sheet and re-presented balance sheet as at 31 December 2015, please see the Additional Financial Information on page 126.

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

	Primary Investment		Secondary Investment		Asset Management		Total	
As at 31 December	**2016** **£ million**	2015 £ million	**2016** **£ million**	2015 £ million	**2016** **£ million**	2015 £ million	**2016** **£ million**	2015 £ million
Portfolio valuation	696.3	405.9	**479.6**	435.5	**–**	–	**1,175.9**	841.4
Other net current liabilities							**(1.6)**	(16.0)
Group net (borrowings)/cash[1]							**(88.2)**	110.4
Post-retirement obligations							**(69.3)**	(46.2)
Group net assets							**1,016.8**	889.6

Notes:

[1] Short-term cash borrowings of £165.0 million (31 December 2015 – £19.0 million) net of cash balances of £76.8 million (31 December 2015 – £129.4 million), of which £23.7 million was held to collateralise future investment commitments (31 December 2015 – £123.9 million).

Net asset value increased from £889.6 million at 31 December 2015 to £1,016.8 million at 31 December 2016.

The Group's portfolio of investments in project companies and listed investments was valued at £1,175.9 million at 31 December 2016 (31 December 2015 – £841.4 million). The valuation methodology and details of the portfolio value are provided in the Portfolio Valuation section.

The Group held cash balances of £76.8 million at 31 December 2016 (31 December 2015 – £129.4 million) of which £23.7 million (31 December 2015 – £123.9 million) was held to collateralise future investment commitments (see the Financial Resources section below for more details).

Working capital and other balances (a negative amount) were lower primarily because of lower provisions at 31 December 2016, higher accruals at 31 December 2015 relating to IPO incentive payments and a net positive fair value at 31 December 2016 on foreign exchange hedges.

The combined accounting deficit in the Group's defined benefit pension and post-retirement medical schemes at 31 December 2016 was £69.3 million (31 December 2015 – £46.2 million). The Group operates two defined benefit schemes in the UK – the John Laing Pension Fund (JLPF) and the John Laing Pension Plan (the Plan). Both schemes are closed to new members and future accrual. Under IAS 19, at 31 December 2016, the JLPF had a deficit of £64.2 million (31 December 2015 – £38.9 million) whilst the Plan had a surplus of £2.9 million (31 December 2015 – £2.7 million; this surplus was not recognised at 31 December 2015). The liability at 31 December 2016 under the post-retirement medical scheme was £8.0 million (31 December 2015 – £7.3 million).

The pension deficit in JLPF is based on a discount rate applied to pension liabilities of 2.80% (31 December 2015 – 3.75%) and long term RPI of 3.2% (31 December 2015 – 3.0%). The amount of the deficit is dependent on key assumptions, principally: inflation; the discount rate used; and the anticipated longevity of members. The discount rate, as prescribed by IAS 19, is based on yields from high quality corporate bonds. The deficit (under IAS 19) has increased from last year primarily due to an increase in JLPF's liabilities, as a result of the lower discount rate and higher long term RPI, partly offset by cash contributions to JLPF of £18.1 million.

Following a triennial actuarial review of the JLPF as at 31 March 2016, a seven-year deficit repayment plan has been agreed with the JLPF Trustee. The actuarial deficit of £171 million at 31 March 2016 is to be repaid as follows:

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

FINANCIAL REVIEW (CONTINUED)

RE-PRESENTED CASH FLOW STATEMENT

The Group Cash Flow Statement includes the cash flows of the Company and certain recourse subsidiaries that are consolidated (Service Companies). The Group's recourse investment entity subsidiaries, through which the Company holds its investments in non-recourse project companies, are held at fair value in the financial statements and accordingly cash flows relating to investments in the portfolio are not included in the Group Cash Flow Statement. Investment-related cash flows are disclosed in note 11 to the financial statements.

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

Year ended 31 December	**2016 Re-presented cash flows £ million**	2015 Re-presented cash flows £ million
Cash yield	**36.8**	44.3
Operating cash flow	**(10.9)**	(15.9)
Net foreign currency exchange impact	**(18.2)**	2.8
Total operating cash flow	**7.7**	31.2
Cash contributions to JLPF (including PPF levy)	**(18.4)**	(47.5)
Cash investment in projects	**(301.5)**	(142.9)
Proceeds from realisations	**146.6**	85.9
Net investing cash flows	**(154.9)**	(57.0)
Finance charges	**(6.8)**	(13.4)
Capital raise (net of costs)	**–**	123.0
Dividend payments	**(26.2)**	(5.9)
Net cash (outflow)/inflow from financing activities	**(33.0)**	103.7
Recourse group cash (outflow)/inflow	**(198.6)**	30.4
Recourse group opening net cash balances	**110.4**	80.0
Recourse group closing net (debt)/cash balances	**(88.2)**	110.4
Reconciliation to line items on re-represented Group Balance Sheet		
Cash collateral balances	**23.7**	123.9
Other cash balances	**53.1**	5.5
Total cash and cash equivalents	**76.8**	129.4
Cash borrowings	**(165.0)**	(19.0)
Net (debt)/cash	**(88.2)**	110.4

Cash yield comprises £34.8 million (2015 – £38.9 million) from the investment portfolio and £2.0 million (2015 – £5.4 million) from non-portfolio investments.

Operating cash flow in the year ended 31 December 2016 was less adverse than in 2015 primarily due to higher recoveries of costs on financial closes and as a result of amounts paid in the prior year in relation to the Company's IPO in 2015.

Total operating cash flows are net of an adverse foreign exchange impact of £18.2 million (2015 – favourable impact of £2.8 million), principally arising on foreign exchange hedges as a result of the weakening of Sterling against relevant currencies during the year.

In the year, in addition to the payment of the PPF levy, the Group made a cash contribution to JLPF of £18.1 million (2015 – regular cash contributions of £27.0 million, special cash contributions of £20.0 million).

During the year, cash of £301.5 million (31 December 2015 – £142.9 million) was invested in project companies. In the same period, investments in six projects were realised (including four investments to JLIF and two investments to JLEN) for total proceeds of £140.2 million (2015 – £85.9 million from the realisation of seven investments for total proceeds of £86.3 million net of a £0.4 million price adjustment for a project disposed of in 2014). Additionally, a 2.2% shareholding in JLEN was sold for £6.4 million (2015 – £nil).

Finance charges were higher in 2015 due to the payment of upfront costs in relation to the committed corporate banking facilities entered into at the time of IPO.

The capital raise, net of costs, from the Company's IPO in 2015 was £123.0 million.

Dividend payments of £26.2 million in the year ended 31 December 2016 comprise the final dividend for 2015 of £19.4 million and the interim dividend for 2016 of £6.8 million (2015 – interim dividend for 2015 of £5.9 million).

FINANCIAL RESOURCES

At 31 December 2016, the Group had principal committed corporate banking facilities of £400.0 million, expiring in March 2020 (31 December 2015 – £350.0 million), which are primarily used to back investment commitments. These facilities were increased by £50.0 million in June 2016. The Group also had surety facilities of £50.0 million backed by committed liquidity facilities both expiring in March 2018. Net available financial resources at 31 December 2016 were £168.1 million (31 December 2015 – £180.1 million).

Analysis of Group financial resources

	31 December 2016 £ million	31 December 2015 £ million
Total committed facilities	**450.0**	350.0
Letters of credit issued under corporate banking facilities (see below)	**(112.6)**	(154.2)
Letters of credit issued under surety facilities (see below)	**(50.0)**	–
Other guarantees and commitments	**(6.5)**	(1.1)
Short term cash borrowings	**(165.0)**	(19.0)
Utilisation of facilities	**(334.1)**	(174.3)
Headroom	**115.9**	175.7
Cash and bank deposits[1]	**53.1**	5.5
Less unavailable cash	**(0.9)**	(1.1)
Net available financial resources	**168.1**	180.1

Notes:

[1] Cash and bank deposits excluding cash collateral balances

Letters of credit issued under the committed corporate banking facilities of £112.6 million (31 December 2015 – £154.2 million) and under additional surety facilities of £50.0 million (31 December 2015 – £nil) together with cash collateral represent future cash investment by the Group into underlying projects in the Primary Investment portfolio.

	31 December 2016 £ million	31 December 2015 £ million
Letters of credit issued	**162.6**	154.2
Cash collateral	**23.7**	123.9
Future cash investment into projects	**186.3**	278.1

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

Project	Letter of credit issued £ million	Expected date of cash investment
New Generation Rollingstock, Australia	**24.3**	January 2017 to October 2017
Cramlington Biomass, UK	**27.0**	October 2017
IEP (Phase 2), UK	**72.7**	March 2018
Sterling Wind Farm, US	**18.1**	May 2017 to September 2017
Kiata Wind Farm, Australia	**16.0**	January 2017 to October 2017
New Royal Adelaide Hospital, Australia	**4.5**	June 2017
Total	**162.6**	

The table below shows the cash collateral balances at 31 December 2016 analysed by investment and the date when the cash collateral is expected to be invested into the underlying project:

Project	Cash collateral amount £ million	Expected date of cash investment
New Perth Stadium, Australia	**3.3**	January 2017 to December 2017
I-77 Managed Lanes, US	**20.1**	October 2017 to November 2018
IEP (Phase 1), UK	**0.3**	July 2017
Total	**23.7**	

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

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

FOREIGN CURRENCY EXPOSURE

The Group regularly reviews the sensitivity of its balance sheet to changes in exchange rates relative to Sterling and to the timing and amount of forecast foreign currency denominated cash flows. As set out in the Portfolio Valuation section, the Group's portfolio comprises investments denominated in Sterling, Euro, and Australian, US and New Zealand Dollars. As a result of foreign exchange movements in the year ended 31 December 2016, there was a favourable fair value movement of £74.7 million in the portfolio valuation between 31 December 2015 and 31 December 2016. This positive impact was partly offset by net losses, both realised and unrealised of £11.9 million from foreign exchange hedges held by the Group during 2016 on part of its Euro-denominated investments (£152.5 million) and on part of its New Zealand Dollar-denominated investment (£10.9 million). The net losses on other hedges held by the Group against cash collateral balances currencies were offset by foreign exchange translation gains on those and other balances.

The Group may apply an appropriate hedge to a specific currency transaction exposure, which could include borrowing in that currency or entering into forward foreign exchange contracts. An analysis of the portfolio value by currency is set out in the Portfolio Valuation section.

Letters of credit in issue at 31 December 2016 of £162.6 million (31 December 2015 – £154.2 million) are analysed by currency as follows:

Letters of credit by currency	31 December 2016 £ million	31 December 2015 £ million
Sterling	**99.7**	122.1
US dollar	**18.1**	11.7
Australian dollar	**44.8**	20.4
	162.6	154.2

Cash collateral at 31 December 2016 of £23.7 million (31 December 2015 – £123.9 million) is analysed by currency as follows:

Cash collateral by currency	31 December 2016 £ million	31 December 2015 £ million
Sterling	**0.3**	58.7
US dollar	**20.1**	16.7
Australian dollar	**3.3**	48.5
	23.7	123.9

GOING CONCERN

The Group has committed corporate banking facilities until March 2020 and has sufficient resources available to meet its committed capital requirements, investments and operating costs for the foreseeable future. Accordingly, the Group has adopted the going concern basis in the preparation of its financial statements for the year ended 31 December 2016.

Patrick O'D Bourke
GROUP FINANCE DIRECTOR

VIABILITY STATEMENT

In accordance with the revised UK Corporate Governance Code, the Directors have assessed the viability of the Group over the three year period to 31 December 2019, taking into account the Group's current position and the principal risks set out on pages 35 to 40. The assessment carried out supports the Directors' statements both on viability, as set out below, and also in respect of going concern, as set out in the accounting policies section.

The Directors selected a period of three years for their assessment because this is the longest timescale over which the Group usually has visibility over the future investment opportunities which make up its pipeline. It is also the key period of focus in the Group's budget and planning process which is updated each year and looks forward up to four years.

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

- The Group makes primarily long-term investments which are not publicly traded. The minimum holding period for an investment is likely to extend beyond the construction time for the underlying asset (which for a PPP asset may be as long as 5-6 years), and some assets may be held to maturity;
- New investments in greenfield projects are funded through a combination of cash flow from existing assets, the Group's corporate banking facilities and realisations of investments in operational projects. Realisations are dependent on continuing demand in a currently active secondary market;
- Availability of debt finance continues at Group level through the corporate banking facilities and at project level through non-recourse project finance facilities specific to each project; it is assumed that the £400.0 million corporate banking facilities which mature in March 2020 will be renewed or refinanced before that date;
- The Group is exposed to potential increases in pension cash contributions as well as volatility in the JLPF pension deficit reported as part of NAV, principally because of movements in the main risks (discount rate, inflation rate and life expectancy) which impact the value of pension liabilities. The next triennial actuarial valuation of JLPF is due as at 31 March 2019; and
- The value of the Group's investment portfolio is dependent on a number of key assumptions including: discount rates derived from the secondary market; macro-economic factors such as exchange rates, taxation rates, inflation and deposit rates; the construction stage and operational performance of underlying assets; forecast project cash flows; volumes (where project revenue is linked to project usage); and forward energy prices and energy yields.

The Directors' assessment has been undertaken using a detailed financial model, which the Group uses consistently for forecasting purposes and to monitor compliance with the covenants in its corporate banking facilities. Key output from this model is reviewed at monthly treasury meetings and by the Group's Executive Committee, Audit & Risk Committee and Board. Where appropriate, the model has been subjected to robust sensitivity analysis to stress test the resilience of the Group's forecasts to severe but plausible scenarios. These included (i) a scenario under which the Group is unable to make further investment realisations over an extended time period and accordingly materially reduces new investment activity as well as its costs and (ii) a scenario where the Group experiences a combination of a significant write down in one or more of its largest investments, a six month delay in forecast disposal proceeds and material strengthening of Sterling versus the currencies the Group invests in.

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

Based on the above assessment, the Directors have formed a reasonable expectation that the Group will be able to continue its operations and meet its liabilities as they fall due over the next three years from 31 December 2016.

PRINCIPAL RISKS AND RISK MANAGEMENT

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

During the year, the previous Audit Committee was renamed the Audit & Risk Committee and its remit was expanded. Under its new remit, the Committee has a greater involvement in overseeing the effective management of risks within the Group.

The principal internal controls that operated throughout 2016 and up to the date of this Annual Report include:

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

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

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

Internal Audit is independent of the business and reports functionally to the Group Finance Director and directly to the Chairman of the Audit & Risk Committee. The Group Head of Internal Audit meets regularly with senior management and the Audit & Risk Committee to discuss key findings and management actions undertaken.

The Group Head of Internal Audit can call a meeting with the Chairman of the Audit & Risk Committee at any time and meets privately with the Audit & Risk Committee, without senior management present, as and when required, but at least annually.

A Management Risk Committee, comprising senior members of management and chaired by the Group Finance Director, assists the Board, Audit & Risk Committee, and Executive Committee in formulating and enforcing the Group's risk management policy. The Head of Internal Audit attends each meeting of the Management Risk Committee. It reports formally to the Audit & Risk Committee.

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

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

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

PRINCIPAL RISKS AND RISK MANAGEMENT (CONTINUED)

Risk	Link to strategic objectives (note)	Mitigation	Change in risk since 31 December 2015
Governmental policy Changes to legislation or public policy in the jurisdictions in which the Group operates or may wish to operate could negatively impact the volume of potential opportunities available to the Group and the returns from existing opportunities. The use of PPP programmes by governmental entities may be delayed or may decrease thereby limiting opportunities for private sector infrastructure investors in the future, or be structured such that returns to private sector infrastructure investors are reduced. Governmental entities may in the future seek to terminate or renegotiate existing projects for example to introduce new policies or legislation that result in higher tax obligations on existing PPP or renewable energy projects or otherwise affect existing or future projects. Changes to legislation or public policy relating to renewable energy could negatively impact the economic returns on the Group's investments in renewable energy projects, which would adversely affect the demand for and attractiveness of such projects. Compliance with the public tender regulations which apply to PPP projects is complex and the outcomes may be subject to third party challenge and reversed.	1, 2, 3	The Board limits its exposure to any single jurisdiction. 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. Where possible the Group seeks specific contractual protection from changes in government policy and law for the projects it invests in. General change of law is considered to be a normal business risk. During the bidding process for a project, the Group takes a view on an appropriate level of return to cover the risk of non-discriminatory changes in law. During the bidding process for a project, the Group assesses the sensitivity of the project's forecast returns to changes in factors such as tax rates and/or, for renewable energy projects, governmental support mechanisms. The Group targets jurisdictions which have a track record of support for renewable energy investments and which continue to demonstrate such support. Through its track record of more than 120 investment commitments, the Group has developed significant expertise in compliance with public tender regulations.	→ No change
Macroeconomic factors To the extent such factors cannot be hedged, inflation, interest rates and foreign exchange all potentially impact the return generated from an investment and its valuation. Weakness in factors which affect energy prices, such as the oil price, could negatively impact the economic returns on the Group's investments in renewable energy. Weakness in the political and economic climate in a particular jurisdiction could impact the value of, or the return generated from, any or all of the Group's investments located in that jurisdiction.	1, 2, 3	Factors which have the potential to impact adversely the underlying cash flows of an investment, and hence its valuation, are hedged wherever possible at a project level and sensitivities are considered during the investment appraisal process. Systemic risks, such as potential deflation, or appreciation/depreciation of Sterling versus the currency in which an investment is made, are assessed in the context of the portfolio as a whole. The Group seeks to reduce the extent to which its renewable energy investments are exposed to energy prices through governmental support mechanisms and/or off-take arrangements. The Group monitors closely the level of investments it has exposed to foreign currencies, including regularly testing the sensitivity of the financial covenants in its corporate banking facilities to a significant change in the value of individual currencies. Where possible, specific clauses relating to potential currency change within a particular jurisdiction are incorporated in project documentation.	↑ Increased
Liquidity in the secondary market Weakness in the secondary markets for investments in PPP or renewable energy, for example as the result of a lack of economic growth in relevant markets, regulatory changes in the banking sector, liquidity in financial markets, changes in interest and exchange rates and project finance market conditions, and the recent difficulties in parts of the Eurozone, may affect the Group's ability to realise full value from its divestments. The secondary market for investments in renewable energy projects may be affected by, inter alia, changes in energy prices, in governmental policy, in the value of governmental support mechanisms and in project finance market conditions. The ability of JLIF and JLEN to raise finance for further investments may have an impact on both the Group's ability to sell investments in PPP and renewable energy projects and on the Group's asset management business more generally.	1, 2, 3	Projects are appraised on a number of bases, including being held to maturity. Projects are also carefully structured so that they are capable of being divested, if appropriate, before maturity. Over recent years, the secondary markets for both PPP and renewable energy investments have grown. In particular, several new environmental funds have been launched. While JLIF and JLEN are natural buyers of the Group's PPP and renewable energy investments respectively, the size and breadth of secondary markets provide the Group with confidence that it can sell investments to other purchasers.	→ No change

Risk	Link to strategic objectives (note)	Mitigation	Change in risk since 31 December 2015
Financial resources Any shortfall in the financial resources that are available to the Group to satisfy its financial obligations may make it necessary for the Group to constrain its business development, refinance its outstanding obligations, forego investment opportunities and/or sell existing investments. Inability to secure project finance could hinder the ability of the Group to make a bid for an investment opportunity, or where the Group has a preferred bidder position, could negatively impact whether an underlying project reaches financial close. The inability of a project company to satisfactorily refinance existing maturing medium-term project finance facilities periodically during the life of a project could affect the Group's projected future returns from investments in such projects and hence their valuation in the Group's balance sheet. Adverse financial performance by a project company which affects the financial covenants in its project finance loan documents may result in the project company being unable to make distributions to the Group and other investors, which would impact the valuation of the Group's investment in such project company, and may enable project finance debt providers to declare default on the financing terms and exercise their security.	1, 3	In February 2015, the Group entered into corporate banking facilities totalling £350.0 million which mature in March 2020. In June 2016, these facilities were increased to £400.0 million and in December 2016 additional surety facilities (£50.0 million) became committed until March 2018. Available headroom is carefully monitored and compliance with the financial covenants and other terms of these facilities is closely observed. The Group also monitors its working capital, cash collateral and letter of credit requirements and maintains an active dialogue with its banks. It operates a policy of ensuring that sufficient financial resources are maintained to satisfy committed and likely future investment requirements. The Group believes that there is currently sufficient depth and breadth in project finance markets to meet the financing needs of the projects it invests in. The Group works closely with a wide range of project finance providers, including banks and other financial institutions. Projects in which the Group has invested in PPP markets such as Australia and New Zealand, where the tenor of project finance facilities at financial close tends to be medium term, will need to be refinanced in due course. Prior to financial close, all proposed investments are scrutinised by the Investment Committee. This scrutiny includes a review of sensitivities to adverse performance of investment returns and financial ratio tests as well as an assessment of a project's ability to be refinanced if the tenor of its debt is less than the term of the concession or the project's useful life. The Group maintains an active dialogue with the banks and other financial institutions which provide project finance to the projects in which it invests. Monitoring of compliance with financial covenant ratios and other terms of loan documents continues throughout the term of the project finance loan.	→ No change
Pensions The amount of the deficit in the Group's main defined benefit pension scheme (JLPF) can vary significantly due to gains or losses on scheme investments and movements in the assumptions used to value scheme liabilities (in particular life expectancy, discount rate and inflation rate). Consequently the Group is exposed to the risk of increases in cash contributions payable, volatility in the deficit reported in the Group Balance Sheet, and gains/losses recorded in the Group Statement of Comprehensive Income.	1, 3	The Group's two defined benefit pension schemes are overseen by corporate trustees, the directors of which include independent and professionally qualified individuals. The Group works closely with the trustees on the appropriate funding strategy for the schemes and takes independent actuarial advice as appropriate. Both schemes are closed to future accrual and accordingly have no active members, only deferred members and pensioners. A significant proportion of the liabilities of JLPF is matched by a bulk annuity buy-in agreement with Aviva. Other hedging is also in place. The actuarial valuation of JLPF as at 31 March 2016 was finalised in December 2016. The next actuarial valuation is due as at 31 March 2019.	→ No change
Competition The Group operates in competitive markets and may not be able to compete effectively or profitably.	1	The Group believes that its experience and expertise as an active investor and asset manager accumulated over more than 20 years, together with its flexibility and ability to respond to market conditions will continue to enable it to compete effectively and secure attractive investments.	→ No change

PRINCIPAL RISKS AND RISK MANAGEMENT (CONTINUED)

Risk	Link to strategic objectives (note)	Mitigation	Change in risk since 31 December 2015
Valuation The valuation of an investment in a project may not reflect its ultimate realisable value. In circumstances where the revenue derived from a project is related to patronage (i.e. customer usage), actual revenues may vary materially from assumptions made at the time the investment commitment is made. In addition, to the extent that a project company's actual costs incurred differ from forecast costs, for example, because of late construction, and cannot be passed on to sub-contractors or other third parties, investment returns and valuations may be adversely affected. Revenues from renewable energy projects may be affected by the volume of power production (e.g. from changes in wind or solar yield), the availability of fuel (in the case of biomass projects), restrictions on the electricity network, the reliability of electrical connections or other factors such as noise and other environmental restrictions, as well as by changes in energy prices and to governmental support mechanisms. The valuation of the Group's investment portfolio is affected by movements in foreign exchange rates, which are reflected through the Group's financial statements. In addition, there are foreign exchange risks associated with conversion of foreign currency cash flows relating to an investment into and out of Sterling. The valuation of the Group's investment portfolio could be affected by changes in tax legislation, for instance changes to limit tax-deductible interest (see Taxation section). During the construction phase of an infrastructure project, there are risks that either the works are not completed within the agreed time-frame or that construction costs overrun. Where such risks are not borne by sub-contractors, or sub-contractors fail to meet their contractual obligations, this can result in delays or cost overruns, which may adversely affect the valuation of and return on the Group's investments. If construction or other long stop dates are exceeded, this may enable public sector counter-parties and/or project finance debt providers to declare a default and, in the case of the latter, to exercise their security. The Group is reliant on the performance of third parties in constructing an asset to an appropriate standard as well as 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.	3	The discount rates used to value investments are derived from publicly available market data and other market evidence and are updated regularly. The Group has a good track record of realising investments at prices consistent with the fair values at which they are held. The Group's investments are in projects which are principally availability-based (where the revenue does not generally depend on the level of use of the project asset). Where patronage or volume risk is taken, the Directors review revenue assumptions and their sensitivities in detail prior to any investment commitment. The Group's intention is to maintain a majority of availability – based investments by value in its portfolio. Where the revenue from investments is related to patronage or volume (e.g. with regard to investments in renewable energy projects), risks are mitigated through a combination of factors, including (i) the use of independent forecasts of future volumes (ii) lower gearing versus that of availability-based projects (iii) stress-testing the robustness of project returns against significant falls in forecast volumes. The Group typically hedges cash flows arising from investment realisations or significant distributions in currencies other than Sterling. The intention is that projects are structured such that (i) day-to-day service provision is sub-contracted to qualified sub-contractors supported by appropriate security packages (ii) cost and price inflation risk in relation to the provision of services lies with sub-contractors (iii) performance deductions in relation to non-availability lie with sub-contractors (iv) future major maintenance costs and ongoing project company costs are reviewed annually and cost mitigation strategies adopted as appropriate. The Group has procedures in place to ensure that project companies in which it invests appoint competent sub-contractors with relevant experience and financial strength. If project construction is delayed, sub-contracting arrangements contain terms enabling the project company to recover liquidated damages, additional costs and lost revenue, subject to limits. In addition, the project company may terminate its agreement with a sub-contractor if the latter is in default and seek an alternative sub-contractor. The terms of the sub-contracts into which project companies enter provide some protections for investment returns from the poor performance of third parties. The ability to replace defaulting third parties is supported by security packages to protect against price movement on re-tendering. If long stop dates are exceeded, the Group has significant experience as an active manager in protecting its investments by working with all parties to a project to agree revised timetables and/or other restructuring arrangements.	↑ Increased

Risk	Link to strategic objectives (note)	Mitigation	Change in risk since 31 December 2015
Counterparty risk The Group is exposed to counterparty credit risk with regards to (i) governmental entities, sub-contractors, lenders and suppliers at a project level and (ii) consortium partners, financial institutions and suppliers at a Group level. Public sector counter-parties to PPP projects may seek to renegotiate contract terms and/or terminate contracts in a way which impacts the valuation of one or more of the Group's investments. In overseas jurisdictions, the Group's investments backed by governmental entities may ultimately be subject to sovereign risk.	3	The Group works with multiple clients, joint venture partners, sub-contractors and institutional investors so as to reduce the probability of systemic counterparty risk in its investment portfolio. In establishing project contractual arrangements prior to making an investment, the credit standing and relevant experience of a sub-contractor are considered. Post contract award, the financial standing of key counterparties is monitored to provide an early warning of possible financial distress. PPP projects are normally structured so as to provide significant contractual protection for equity investors. Such protection may include "termination for convenience" clauses which enable public sector counter-parties to terminate projects subject to payment of compensation, including equity investors. PPP projects are normally supported by central and local government covenants, which significantly reduce the Group's risk. Risk is further reduced by the increasing geographical spread of the Group's investments. Counterparties for deposits at a Group level, project debt swaps and deposits within project companies are required to be banks with a suitable credit rating and are monitored on an ongoing basis. Entry into new geographical areas which have a different legal framework and/or different financial market characteristics is considered by the Board separately from individual investment decisions. Typically, a substantial proportion of the revenue generated by renewable energy projects is backed by governmental support mechanisms.	↑ Increased
Major incident A major incident at any of the Group's main locations or any of the projects invested in by the Group, such as a terrorist attack, war or significant cyber-attack, could lead to a loss of crucial business data, technology, buildings and reputation and harm to the public, all of which could collectively or individually result in a loss of value for the Group.	2, 3	At financial close, projects benefit from comprehensive insurance arrangements, either directly or through contractors' insurance policies. Detailed business continuity plans have been designed and are tested at frequent/regular intervals. Business continuity procedures are also regularly updated in order to maintain their relevance. John Laing operates to independent, third party-certified management systems in respect of health and safety (OHSAS 18001:2007). In addition, it routinely monitors health, safety and environmental issues in the projects it invests in or manages. Cyber risk is addressed through (i) the Group's organisational structure which includes segregation of responsibilities, delegated lines of accountability, delegated authorities and outsourced IT arrangements, as well as (ii) specific controls, including controls over payments and access to IT systems.	→ No change
Investment adviser agreements with JLIF and JLEN A loss of JLCM's investment adviser agreements with JLIF and/or JLEN respectively would be detrimental to the Group's Asset Management business.	2	Through JLCM, and supported by other parts of the Asset Management division, the Group focuses on delivering a high quality service to both funds.	→ No change
Future returns from investments The Group's historical returns and cash yields from investments may not be indicative of future returns. The Group's expected hold-to-maturity internal rates of return from investments are based on a variety of assumptions which may not be correct at the time they are made and may not be achieved in the future.	1, 2, 3	In bidding for new projects, the Group sets a target internal rate of return taking account of historical experience, current market conditions and expected returns once the project becomes operational. The Group continually looks for value enhancement opportunities which would improve the target rate of return. At the investment appraisal stage, projects are tested for their sensitivity to changes in key assumptions.	→ No change

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PRINCIPAL RISKS AND RISK MANAGEMENT (CONTINUED)

Risk	Link to strategic objectives (note)	Mitigation	Change in risk since 31 December 2015
Taxation The Group may be exposed to changes in taxation in the jurisdictions in which it operates, or it may cease to satisfy the conditions for relevant reliefs. Tax authorities may disagree with the positions that the Group has taken or intends to take. Project companies may be exposed to changes in taxation in the jurisdictions in which they operate. In October 2015, the OECD published its recommendations for tackling BEPS by international companies. It identified the use of tax deductible interest as one of the key areas where there is opportunity for BEPS by international companies. It is up to the governments of OECD countries to decide how to implement the OECD's recommendations into their domestic law. To the extent that one or more of the jurisdictions in which the Group operates changes its rules to limit tax deductible interest, this could significantly impact (i) the tax payable by subsidiaries of the Group (ii) the valuation of existing investments (iii) the way in which future project-financed infrastructure investments are structured, in each case in such jurisdictions.	1, 3	Tax positions taken by the Group are based on industry practice and/or external tax advice. At the investment appraisal stage, projects are tested for their sensitivity to changes in tax rates. Project valuations are regularly updated for changes in tax rates. In March 2016, in response to the OECD recommendations, the UK Government announced proposals for the introduction of a Fixed Ratio Rule to cap the amount of tax deductible net interest to 30% of a company's UK EBITDA. This was followed by a detailed consultation paper in May 2016 and detailed legislation in November 2016 and January 2017 (for further information, see the Financial Review section). The Group's understanding is that not all governments will implement the OECD recommendations in the same way. Some believe their existing rules are adequate to limit the scope for BEPS. Others may take advantage of grandfathering provisions or the potential for exemptions for projects with a public benefit. The Group's effective tax rate tends to be lower than the standard rate of UK corporation tax principally because the contributions the Group makes to JLPF are deductible for tax purposes.	↑ Increased
Personnel The Group may fail to recruit or retain key senior management and skilled personnel in, or relocate high-quality personnel to, the jurisdictions in which it operates or seeks to expand. As a result of the outcome of the UK referendum on membership of the EU, there is some uncertainty as to the position of certain EU nationals living and working in the UK. This uncertainty could impact the Group's ability to recruit and retain EU nationals in the UK.	1, 2, 3	The Group regularly reviews pay and benefits to ensure they remain competitive. The Group's senior managers participate in long term incentive plans. The Group plans its human resources needs carefully, including appropriate local recruitment, when it bids for overseas projects. The Group has the ability to recruit EU nationals in its Amsterdam office or could open further offices in other EU jurisdictions if necessary.	→ No change

Notes:

The Group's three strategic objectives, as set out in the Chief Executive Officer's Review, are:

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

2 Growth in the value of external AuM and related fee income.

3 Management and enhancement of the Group's investment portfolio, with a clear focus on active management during construction, accompanied by realisations of investments which, combined with the Group's corporate banking facilities and operational cash flows, enable it to finance new investment commitments.

CORPORATE RESPONSIBILITY

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

Olivier Brousse
CHIEF EXECUTIVE OFFICER

COMMUNITY INVESTMENT

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

Since 2006 we have been an active Patron of the Prince's Trust, which has allowed us to support disadvantaged and vulnerable young people across the UK, to help them move into work, education or training. In September 2016, a team of 25 John Laing staff and members of their families undertook a mountain challenge in the UK's Lake District which contributed to raising £9,424 for the Prince's Trust.

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

During the year, John Laing employees helped in the fundraising, design and management of the renovation of a run-down community playground in East London and supported a high school programme in Perth, Australia providing leadership opportunities for indigenous Australian youths, using different activities to build leadership, self-esteem and overall well-being.

THE JOHN LAING CHARITABLE TRUST (JLCT)

JLCT supports the valuable work of welfare visitors who look after the needs of former employees and their surviving partners. Its trustees also provide considerable funds each year to those in need of financial help and assistance.

All John Laing employees or members of their immediate family directly involved in a charity are able to apply to JLCT for a grant of £1,000 to support a good cause; additionally, JLCT is able to match charitable donations raised by employees, up to a value of £1,500 per employee. In total 61 employees received funds for charities under these schemes during the year. Through JLCT, the Company rewarded the loyalty of long serving staff and recognised their contribution to the business through the annual Star Awards (see Workplace section). In 2016, employees who received such awards were given the opportunity to donate up to £1,000 towards a charity of their choice.

During 2016, JLCT made combined donations of over £88,000 to charities and other activities supported by John Laing staff. These included the Brunswick Surf Lifesaving Club in New South Wales, Australia, Parkinsons UK and the Michael J Fox Foundation for Parkinsons Research in the US.

HEALTH AND SAFETY

John Laing operates a management system that is compliant with the requirements of the internationally-recognised occupational health and safety management system BS OHSAS 18001:2007 and conducts its undertakings in accordance with the Health and Safety at Work Act 1974 and all other applicable legislation. As an international organisation, we adhere to all relevant UK legislated standards and work to country specific standards, where these are higher.

These arrangements demonstrate our ongoing commitment to maintaining the highest standards of health and safety for our staff and those who may be directly or indirectly affected by our activities. We strive to deliver continual improvement in all areas of our health and safety performance and regularly engage with our employees.

ENVIRONMENT

We seek to reduce the impact on the environment from infrastructure projects in which we invest through engagement with both projects' public sector clients and contractors alike. Wherever possible, we develop joint strategies to reduce both greenhouse gas emissions and the volume of 'waste to landfill' produced by such projects.

John Laing captures energy data covering head office and business travel activities in order to determine and, where feasible, reduce our direct consumption and associated carbon footprint. The majority of our office accommodation is fitted with energy efficient technology to ensure our operations do not cause unnecessary detriment to the environment.

In order to comply with the Energy Savings Opportunity Scheme Regulations 2014 (ESOS Regulations), John Laing issued a qualifying and independently audited submission to the Environment Agency during November 2015. Organisations that qualify for the ESOS scheme must carry out ESOS assessments every four years.

Greenhouse Gas Emissions report

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

Methodology

We quantify and report our GHG emissions according to the Greenhouse Gas Protocol and have utilised the UK Government 2016 Conversion Factors for Company Reporting and European Residual Mixes 2014 (RE-DISS II) in order to calculate CO_2 equivalent emissions from corresponding activity data.

CORPORATE RESPONSIBILITY (CONTINUED)

Supplier specific emission factors were supplied in CO_2 tonnes (tCO_2) by N.V. Nuon Energy, Momentum, EDF Energy and Opus Energy Limited.

The information disclosed has been prepared in accordance with the recent amendments to the Greenhouse Gas Protocol's Scope 2 Guidance and therefore includes both location-based and market-based Scope 2 emission figures. When quantifying emissions using the market-based approach John Laing uses a supplier specific emission factor where possible. If this is unavailable, a residual mix emissions factor is then used, and as a last option the location-based grid emissions factor is used.

Greenhouse Gas Emissions

In 2016, John Laing emitted a total of 82 tonnes of CO_2 equivalent ("tCO_2e") Scope 1 direct emissions from fuel combustion and operation of our facilities. This tCO_2e figure includes the estimated CO_2 equivalent emissions of GHG such as methane or nitrous oxide, in addition to CO_2.

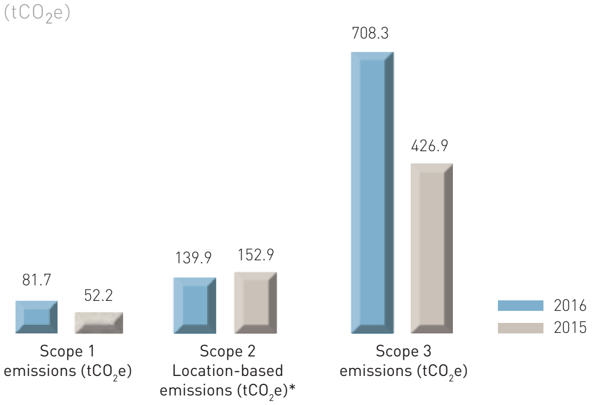
Through electricity purchased for our own use (Scope 2 indirect), we emitted a total of 140 tCO_2e when taking the location-based approach and 97 tCO_2e when taking the market-based approach. We have also chosen to voluntarily report Scope 3 emissions arising from our business travel and water consumption where information is available.

The table below shows our tCO_2e emissions by scope for the past two years. Emissions from the consumption of electricity outside the UK are reported in tCO_2 rather than tCO_2e. Scope 2 emissions were calculated using the market-based approach with supplier specific emission factors and residual mix emission factors.

Greenhouse gas emissions in tonnes of carbon dioxide equivalent (tCO_2e)	**2016**	2015
Combustion of fuel and operation of facilities (Scope 1)	**81.7 tCO_2e**	52.2 tCO_2e
Electricity, heat, steam and cooling purchased for our own use (Scope 2: location-based)	**139.9 tCO_2e**	152.9 tCO_2e
Electricity, heat, steam and cooling purchased for our own use (Scope 2: market-based)	**97.0 tCO_2**	105.9 tCO_2
Other indirect emissions (Scope 3)	**708.3 tCO_2e**	426.9 tCO_2e

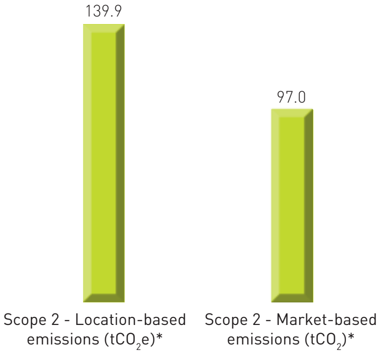
TOTAL EMISSIONS 2016 AND 2015

(tCO_2e)



SCOPE 2 EMISSIONS BY METHODOLOGY

(tCO_2 and tCO_2e)



* Emission factors for electricity consumption outside the UK are reported in tCO_2, not tCO_2e, due to the lack of available emission factors.

The table below shows our emissions for the years ended 31 December 2016 and 2015 using the two different Scope 2 methodologies. These calculations are based on a figure of approximately 240 full-time equivalent (FTE) employees during 2016.

	Location-based approach		**Market-based approach**	
	2016	2015	**2016**	2015
Scope 1 & 2 emissions	**221.6 tCO_2e**	205.1 tCO_2e	**178.7 tCO_2e**	158.1 tCO_2
Scope 1 & 2 emissions per full-time equivalent (FTE) employee	**0.92 tCO_2e**	0.82 tCO_2e	**0.75 tCO_2e**	0.63 tCO_2
Scope 1, 2 & 3 emissions	**929.9 tCO_2e**	632.0 tCO_2e	**886.9 tCO_2e**	585.0 tCO_2

Emissions increased between 2015 and 2016 mainly due to an increase in business travel and actual data replacing estimated data, offset by a reduction in electricity usage.

Reporting Boundaries and Limitations

Our organisational reporting boundary is based on operational control and we have adopted a materiality threshold of 10% for GHG reporting purposes. The GHG sources that fall within our organisational reporting boundary for 2016 are:

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

Assumptions and Estimations

In some cases, missing data has been estimated using either extrapolation of available data from the reporting period or data from 2015 as a proxy. No data was available for the New York, Auckland or Toronto offices, because energy consumption is not separately measured for each of these offices, and therefore an average annual consumption figure per square metre of floor area was used to estimate electricity consumption at these sites.

WORKPLACE

Our People

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

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

Employment

At 31 December 2016, the Group employed 160 people in the UK and overseas (2015 – 252). The decrease from 2015 was largely due to the sale of our PMS activities in the UK on 30 November 2016. Partly as a result, the percentage of staff located outside the UK has increased to 36% at 31 December 2016 from 22% at the end of last year.

Employee Engagement

Employees are regularly informed of progress and updates in the business through conference calls conducted by senior management as well as through other briefings on topical and relevant business issues. The Group's 15-20 most senior managers met on three occasions in 2016 over one to two days to address specific business issues and future strategy.

Recognition and Reward

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

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

Work-Life Balance Policies

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

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

Modern Slavery Act

The UK Modern Slavery Act addresses the role of businesses in preventing modern slavery within their organisations and down into their supply chain. Our first statement is being prepared and will be published in due course on our Group website. The statement will set out the steps the Group has taken to ensure slavery and human trafficking is not taking place in any part of our business or supply chains.

Learning and Development

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

Retention of our employees through effective development is key to the success of the business. Throughout 2016, we also focused on the development requirements of individuals and teams, supported where necessary with external facilitation, to ensure teams were operating effectively.

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

Staff numbers at 31 December 2016, broken down by certain remuneration and gender criteria, were:

	Total		**Male**				**Female**			
	Number		**Number**		**%**		**Number**		**%**	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Total Group	**160**	252	**107**	153	**67**	67	**53**	99	**33**	33
Senior managers earning above £70,000 per annum	**96**	103	**84**	91	**88**	88	**12**	12	**12**	12
Executive Directors	**2**	2	**2**	2	**100**	100	**–**	–	**–**	–

DIRECTORS AND COMPANY SECRETARY

* EXECUTIVE DIRECTORS
** NON-EXECUTIVE DIRECTORS

**Dr Phil Nolan BSc PHD MBA

Chairman

Phil has been Chairman since joining John Laing in January 2010. He has a wealth of experience on the boards of many companies, private and public and in both an executive and non-executive capacity. He is non-executive Chairman of Affinity Water Limited, Chairman of Ulster Bank Ireland Limited and a non-executive director of EnQuest PLC. He was Chairman of Infinis, a then privately held, leading renewable energy generator between 2007 and 2010, Chairman of Sepura plc, a listed, global supplier of TETRA radios between 2007 and 2010 and CEO of Eircom, Ireland's national telecommunications supplier from 2002 to 2006. Prior to that, he served as an Executive Director of BG Group plc and CEO of Transco plc from 1998 and in 2000, led the demerger of Transco as CEO of the Lattice Group. Age 63

*Patrick O'D Bourke MA, ACA

Group Finance Director

Patrick joined John Laing in 2011 as Group Finance Director. He graduated from Cambridge University and qualified as a chartered accountant with Peat Marwick (now KPMG) before spending nine years in investment banking with first Hill Samuel and then with Barclays de Zoete Wedd. In 1995, he joined Powergen plc where he was responsible for mergers and acquisitions before becoming Group Treasurer. From 2000 to 2006, he was Group Finance Director of Viridian Group PLC, the Northern Ireland based energy group, becoming Group Chief Executive in 2007 after Viridian was taken private. He joined the Board of Affinity Water Limited in 2013 as a non-executive director. Age 59

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

Independent Non-Executive Director

Jeremy joined John Laing in December 2014 as a non-executive director. He is a Fellow of the Institution of Civil Engineers with 40 years of international experience in project and programme management over very large multi-site, multiple project operations portfolios for and within government, public companies and private companies. He is also currently an independent non-executive director of SSE plc, an independent non-executive director of WYG plc, an Advisory Board member of PricewaterhouseCoopers LLP and Chairman of Merseylink Ltd. He has also been appointed as an independent non-executive director of OPG Power Ventures Plc. Additionally, Jeremy sits on the governing Court of Strathclyde University. He was Director General of the London 2012 Olympic and Paralympic Games from 2007 until the Olympic Baton was passed on to Rio de Janeiro in 2012. For eight years prior to this, he was a Principal Vice President with Bechtel, responsible for their worldwide civil operations and has lived and worked extensively in the Middle East and Asia Pacific. He was awarded CB in the 2013 New Year Honours and holds an honorary Doctorate of Engineering from Napier University. Age 63

**David Rough BSc Hons

Senior Independent Director

David joined John Laing in December 2014 as a non-executive director. He has spent his life working in the financial services sector predominantly in the investment management business. He joined Legal and General in 1988 and was made head of securities in 1989. In 1991, David was appointed to the group board as Group Director (Investments) responsible for the group's investment operations. He retired from the business in 2002. During that time he also served as chairman of the Association of British Insurers' Investment Committee. David has been a non-executive and senior independent director on a number of boards, including Land Securities, London Metal Exchange, Friends Provident and Xstrata. Since 2003, David is a non-executive director of Brown Shipley, a wealth management business and he was appointed as a non-executive director of Hansteen Holdings plc in October 2015. Age 66

*Olivier Brousse EP, ENPC

Chief Executive Officer

Olivier joined John Laing in March 2014 as Chief Executive Officer. Following graduation from École Polytechnique and École Nationale des Ponts et Chaussées in France, he became Commercial Director of Unic Systems and then Chief of Staff to the Chairman and CEO of Compagnie Générale des Eaux in 1994, both in France. In 1998, he moved to London as CEO of Connex Trains and then moved to Washington DC in 2003 as CEO of Veolia Transportation Inc. He came back to France in 2007 as Deputy CEO of Veolia Transport Group, responsible for French and US businesses. From 2008 to 2014, he served as CEO and then Executive Chairman of Saur SA in France. In 2016, he was awarded the Légion d'Honneur by the French President François Hollande. Age 52

**Anne Wade BA, MSc

Independent Non-Executive Director

Anne joined John Laing in December 2014 as a non-executive director. An asset manager by background, Anne has extensive experience in capital markets. From 1995 to 2012, she was Senior Vice President and Director of Capital International. Throughout her 17 year career with Capital, she was responsible for infrastructure-related investments. Anne is a Director and member of the Audit Committee of Summit Materials Inc in the US, of the Heron Foundation in New York, and of Big Society Capital in London. She is also a Partner with Leader's Quest. Anne was previously a non-executive director and member of the Governance and Strategy Committee of Holcim, based in Switzerland. Anne has a BA from Harvard and an MSc from the London School of Economics. Age 44

**Toby Hiscock MA (Oxon), FCA

Independent Non-Executive Director

Toby joined John Laing in June 2009 as a non-executive director. He is a qualified chartered accountant with 35 years' experience as a finance professional. He was the Chief Financial Officer and an Executive Director of Henderson Group plc from 2003 until his retirement in 2009, and was responsible for all aspects of financial stewardship of the Henderson Group. Before Henderson, he was a senior manager at Midland Bank Group in London and from 1981 to 1988 worked for Binder Hamlyn, Chartered Accountants after graduating from Oxford University. Toby is also a non-executive director of and consultant to a number of other public and private institutions. Age 57

COMPANY SECRETARY

Carolyn Cattermole LLB

Group General Counsel and Company Secretary

Carolyn joined John Laing in September 2012 as Group General Counsel and Company Secretary. Her previous roles were General Counsel and Company Secretary of DS Smith Plc, the international supplier of recycled packaging, for ten years, and Company Secretary of Courtaulds Textiles plc for three years. Prior to that, she was a senior legal adviser with Courtaulds plc, having qualified as a solicitor with Norton Rose. Age 56

DIRECTORS' REPORT

The Directors submit their Annual Report and the audited Group and Company financial statements of John Laing Group plc for the year ended 31 December 2016. The Group financial statements are set out on pages 76 to 110 and the Company financial statements on pages 111 to 124. Disclosures made elsewhere in this Annual Report are cross-referenced (and thereby deemed disclosed) in this Directors' Report as appropriate.

GROUP ACTIVITIES

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

A list of the Company's investments at 31 December 2016 can be found in note 13 to the Company financial statements on page 119 of this Annual Report.

On 30 November 2016, John Laing sold its UK PMS activities to HCP Management Services Limited. The Directors are not aware, at the date of this report, of any major changes in the Group's activities in the coming year.

The Group's GHG emissions for 2016 are presented in the Corporate Responsibility section.

RESULTS AND DIVIDENDS FROM CONTINUING OPERATIONS

The John Laing Group statutory profit before taxation from continuing operations for the year ended 31 December 2016 was £192.1 million (2015 – £97.5 million; pro forma profit before tax of £100.9 million).

The Company-only statutory profit for the year was £138.4 million (see page 112) (2015 – £170.7 million).

An interim dividend of 1.85 pence per ordinary share was paid on 28 October 2016 and the Directors are recommending a final dividend of 6.30 pence per ordinary share which, together with the interim dividend, makes a total dividend for the year of 8.15 pence. Subject to the approval of shareholders at the AGM to be held on 11 May 2017, the final dividend will be paid on 19 May 2017 to shareholders on the register at the close of business on 21 April 2017.

FINANCIAL INSTRUMENTS

The Group's financial risk management objectives and policies and its exposure to the following risks – market, credit, price, liquidity and capital – are detailed in note 16 to the Group financial statements.

POST BALANCE SHEET EVENTS

Post balance sheet events are detailed in note 25 to the Group financial statements.

KEY EVENTS AND FUTURE DEVELOPMENTS

The key events during the year and the development of the business of the John Laing group of companies are set out in the Strategic Report on pages 8 to 43. The Strategic Report includes the Financial Review on pages 27 to 33, the viability statement on page 34 and the principal risks facing the Group on pages 35 to 40.

GOVERNANCE ARRANGEMENTS

Information regarding the Company's governance arrangements is set out in the Corporate Governance Report on pages 48 to 51. These pages are incorporated by reference into the Directors' Report.

SHARE CAPITAL

Details of the Company's issued share capital and the rights and restrictions attached to the shares, together with details of movements in the issued share capital during the year, are shown in note 20 to the Group financial statements on page 107 of this Annual Report. The Company has not utilised its authority to make market purchases of shares granted to it at the 2016 AGM but, in line with market practice, will be seeking to renew such authority at this year's AGM.

MAJOR INTERESTS IN ORDINARY SHARES

Notifications of the following major voting interests in the Company's ordinary share capital (notifiable in accordance with Rule 5 of the FCA's Disclosure and Transparency Rules or section 793 of the Companies Act 2006) had been received by the Company as at 31 December 2016 and 1 March 2017:

	As at 31 December 2016	% of issued share capital	As at 1 March 2017	% of issued share capital
Blackrock Investment Management	36,651,411	9.99	36,657,411	9.99
Schroder Investment Management	32,900,941	8.97	32,246,434	8.79
Standard Life (Holdings) Limited	24,605,308	6.71	23,850,000	6.50
Henderson Global Investors	15,946,819	4.35	15,946,759	4.35
Morgan Stanley Investment Management	18,135,078	4.94	15,311,394	4.17
Universities Superannuation Scheme	16,060,000	4.38	15,150,000	4.13

The processes by which the Company seeks to understand the views of its major shareholders are described on page 51.

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.

BOARD OF DIRECTORS

The following Directors served on the Board during the year.

P M G Nolan
O Brousse
P O'D Bourke
N T Hiscock
J J Beeton
D Rough
A K Wade

Biographical details of the current Directors can be found on page 45 of this Annual Report.

In accordance with best practice, all Directors will retire at each AGM and offer themselves for re-election.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

MATERIAL CONTRACTS

The Group's £400.0 million committed corporate banking facilities dated 19 January 2015, as amended and restated on 21 June 2016, terminate on 9 March 2020 and include a change of control clause. In the event of a change of control occurring, it would be expected that new financing arrangements to fund the outstanding utilisations would need to be made by the incoming owners. Separately, the Group entered into liquidity facilities in November 2016 to back surety facilities of £50.0 million which extend until March 2018. These facilities contain change of control provisions similar to the main facilities.

EMPLOYEES

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

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

Further details relating to the employees of the Group (including details of certain of the Group's employment policies) can be found on page 43 of the Corporate Responsibility section of this Annual Report.

The Directors' Report, the Strategic Report, the Corporate Governance Report and the Directors' Remuneration Report were approved by the Board on 6 March 2017.

MANAGEMENT REPORT

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

On behalf of the Board

Carolyn Cattermole
GROUP GENERAL COUNSEL AND COMPANY SECRETARY
6 March 2017

CORPORATE GOVERNANCE REPORT

The Board has resolved that the disclosures to be made in the Annual Report regarding the operation of the Board and its sub-committees should comply with the requirements of the UK Corporate Governance Code (the Code) and best practice generally. The Company complied with the requirements of the Code throughout 2016. The Code is published by the Financial Reporting Council and the full text is available on its website at www.frc.org.uk. The following section describes how the Board applies the main principles of the Code.

DIRECTORS

The Directors were appointed to the Board in the early part of 2015 in anticipation of the admission of the Company's ordinary shares to the premium listing segment of the FCA and to trading on the London Stock Exchange's main market of listed securities. The Board believes it has an appropriate balance of skills and experience.

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

Board meetings follow a formal agenda of matters reserved for decision and approval by the Board and also address any special business. Matters reserved for the Board include the review of strategy and organisational change, the review and monitoring of internal controls and risk management processes, the approval of significant investments and disposals, the approval of budgets and the regular review of current trading and the financial position of the Group. A schedule of matters reserved for the Board is published on the Company's website at www.laing.com. The Board receives regular reports on current trading and the financial position and forecasts of the Group prior to its meetings. In addition, the Board receives relevant information on business, corporate and strategic issues. Formal procedures exist to ensure that the Board is made aware of any significant health and safety issues and non-compliance with statutory regulations. Olivier Brousse is the Board member responsible for health and safety issues. Further details of the Company's approach to health and safety are set out in the Corporate Responsibility section of the Strategic Report on page 41 of this Annual Report.

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

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

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

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

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

EFFECTIVENESS

In 2016, the Chairman and the Group General Counsel and Company Secretary appointed Colin Mayer, an independent external facilitator, to conduct a Board evaluation review. The process consisted of structured interviews with each Director, selected senior management, the external and internal auditors, the Company's corporate brokers, two shareholders and two equity analysts, as well as attendance at several Board and Committee meetings.

The conclusions of the review were that John Laing is a well governed and well regarded company that conforms to the requirements of the Code. The Company has a high calibre Board. Proceedings are well run, with a strong collegiate approach, which encourages open and frank discussions.

A number of agreed action points from the 2016 Board evaluation review are set out below:

- Following good progress since the Company's listing in February 2015, the Board now needs to focus on the future development of the business. This should include devoting sufficient time and attention to strategy and its implementation;
- As the business becomes more international, so the Board's governance may need to become more international;
- The Board should give careful consideration to its risk appetite when adopting its expansion plans;
- There needs to be more opportunity for engagement of the non-executive Directors with management below the senior management level; and
- There should be more structured Board succession planning.

In addition, the Senior Independent Director led a review of the Chairman, in conjunction with the other Board members. The review recognised that the Chairman brings a deep knowledge of the business, together with extensive experience and expertise. Certain areas of focus were identified to optimise the operation of the Board in the future, and these areas will be considered at the following year's review.

BOARD AND COMMITTEE ATTENDANCE

	Board	Nomination Committee	Audit & Risk Committee	Remuneration Committee
Total number of meetings in 2016	9	1	5	4

Total number of meetings attended in 2016

	Independent	Board	Nomination Committee	Audit & Risk Committee	Remuneration Committee
Executive Directors					
Olivier Brousse	No	9	1	n/a	n/a
Patrick O'D Bourke	No	9	n/a	n/a	n/a
Non-Executive Directors					
Phil Nolan	On appointment	9	1	n/a	n/a
Jeremy Beeton	Yes	9	1	5	4
Toby Hiscock	Yes	9	1	5	4
David Rough	Yes	9	1	5	4
Anne Wade	Yes	9	1	n/a	4

BOARD SUB-COMMITTEES

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

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

AUDIT & RISK COMMITTEE

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

During the year, the Committee met five times. Its terms of reference were widened following the meeting in February 2016. It now considers in more detail risk management processes in addition to reviewing internal control procedures, including internal audit plans, and the interim and full year results, including external audit plans. Regular reviews of significant risks are undertaken at meetings of the Committee and its observations are reported to the Board. The Group's system of internal control is designed to manage and mitigate rather than eliminate altogether the risk of failure to meet business objectives and can only provide reasonable, but not absolute, assurance against material financial misstatement or loss.

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

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

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

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

NOMINATION COMMITTEE

The Committee met once during the year. Phil Nolan is the Chairman of the Committee. The other members of the Committee are the four non-executive directors (Anne Wade, David Rough, Jeremy Beeton and Toby Hiscock) and the Chief Executive Officer.

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

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

REMUNERATION COMMITTEE

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

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

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

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

MANAGEMENT COMMITTEES

EXECUTIVE COMMITTEE

The Executive Committee comprises the Executive Directors, the Group Managing Director of Primary Investment, the Group Managing Director of Asset Management and the Group General Counsel and Company Secretary. The Executive Committee deals with the day-to-day business of the Group and also considers Group-wide initiatives and priorities. It reviews the implementation of strategy, discusses the development of new investments and progress on existing investments. It also reviews the disposal of investments and proposals before they are presented to the Board and monitors progress against the budget.

INVESTMENT COMMITTEE

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

Members of the Committee are appointed by the Board and comprise the Executive Directors, the Group Managing Director of Primary Investment, the Group Managing Director of Asset Management, the Group General Counsel and Company Secretary and up to five other persons as the Board shall nominate from time to time. The Committee is currently chaired by the Group Managing Director of Asset Management and usually meets at least fortnightly.

The role of the Investment Committee has recently been reviewed with the help of external consultants. A number of changes are in the process of being implemented including the recruitment of a dedicated resource in order to improve the quality of risk analysis.

MANAGEMENT RISK COMMITTEE

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

Members of the Committee are appointed by the senior management and comprise at least three members of the senior management team, including the Group Finance Director. The Committee is chaired by the Group Finance Director and its other members are currently the Group General Counsel and Company Secretary, the Group Managing Director of Asset Management and three other senior managers.

ENGAGEMENT WITH SHAREHOLDERS

The Board is committed to providing shareholders with timely announcements of significant events or transactions affecting the Company, including its financial performance and any changes to strategy as well as material investment commitments and realisations. As part of this, the Company's brokers provide regular market feedback to the Board and senior management. In addition, the Chairman and Senior Independent Director are available to shareholders to discuss governance, strategy or any concern they may have. In the second quarter of 2016, the Chairman wrote to the 20 largest investors and met with those who responded to his offer of a meeting.

The Chief Executive Officer and the Group Finance Director are responsible for the Company's interaction with existing shareholders, potential new shareholders and analysts. To ensure its financial and operational performance and strategic objectives are properly communicated, the Company operates a dedicated investor relations programme. This includes formal events along with other meetings outside the financial reporting calendar. In October 2016, the Chief Executive Officer, together with other members of the senior management team, hosted the Company's first investor day since its IPO; this focused on risk management, value creation and origination of new investments.

AUDIT & RISK COMMITTEE REPORT

INTRODUCTION FROM CHAIRMAN

2016 was a busy and challenging period for the Audit & Risk Committee (the Committee). The remit of the Committee was broadened during the year to assist the Board with its governance of risks across the Group. We are now responsible to the Board for oversight of risk management as well as for audit. In addition, and as flagged in last year's Annual Report, we tendered the external audit. Details of these and other relevant matters are given below. I hope you find the report both informative and helpful.

ROLE OF THE COMMITTEE

Further to an internal Board effectiveness review in late 2015, the Directors decided to bolster their oversight of risk management by reconstituting the Audit Committee as the Audit & Risk Committee.

The Committee's main responsibilities are to:

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

COMPOSITION OF THE COMMITTEE

There were no changes to the membership of the Committee during the year. It continues to be entirely made up of independent non-executive directors as follows:

Toby Hiscock (Chairman)
Jeremy Beeton
David Rough.

The Committee Chairman is deemed to have up to date relevant financial experience and competence in accounting. The Committee as a whole has extensive experience of investing in international infrastructure, which is at the heart of the Group's business. Further details of the qualifications and experience of Committee members are given on pages 44 to 45 of this Annual Report.

COMMITTEE MEETINGS

The Committee met four times during the year on regular business and once on the external audit tender (see page 54). Going forward, the Committee will meet at least five times a year in order to discharge its enhanced responsibilities. The Group Finance Director and other management representatives attend regular meetings, together with the Head of Internal Audit and the external auditor. In addition, both internal and external auditors met privately with the Committee during the year without management present.

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

SIGNIFICANT MATTERS CONSIDERED BY THE COMMITTEE IN RESPECT OF THE 2016 GROUP AND COMPANY FINANCIAL STATEMENTS

1. Fair value of investments. The portfolio valuation is at the core of the Group's financial reporting and the Committee has a particular responsibility to ensure it is comprehensively reported in a fair, balanced and understandable manner.

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

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

   i) forecast cash flows accruing to each investment;

   ii) macro-economic factors affecting forecast cash flows, such as long term inflation, interest, foreign exchange and taxation rates; and

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

   The fair value of investments is sensitive to changes in these assumptions and, in order to aid shareholders, a number of the sensitivities are illustrated in the Portfolio Valuation section on pages 22 to 26 of this Annual Report.

   During the year the Committee reviewed and challenged the valuations and disclosures prepared by management as well as the work performed by the Group's independent valuer, a professionally qualified third party, and the procedures carried out by the external auditor. In particular, on the valuation of the Group's investments in New Royal Adelaide Hospital and Manchester Waste VL Co, we scrutinised the latest available information on construction completion plans and operational progress together with the status of dispute resolution with the counterparties concerned. We are satisfied that the Group's portfolio investments as a whole have been reflected in the 2016 accounts at their prevailing fair value.

2. Retirement benefit obligations. An actuarial valuation as at 31 March 2016 of the Group's main defined benefit pension scheme was completed during the year. The combined deficit in the Group's two defined benefit and post-retirement medical schemes is reflected in the Group Balance Sheet in accordance with IAS 19. The deficit is sensitive to movements in future price inflation, discount rates and life expectancy and can, therefore, be volatile. Again to assist shareholders, a table showing the sensitivity of liabilities to movements in assumptions is included in note 18 of the Group financial statements on page 102 of this Annual Report.

   The IAS 19 deficit calculation is prepared by the Company with input from the Group's actuarial adviser. Following detailed review and challenge of the underlying assumptions, in addition to assessing the procedures performed by the external auditor, the Committee is satisfied that the deficit shown as at 31 December 2016 is properly disclosed and fairly reflects the Group's net retirement benefit obligations outstanding at that date as prescribed by IAS 19. Furthermore, the Committee is satisfied that, based on legal advice, there is no minimum funding requirement and consequently no additional pension liability arising under IFRIC 14.

3. Principal risks and uncertainties. As part of its broader remit the Committee received various presentations and reports from senior management during the year on, for example, bidding activities, portfolio management, major financial exposures and provisions, and taxation risks. We looked at markets, business growth and organisational risks, the aggregated exposures to contractors that we partner with, taxation exposures including the Group's preparedness for the new BEPS regime, Brexit and other key risks set out in the Group's risk register, such as IT security and cyber risks even though the Group does not manage large volumes of customer and employee data.

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

AUDIT & RISK COMMITTEE REPORT (CONTINUED)

INTERNAL AUDIT

The Head of Internal Audit reports directly to the Committee and has access to the Group and Committee Chairmen.

During the year the Committee reviewed and challenged the efficacy of the Internal Audit function by scrutinising its:

1. Terms of reference, together with its budget and resourcing;
2. Programme of work and, where the expertise does not exist internally, its outsource providers; and
3. Reports and the adequacy of responses and quality of feedback from management to the findings in them.

Internal Audit achieved its coverage plan for the year under review and a large majority of the audits completed were rated as satisfactory or good. The Committee examined in detail a small minority of audits assessed as weak together with the remedial actions undertaken by management. The Committee also looked at emerging trends and theme audits. In summary, it is satisfied with the performance of the Internal Audit function.

EXTERNAL AUDIT

Following detailed consideration of the areas below, the Committee was satisfied with the external auditor's independence and quality of its audit in respect of 2016.

The key considerations were:

1. Deloitte's planned approach to both the interim and annual accounts, which is risk-based and thorough, and also incorporates an assessment of key financial controls relevant to the audit;
2. Deloitte's execution of the above approach, including its assessment of key accounting and audit judgements – principally the fair value of the Group's investment portfolio and retirement benefit obligations;
3. Deloitte's arrangements to identify, manage and report any of its own conflicts of interest – there were none;
4. Deloitte's safeguards over its audit independence and objectivity, including the periodic rotation of its lead engagement and other partners;
5. The extent and quality of non-audit services provided by Deloitte during the year; and
6. The arrangements for day to day management of the audit relationship by the Group Finance Director and his team.

In addition, the Committee reviewed and approved on behalf of the Board the external auditor's remuneration and terms of engagement.

Fees for audit services to the Company and recourse group during the year amounted to £185,806 (2015 – £216,742). Fees for audit services to non-recourse subsidiaries during the year amounted to £62,129 (2015 – £84,904). Following the recent audit tender (see below), audit fees are expected to remain close to the 2016 levels, subject to future price inflation.

The only non-audit work performed by Deloitte in 2016 was in relation to the review of the Group and Company's interim financial statements and the annual review of the Group's FCA regulated subsidiary. Fees for non-audit work amounted to £44,800 (2015 – £44,700). This is expected to remain the case for the foreseeable future and contrasts with the exceptional level of non-audit fees paid to Deloitte in 2015 in relation to the Company's successful IPO.

The Company publishes on its website a charter of statutory auditor independence, which sets out the means to ensure the external auditor remains independent throughout its term. In particular the external auditor is required to rotate its engagement partner every five years and the audit is subject to an open market tender at least every ten years (see below). In addition, no work by the external auditor is permitted in the following areas: outsourcing or partnering of business; tax structuring advice; and the valuation of acquisition targets and related due diligence other than transaction support (namely a review of a target's financial statements and internal control systems). All potential non-audit work by the external auditor is considered case by case by the Committee and is usually awarded on a competitive basis.

The Company is required to tender its audit every ten years in accordance with UK Competition and Market Authority regulations, effective from when the external auditor was first appointed. As Deloitte was first appointed in 2007, 2016 was the last year in which it could audit the Group and Company's accounts before a tender was due.

The Committee on behalf of the Board undertook a tender of the audit during the year. Four firms, including Deloitte, were invited to participate. A shortlist of two firms, including Deloitte, resulted and, after careful consideration, the Committee decided to recommend to the Board the reappointment of Deloitte. This reappointment is predicated on a fresh perspective from Deloitte, including: a new lead engagement partner (Claire Faulkner); new tax and pensions partners; more controls (rather than pure transaction) testing; and further deployment of computer-assisted audit techniques. The Group has complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

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

OTHER MATTERS

Other matters considered by the Committee during 2016 included, but were not limited to:

1. The lookout period and forecast assumptions, such as funding capacity, underlying the viability statement and the adoption of the going concern basis in the financial statements;
2. The Group's compliance with financial regulation, including anti bribery, anti-money laundering and whistle blowing arrangements; and
3. The Group's policies and procedures for preventing and detecting fraud.

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

Toby Hiscock
AUDIT & RISK COMMITTEE CHAIRMAN
6 March 2017

DIRECTORS' REMUNERATION REPORT

Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2016.

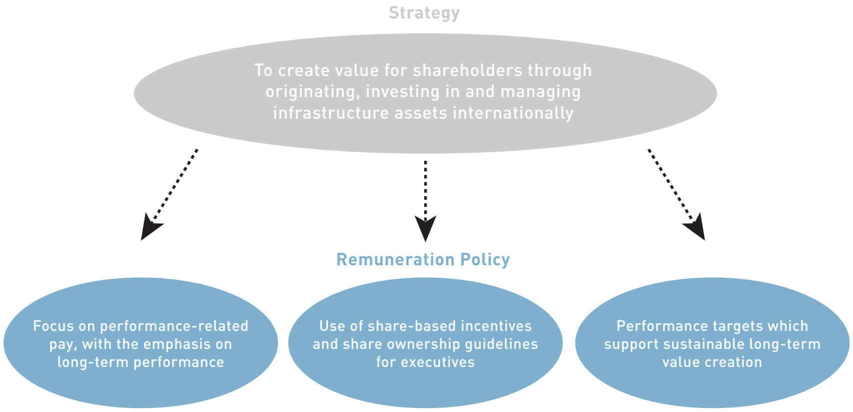
This report is split into two sections:

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

REMUNERATION AT A GLANCE

How the remuneration policy supports our business strategy

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



Strategy

To create value for shareholders through originating, investing in and managing infrastructure assets internationally

Remuneration Policy

Focus on performance-related pay, with the emphasis on long-term performance

Use of share-based incentives and share ownership guidelines for executives

Performance targets which support sustainable long-term value creation

SUMMARY OF THE CURRENT REMUNERATION ARRANGEMENTS FOR EXECUTIVE DIRECTORS

	Element	Description	Opportunity
Fixed	Base pay	Salaries are set taking into account the experience of the Director, his/her role and responsibilities.	Current salaries are £434,300 for the Chief Executive Officer and £336,300 for the Group Finance Director.
	Benefits	Private medical insurance, life insurance, permanent health insurance and, for Patrick O'D Bourke, a car allowance.	Market competitive.
	Pension	Cash allowance in lieu of pension.	15% of salary.
Variable	Bonus	Annual bonus is determined by reference to corporate and individual performance*. Any bonus above target (60% of salary) is deferred into shares vesting in equal tranches over one, two and three years subject to continued employment.	Up to 100% of salary (60% of salary at target).
	LTIP	Shares vest after three years subject to continued employment and the achievement of NAV per share and Total Shareholder Return (TSR) targets (with 50% of the award on each measure). Executive Directors are required to retain the net of tax number of any shares vesting under the LTIP for a further two years post-vesting.	Current award levels are 175% of salary per annum for the Chief Executive Officer and 150% of salary per annum for the Group Finance Director (within a policy maximum of 200% of salary per annum).

* The performance measures for the 2016 Bonus are set out in the Annual Report on Remuneration on page 59.

REMUNERATION RECEIVED BY THE EXECUTIVE DIRECTORS FOR 2016

£'000	Salary	Benefits	Pension[1]	Bonus[2]	Long-Term Incentives	Total
Olivier Brousse	430	2	56	271	nil	759
Patrick O'D Bourke	333	12	43	210	nil	598

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

[2] Bonuses were based on an assessment of corporate and individual performance objectives (see page 57 for further details).

In addition to the overall Company targets, the Executive Directors were given specific individual objectives.

The Chief Executive Officer, in addition to oversight of all Group objectives, he was individually tasked specifically with:

- Working with investors for them to better understand the John Laing investment premise to result in a reduction in the share price discount to Net Asset Value – positive results have been seen and we are pleased with the evolution in the investor understanding and appreciation of the Company since its IPO.
- Restructuring of the Company's European operations – this was initiated in the second half of 2016 with early benefits already seen.
- A comprehensive review of the business and the operating structures within each business and making changes to the management structure – a detailed review has been completed and the first round of changes to the operating structure are being implemented.

The Board is pleased with progress that has been made by the Chief Executive Officer during the year and accordingly awarded him 60% of the maximum potential for performance against his individual objectives.

For the Group Finance Director, there were specific objectives around:

- Increasing the analyst research and coverage of John Laing in 2016 – there has been a one-third increase in coverage year-on-year which is good progress with more opportunity to come.
- Developing and agreeing with the Board a funding strategy to secure growth and dividend cover – this was done successfully for 2016 and 2017 and work is taking place to ensure this is taken forward over the next few years.
- Managing the triennial pension review and developing and agreeing with the Board a funding strategy for the deficit, including an updated deficit recovery plan – this has been successfully completed.

The Board believes the Group Finance Director showed strong performance against all three of these objectives and awarded him 60% of the maximum for this part of the bonus.

REMUNERATION FOR 2017

In terms of application of the policy for 2017:

- Salaries have been increased by 1.0% in line with the increase for other UK employees
- The structure and operation of the bonus scheme remain unchanged. The bonus maximum remains 100% of salary. Bonuses will continue to be based on corporate and individual performance. The measures used to assess corporate performance for 2017 will be:
  - NAV
  - Distributions (excluding from non-portfolio assets)
  - Disposals
  - New investments
  - Value enhancements
  - Profit before tax.

  The detailed targets and how we have performed against them will be set out retrospectively in next year's Annual Report on Remuneration.
- Annual LTIP awards will be granted at 175% of salary for the Chief Executive Officer and 150% of salary for the Group Finance Director as in 2016. The awards will continue to be based 50% on relative TSR and 50% on growth in NAV per share. Details of the relative TSR targets to be applied to the 2017 awards, which are consistent with those applying to the 2016 awards, are shown on page 60. The NAV targets for the 2017 awards will require 10% to 16% p.a. growth for 25% to 100% vesting of this part of the award. The target growth range is lower than that applying to the 2016 awards (12% to 18% p.a.) but nevertheless reflects a challenging level of growth. The Committee considers that the targets for the 2017 awards are equally challenging to those applying to previous LTIP awards.
- Annual fees for the Chairman and the non-executive directors are the same as those applying for 2016.

SUMMARY

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

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

Anne Wade
CHAIRMAN, REMUNERATION COMMITTEE
6 March 2017

DIRECTORS' REMUNERATION REPORT (CONTINUED)

ANNUAL REPORT ON REMUNERATION

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

Remuneration Committee members

Anne Wade (Chairman)
Jeremy Beeton
Toby Hiscock
David Rough

All members of the Committee are independent non-executive directors. Further details on the members of the Committee can be found on pages 44 and 45 of this Annual Report.

Responsibilities

The Committee recommends the Group's policy on executive remuneration, determines the levels of remuneration for the Executive Directors, the Chairman and other senior executives and prepares an Annual Report on Remuneration for approval by shareholders at the AGM. The Committee's terms of reference can be viewed on our website at www.laing.com/investor-relations/corporate-governance. Details of the number of meetings held during the year are shown in the Corporate Governance Report on page 49.

Advisors

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

New Bridge Street (NBS) was appointed in early 2015 to act as the independent adviser to the Committee. NBS is a trading name of Aon Hewitt Limited, which is a subsidiary of Aon plc. Fees are normally charged on a time spent basis, with estimates provided in advance for particular projects. The total fees paid to NBS in respect of its services to the Committee during the year were £38,986 plus VAT (2015 – £34,532 plus VAT). NBS also provided advice to the Company during the year in relation to the implementation of the Company's share plans. NBS is a signatory to the Remuneration Consultants' Code of Conduct and reports directly to the Chairman of the Committee. The Committee is satisfied that the advice that it receives from NBS is objective and independent.

Directors' single total figure of remuneration for 2016 (audited)

The table below provides a breakdown of the various elements of Director pay for the year ended 31 December 2016 and for the prior year. This comprises the total remuneration earned in respect of the period from 1 January 2016 to 31 December 2016, and the prior period from 1 January 2015 to 31 December 2015.

	Salary/Fees		Benefits[1]		Pension[2]		Bonus[3]		LTIP[4]		Other		Total	
£'000	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Olivier Brousse	430	429	2	2	56	54	271	300	nil	nil	n/a	750[5]	759	1,535
Patrick O'D Bourke	333	333	12	12	43	43	210	233	nil	nil	n/a	800[5]	598	1,421
Dr Phil Nolan	180	173	–	–	–	–	–	–	–	–	–	–	180	173
David Rough	55	55	–	–	–	–	–	–	–	–	–	–	55	55
Jeremy Beeton	45	45	–	–	–	–	–	–	–	–	–	–	45	45
Toby Hiscock	60	60	–	–	–	–	–	–	–	–	–	–	60	60
Anne Wade	55	55	–	–	–	–	–	–	–	–	–	–	55	55

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

[2] Paid as a cash supplement in lieu of pension.

[3] In accordance with the Deferred Share Bonus Plan (DSBP), any amount over 60% of salary awarded in bonus is deferred in shares. Awards under the DSBP vest in equal tranches on the first, second and third anniversary of grant, subject to continued employment.

[4] The first award under the LTIP will vest in April 2018 subject to performance over the three years to 31 December 2017.

[5] This relates to the vesting of pre-IPO incentive plans.

ANNUAL REPORT ON REMUNERATION (CONTINUED)

Details of variable pay earned in the year (audited)

Annual Bonus

The bonus payable for 2016 (excluding JLCM employees) was assessed by the Committee taking into account performance against the following scorecard of metrics:

£ million	Threshold	Target	Stretch	Actual	Narrative
NAV	972	1,023	1,125	1,017	Between threshold and target
Value enhancements	40	42	46	44	Between target and stretch
Distributions (excluding from non-portfolio assets)	27	29	32	35	Above stretch
Disposals	110	116	127	127	Stretch
New investments	192	202	222	182	Below threshold
Profit before tax	154	163	179	192	Above stretch

In addition to the overall Company targets, the Executive Directors were given specific individual objectives. For the Group Finance Director these included increasing the analyst research and coverage of John Laing in 2016, developing and agreeing with the Board a funding strategy to secure growth and dividend cover and managing the triennial pension review and developing and agreeing with the Board a funding strategy for the deficit, including an updated deficit recovery plan. For the Chief Executive Officer, in addition to oversight of all Group objectives, working with investors for them to better understand the John Laing investment premise to result in a reduction in the share price discount to Net Asset Value, restructuring of the Company's European operations and a comprehensive review of the business and the operating structures within each business and making changes to the management structure.

For the Executive Directors, the allocation between corporate and individual objectives was as follows:

	Olivier Brousse	Patrick O'D Bourke	
Corporate (maximum 60% of salary)	**39%**	**39%**	Based on the achievement of the above scorecard of metrics, the Committee determined that the overall bonus payable for corporate performance was 65% of the maximum (i.e. equivalent to 39% of salary for the Executive Directors).
Individual (maximum 40% of salary)	**24%**	**24%**	Taking into account achievement against their specific individual objectives and the overall performance of the Group in the year, the Committee awarded individual bonuses of 24% of salary to both Executive Directors (out of a maximum of 40% for this element of the bonus).
Total (% of maximum)	**63%**	**63%**	
Total (£000)	**£271**	**£210**	

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

Details of share awards granted in the year (audited)

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

	Type of award	Award size	Face value	Number of shares[1]	Grant date	Performance period	Performance targets
Olivier Brousse	LTIP (nil cost option)	175% salary	£752,500	330,330	15 April 2016	1 January 2016 to 31 December 2018	50% based on relative TSR and 50% based on NAV per share
Patrick O'D Bourke	LTIP (nil cost option)	150% salary	£499,500	219,270			

[1] Calculated using the middle market share price on the day preceding the date of grant which was 227.8 pence.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

ANNUAL REPORT ON REMUNERATION (CONTINUED)

The performance conditions attached to the awards are:

- 50% is based on TSR performance against a comparator group comprising the members of the FTSE 250 index. 25% of the shares in this tranche will vest for median performance with full vesting for upper quartile performance or above (straight line vesting between these points).
- 50% is based on the annual compound growth in the Company's NAV per share. NAV will be based on the figures reported in the Company's annual financial statements but adjusted to include the value of any dividends paid to or approved by shareholders during the three year performance period. The NAV figures may also be adjusted at the discretion of the Committee to reflect any regulatory or accounting changes or any changes to the Company's share capital. 25% of the shares in this tranche will vest for 12% per annum growth, with full vesting for 18% per annum growth or above (straight line vesting between these points).

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

The following were granted to the Executive Directors under the DSBP during the financial year. These related to the deferred element of the 2015 bonus.

	Type of award	Award size	Face value	Number of shares[1]	Grant date
Olivier Brousse	DSBP (nil cost option)	Bonus earned over 60% of salary	£42,100	18,845	15 March 2016
Patrick O'D Bourke	DSBP (nil cost option)		£33,300	14,905	

[1] Calculated using the closing middle market share price on the day preceding the date of grant which was 223 pence.

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

Chairman and non-executive director fees

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

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

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

Directors' shareholdings (audited)

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

	No. of shares owned on 31 December 2015	No. of shares owned on 31 December 2016	Other interests in shares as at 31 December 2016		Total interest in shares as at 31 December 2016
			Outstanding LTIP awards	Outstanding Deferred Share Bonus Plan awards	
Olivier Brousse	96,282	155,604	673,150	18,845	847,599
Patrick O'D Bourke	76,282	136,282	446,830	14,905	598,017
Dr Phil Nolan	110,256	110,256	N/A	N/A	110,256
David Rough	35,256	35,256	N/A	N/A	35,256
Jeremy Beeton	10,256	16,256	N/A	N/A	16,256
Toby Hiscock	10,256	20,500	N/A	N/A	20,500
Anne Wade	10,256	20,256	N/A	N/A	20,256

Between 31 December 2016 and the date of this report there have been no changes in the Directors' shareholdings.

The guideline shareholding for Executive Directors is 100% of salary. At 31 December 2016, Olivier Brousse and Patrick O'D Bourke held shares worth 98% and 111% of salary respectively.

ANNUAL REPORT ON REMUNERATION (CONTINUED)

Payments to past Directors (audited)

There were no payments to past Directors during the year.

Payments for loss of office (audited)

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

Relative importance of the spend on pay

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

£ million	2016	2015
Remuneration paid to or receivable by all employees	**34.6**	36.5
Distributions to shareholders by way of dividends	**26.2**	5.9
Distributions to shareholders by way of share buy-backs	**Nil**	Nil

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

The table below shows the percentage change in salary, benefits and bonus earned between 31 December 2015 and 31 December 2016 for the Chief Executive Officer compared to the average for other UK-based employees. This comparator group was used because the Committee believe it gives the best understanding of underlying increases, while avoiding distortions from currency fluctuation and different economic conditions in other countries.

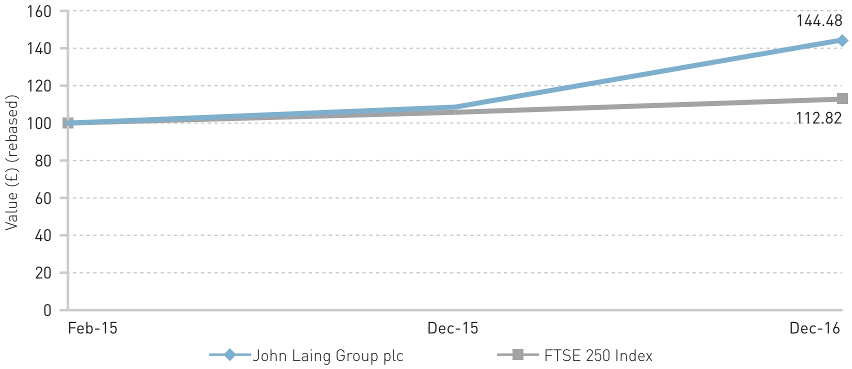
	Salary	Benefits	Bonus
CEO	Nil	3.4%	–9.7%
Average for other UK employees	4.2%	0.5%	–9.0%

Performance graph and total remuneration history for Chief Executive Officer

The graph below shows the Company's performance, measured by TSR, compared with the performance of the FTSE 250 Index for the period from the Company's IPO in February 2015 to 31 December 2016. This comparator has been chosen as it is a broad equity index of which the Company is a constituent and it is also the one used in assessing relative TSR performance under the LTIP.

Total shareholder return

Source: Datastream (Thomson Reuters)



The graph shows the value (as at 31 December 2016) of £100 invested in John Laing Group plc on the date of Admission (17 February 2015) compared to £100 invested in the FTSE 250.

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

DIRECTORS' REMUNERATION REPORT (CONTINUED)

ANNUAL REPORT ON REMUNERATION (CONTINUED)

	2016	2015
Total remuneration (£'000)	**759**	1,535
Annual bonus (% of maximum)	**63%**	70%
LTIP (% of maximum)	**Nil**	Nil

Voting outcome at the 2016 AGM

The following votes were received at the 2016 AGM:

	Votes For	**Votes Against**	**Votes Withheld**
Resolution to approve the Annual Report on Remuneration	257,631,859 (99.29%)	1,838,380 (0.71%)	10,455,021
Resolution to approve the Directors' Remuneration Policy	258,873,852 (95.86%)	11,182,710 (4.14%)	5,337

Application of the Remuneration Policy for 2017

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

Salaries for Executive Directors	Olivier Brousse – £434,300 Patrick O'D Bourke – £336,300
Benefits and Pension	No change
2017 Bonus	The only change to the structure of the bonus for 2017 is that the allocation between corporate and individual objectives will be 80% corporate and 20% individual (previously 60% and 40% respectively). Bonuses will be awarded based on a mix of corporate and individual performance. Corporate performance will be assessed taking into account NAV, distributions (excluding from non-portfolio assets), disposals, new investments, value enhancements and profit before tax. The performance targets for 2017 are deemed to be commercially sensitive and will be disclosed in next year's Annual Report on Remuneration.
2017 LTIP	LTIP awards granted to the Chief Executive Officer and Group Finance Director in 2017 will be over shares worth 175% and 150% of salary respectively (the same as 2016). Performance will be measured over three years subject to the following conditions (with an equal weighting on each measure):
Chairman and non-executive director fees	The Chairman and non-executive director fees have not been increased for 2017. A summary of the current fee policy is set out on page 68.

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

There will be straight-line vesting between these points.

By order of the Board

Anne Wade
CHAIRMAN OF THE REMUNERATION COMMITTEE
6 March 2017

DIRECTORS' REMUNERATION POLICY

This report sets out the Remuneration Policy for the Directors. The report was subject to a binding vote by shareholders at our AGM on 12 May 2016 and is intended to remain in place for three years. Shown below is the Policy in full, as approved by shareholders, updated where appropriate to reference how the Policy will be applied in 2017.

Remuneration Policy Table

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

Element	Purpose and link to strategy	Operation	Link to performance	Maximum opportunity
Base salary	To provide a core reward for the role at a sufficient level to recruit and retain individuals of the necessary calibre to execute the Company's business strategy.	Reviewed annually by the Committee (with effect from 1 January) or, if appropriate, following a change in an individual's position or responsibilities. Benchmarked periodically against relevant market comparators, including companies of a similar size and complexity and other broadly comparable companies.	Base salary levels are set at a level to reflect the experience, skills and responsibilities of the individual as well as the scope and scale of their role. Increases to base salary will reflect individual performance and contribution as well as the pay and conditions for other employees of the Group.	While there is no maximum salary, increases will normally be in line with the typical level of increase awarded to other employees of the Group. However, increases above this level may be offered in certain circumstances such as where an Executive Director has been promoted, has had a change in responsibilities, to reflect increased experience in the role, or where there has been a significant change in the size and/or scope of the business. For details of salary levels from 1 January 2017 see the Annual Report on Remuneration on page 62.
Benefits	To operate a competitive benefits structure for Executive Directors that aids in their recruitment and retention.	Provision of benefits such as private medical insurance, life insurance, permanent health insurance, company sick pay and a car allowance. Executive Directors are also eligible to participate in any all-employee share plans operated by the Company, in line with HMRC guidelines currently prevailing, on the same basis as other eligible employees. Additional benefits may be provided from time to time if the Committee decides payment of such benefits is appropriate, for example, if this is in line with emerging market practice or to facilitate the relocation of an Executive Director. Each Executive Director is entitled to reimbursement of reasonable expenses incurred by him in the performance of his duties (including any tax payable thereon).	Not applicable	The cost of the benefit provision varies from year-to-year and there is no prescribed maximum limit. The Committee monitors annually the overall cost of the benefits provided to ensure that it remains appropriate.
Pension	To offer market competitive levels of pension and to recognise long-term commitment to the Group.	The Company may provide a cash allowance in lieu of a contribution to a pension scheme, contribute an amount to a money purchase pension scheme or provide for a combination of the two depending on the circumstances of the individual.	Not applicable	15% of salary

DIRECTORS' REMUNERATION REPORT (CONTINUED)

DIRECTORS' REMUNERATION POLICY (CONTINUED)

Element	Purpose and link to strategy	Operation	Link to performance	Maximum opportunity
Annual bonus	To recognise and reward the delivery of short-term strategic and financial objectives which contribute towards long-term sustainable growth.	The Executive Directors participate in the same overall bonus structure as other Group employees (except for those employees within John Laing Capital Management (JLCM)). The size of the overall Group bonus is determined based on performance against a range of metrics linked to the Group's strategy. The overall bonus is then allocated partly based on Company performance with the remainder based on individual performance. To the extent any bonus exceeds the target amount (60% of salary), the full amount of any excess will be deferred in shares under the Deferred Share Bonus Plan (DSBP). Awards under the DSBP vest in equal tranches on the first, second and third anniversary of grant, normally subject to continued employment. Dividends that accrue on the DSBP shares during the vesting period may be paid in cash and/or shares at the time of vesting. Clawback and, in the case of deferred share awards, malus provisions will apply.	The size of the bonus is assessed by the Committee taking into account performance against a scorecard of corporate metrics. The choice of metrics is reviewed by the Committee at the start of each financial year, with a target range set for each measure. Details of the metrics used to determine the 2016 bonus are set out in the Annual Report on Remuneration on page 57 and the metrics to be used for the 2017 bonus are set out in the Annual Report on Remuneration on page 62. There is no pre-determined weighting between metrics. The Committee uses the scorecard as a guide to help it consider the overall performance of the business and the appropriate size of the overall bonus. The Committee will, in its absolute discretion, take into account all relevant circumstances when determining the size of the overall Group bonus, recognising that, given the long-term nature of the business, timescales on particular projects may be outside management's control. The Committee also has the discretion to reduce the size of the overall Group bonus if it feels that the level of bonus is not supported by the underlying financial and operational performance of the business. Once performance against the corporate metrics has been determined, the calculation of an individual's allocation will be subject to an assessment by the Committee of both Group performance and individual performance. The amount allocated based on individual performance cannot exceed 40% of salary. For 2017, this will change to 20% of salary. The Committee may reduce a participant's bonus (including to zero) to reflect adverse events, e.g. health and safety breaches or poor individual performance.	100% of salary (60% of salary for target performance). No more than 25% of salary will be payable for threshold performance.
Long Term Incentive Plan (LTIP)	To incentivise and reward the creation of long-term shareholder value.	At the discretion of the Committee, Executive Directors will receive annual awards of shares in the form of nil (or nominal) cost options or conditional awards which will usually vest on the third anniversary of grant (or, if later, when the Committee determines that the performance conditions have been satisfied). The awards are subject to the achievement of performance and service conditions. Executive Directors are required to retain the net of tax number of any shares vesting under an LTIP award for a further two years post-vesting. Dividends that accrue on the shares during the vesting period may be paid in cash and/or shares at the time of vesting. Clawback and malus provisions apply.	Awards are subject to the achievement of performance targets linked to the long-term success of the Company. These are currently based 50% on growth in NAV per share and 50% on TSR. However, different performance metrics/weightings may be set for future awards to ensure that the LTIP remains aligned to the Company's strategy. A sliding scale of targets is applied for each performance metric, with no more than 25% of that part of the award vesting for achievement of the threshold target.	Up to 200% of salary. It is intended that awards for 2017 will be limited to 175% and 150% of salary for the Chief Executive Officer and Group Finance Director respectively.

DIRECTORS' REMUNERATION POLICY (CONTINUED)

Shareholding guidelines

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

Annual bonus performance metrics

The size of the overall Group bonus is assessed by the Committee taking into account performance against a scorecard of metrics which reflect the growth of the business. The choice of metrics may change for future award cycles, but was based on the following for 2016:

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

LTIP metrics

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

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

Incentive plan operation

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

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

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

Clawback and malus

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

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

Shareholder views

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

DIRECTORS' REMUNERATION REPORT (CONTINUED)

DIRECTORS' REMUNERATION POLICY (CONTINUED)

Link to the remuneration policy for all employees

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

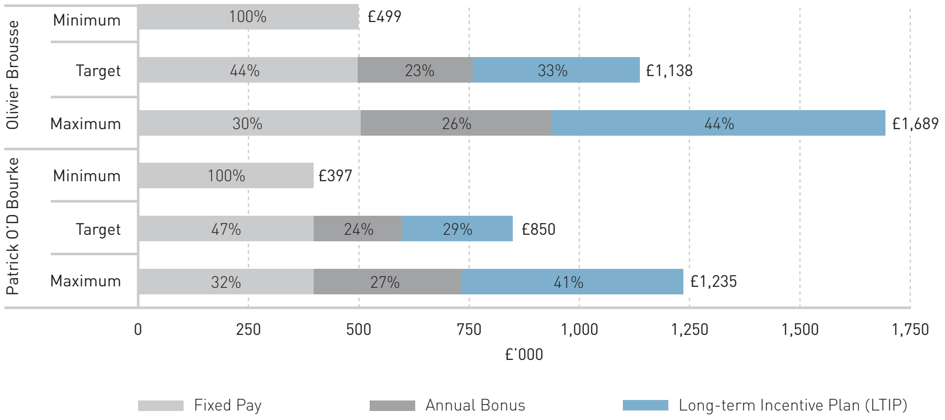
A consistent approach to remuneration is applied across the Group – with the same overarching principle that reward should be sufficient to attract and retain high calibre talent and that reward should support the delivery of the business strategy.

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

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

Remuneration reward scenarios

The total remuneration for each of the Executive Directors that could result from the remuneration policy in 2017 is shown below:



Notes:

1 Fixed pay consists of salary, benefits and pension. Salary is the amount to be paid in 2017 and benefits are based on the value shown in the single total figure of remuneration for 2016 on page 56. Pension is shown as 15% of salary.

2 The maximum bonus opportunity is 100% of salary with 60% of salary earned at target performance. Any bonus earned for above target performance is deferred in shares, which vest subject to continued employment over one, two and three years.

3 The maximum LTIP award for 2017 is 175% of salary for the Chief Executive Officer and 150% of salary for the Group Finance Director. An award of 50% of the maximum is assumed for target performance. LTIP awards are subject to a three year performance period and the net of tax number of any shares received must be held for a further two years post vesting.

4 No assumptions are made as to future share price movements which will impact on the actual values to be received under the DSBP and LTIP.

DIRECTORS' REMUNERATION POLICY (CONTINUED)

Executive Director Recruitment and Promotions

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

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

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Executive Directors' service agreements and payments for loss of office

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

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

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

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

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

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

[1] e.g. termination for cause etc.

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

DIRECTORS' REMUNERATION REPORT (CONTINUED)

DIRECTORS' REMUNERATION POLICY (CONTINUED)

Other

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

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

External Board appointments

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

Olivier Brousse is a non-executive director of 1001 Fontaines and of Brive Rugby Club. He does not receive any fees for these appointments. Patrick O'D Bourke is a non-executive director of Affinity Water Limited and received fees of £47,000 in 2016 (£47,000 in 2015).

Remuneration for the Chairman and non-executive directors

	Operation
Fee policy	The Chairman is paid an all-inclusive fee for all Board responsibilities. The other non-executive directors receive a basic Board fee, with supplementary fees payable for additional Board responsibilities (e.g. for Chairmanship of the Audit & Risk or Remuneration Committee or the role of Senior Independent Director). The non-executive directors do not participate in any of the Company's incentive arrangements. The maximum aggregate fee is set at £750,000 in the Company's Articles of Association. Current fee levels are set out in the Annual Report on Remuneration on page 57. Fee levels are reviewed on a periodic basis, and may be increased taking into account factors such as the time commitment of the role and market levels in companies of comparable size and complexity and other broadly comparable companies.
Expenses	The Chairman and the non-executive directors are entitled to reimbursement of reasonable expenses (and any tax payable thereon).
Letters of appointment and policy on termination	The letter of appointment for the Chairman states that his appointment is expected to last for at least three years but will be subject to annual re-election at the AGM. The appointment is terminable by either party giving to the other six months' written notice or at any time in accordance with the Articles of Association of the Company (without prejudice to the Chairman's right to receive six months' payment in lieu of notice unless the removal is as a result of a serious default on his part). The appointments of the other non-executive directors are for initial terms of three years. The non-executive directors are subject to annual re-election by the Company's shareholders. Their appointments may be terminated at any time upon written notice or in accordance with the Articles of Association of the Company or upon their resignation. The non-executive directors are not entitled to receive any compensation on termination of their appointment.

Director	Date of letter of appointment*	Unexpired term at 31 December 2016
Dr Phil Nolan	16 January 2015	13 months
Jeremy Beeton	18 December 2014	13 months
Toby Hiscock	16 January 2015	13 months
David Rough	17 December 2014	13 months
Anne Wade	17 December 2014	13 months

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the Board of Directors on 6 March 2017 and is signed on its behalf by:

Olivier Brousse	**Patrick O'D Bourke**
CHIEF EXECUTIVE OFFICER	GROUP FINANCE DIRECTOR
6 March 2017	6 March 2017

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

OPINION ON FINANCIAL STATEMENTS OF JOHN LAING GROUP 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 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements that we have audited comprise:

- the Group Income Statement;
- the Group Statement of Comprehensive Income;
- the Group and Parent Company Balance Sheets;
- the Group and Parent Company Statements of Changes in Equity;
- the Group and Parent Company Cash Flow Statements; and
- the related notes 1 to 25 of the Group financial statements and the related notes 1 to 13 of the Parent Company financial statements.

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

SUMMARY OF OUR AUDIT APPROACH

Key risks	The key risks that we identified in the current year were: • Valuation of investments • Valuation of defined benefit pension schemes. The above risks are consistent with the prior year. As part of the valuation of investments, we have paid particular attention to the valuation of investments in the New Royal Adelaide Hospital and Manchester Waste projects (being the Group's investment in Manchester VL Co and Manchester TPS Co).
Materiality	The materiality that we used in the current year was £19 million which is below 2% (2015 – 2%) of shareholders' equity. We selected shareholders' equity as net asset value is a key performance indicator for the Group.
Scoping	Our audit scope primarily focused on the fair value of those PPP and Renewable Energy investments which are significant to the Group. Specific audit procedures were performed on a sample of investments which comprised 78% (2015 – 85%) of the total valuation of investments. Other investments were subject to review procedures.
Significant changes in our approach	There have been no significant changes in our audit approach in the current year.

GOING CONCERN AND THE DIRECTORS' ASSESSMENT OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE GROUP

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2d to the Group financial statements and the directors' statement on the longer-term viability of the Group contained within the strategic report on page 34.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the directors' confirmation on page 35 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 35 to 40 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in note 2d to the Group financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation on page 34 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. 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.

INDEPENDENCE

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

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

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 in the audit and directing the efforts of the engagement team.

There have been no changes to the risks identified in the current year. However, we have paid particular attention to the valuation of investments in the New Royal Adelaide Hospital and Manchester Waste projects (being the Group's investment in Manchester VL Co and Manchester Waste TPS Co).

VALUATION OF INVESTMENTS

Risk description

The Group holds a range of investments which primarily include PPP and renewable energy assets. The total value of these assets at 31 December 2016 was £1,176 million (31 December 2015 – £841 million) as disclosed in note 11 to the Group financial statements. These underlying assets are held across a range of different sectors comprising Transport, Environmental (including Renewable Energy) and Social Infrastructure, and a range of geographies including the UK, Europe, North America and Asia Pacific.

The valuation of investments is a significant judgement underpinned by a number of key assumptions and estimates. These judgements include discount rates, forecast project cash-flows and macro-economic assumptions such as future inflation and deposit rates. Many of these assumptions differ depending on both the sector and geography of the project. A full internal valuation is prepared at June and December each year and this valuation is incorporated into the financial statements. An independent opinion is obtained from an external valuer that the portfolio as a whole represents fair value.

As disclosed on page 9 and of the strategic report and in note 2 to the Group financial statements, the New Royal Adelaide Hospital project is experiencing construction delays and the Manchester Waste VL Co project is experiencing increased counterparty risk. Consequently, there is increased judgement to be made around the valuation of the investment in each project including the completion date of New Royal Adelaide Hospital and the outcome of discussions with the Greater Manchester Waste Disposal Authority (GMWDA) on the future of the Manchester Waste VL Co project.

More information on the valuation and valuation methodology (including the judgements associated with the valuation of the investments in New Royal Adelaide Hospital and Manchester Waste) can be found on page 53 of the Audit & Risk Committee report and note 2 to the Group financial statements.

How the scope of our audit responded to the risk

- We assessed the design and implementation of the controls in place when valuing the Group's investments.
- We obtained evidence, including external market data, to substantiate key assumptions, including project discount rate(s) and macro-economic assumptions such as forecast inflation and deposit rates.
- We benchmarked management's discount rates against market transaction data, including the Group's disposals in the current and previous period. We performed this work in conjunction with our own valuation specialists.
- On the valuation of the New Royal Adelaide Hospital and Manchester Waste investments we reviewed, where relevant, the legal advice obtained and held discussions with the Group's external legal counsel, reviewed contractual documentation and held discussions with the directors of each project company to understand and challenge the key judgements in valuing each project.
- We met with the Group's external valuer to understand and challenge the process undertaken by them in arriving at their opinion that the portfolio as a whole represents fair value. We also assessed the competency and independence of the external valuer.
- We checked that the disclosures in the financial statements were appropriate particularly in respect of the judgements taken.

Key observations

No material matters were identified arising from our audit work. We consider the judgements adopted in valuing the Group's investments to be appropriate. We also consider the disclosures around the valuation of investments to be appropriate.

OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT (CONTINUED)

VALUATION OF DEFINED BENEFIT PENSION SCHEMES

Risk description	The Group has two defined benefit pension schemes (The John Laing Pension Fund and The John Laing Pension Plan) which had a combined deficit of £61 million at 31 December 2016 (£39 million at 31 December 2015). The valuation of the deficit is subject to a number of judgements including the adoption of the appropriate (i) discount rates (ii) inflation rates and (iii) mortality rate assumptions. There is also a judgement concerning the Group's ability to recover a surplus under the scheme rules and consequently the consideration of minimum funding requirements under IFRIC 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. See note 18 to the Group financial statements for further information and page 53 of the Audit & Risk Committee report.
How the scope of our audit responded to the risk	• We assessed the design and implementation of the controls in place when valuing the Group's defined benefit pension schemes including the setting of actuarial assumptions. • In conjunction with our internal actuarial specialists, we compared the Group's key assumptions, including the discount rate, mortality rate assumptions and the inflation rates against our own benchmarks and those adopted by other companies in the market. • We audited the scheme assets via agreement to external confirmations from the custodian and also agreed a sample of scheme assets back to independent market data. We also obtained and reviewed the AAF 01/06/ISAE 3402 assurance report on internal controls for each custodian to assess if there were any matters which impact our work. • In assessing the impact of IFRIC 14, we examined the nature of the Group's funding commitments to the schemes and reviewed the scheme rules, the external legal advice obtained by management and the actuarial schedule of contributions. • We checked that the disclosure requirements of IAS 19R Employee Benefits had been fulfilled.
Key observations	No material matters were identified arising from our audit work. We consider the judgements adopted by the Group in valuing the pension scheme liabilities to be appropriate and concur that the Group has the ability to recover any surplus under the rules of the John Laing Pension Fund and consequently is not subject to a minimum funding requirement under IFRIC 14. We also consider the disclosures around the valuation of the defined benefit pension schemes to be appropriate.

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

OUR APPLICATION OF MATERIALITY

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£19 million (2015 – £16 million)
Basis for determining materiality	Below 2% of shareholders' equity
Rationale for the benchmark applied	Shareholders' equity was selected as net asset value is a key performance indicator for the Group. This is consistent with the prior year.

We agreed with the Audit & Risk Committee that we would report to the Committee all audit differences in excess of £500,000 (2015 – £320,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit & Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

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

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit scope primarily focused on the fair value of those PPP and Renewable Energy investments which are significant to the Group. Audit work was performed on a sample of investments which comprised 78% (2015 – 85%) of the total valuation of investments. Other investments were subject to review procedures.

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

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

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

The Group audit team has initiated a programme of planned visits that has been designed so that it visits a sample of the Group's investments each year with a specific focus on visiting the Group's largest investments by value. This year the Group audit team visited one of the Group's investments. The Group audit team visited four of the Group's investments in the prior year.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Directors' remuneration

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

We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code.

We have nothing to report arising from these matters.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit & Risk Committee which we consider should have been disclosed.

We confirm that we have not identified any such inconsistencies or misleading statements.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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). 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 and independent partner reviews.

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

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.

Claire Faulkner FCA (Senior statutory auditor)

FOR AND ON BEHALF OF DELOITTE LLP
CHARTERED ACCOUNTANTS AND STATUTORY AUDITOR
LONDON, UNITED KINGDOM
6 March 2017

GROUP INCOME STATEMENT

for the year ended 31 December 2016

		Year ended 31 December 2016	Year ended 31 December 2015	
	Notes	**Statutory £ million**	Pro forma £ million	Statutory £ million
Continuing operations				
Net gain on investments at fair value through profit or loss	11	**218.8**	133.1	129.7
Other income	6	**42.0**	34.5	31.5
Operating income	3	**260.8**	167.6	161.2
Cost of sales		**–**	(0.1)	(0.1)
Gross profit		**260.8**	167.5	161.1
Administrative expenses		**(58.4)**	(55.3)	(52.3)
Profit from operations	7	**202.4**	112.2	108.8
Finance costs	9	**(10.3)**	(11.3)	(11.3)
Profit before tax	3	**192.1**	100.9	97.5
Tax charge	10	**(1.8)**	(2.1)	(2.1)
Profit from continuing operations		**190.3**	98.8	95.4
Discontinued operations				
Profit from discontinued operations (after tax)		**–**	5.7	5.7
Profit for the year attributable to the Shareholders of the Company		**190.3**	104.5	101.1
Earnings per share (pence)				
From continuing operations				
Basic	4	**51.9**	27.6	28.3
Diluted	4	**51.4**	27.5	28.2
From continuing and discontinued operations				
Basic	4	**51.9**	29.2	30.0
Diluted	4	**51.4**	29.1	29.9

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

		Year ended	Year ended 31 December 2015	
		31 December 2016		
		Statutory	Pro forma	Statutory
	Notes	**£ million**	£ million	£ million
Profit for the year		**190.3**	104.5	101.1
Exchange differences on translation of overseas operations		**0.3**	–	–
Actuarial (loss)/gain on retirement benefit obligations	18	**(39.2)**	15.8	39.0
Other comprehensive (loss)/income for the year		**(38.9)**	15.8	39.0
Total comprehensive income for the year		**151.4**	120.3	140.1

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 2016

STATUTORY

	Notes	Share capital £ million	Share premium £ million	Other reserves £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2016		**36.7**	**218.0**	**0.7**	**634.2**	**889.6**
Profit for the year		**–**	**–**	**–**	**190.3**	**190.3**
Other comprehensive loss for the year		**–**	**–**	**–**	**(38.9)**	**(38.9)**
Total comprehensive income for the year		**–**	**–**	**–**	**151.4**	**151.4**
Share-based incentives	5	**–**	**–**	**2.0**	**–**	**2.0**
Dividends paid		**–**	**–**	**–**	**(26.2)**	**(26.2)**
Balance at 31 December 2016		**36.7**	**218.0**	**2.7**	**759.4**	**1,016.8**

for the year ended 31 December 2015

PRO FORMA

		Share capital £ million	Share premium £ million	Other reserves £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2015		30.0	100.0	–	519.8	649.8
Profit for the year		–	–	–	104.5	104.5
Other comprehensive income for the year		–	–	–	15.8	15.8
Total comprehensive income for the year		–	–	–	120.3	120.3
Shares issued in the year	20, 21	6.7	123.8	–	–	130.5
Costs associated with the issue of shares	21	–	(5.8)	–	–	(5.8)
Share-based incentives	5	–	–	0.7	–	0.7
Dividends paid		–	–	–	(5.9)	(5.9)
Balance at 31 December 2015		36.7	218.0	0.7	634.2	889.6

STATUTORY

		Share capital £ million	Share premium £ million	Other reserves £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2015		–	–	–	–	–
Profit for the year		–	–	–	101.1	101.1
Other comprehensive income for the year		–	–	–	39.0	39.0
Total comprehensive income for the year		–	–	–	140.1	140.1
Shares issued in the year	20, 21	36.7	723.8	–	–	760.5
Costs associated with the issue of shares	21	–	(5.8)	–	–	(5.8)
Reduction of share premium account	21	–	(500.0)	–	500.0	–
Share-based incentives	5	–	–	0.7	–	0.7
Dividends paid		–	–	–	(5.9)	(5.9)
Balance at 31 December 2015		36.7	218.0	0.7	634.2	889.6

	Year ended 31 December 2016 Pence	Year ended 31 December 2015 Pence
Dividends on ordinary shares		
Per ordinary share:		
– interim paid	**1.85**	1.60
– final proposed	**6.30**	5.30

GROUP BALANCE SHEET

as at 31 December 2016

	Notes	**31 December 2016 Statutory £ million**	31 December 2015 Statutory £ million
Non-current assets			
Intangible assets		**–**	0.2
Plant and equipment		**0.3**	1.0
Investments at fair value through profit or loss	11	**1,257.5**	965.3
Deferred tax assets	17	**1.0**	1.4
		1,258.8	967.9
Current assets			
Trade and other receivables	12	**7.4**	8.3
Cash and cash equivalents		**1.6**	1.1
		9.0	9.4
Total assets		**1,267.8**	977.3
Current liabilities			
Current tax liabilities		**(4.1)**	(2.7)
Borrowings	14	**(161.4)**	(14.9)
Trade and other payables	13	**(14.7)**	(19.6)
		(180.2)	(37.2)
Liabilities directly associated with assets classified as held for sale		**–**	(4.2)
Net current liabilities		**(171.2)**	(32.0)
Non-current liabilities			
Retirement benefit obligations	18	**(69.3)**	(46.2)
Provisions	19	**(1.5)**	(0.1)
		(70.8)	(46.3)
Total liabilities		**(251.0)**	(87.7)
Net assets		**1,016.8**	889.6
Equity			
Share capital	20	**36.7**	36.7
Share premium	21	**218.0**	218.0
Other reserves		**2.7**	0.7
Retained earnings		**759.4**	634.2
Equity attributable to the Shareholders of the Company		**1,016.8**	889.6

The financial statements of John Laing Group plc, registered number 05975300, were approved by the Board of Directors and authorised for issue on 6 March 2017. They were signed on its behalf by:

Olivier Brousse
CHIEF EXECUTIVE OFFICER
6 March 2017

Patrick O'D Bourke
GROUP FINANCE DIRECTOR
6 March 2017

GROUP CASH FLOW STATEMENT

for the year ended 31 December 2016

	Notes	**Year ended 31 December 2016 Statutory £ million**	Year ended 31 December 2015 Pro forma £ million	Year ended 31 December 2015 Statutory £ million
Net cash outflow from operating activities	22	**(37.1)**	(70.5)	(70.5)
Investing activities				
Net cash transferred to investments held at fair value through profit or loss	11	**(73.4)**	(54.0)	(54.0)
Cash acquired on acquisition of subsidiaries		**–**	–	2.2
Purchase of plant and equipment		**(0.1)**	(0.6)	(0.6)
Net cash used in investing activities		**(73.5)**	(54.6)	(52.4)
Financing activities				
Dividends paid		**(26.2)**	(5.9)	(5.9)
Finance costs paid		**(8.9)**	(13.7)	(13.7)
Proceeds from borrowings		**165.0**	50.0	50.0
Repayment of borrowings		**(19.0)**	(31.0)	(31.0)
Net proceeds on issue of share capital		**–**	124.7	124.7
Net cash from financing activities		**110.9**	124.1	124.1
Net increase/(decrease) in cash and cash equivalents		**0.3**	(1.0)	1.2
Cash and cash equivalents at beginning of the year		**1.1**	2.2	–
Effect of foreign exchange rate changes		**0.2**	(0.1)	(0.1)
Cash and cash equivalents at end of year		**1.6**	1.1	1.1

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2016

1 GENERAL INFORMATION

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

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

2 ACCOUNTING POLICIES

a) Basis of preparation

Statutory financial information for the year ended 31 December 2016 is presented in the Group Income Statement, the Group Statement of Comprehensive Income and the Group Statement of Changes in Equity alongside comparative pro forma and statutory financial information for the year ended 31 December 2015. The comparative pro forma financial information was prepared on the basis that the restructuring associated with the Company's admission to listing in February 2015, as described in more detail in the Financial Review section of the 2015 Annual Report, had been in place throughout the year ended 31 December 2015. Both the Group Balance Sheet at 31 December 2016 and at 31 December 2015 are presented on a statutory basis. There is no difference in the statutory and pro forma Group Balance Sheet for 31 December 2015. In the opinion of the Directors, presenting pro forma information for 2015 was necessary in order to give a true and fair view of the state of the Company's affairs for that year. This is the last year for which pro forma financial information will be presented.

The financial statements have been prepared on an investment entity basis (see note 2c) and in accordance with the historical cost convention except for the revaluation of the investment portfolio and financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies.

b) Adoption of new and revised standards

The Group has adopted the following amendments to IFRS in the current year, none of which has had a material impact on the financial statements:

- Amendments resulting from the September 2014 Annual Improvements to IFRS
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures – amendments regarding the consolidation exception
- Amendments to IFRS 11 Joint Arrangements – amendments regarding the accounting for acquisitions of an interest in joint operation
- Amendments to IAS 1 Presentation of Financial Statements – Disclosure initiative
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – amendments regarding the clarification of acceptable methods of depreciation

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

Issued and endorsed by the EU

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

Issued and not endorsed by the EU

- IFRS 16 Leases
- Amendments to IAS 7 Statement of Cash flows – amendments as a result of the Disclosure initiatives
- Amendments to IAS 12 Income Taxes – amendments regarding the recognition of deferred tax assets for unrealised losses
- Amendments resulting from the Annual Improvements to IFRS 2014-2016 cycle
- Amendments to IFRS 2 Share Based Payments – amendments to clarify the classification and measurement of share-based payment transactions.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2016

2 ACCOUNTING POLICIES (CONTINUED)

b) Adoption of new and revised standards (continued)

While the Group is still undertaking an assessment of the impact of the new standards, it is not anticipated that they will have a material impact on the Group with the exception that the adoption of IFRS 15 may lead to further disclosure within the financial statements. IFRS 16 is not expected to have a significant impact as the Group does not have any material leases.

IFRS 9 Financial Instruments, when it becomes effective, will have an impact on the classification and disclosure of financial instruments.

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

c) Application of investment entity guidance

The Company meets the definition of an investment entity set out in IFRS 10. Investment entities are required to account for all investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss (FVTPL), except for those directly-owned subsidiaries that provide investment related services or engage in permitted investment related activities with investees (Service Companies). Service Companies are consolidated rather than recorded at FVTPL.

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

d) Going concern

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

In arriving at their conclusion, the Directors took into account the Group's approach to liquidity and cash flow management and the availability of its £400.0 million corporate banking facilities committed until March 2020 and of its £50.0 million surety facilities committed until March 2018. The Directors are of the opinion that, based on the Group's forecasts and projections and taking into account expected bidding activity and operational performance, the Group will be able to operate within its bank facilities and comply with the financial covenants therein for the foreseeable future.

In determining that the Group is a going concern, certain risks and uncertainties, some of which arise or increase as a result of the economic environment in some of the Group's markets, have been considered. The Directors believe that the Group is adequately placed to manage these risks. The most important risks and uncertainties identified and considered by the Directors are set out in the Principal Risks and Risk Management section. In addition, the Group's policies for management of its exposure to financial risks, including liquidity, foreign exchange, credit, price and interest rate risks are set out in note 16.

e) Dividend income

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

f) Dividend payments

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

g) Net gain on investments at FVTPL

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

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2016

2 ACCOUNTING POLICIES (CONTINUED)

h) Other income

The Group earns income from the following sources:

(i) Fees from asset management services

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

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

(ii) Recovery of bid costs on financial close

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

Other income excludes the value of intra-group transactions and VAT and includes revenue derived from the provision of services by Service Companies to project companies which are held at FVTPL.

i) Financial instruments

Financial assets and financial liabilities are recognised on the Group Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the instrument expire or the asset is transferred and the transfer qualifies for derecognition in accordance with IAS 39 Financial Instruments: Recognition and Measurement and IFRS 13 Fair Value Measurement.

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

(i) Financial assets

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

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

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

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

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

Changes in the fair value of the Group's investment in John Laing Holdco Limited are recognised within operating income in the Group Income Statement.

- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial. Loans and receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the Group Balance Sheet.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2016

2 ACCOUNTING POLICIES (CONTINUED)

i) Financial instruments (continued)

(ii) Impairment of financial assets

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

(iii) Derecognition of financial assets

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

(iv) Financial liabilities

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

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

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

(v) Derivative financial instruments

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

j) Provisions

Provisions are recognised when:

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

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

k) Finance costs

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

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

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2016

2 ACCOUNTING POLICIES (CONTINUED)

l) 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.

Deferred tax

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

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

m) Foreign currencies

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

Monetary assets and liabilities expressed in foreign currency (including investments measured at fair value) are reported at the rate of exchange prevailing at the balance sheet date or, if appropriate, at the forward contract rate. Any difference arising on the retranslation of these amounts is taken to the Group Income Statement with foreign exchange movements on investments measured at fair value recognised in operating income as part of net gain on investments at FVTPL. Income and expense items are translated at the average exchange rates for the period.

n) 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 co-ordinated 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 historical financial periods being presented on this basis.

Non-current assets classified as held for sale 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.

o) Retirement benefit costs

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

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

The retirement benefit obligations recognised in the Group Balance Sheet represent the present value of: (i) defined benefit scheme obligations as adjusted for unrecognised past service costs and 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2016

2 ACCOUNTING POLICIES (CONTINUED)

p) 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.

q) Leasing

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

r) Share capital

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

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

s) Employee benefit trust

In June 2015, the Group established the John Laing Group Employee Benefit Trust (EBT) as described further in note 5. The Group is deemed to have control of the EBT and it is therefore treated as a subsidiary and consolidated for the purposes of the accounts. Any investment by the EBT in the parent company's shares is deducted from equity in the Group Balance Sheet as if such shares were treasury shares. No investment was made in the year. Other assets and liabilities of the EBT are recognised as assets and liabilities of the Group.

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

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities. The key areas of the financial statements where the Group is required to make critical judgements and material accounting estimates are in respect of the fair value of investments and accounting for the Group's defined benefit pension liabilities.

Fair value of investments

Critical judgements in applying the Group's accounting policies
The Company measures its investment in John Laing Holdco Limited at fair value. Fair value is determined based on the fair value of investments in project companies and the Group's investment in JLEN (together the Group's investment portfolio) and other assets and liabilities of investment entity subsidiaries. A valuation of the Group's investment portfolio is prepared on a consistent, principally discounted cash flow basis at 30 June and 31 December. The valuation (excluding the investment in JLEN) assumes that forecast cash flows are received until maturity of the underlying assets. The cash flows on which the discounted cash flow valuation is based are those forecast to be distributable to the Group at each balance sheet date, derived from detailed project financial models. These incorporate a number of assumptions with respect to individual assets, including: dates for construction completion; value enhancements; the terms of project debt refinancing (where applicable); the outcome of any disputes; the level of volume-based revenue; and, for renewable energy projects, future energy prices. Value enhancements are only incorporated when the Group has sufficient evidence that they can be realised.

Key sources of estimation uncertainty
A key source of estimation uncertainty in valuing the investment portfolio is the discount rate applied to forecast project cash flows. A base case discount rate for an operational project is derived from secondary market information and other available data points. The base case discount rate is then adjusted to reflect project-specific risks. In addition, risk premia are added during the construction phase to reflect the additional risks throughout construction. These premia reduce over time as the project progresses through its construction programme, reflecting the significant reduction in risk once the project reaches the operating stage. The discount rates applied to investments at 31 December 2016 were in the range of 7.0% to 11.6% (31 December 2015 – 7.3% to 12.3%). Further detail on key assumptions underpinning the valuation of the investments (including sensitivities) can be found in note 16.

As part of the valuation of the investment portfolio at 31 December 2016, the Group has valued its investments in New Royal Adelaide Hospital and in Manchester Waste VL Co. This has involved making assumptions as to the outcome of the current situations relating to each investment, as described in the Chief Executive Officer's Review on page 8. Both situations are dependent on future events and therefore carry an element of uncertainty. In the case of the investment in New Royal Adelaide Hospital, the main judgement underlying the Group's valuation is an assumption that the hospital reaches commercial acceptance in mid 2017. In the case of Manchester Waste VL Co, the Group's valuation is based on the assumption that a resolution is reached with GMWDA which is commercially acceptable to Manchester Waste VL Co and which has a minimal impact on Manchester Waste TPS Co.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2016

2 ACCOUNTING POLICIES (CONTINUED)

Critical accounting judgements and key sources of estimation uncertainty (continued)

Pension and other post-retirement liability accounting

Critical judgements in applying the Group's accounting policies
The combined accounting deficit in the Group's defined benefit pension and post-retirement medical schemes at 31 December 2016 was £69.3 million (31 December 2015 – £46.2 million). In determining the Group's defined benefit pension liability, consideration is also given to whether there is a minimum funding requirement under IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction which is in excess of the IAS 19 Employee Benefits liability. If the minimum funding requirement is higher, an additional liability would need to be recognised. Under the trust deed and rules of JLPF, the Group has an ultimate unconditional right to any surplus, accordingly the excess of the minimum funding requirement over the IAS 19 Employee Benefits liability has not been recognised as an additional liability.

Key sources of estimation uncertainty
The value of the pension deficit is highly dependent on key assumptions including price inflation, discount rate and life expectancy. The assumptions applied at 31 December 2016 and the sensitivity of the pension liabilities to certain changes in these assumptions are illustrated in note 18.

Overview
Strategic Report
Governance
Financial Statements

3 OPERATING SEGMENTS

Information is reported to the Group's Board (the chief operating decision maker under IFRS 8 Operating Segments) for the purposes of resource allocation and assessment of segment performance based on the category of activities undertaken within the Group. The principal categories of activity, and thus the reportable segments under IFRS 8 Operating Segments, 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 originating, 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 and JLEN's portfolios and the PPP assets in JLPF's portfolio plus fee income and associated costs from project management services.

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

The Board does not monitor on an ongoing basis the results of the Group on a geographical basis. An analysis of the Group's investments at FVTPL by foreign currency can be found in note 16.

The following is an analysis of the Group's profit before tax and operating income for the years ended 31 December 2016 and 31 December 2015:

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

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2016

3 OPERATING SEGMENTS (CONTINUED)

	Year ended 31 December 2015						
	Reportable segments						
	Primary Investment £ million	Secondary Investment £ million	Asset Management £ million	Segment Sub-total £ million	Inter-segment £ million	Non-segmental results £ million	Total £ million
Continuing operations							
Net gain on investments at FVTPL	82.9	49.4	–	132.3	–	0.8	133.1
Other income	3.4	–	42.4	45.8	(12.0)	0.7	34.5
Operating income	86.3	49.4	42.4	178.1	(12.0)	1.5	167.6
Cost of sales	–	–	–	–	–	(0.1)	(0.1)
Gross profit	86.3	49.4	42.4	178.1	(12.0)	1.4	167.5
Administrative expenses	(29.3)	(5.9)	(26.9)	(62.1)	12.0	(5.2)	(55.3)
Profit from operations	57.0	43.5	15.5	116.0	–	(3.8)	112.2
Finance costs	(6.3)	(0.5)	–	(6.8)	–	(4.5)	(11.3)
Profit before tax from continuing operations	50.7	43.0	15.5	109.2	–	(8.3)	100.9
Profit before tax from discontinued operations							5.7
Profit before tax – pro forma							106.6
Reconciliation to statutory results:							
Fair value loss on acquisition of John Laing Holdco Limited							(3.4)
Profit before tax – statutory							103.2

Non-segmental results include results from corporate activities and discontinued operations.

For the year ended 31 December 2016, more than 10% of operating income was derived from the IEP (Phase 1) and A1 Gdansk Poland projects (year ended 31 December 2015 – IEP (Phase 1)).

The Group's investment portfolio, comprising investments in project companies and a listed fund included within investments at FVTPL (see note 11) is allocated between primary and secondary investments. The Primary Investment portfolio includes investments in projects which are in the construction phase. The Secondary Investment portfolio includes investments in operational projects.

Segment assets	**31 December 2016 £ million**	31 December 2015 £ million
Primary Investment	**696.3**	405.9
Secondary Investment	**479.6**	435.5
Total investment portfolio	**1,175.9**	841.4
Other investments	**0.3**	0.5
Other assets and liabilities	**81.3**	123.4
Total investments at FVTPL	**1,257.5**	965.3
Other assets	**10.3**	12.0
Total assets	**1,267.8**	977.3
Retirement benefit obligations	**(69.3)**	(46.2)
Other liabilities	**(181.7)**	(41.5)
Total liabilities	**(251.0)**	(87.7)
Group net assets	**1,016.8**	889.6

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

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2016

4 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	Year ended 31 December 2016 Statutory £ million	Year ended 31 December 2015 Pro forma £ million	Year ended 31 December 2015 Statutory £ million
Earnings			
Profit from continuing operations for the purpose of basic and diluted earnings per share	**190.3**	98.8	95.4
Profit from discontinued operations for the purpose of basic and diluted earnings per share	**–**	5.7	5.7
Profit for the year	**190.3**	104.5	101.1
Number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings per share	**366,923,076**	358,305,584	336,935,722
Dilutive effect of ordinary shares potentially issued under share-based incentives (note 5)	**3,313,330**	1,255,857	1,255,857
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**370,236,406**	359,561,441	338,191,579
Earnings per share from continuing operations (pence/share)			
Basic	**51.9**	27.6	28.3
Diluted	**51.4**	27.5	28.2
Earnings per share from continuing and discontinued operations (pence/share)			
Basic	**51.9**	29.2	30.0
Diluted	**51.4**	29.1	29.9

5 SHARE-BASED INCENTIVES

Long-term incentive plan

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

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

	Number of shares awarded 2016	Number of shares awarded 2015
At 1 January	**1,763,030**	–
Granted	**2,094,460**	1,795,830
Lapsed	**(83,160)**	(32,800)
At 31 December	**3,774,330**	1,763,030

The weighted average fair value of awards granted during the year was 167.25 pence per share (2015 – 130.89p) for the market-based performance condition, determined using the Stochastic valuation model, and 226.49 pence per share (2015 – 218.11p) for the non-market based performance condition determined using the Black Scholes model. The weighted average fair value of awards granted during the year from both models is 196.87 pence per share (2015 – 174.46p). The significant inputs into the model were the weighted average share price of 226.5 pence (2015 – 219.5p) at the grant date, expected volatility of 12.55% (2015 – 14.17%), expected dividend yield of 3.10% (2015 – 2.17%), an expected award life of three years and an annual risk-free interest rate of 0.4% (2015 – 0.68%). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over three years.

The total expense recognised in the Group Income Statement for awards granted under share-based incentive arrangements for the year ended 31 December 2016 was £2.0 million (2015 – £0.7 million).

Of the 3,774,330 outstanding awards (2015 – 1,763,030), none were exercisable at 31 December 2016 (2015 – nil). The weighted average exercise price of the awards granted during 2016 was £nil (2015 – £nil). There were no awards forfeited, exercised or expired during the year ended 31 December 2016 (2015 – nil). During the year ended 31 December 2016, there were 83,160 awards (2015 – 32,800) that lapsed.

Of the awards outstanding at the end of the year, 1,695,470 vest on 15 April 2018 and 2,078,860 vest on 15 April 2019 subject to the conditions described above. The weighted average exercise price of the awards outstanding at 31 December 2016 was £nil (31 December 2015 – £nil).

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5 SHARE-BASED INCENTIVES (CONTINUED)

Deferred Share Bonus Plan

In accordance with the Deferred Share Bonus Plan, 84,439 shares were awarded on 15 March 2016 to Executive Directors and certain senior executives in relation to that part of their annual bonus for 2015 which exceeded 60% of their base salary. These awards vest in equal tranches on the first, second and third anniversary of grant, normally subject to continued employment. For further details on this plan, please refer to the Directors' Remuneration Report.

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

	Number of shares awarded **2016**	 2015
At 1 January	**–**	–
Granted	**84,439**	–
At 31 December	**84,439**	–

Employee Benefit Trust

On 19 June 2015 the Company established the John Laing Group Employee Benefit Trust (the EBT) to be used as part of the remuneration arrangements for employees. The purpose of the EBT is to facilitate the ownership of shares by or for the benefit of employees by the acquisition and distribution of shares in the Company. The EBT purchases shares in the Company to satisfy the Company's obligations under its share-based payment plans.

During the year the EBT purchased no shares in John Laing Group plc and as at 31 December 2016 the EBT held no shares in the Company.

6 OTHER INCOME

	Year ended 31 December 2016	Year ended 31 December 2015	
	Statutory £ million	Pro forma £ million	Statutory £ million
Fees from asset management services	**34.5**	31.1	28.1
Recoveries on financial close	**7.5**	3.4	3.4
	42.0	34.5	31.5

Included within fees from asset management services is £1.9 million received on the sale of the UK Project Management Services business in November 2016. A further £2.1 million was deferred and recognised in January 2017 on transfer of the final MSA contracts. Total costs of the sale were £1.4 million (recognised in administrative expenses in the year ended 31 December 2016) leading to an overall profit on sale in the year ended 31 December 2016 of £0.5 million.

7 PROFIT FROM OPERATIONS

	Year ended 31 December 2016 **Statutory £ million**	Year ended 31 December 2015 Pro forma and statutory £ million
Profit from operations has been arrived at after charging:		
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries	**(0.2)**	(0.3)
Total audit fees	**(0.2)**	(0.3)
Other assurance services	**–**	–
Total non-audit fees	**–**	–
Operating lease charges:		
– rental of land and buildings	**(1.3)**	(0.8)
Depreciation of plant and equipment	**(0.6)**	(0.7)
Amortisation of intangible assets	**(0.2)**	(0.5)
Net foreign exchange gain	**–**	1.4

The fee payable to the Company's auditor for the audit of the Company's annual accounts was £6,375 (2015 – £6,312). The fees payable to the Company's auditor for the audit of the Company's subsidiaries were £241,560 (2015 – £295,334). The fees payable to the Company's auditor for non-audit services comprised: £44,800 for other assurance services (2015 – £44,700). Other fees were £nil in 2016 (2015 – £1.1 million paid to the Company's auditor for reporting accountant and other services in relation to the IPO of the Company in February 2015 which was deducted from share premium in 2015 as an expense on the issue of equity shares).

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8 EMPLOYEE COSTS AND DIRECTORS' EMOLUMENTS

	Year ended 31 December 2016	Year ended 31 December 2015	
	Statutory	Pro forma	Statutory
	£ million	£ million	£ million
Employee costs comprise:			
Salaries	**(26.8)**	(29.9)	(26.0)
Social security costs	**(2.9)**	(3.4)	(3.0)
Pension charge			
– defined benefit schemes (see note 18)	**(1.6)**	(1.3)	(1.3)
– defined contribution	**(1.3)**	(1.2)	(1.0)
Share-based incentives (see note 5)	**(2.0)**	(0.7)	(0.7)
	(34.6)	(36.5)	(32.0)

Employee costs in 2015 include one-off costs of £3.4 million incurred in relation to the IPO.

Annual average employee numbers (including Directors):

	Year ended 31 December 2016 Statutory No.	Year ended 31 December 2015 Pro forma and statutory No.
Staff	**248**	247
UK	**191**	196
Overseas	**57**	51
Activity		
Primary investments, asset management and central activities	**248**	247

Details of Directors' remuneration for the year ended 31 December 2016 can be found in the Directors' Remuneration Report.

9 FINANCE COSTS

	Year ended 31 December 2016 Statutory £ million	Year ended 31 December 2015 Pro forma and statutory £ million
Finance costs on corporate banking facilities	**(7.9)**	(7.6)
Amortisation of debt issue costs	**(1.1)**	(1.0)
Net interest cost of retirement obligations (see note 18)	**(1.3)**	(2.7)
Total finance costs	**(10.3)**	(11.3)

10 TAX

The tax charge for the year comprises:

	Year ended 31 December 2016 Statutory £ million	Year ended 31 December 2015 Pro forma and statutory £ million
Current tax:		
UK corporation tax charge – current year	**(1.9)**	(2.0)
UK corporation tax charge – prior year	**0.5**	–
	(1.4)	(2.0)
Deferred tax:		
Deferred tax charge – current year	**(0.2)**	(0.1)
Deferred tax charge – prior year	**(0.2)**	–
	(0.4)	(0.1)
Tax charge on continuing operations	**(1.8)**	(2.1)

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10 TAX (CONTINUED)

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

	Year ended 31 December 2016	Year ended 31 December 2015	
	Statutory £ million	Pro forma £ million	Statutory £ million
Profit before tax on continuing operations	**192.1**	100.9	97.5
Tax at the UK corporation tax rate	**(38.4)**	(20.4)	(19.7)
Tax effect of expenses and other similar items that are not deductible	**(0.6)**	(1.1)	(1.1)
Non-taxable movement on fair value of investments	**43.8**	27.0	26.3
Adjustment for management charges to fair value group	**(6.6)**	(7.4)	(7.4)
Origination and reversal of timing differences	**–**	(0.1)	(0.1)
Other movements	**(0.3)**	(0.1)	(0.1)
Prior period – current tax	**0.5**	–	–
Prior period – deferred tax	**(0.2)**	–	–
Total tax charge on continuing operations for the year	**(1.8)**	(2.1)	(2.1)

For the year ended 31 December 2016 a tax rate of 20.0% has been applied (2015 – 20.25%). The UK Government has announced its intention to reduce the main corporation tax rate by 1% to 19% from 1 April 2017 and by a further 2% to 17% from 1 April 2020.

The Group expects that the majority of deferred tax assets will be realised after 1 April 2020 and therefore the Group has measured its deferred tax assets at 31 December 2016 at 17% (31 December 2015 – 18%).

11 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2016			
Statutory	**Project companies £ million**	**Listed investments £ million**	**Other assets and liabilities £ million**	**Total £ million**
Opening balance	**825.8**	**16.1**	**123.4**	**965.3**
Distributions	**(35.9)**	**(0.9)**	**36.8**	**–**
Investment in equity and loans	**302.1**	**–**	**(302.1)**	**–**
Realisations	**(140.5)**	**(6.4)**	**146.9**	**–**
Fair value movement	**214.7**	**1.2**	**2.9**	**218.8**
Net cash transferred to investments held at FVTPL	**–**	**–**	**73.4**	**73.4**
Closing balance	**1,166.2**	**10.0**	**81.3**	**1,257.5**

	31 December 2015			
Pro forma	Project companies £ million	Listed investments £ million	Other assets and liabilities £ million	Total £ million
Opening balance	706.7	65.6	85.9	858.2
Distributions	(43.4)	(0.9)	44.3	–
Investment in equity and loans	142.9	–	(142.9)	–
Realisations	(86.3)	–	86.3	–
Investments transferred to JLPF	(29.6)	(50.4)	–	(80.0)
Fair value movement	135.5	1.8	(4.2)	133.1
Net cash transferred to investments held at FVTPL	–	–	54.0	54.0
Closing balance	825.8	16.1	123.4	965.3

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11 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

	31 December 2015			
Statutory	Project companies £ million	Listed investments £ million	Other assets and liabilities £ million	Total £ million
Opening balance	–	–	–	–
Acquisition of John Laing Holdco Limited	706.7	65.6	(142.3)	630.0
Acquisition of Service Companies	–	–	231.6	231.6
Distributions	(43.4)	(0.9)	44.3	–
Investment in equity and loans	142.9	–	(142.9)	–
Realisations	(86.3)	–	86.3	–
Investments transferred to JLPF	(29.6)	(50.4)	–	(80.0)
Fair value movement	135.5	1.8	(7.6)	129.7
Net cash transferred to investments held at FVTPL	–	–	54.0	54.0
Closing balance	825.8	16.1	123.4	965.3

On 27 January 2015, the Company acquired the remaining 77.54% interest in John Laing Holdco Limited for £630.0 million as part of a pre IPO restructuring. On 17 February 2015, the Company acquired from the John Laing Holdco Limited group the interests in its Service Companies. From this date, these Service Companies have been consolidated in the Group financial statements. This latter acquisition was treated as an acquisition under common control.

Included within other assets and liabilities at 31 December 2016 above is cash collateral of £23.7 million (31 December 2015 – £123.9 million) in respect of future investment commitments on IEP (Phase 1), I-77 Managed Lanes and New Perth Stadium (31 December 2015 – IEP (Phase 1), I-77 Managed Lanes, New Perth Stadium and Sydney Light Rail).

The investment disposals that have occurred in the years ended 31 December 2016 and 2015 are as follows:

Year ended 31 December 2016

During the year ended 31 December 2016, the Group disposed of shares and subordinated debt in six PPP and renewable energy project companies. Total proceeds from all disposals were £146.9 million.

Details were as follows:

	Date of completion	Original holding %	Holding disposed of %	Retained holding %
Sold to John Laing Environmental Assets Group Limited (JLEN)				
Dreachmhor Wind Farm (Holdings) Limited	29 June 2016	100.0	100.0	–
New Albion Wind (Holdings) Limited	21 July 2016	100.0	100.0	–
Sold to John Laing Infrastructure Fund Limited (JLIF)				
Inspiral Oldham Holdings Company Limited	27 May 2016	95.0	95.0	–
Rail Investments (Great Western) Limited*	29 December 2016	100.0	20.0	80.0
Services Support (BTP) Holdings Limited	29 February 2016	54.2	54.2	–
UK Highways (A55) Holdings Limited	22 December 2016	100.0	100.0	–
Sold to other parties				
John Laing Environmental Assets Group Limited	2 November 2016	5.5	2.2	3.3
UK Highways Limited**	30 November 2016	100.0	100.0	–

* Holds the Group's 24% interest in IEP (Phase 1).

** Sold as part of disposal of UK activities of PMS for £0.3 million.

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11 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Year ended 31 December 2015

During the year ended 31 December 2015, the Group disposed of shares and subordinated debt in seven PPP and renewable energy project companies. Sale proceeds were £86.3 million. The Group also made a contribution of £80.0 million to JLPF settled by a transfer of shares in JLEN and shares in one PPP project company.

Details were as follows:

	Date of completion	Original holding %	Holding disposed of %	Retained holding %
Sold to John Laing Environmental Assets Group Limited (JLEN)				
Carscreugh Holdings Limited	31 March 2015	100.0	100.0	–
Wear Point Wind Holdco Limited	31 March 2015	100.0	100.0	–
Branden Solar Park Holdings Limited	31 March 2015	100.0	64.0	36.0
Branden Solar Park Holdings Limited	30 July 2015	36.0	36.0	–
Burton Wold Extension Limited	2 December 2015	100.0	100.0	–
Sold to John Laing Infrastructure Fund Limited (JLIF)				
Healthcare Support (Erdington) Holdings Limited	30 June 2015	100.0	100.0	–
Sold to other parties				
Dhule Palesner Tollway Limited	31 October 2015	36.0	36.0	–
Services Support (Cleveland) Holdings Limited	5 November 2015	27.08	27.08	–
Transferred to JLPF				
City Greenwich Lewisham Rail Link plc	17 February 2015	52.0	47.0	5.0
John Laing Environmental Assets Group Limited (JLEN)	17 February 2015	39.7	29.9	9.8*

* Shareholding reduced to 5.5% following equity issues by JLEN in 2015 and 2016.

12 TRADE AND OTHER RECEIVABLES

	31 December 2016 £ million	31 December 2015 £ million
Current assets		
Trade receivables	**6.3**	7.1
Other receivables	**0.6**	0.7
Prepayments and accrued income	**0.5**	0.5
	7.4	8.3

Trading amounts receivable from project companies in which the Group holds an interest were previously included at 31 December 2015 in other receivables. The Group has presented these within trade receivables at 31 December 2016 to better reflect the nature of the asset. The trade receivables and other receivables at 31 December 2015 have consequently been amended to present a consistent year on year presentation. There is no impact on overall trade and other receivables.

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

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

	31 December 2016 £ million	31 December 2015 £ million
Sterling	**5.9**	7.7
Other currencies	**1.5**	0.6
	7.4	8.3

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12 TRADE AND OTHER RECEIVABLES (CONTINUED)

Other currencies mainly comprise trade and other receivables in Euros (31 December 2015 – Canadian dollars).

Included in the Group's trade receivables are debtors with a carrying value of £0.4 million which were overdue at 31 December 2016 (31 December 2015 – £0.1 million). The overdue balances have an ageing of up to 120 days (31 December 2015 – up to 60 days). 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 considered fully recoverable. The Group does not hold any collateral against these balances.

Included in the Group's trade receivables are debtors with a carrying value of £nil which were impaired at 31 December 2016 (31 December 2015 – £nil).

13 TRADE AND OTHER PAYABLES

	31 December 2016 £ million	31 December 2015 £ million
Current liabilities		
Trade payables	**(1.9)**	(1.8)
Other taxation	**(1.6)**	(1.6)
Accruals	**(11.1)**	(15.8)
Deferred income	**(0.1)**	(0.4)
	(14.7)	(19.6)

Employee related accruals were previously included at 31 December 2015 in trade payables. The Group has presented these within accruals at 31 December 2016 to better reflect the nature of the liability. The trade payables and accruals figures at 31 December 2015 have consequently been amended to present a consistent year on year presentation. There is no impact on overall trade and other payables.

14 BORROWINGS

	31 December 2016 £ million	31 December 2015 £ million
Current liabilities		
Interest-bearing loans and borrowings net of unamortised financing costs (note 15 c)	**(161.4)**	(14.9)
	(161.4)	(14.9)

15 FINANCIAL INSTRUMENTS

a) Financial instruments by category

Continuing operations	**Loans and receivables £ million**	**Assets at FVTPL £ million**	**Financial liabilities at amortised cost £ million**	**Total £ million**
Fair value measurement method	**n/a**	**Level 1 / 3***	**n/a**	
31 December 2016				
Non-current assets				
Investments at FVTPL*	**–**	**1,257.5**	**–**	**1,257.5**
Current assets				
Trade and other receivables	**7.0**	**–**	**–**	**7.0**
Cash and cash equivalents	**1.6**	**–**	**–**	**1.6**
Total financial assets	**8.6**	**1,257.5**	**–**	**1,266.1**
Current liabilities				
Interest-bearing loans and borrowings	**–**	**–**	**(161.4)**	**(161.4)**
Trade and other payables	**–**	**–**	**(13.0)**	**(13.0)**
Total financial liabilities	**–**	**–**	**(174.4)**	**(174.4)**
Net financial instruments	**8.6**	**1,257.5**	**(174.4)**	**1,091.7**

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15 FINANCIAL INSTRUMENTS (CONTINUED)

a) Financial instruments by category (continued)

Continuing operations	Loans and receivables £ million	Assets at FVTPL £ million	Financial liabilities at amortised cost £ million	Total £ million
Fair value measurement method	n/a	Level 1 / 3*	n/a	
31 December 2015				
Non-current assets				
Investments at FVTPL*	–	965.3	–	965.3
Current assets				
Trade and other receivables	8.1	–	–	8.1
Cash and cash equivalents	1.1	–	–	1.1
Total financial assets	9.2	965.3	–	974.5
Current liabilities				
Interest-bearing loans and borrowings	–	–	(14.9)	(14.9)
Trade and other payables	–	–	(17.6)	(17.6)
Total financial liabilities	–	–	(32.5)	(32.5)
Net financial instruments	9.2	965.3	(32.5)	942.0

* Investments at FVTPL are split between: Level 1, JLEN, which is a listed investment fair valued at £10.0 million (31 December 2015 – £16.1 million) using a quoted market price; and Level 3 investments in project companies fair valued at £1,166.2 million (31 December 2015 – £825.8 million). Level 1 and Level 3 investments are fair valued in accordance with the policy and assumptions set out in note 2 i. The investments at FVTPL include other assets and liabilities as shown in note 11. Such other assets and liabilities are recorded at amortised cost which the Directors believe approximates to their fair value.

The tables in section a) provide an analysis of financial instruments that are measured subsequent to their initial recognition at fair value.

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

There were no transfers between Levels 1 and 2 during either year. There were no transfers out of Level 3.

Reconciliation of Level 3 fair value measurement of financial assets and liabilities

An analysis of the movement between opening and closing balances of assets at FVTPL is given in note 11. The carrying amounts of financial assets and financial liabilities in these financial statements reflect their fair values.

b) Foreign currency and interest rate profile of financial assets (excluding investments at FVTPL)

Currency	**31 December 2016 Non-interest bearing £ million**	31 December 2015 Non-interest bearing £ million
Sterling	**5.9**	7.7
Euro	**1.5**	0.2
Canadian dollar	**0.4**	0.6
US dollar	**0.4**	0.4
Australian dollar	**0.4**	0.2
Other	**–**	0.1
Total	**8.6**	9.2

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15 FINANCIAL INSTRUMENTS (CONTINUED)

c) Foreign currency and interest rate profile of financial liabilities

The Group's financial liabilities at 31 December 2016 were £174.4 million (31 December 2015 – £32.5 million), of which £161.4 million (31 December 2015 – £14.9 million) related to short-term cash borrowings of £165.0 million net of unamortised finance costs of £3.6 million.

	31 December 2016			31 December 2015		
Currency	Fixed rate £ million	Non-interest bearing £ million	Total £ million	Fixed rate £ million	Non-interest bearing £ million	Total £ million
Sterling	**(161.4)**	**(9.8)**	**(171.2)**	(14.9)	(14.2)	(29.1)
Euro	**–**	**(0.5)**	**(0.5)**	–	(0.6)	(0.6)
US dollar	**–**	**(0.9)**	**(0.9)**	–	(1.4)	(1.4)
Australian dollar	**–**	**(1.4)**	**(1.4)**	–	(1.1)	(1.1)
Other	**–**	**(0.4)**	**(0.4)**	–	(0.3)	(0.3)
Total	**(161.4)**	**(13.0)**	**(174.4)**	(14.9)	(17.6)	(32.5)

16 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange rate risk, interest rate risk and inflation risk), credit risk, price risk, 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 2016 the Group held investments in 26 overseas projects (31 December 2015 – 18 overseas projects). The Group's foreign currency exchange rate risk policy is to determine the total Group exposure to individual currencies; it may then enter into hedges against certain individual investments. The Group's exposure to exchange rate risk on its investments is disclosed below.

In addition, the Group 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 21 forward currency contracts open as at 31 December 2016 (31 December 2015 – 15). The fair value of these contracts was a net asset of £3.5 million (31 December 2015 – £3.7 million liability) and is included in investments at FVTPL.

At 31 December 2016, the Group's most significant currency exposure was to the Euro (31 December 2015 – Euro).

Foreign currency exposure of investments at FVTPL:

	31 December 2016				31 December 2015			
	Project companies £ million	Listed investments £ million	Other assets and liabilities £ million	Total £ million	Project companies £ million	Listed investments £ million	Other assets and liabilities £ million	Total £ million
Sterling	**500.5**	**10.0**	**41.4**	**551.9**	421.9	16.1	53.3	491.3
Euro	**341.4**	**–**	**10.3**	**351.7**	213.3	–	1.4	214.7
Australian dollar	**181.4**	**–**	**5.5**	**186.9**	88.2	–	50.2	138.4
US dollar	**121.0**	**–**	**23.7**	**144.7**	83.7	–	18.0	101.7
New Zealand dollar	**21.9**	**–**	**0.4**	**22.3**	18.7	–	0.5	19.2
	1,166.2	**10.0**	**81.3**	**1,257.5**	825.8	16.1	123.4	965.3

Investments in project companies are fair valued based on the spot rate at the balance sheet date. As at 31 December 2016, a 5% movement of each relevant currency against Sterling would decrease or increase the value of investments in overseas projects by c.£27 million.

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16 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk – interest rate risk

The Group's interest rate risk arises due to fluctuations in interest rates which impact on the value of returns from floating rate deposits and expose the Group to variability in interest payment cash flows on variable rate borrowings. The Group has assessed its exposure to interest rate risk and considers that this exposure is low as its variable rate borrowings tend to be short term, its finance costs in relation to letters of credit issued under the corporate banking facilities are at a fixed rate and the interest earned on its cash and cash equivalents minimal.

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

	31 December 2016			31 December 2015		
	Interest bearing Floating rate £ million	**Non-interest bearing £ million**	**Total £ million**	Interest bearing Floating rate £ million	Non-interest bearing £ million	Total £ million
Financial assets						
Investments at FVTPL	**–**	**1,257.5**	**1,257.5**	–	965.3	965.3
Trade and other receivables	**–**	**7.0**	**7.0**	–	8.1	8.1
Cash and cash equivalents	**–**	**1.6**	**1.6**	–	1.1	1.1
Financial assets exposed to interest rate risk	**–**	**1,266.1**	**1,266.1**	–	974.5	974.5

An analysis of the movement between opening and closing balances of investments at FVTPL is given in note 11. Investments in project companies are principally valued on a discounted cash flow basis. At 31 December 2016, the weighted average discount rate was 8.9% (31 December 2015 – 9.5%). For investments in project companies, changing the discount rate used to value the underlying instruments would alter their fair value. As at 31 December 2016 a 0.25% increase in the discount rate would reduce the fair value by £32.1 million (31 December 2015 – £26.1 million) and a 0.25% reduction in the discount rate would increase the fair value by £33.6 million (31 December 2015 – £27.2 million).

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

	31 December 2016			31 December 2015		
	Interest-bearing Fixed rate £ million	**Non-interest bearing £ million**	**Total £ million**	Interest-bearing Fixed rate £ million	Non-interest bearing £ million	Total £ million
Interest-bearing loans and borrowings	**(161.4)**	**–**	**(161.4)**	(14.9)	–	(14.9)
Trade and other payables	**–**	**(13.0)**	**(13.0)**	–	(17.6)	(17.6)
Total financial liabilities	**(161.4)**	**(13.0)**	**(174.4)**	(14.9)	(17.6)	(32.5)

Market risk – inflation risk

The Group has limited direct exposure to inflation risk, but the fair value of investments is determined by future project revenue and costs which can be partly linked to inflation. Sensitivity to inflation can be mitigated by the project company entering into inflation swaps. Where PPP investments are positively correlated to inflation, an increase in inflation expectations will tend to increase the value of PPP investments. However, an increase in inflation expectations would tend to increase JLPF's pension liabilities.

Based on a sample of seven of the larger PPP investments by value at 31 December 2016, a 0.25% increase in inflation is estimated to increase the value of PPP investments by c.£14 million and a 0.25% decrease in inflation is estimated to decrease the value of PPP investment by c.£13 million. Certain of the underlying project companies incorporate some inflation hedging.

Credit risk

Credit risk is managed on a Group basis and arises from a combination of the value and term to settlement of balances due and payable by counterparties for both financial and trade transactions.

In order to minimise credit risk, cash investments and derivative transactions are limited to financial institutions of a suitable credit quality and counterparties are carefully screened. The Group's cash balances are invested in line with a policy approved by the Board, capped with regard to counter-party 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. As a result, these projects tend not to be exposed to significant credit risk.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2016

16 FINANCIAL RISK MANAGEMENT (CONTINUED)

Price risk

The Group's investments in PPP assets have limited direct exposure to price risk. The fair value of many such project companies is dependent on the receipt of fixed fee income from government departments, public sector or local authority clients. As a result, these projects tend not to be exposed to price risk. The Group also holds investments in renewable energy projects whose fair value may vary with forecast energy prices to the extent they are not hedged through short to medium term fixed price purchase agreements with electricity suppliers, or do not benefit from governmental support mechanisms at fixed prices. The Group's investment in JLEN is valued at its closing market share price.

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 relative predictability in both value and timing of cash flows to and from the project companies in which the Group invests.

Maturity of financial assets

The maturity profile of the Group's financial assets (excluding investments at FVTPL) is as follows:

	31 December 2016 Less than one year £ million	31 December 2015 Less than one year £ million
Trade and other receivables	**7.0**	8.1
Cash and cash equivalents	**1.6**	1.1
Financial assets (excluding investments at FVTPL)	**8.6**	9.2

Other than certain trade and other receivables, as detailed in note 12, none of the financial assets is either overdue or impaired.

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

	31 December 2016 £ million	31 December 2015 £ million
In one year or less, or on demand	**(174.4)**	(32.5)
Total	**(174.4)**	(32.5)

The following table details the remaining contractual maturity of the Group's financial liabilities. The table reflects undiscounted cash flows relating to financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flows:

	Weighted average effective interest rate %	**In one year or less £ million**	**Total £ million**
31 December 2016			
Fixed interest rate instruments – loans and borrowings	**2.75**	**(161.4)**	**(161.4)**
Non-interest bearing instruments*	**n/a**	**(13.0)**	**(13.0)**
		(174.4)	**(174.4)**
31 December 2015			
Fixed interest rate instruments – loans and borrowings	3.0	(14.9)	(14.9)
Non-interest bearing instruments*	n/a	(17.6)	(17.6)
		(32.5)	(32.5)

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

NOTES TO THE GROUP FINANCIAL STATEMENTS

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16 FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk

The Group seeks to adopt efficient financing structures that enable it to manage capital effectively and achieve the Group's objectives without putting shareholder value at undue risk. The Group's capital structure comprises its equity (as set out in the Group Statement of Changes in Equity) and its net borrowings.

At 31 December 2016, the Group had committed corporate banking facilities of £400.0 million, expiring in March 2020, together with additional surety facilities of £50.0 million, backed by committed liquidity facilities, expiring in March 2018.

Issued at 31 December 2016 were letters of credit of £162.6 million (31 December 2015 – £154.2 million), related to future capital and loan commitments, and contingent commitments and performance and bid bonds of £6.5 million (31 December 2015 – £1.1 million).

The Group has requirements for both borrowings and letters of credit, which at 31 December 2016 were met by its £450.0 million committed facilities and related ancillary facilities and uncommitted cash backed facilities (31 December 2015 – £350.0 million). The committed facilities are summarised below:

	31 December 2016			
	Total facilities £ million	**Loans drawn £ million**	**Letters of credit in issue/other commitments £ million**	**Total undrawn £ million**
Committed corporate banking facilities	**400.0**	**(165.0)**	**(119.1)**	**115.9**
Surety facilities backed by liquidity facilities	**50.0**	**–**	**(50.0)**	**–**
Total committed Group facilities	**450.0**	**(165.0)**	**(169.1)**	**115.9**

	31 December 2015			
	Total facility £ million	Loans drawn £ million	Letters of credit in issue/other commitments £ million	Total undrawn £ million
Committed corporate banking facilities	350.0	(19.0)	(155.3)	175.7
Total committed Group facilities	350.0	(19.0)	(155.3)	175.7

17 DEFERRED TAX

The movements in the deferred tax asset relating to other deductible temporary differences were:

	Year ended 31 December 2016	Year ended 31 December 2015	
	Statutory £ million	Pro forma £ million	Statutory £ million
Opening asset	**1.4**	1.5	–
Arising on acquisition	**–**	–	1.5
Charge to income – prior year	**(0.2)**	(0.2)	(0.2)
Credit to income – current year	**(0.2)**	0.1	0.1
Closing asset	**1.0**	1.4	1.4

The Group has no losses within its entities which are consolidated but there are tax losses in investment entity subsidiaries which are held at FVTPL.

18 RETIREMENT BENEFIT OBLIGATIONS

	31 December 2016 £ million	31 December 2015 £ million
Pension schemes	**(61.3)**	(38.9)
Post-retirement medical benefits	**(8.0)**	(7.3)
Retirement benefit obligations	**(69.3)**	(46.2)

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18 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

a) Pension schemes

The Group operates two defined benefit pension schemes in the UK (the Schemes) – The John Laing Pension Fund (JLPF) which commenced on 31 May 1957 and The John Laing Pension Plan (the Plan) which commenced on 6 April 1975. JLPF was closed to future accrual from 1 April 2011 and the Plan was closed to future accrual from September 2003. Neither Scheme has any active members, only deferred members and pensioners. The assets of both Schemes are held in separate trustee-administered funds.

UK staff employed since 1 January 2002, who are entitled to retirement benefits, can choose to be members of a defined contribution stakeholder scheme sponsored by the Group in conjunction with Legal and General Assurance Society Limited. Local defined contribution arrangements are available to overseas staff.

JLPF

An actuarial valuation of JLPF was carried out as at 31 March 2016 by a qualified independent actuary, Willis Towers Watson. At that date, JLPF was 85% funded on the technical provision funding basis. This valuation took into account the Continuous Mortality Investigation Bureau (CMI Bureau) projections of mortality.

The actuarial deficit of £171 million is to be repaid over seven years as follows:

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

The next triennial actuarial valuation of JLPF is due as at 31 March 2019.

During the year ended 31 December 2016, John Laing made deficit reduction contributions of £18.1 million in cash (2015 – £127.4 million in a mixture of cash, JLEN shares and PPP assets). At 31 December 2016, JLPF's assets included PPP investments valued at £37.8 million (31 December 2015 – £41.4 million). The Company has guaranteed to fund any cumulative shortfall in forecast project yield payments for some of these PPP investments up until 2017, but considers it unlikely that a net shortfall will arise.

The liability at 31 December 2016 allows for indexation of deferred pensions and post 5 April 1988 GMP pension increases based on the Consumer Price Index (CPI).

The Plan

No contributions were made to the Plan in the year ended 31 December 2016 (31 December 2015 – none). At its last actuarial valuation as at 31 March 2014, the Plan had assets of £12.3 million and liabilities of £11.4 million resulting in an actuarial surplus of £0.9 million. The next triennial actuarial valuation of the Plan is due as at 31 March 2017.

An analysis of members of both Schemes is shown below:

31 December 2016	**Deferred**	**Pensioners**	**Total**
JLPF	**4,385**	**3,883**	**8,268**
The Plan	**109**	**328**	**437**

31 December 2015	Deferred	Pensioners	Total
JLPF	4,569	3,787	8,356
The Plan	114	334	448

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

	31 December 2016 %	31 December 2015 %
Discount rate	**2.80**	3.75
Rate of increase in non-GMP pensions in payment	**3.10**	2.90
Rate of increase in non-GMP pensions in deferment	**2.10**	2.00
Inflation – RPI	**3.20**	3.00
Inflation – CPI	**2.10**	2.00

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18 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

a) Pension schemes (continued)

The major categories and fair value of assets held by the Schemes were as follows:

	31 December 2016 £ million	31 December 2015 £ million
Bonds and other debt instruments	**415.2**	364.2
Equity instruments	**374.7**	337.1
Aviva bulk annuity buy-in agreement	**234.1**	214.2
Property	**1.8**	2.3
Derivatives	**(6.1)**	(8.3)
Cash and cash equivalents	**52.4**	5.8
UK PPP investments	**37.8**	41.4
Total market value of assets	**1,109.9**	956.7

The amount of the JLPF deficit is highly dependent upon the assumptions above and may vary significantly from period to period. The impact of possible future changes to some of the assumptions is shown below, without taking into account any inter-relationship between the assumptions. In practice, there would be inter-relationships between the assumptions. The analysis has been prepared in conjunction with the Group's actuarial adviser.

	(Increase)/decrease in pension liabilities at 31 December 2016	
	Increase in assumption £ million	**Decrease in assumption £ million**
0.25% on discount rate	**45.8**	**(48.9)**
0.25% on inflation rate	**(34.1)**	**33.2**
1 year post retirement longevity	**(43.7)**	**38.4**

Mortality

Mortality assumptions at 31 December 2016 were based on the following tables published by the CMI Bureau:

- SAPS S2 normal (S2NA) year of birth tables for staff members with mortality improvements in line with CMI 2015 core projections with a long term trend rate of 1.25% per annum; and
- SAPS S2 light (S2NA_L) year of birth tables for executive members with mortality improvements in line with CMI 2015 core projections with a long term trend rate of 1.25% per annum.

Mortality assumptions at 31 December 2015 were based on the following tables published by the CMI Bureau:

- SAPS S2 normal (S2NA) year of birth tables for staff members with mortality improvements in line with CMI 2013 core projections with a long term trend rate of 1.0% per annum; and
- SAPS S2 light (S2NA_L) year of birth tables for executive members with mortality improvements in line with CMI 2013 core projections with a long term trend rate of 1.0% per annum.

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

	31 December 2016 Years	31 December 2015 Years
Life expectancy – of member reaching age 65 in 2016		
Males	**22.4**	22.3
Females	**24.5**	24.4
Life expectancy – of member aged 65 in 2031		
Males	**23.6**	23.4
Females	**25.9**	25.5

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18 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

a) Pension schemes (continued)

Analysis of the major categories of assets held by the Schemes

	31 December 2016 £ million	%	31 December 2015 £ million	%
Bond and other debt instruments				
UK corporate bonds	**80.9**		114.0	
UK government gilts	**141.6**		104.7	
UK government gilts – index linked	**192.7**		145.5	
	415.2	**37.3**	364.2	38.1
Equity instruments				
UK listed equities	**152.0**		147.5	
European listed equities	**34.3**		28.7	
US listed equities	**73.8**		80.7	
Other international listed equities	**114.6**		80.2	
	374.7	**33.8**	337.1	35.3
Aviva bulk annuity buy-in agreement	**234.1**	**21.1**	214.2	22.4
Property				
Industrial property	**1.8**		2.3	
	1.8	**0.2**	2.3	0.2
Derivatives				
Inflation swaps	**(6.1)**		(8.3)	
	(6.1)	**(0.5)**	(8.3)	(0.9)
Cash and equivalents	**52.4**	**4.7**	5.8	0.6
UK PPP investments	**37.8**	**3.4**	41.4	4.3
Total market value of assets	**1,109.9**	**100.0**	956.7	100.0
Present value of Schemes' liabilities	**(1,171.2)**		(992.9)	
Deficit in the Schemes	**(61.3)**		(36.2)	
Less unrecoverable surplus in the Plan*	**–**		(2.7)	
Net pension liability	**(61.3)**		(38.9)	

* The surplus in the Plan, which at 31 December 2016 was £2.9 million, has been treated as recoverable for the first time in 2016.

Virtually all equity and debt instruments held by JLPF have quoted prices in active markets (Level 1). Derivatives can be classified as Level 2 instruments and property and PPP investments as Level 3 instruments. It is the policy of JLPF to use inflation swaps to hedge its exposure to inflation risk. The JLPF Trustee invests in return seeking assets, such as equity, property and PPP investments, 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 JLPF Trustee entered into a bulk annuity buy-in agreement with Aviva to mitigate JLPF's exposure to changes in liabilities. At 31 December 2016, the underlying insurance policy was valued at £234.1 million (31 December 2015 – £214.2 million), being very substantially equal to the IAS 19 valuation of the related liabilities.

Analysis of amounts charged to operating profit

	Year ended 31 December 2016 Statutory £ million	Year ended 31 December 2015 Pro forma and statutory £ million
Current service cost*	**(1.6)**	(1.3)

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

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18 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

a) Pension schemes (continued)

Analysis of amounts charged to finance costs

	Year ended 31 December 2016 Statutory £ million	Year ended 31 December 2015 Pro forma and statutory £ million
Interest on Schemes' assets	**35.3**	34.2
Interest on Schemes' liabilities	**(36.3)**	(36.6)
Net charge to finance costs	**(1.0)**	(2.4)

Analysis of amounts recognised in Group Statement of Comprehensive Income

	Year ended 31 December 2016	Year ended 31 December 2015	
	Statutory £ million	Pro forma £ million	Statutory £ million
Return on Schemes' assets (excluding amounts included in interest on Schemes' assets above)	**151.5**	(23.0)	(23.7)
Experience (loss)/gain arising on Schemes' liabilities	**(5.7)**	15.6	15.6
Changes in financial assumptions underlying the present value of Schemes' liabilities	**(185.6)**	22.1	46.0
Changes in demographic assumptions underlying the present value of Schemes' liabilities	**(1.1)**	–	–
Recognition of surplus in the Plan at 31 December 2015	**2.7**	–	–
Decrease in unrecoverable surplus	**–**	0.3	0.3
Actuarial (loss)/gain recognised in Group Statement of Comprehensive Income	**(38.2)**	15.0	38.2

The cumulative amount recognised in the Group Statement of Changes in Equity is £nil (31 December 2015 – £38.2 million gain).

Changes in present value of defined benefit obligations

	2016 Statutory £ million	2015 Pro forma £ million	2015 Statutory £ million
Opening defined benefit obligation	**(992.9)**	(1,041.0)	–
Arising on acquisition	**–**	–	(1,058.9)
Current service cost	**(1.6)**	(1.3)	(1.3)
Interest cost	**(36.3)**	(36.6)	(36.6)
Experience (loss)/gain arising on Schemes' liabilities	**(5.7)**	15.6	15.6
Changes in financial assumptions underlying the present value of Schemes' liabilities	**(185.6)**	22.1	46.0
Changes in demographic assumptions underlying the present value of Schemes' liabilities	**(1.1)**	–	–
Benefits paid (including administrative costs paid)	**52.0**	48.3	42.3
Closing defined benefit obligation	**(1,171.2)**	(992.9)	(992.9)

The weighted average life of JLPF liabilities at 31 December 2016 is 16.8 years (31 December 2015 – 15.3 years).

NOTES TO THE GROUP FINANCIAL STATEMENTS

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18 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

a) Pension schemes (continued)

Changes in the fair value of Schemes' assets

	31 December 2016	31 December 2015	
	Statutory	Pro forma	Statutory
	£ million	£ million	£ million
Opening fair value of Schemes' assets	**956.7**	866.4	–
Arising on acquisition	**–**	–	861.1
Interest on Schemes' assets	**35.3**	34.2	34.2
Return on Schemes' assets (excluding amounts included in interest on Schemes' assets above)	**151.5**	(23.0)	(23.7)
Contributions by employer	**18.4**	127.4	127.4
Benefits paid (including administrative costs paid)	**(52.0)**	(48.3)	(42.3)
Closing fair value of Schemes' assets	**1,109.9**	956.7	956.7

Analysis of the movement in the deficit during the year

	31 December 2016	31 December 2015	
	Statutory	Pro forma	Statutory
	£ million	£ million	£ million
Opening deficit	**(38.9)**	(174.6)	–
Arising on acquisition	**–**	–	(197.8)
Current service cost	**(1.6)**	(1.3)	(1.3)
Finance cost	**(1.0)**	(2.4)	(2.4)
Contributions	**18.4**	127.4	127.4
Actuarial (loss)/gain	**(38.2)**	14.7	37.9
Closing deficit in Schemes	**(61.3)**	(36.2)	(36.2)
Less unrecoverable surplus in the Plan	**–**	(2.7)	(2.7)
Pension deficit	**(61.3)**	(38.9)	(38.9)

History of the weighted average experience gains and losses

	Year ended		
	31 December 2016	Year ended 31 December 2015	
	Statutory	Pro forma	Statutory
Difference between actual and expected returns on assets:			
Amount (£ million)	**151.5**	(23.0)	(23.7)
% of Schemes' assets	**13.6**	2.4	2.5
Experience (loss)/gain on Schemes' liabilities:			
Amount (£ million)	**(5.7)**	15.6	15.6
% of present value of Schemes' liabilities	**0.5**	1.6	1.6
Total amount recognised in the Group Statement of Comprehensive Income (excluding deferred tax):			
Amount (£ million)	**(38.2)**	15.0	38.2
% of present value of Schemes' liabilities	**3.3**	1.5	3.8

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18 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

b) Post retirement medical benefits

The Company provides post-retirement medical insurance benefits to 62 former employees. This scheme, which was closed to new members in 1991, is unfunded.

The present value of the future liabilities under this arrangement has been assessed by the Company's actuarial adviser, Lane Clark & Peacock LLP, and has been included in the Group Balance Sheet under retirement benefit obligations as follows:

	31 December 2016	31 December 2015	
	Statutory	Pro forma	Statutory
	£ million	£ million	£ million
Post-retirement medical liability – opening	**(7.3)**	(8.2)	–
– arising on acquisition	**–**	–	(8.2)
Other finance costs	**(0.3)**	(0.3)	(0.3)
Contributions	**0.5**	0.4	0.4
Experience (loss)/gain*	**(0.2)**	0.4	0.4
Changes in financial assumptions underlying the present value of scheme's liabilities*	**(0.9)**	0.4	0.4
Changes in demographic assumptions underlying the present value of liabilities*	**0.1**	–	–
Curtailment and settlements	**0.1**	–	–
Post-retirement medical liability – closing	**(8.0)**	(7.3)	(7.3)

* These amounts are actuarial (losses)/gains that go through the Group Statement of Comprehensive Income.

The annual rate of increase in the per capita cost of medical benefits was assumed to be 5.2% in 2016 (2015 – 5.0%). It is expected to increase in 2017 and thereafter at RPI plus 2.0% per annum (2015 – at RPI plus 2.0% 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 liability at 31 December 2016:

	1% increase £ million	**1% decrease £ million**
Post-retirement medical liability	**(8.9)**	**(7.3)**

Life expectancy also has a significant effect on the liability reported for this scheme. A one-year increase or decrease in life expectancy would result in the following liability at 31 December 2016:

	1% increase £ million	**1% decrease £ million**
Life expectancy	**(8.7)**	**(7.4)**

19 PROVISIONS

	At 1 January 2016 £ million	**Reclassification £ million**	**Credit/(charge) to Group Income Statement £ million**	**Utilised £ million**	**At 31 December 2016 £ million**
Retained liabilities	**(4.2)**	**–**	**(0.7)**	**3.4**	**(1.5)**
Employee related liabilities	**(0.1)**	**–**	**0.1**	**–**	**–**
Total provisions	**(4.3)**	**–**	**(0.6)**	**3.4**	**(1.5)**
Classified as:					
Continuing operations	**(0.1)**	**(4.2)**	**(0.6)**	**3.4**	**(1.5)**
Discontinued operations	**(4.2)**	**4.2**	**–**	**–**	**–**
Provisions on continuing operations are analysed as:					
Non-current provisions	**(0.1)**				**(1.5)**
	(0.1)				**(1.5)**

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19 PROVISIONS (CONTINUED)

	At 1 January 2015 £ million	Arising on acquisition £ million	Unwinding of discount £ million	Credit to Group Income Statement £ million	Utilised £ million	At 31 December 2015 £ million
Retained liabilities	–	(8.8)	–	2.2	2.4	(4.2)
Employee related liabilities	–	(0.1)	–	–	–	(0.1)
Onerous property leases	–	(2.0)	–	–	2.0	–
Total provisions	–	(10.9)	–	2.2	4.4	(4.3)
Classified as:						
Continuing operations	–	(2.1)	–	–	2.0	(0.1)
Discontinued operations	–	(8.8)	–	2.2	2.4	(4.2)
Provisions on continuing operations are analysed as:						
Non-current provisions		(2.1)				(0.1)
		(2.1)				(0.1)

During the year, provisions relating to retained liabilities were reclassified from discontinued operations to continuing operations as they are no longer sufficiently material to show separately as discontinued operations.

Provisions of £1.5 million as at 31 December 2016 (31 December 2015 – £4.2 million) relate to retained liabilities from the sale of the Laing Construction business in 2001.

20 SHARE CAPITAL

	31 December 2016 No.	31 December 2015 No.
Authorised:		
Ordinary shares of £0.10 each	**366,923,076**	366,923,076
Total	**366,923,076**	366,923,076

	31 December 2016		31 December 2015	
	No.	**£ million**	No.	£ million
Allotted, called up and fully paid:				
Statutory				
At 1 January – 366,923,076 ordinary shares of £0.10 each (2015 – 100,000,000 ordinary shares of £0.00000001 each)	**366,923,076**	**36.7**	100,000,000	–
Issue of 100,000,000 ordinary shares of £0.00000001 each	**–**	**–**	100,000,000	–
Conversion of 200,000,000 ordinary shares of £0.00000001 each to 20 ordinary shares of £0.10 each	**–**	**–**	(199,999,980)	–
Issue of 299,999,980 ordinary shares of £0.10 each	**–**	**–**	299,999,980	30.0
Issue of 66,923,076 ordinary shares of £0.10 each	**–**	**–**	66,923,076	6.7
At 31 December	**366,923,076**	**36.7**	366,923,076	36.7
Pro forma				
At 1 January – 300,000,000 ordinary shares of £0.10 each			300,000,000	30.0
Issue of 66,923,076 ordinary shares of £0.10 each			66,923,076	6.7
At 31 December			366,923,076	36.7

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

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21 SHARE PREMIUM

On 26 January 2015 the Company allotted to its shareholder 100,000,000 ordinary shares of £0.00000001 each credited as fully paid to rank pari passu with its existing ordinary shares. On 27 January 2015 all the ordinary shares were consolidated into 20 ordinary shares of £0.10 each, each share having the same rights and being subject to the same restrictions (except as to nominal value) as the existing ordinary shares of £0.00000001 each in the Company as set out in its Articles. On the same day the Company allotted and issued to its shareholder a further 299,999,980 ordinary shares of £0.10 each at a premium of £2.00 per share, each to rank pari passu with the existing ordinary shares of £0.10 each in the capital of the Company. In addition, the Company undertook a reduction of its share premium account by £500 million.

On 17 February 2015, the Company issued 66,923,076 new ordinary shares of £0.10 each at a premium of £1.85 per share in connection with admission of its shares to listing.

	31 December 2016	31 December 2015	
	Statutory	Pro forma	Statutory
	£ million	£ million	£ million
Opening balance	**218.0**	100.0	–
Premium arising on issue of equity shares	**–**	123.8	723.8
Reduction of share premium account	**–**	–	(500.0)
Costs associated with the issue of equity shares	**–**	(5.8)	(5.8)
Closing balance	**218.0**	218.0	218.0

22 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Year ended		
	31 December 2016	Year ended 31 December 2015	
	Statutory	Pro forma	Statutory
	£ million	£ million	£ million
Profit before tax from continuing operations	**192.1**	100.9	97.5
Adjustments for:			
Finance costs	**10.3**	11.3	11.3
Discontinued operations' cash flows	**–**	1.1	1.1
Unrealised profit arising on changes in fair value of investments in project companies (note 11)	**(218.8)**	(133.1)	(129.7)
Depreciation of plant and equipment	**0.6**	0.7	0.7
Amortisation of intangible assets	**0.2**	0.5	0.5
Share-based incentives	**2.0**	0.7	0.7
Contribution to JLPF	**(18.4)**	(47.5)	(47.5)
Decrease in provisions	**(2.8)**	(1.9)	(1.9)
Operating cash outflow before movements in working capital	**(34.8)**	(67.3)	(67.3)
Decrease/(increase) in trade and other receivables	**1.2**	(1.0)	(1.0)
Decrease in trade and other payables	**(3.5)**	(2.2)	(2.2)
Net cash outflow from operating activities	**(37.1)**	(70.5)	(70.5)

23 GUARANTEES, CONTINGENT ASSETS AND LIABILITIES AND OTHER COMMITMENTS

At 31 December 2016, the Group had future equity and loan commitments in PPP and renewable energy projects of £186.3 million (31 December 2015 – £278.1 million) backed by letters of credit of £162.6 million (31 December 2015 – £154.2 million) and collateralised cash of £23.7 million (31 December 2015 – £123.9 million).

As stated in note 18 a), the Company has provided guarantees in respect of certain PPP investments transferred to JLPF in settlement of prior annual contribution obligations. Guarantees are provided to fund any cumulative shortfall in forecast yield payments from these PPP investments up until 2017, and the maximum exposure at 31 December 2016 was £nil (31 December 2015 – £0.3 million).

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

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

23 GUARANTEES, CONTINGENT ASSETS AND LIABILITIES AND OTHER COMMITMENTS (CONTINUED)

The Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases for land and buildings, falling due as follows:

	31 December 2016 £ million	31 December 2015 £ million
Within one year	**1.0**	0.9
In the second to fifth years inclusive	**3.0**	3.3
After five years	**2.8**	4.0
	6.8	8.2

24 TRANSACTIONS WITH RELATED PARTIES

Group

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

Trading transactions

The Group has entered into the following trading transactions with project companies in which the Group holds interests:

	Year ended 31 December 2016 £ million	Year ended 31 December 2015 £ million
Services income*	**18.0**	13.5
Amounts owed by project companies	**1.6**	3.1
Amounts owed to project companies	**(0.6)**	(0.7)

* Services income is generated from project companies through management services agreements and recoveries of bid costs on financial close.

Investment transactions

	Year ended 31 December 2016 £ million	Year ended 31 December 2015 £ million
Net cash transferred to investments at FVTPL (note 11)	**(73.4)**	(54.0)

Transactions with other related parties

There were no transaction with other related parties during the year ended 31 December 2016.

In the year ended 31 December 2015, the Group transferred ownership of shares in JLEN and shares in a PPP project company to JLPF as partial consideration for agreed deficit reduction contributions. More details are set out in note 11.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2016

24 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Remuneration of key management personnel

The remuneration of the Directors of John Laing Group plc together with other members of the Executive Committee, who were the key management personnel of the Group for the period of the financial statements, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures:

	Year ended 31 December 2016 £ million	Year ended 31 December 2015 £ million
Cash basis		
Short-term employee benefits	**2.8**	3.0
Post-employment benefits	**0.2**	0.2
Cash payments under long-term incentive plan	**1.9**	1.9
Social security costs	**0.7**	0.7
	5.6	5.8
Award basis		
Short-term employee benefits	**2.8**	3.0
Post-employment benefits	**0.2**	0.2
Awards under long-term incentive plan	**1.0**	2.6
Social security costs	**0.4**	0.7
	4.4	6.5

In addition to the above amounts, £44,231 (2015 – £nil) was paid to Nalon Management Services Limited, of which Phil Nolan is a director, for services in the period prior to the Company's IPO in February 2015.

25 EVENTS AFTER BALANCE SHEET DATE

On 2 March 2017, the Group disposed of its investment in the A1 Gdansk project in Poland for proceeds of €137.3 million.

COMPANY BALANCE SHEET

as at 31 December 2016

	Notes	**31 December 2016 £ million**	31 December 2015 £ million
Non-current assets			
Investments at fair value through profit or loss	4	**952.7**	816.1
Total non-current assets		**952.7**	816.1
Current assets			
Trade and other receivables	5	**272.4**	130.4
Total current assets		**272.4**	130.4
Total assets		**1,225.1**	946.5
Current liabilities			
Borrowings	6	**(161.4)**	(14.9)
Trade and other payables	7	**(29.3)**	(11.4)
Total current liabilities		**(190.7)**	(26.3)
Total liabilities		**(190.7)**	(26.3)
Net assets		**1,034.4**	920.2
Equity			
Share capital	8	**36.7**	36.7
Share premium	9	**218.0**	218.0
Other reserves		**2.7**	0.7
Retained earnings		**777.0**	664.8
Total equity		**1,034.4**	920.2

As permitted by Section 408(2) of the Companies Act 2006, the Company's income statement is not presented in these financial statements. The amount of profit after tax of the Company for the year ended 31 December 2016 was £138.4 million (2015 – £170.7 million).

The financial statements of John Laing Group plc, registered number 05975300, were approved by the Board of Directors and authorised for issue on 6 March 2017. They were signed on its behalf by:

Olivier Brousse	**Patrick O'D Bourke**
CHIEF EXECUTIVE OFFICER	GROUP FINANCE DIRECTOR
6 March 2017	6 March 2017

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Share capital £ million	Share premium £ million	Other reserves £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2016	**36.7**	**218.0**	**0.7**	**664.8**	**920.2**
Profit for the year	**–**	**–**	**–**	**138.4**	**138.4**
Total comprehensive income for the year	**–**	**–**	**–**	**138.4**	**138.4**
Share-based incentives	**–**	**–**	**2.0**	**–**	**2.0**
Dividends paid	**–**	**–**	**–**	**(26.2)**	**(26.2)**
Balance at 31 December 2016	**36.7**	**218.0**	**2.7**	**777.0**	**1,034.4**

The Company has sufficient distributable reserves at 31 December 2016 to continue to pay dividends at the current level for the foreseeable future. It also has the ability to increase its distributable reserves through payment of dividends by its subsidiaries.

For the year ended 31 December 2015

	Share capital £ million	Share premium £ million	Other reserves £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2015	–	–	–	–	–
Profit for the year	–	–	–	170.7	170.7
Total comprehensive income for the year	–	–	–	170.7	170.7
Shares issued in the year	36.7	723.8	–	–	760.5
Costs associated with the issue of shares	–	(5.8)	–	–	(5.8)
Reduction in the share premium account	–	(500.0)	–	500.0	–
Share-based incentives	–	–	0.7	–	0.7
Dividends paid	–	–	–	(5.9)	(5.9)
Balance at 31 December 2015	36.7	218.0	0.7	664.8	920.2

COMPANY CASH FLOW STATEMENT

for the year ended 31 December 2016

	Year ended 31 December 2016 £ million	Year ended 31 December 2015 £ million
Profit from operations	**134.7**	170.7
Unrealised profit on changes in fair value of investments held at FVTPL	**(136.6)**	(171.1)
Share-based incentives	**2.0**	0.7
Increase in trade and other receivables	**(0.1)**	(0.3)
Increase in trade and other payables	**0.2**	–
Net cash flow from operating activities	**0.2**	–
Investing activities		
Interest received	**3.6**	–
Dividends received	**4.0**	–
Acquisition of subsidiaries	**–**	(15.0)
Net cash inflow/(outflow) from investing activities	**7.6**	(15.0)
Financing activities		
Interest paid	**(2.9)**	(6.3)
Dividends paid	**(26.2)**	(5.9)
Proceeds on issue of shares	**–**	124.7
Proceeds from borrowings	**165.0**	50.0
Repayment of borrowings	**(19.0)**	(31.0)
Increase in intercompany loans	**(124.7)**	(116.5)
Net cash (outflow)/inflow from financing activities	**(7.8)**	15.0
Net increase in cash and cash equivalents	**–**	–
Cash and cash equivalents at beginning of the year	**–**	–
Cash and cash equivalents at end of year	**–**	–

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2016

1 GENERAL INFORMATION

John Laing Group plc (the "Company") is a public limited company incorporated and domiciled in the United Kingdom. The Company's ordinary shares are listed on the London Stock Exchange. The principal activity of the Company is that of an investment holding company.

The remuneration of the Directors of the Company is shown in the Directors' Remuneration Report on pages 56 to 68.

2 ACCOUNTING POLICIES

a) Basis of accounting

These financial statements have been prepared in accordance with IFRS as adopted by the EU and Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) as endorsed by the EU.

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006, except for investments at fair value through profit or loss (FVTPL) which are stated at fair value.

For the reasons set out on page 82, the Company's financial statements are prepared on a going concern basis.

A summary of the principal accounting policies adopted by the Directors, which have been applied consistently throughout the current and preceding years, is shown below.

b) Investments

The Company meets the definition of an Investment Entity under IFRS 10 and as such has adopted Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27). In accordance with IAS 27 and the Investment Entities standard, the Company has accounted for its investments as follows:

Investments at fair value through profit or loss

The Company has accounted for its investment in John Laing Holdco Limited at FVTPL, consistent with the Group financial statements.

Investments at cost

During the year ended 31 December 2015, as a result of the restructuring related to its IPO, the Company became the direct shareholder in subsidiary companies which provide services in relation to the Company's investment activities or hold the Group's retirement benefit obligations (Service Companies). These subsidiaries include the investments in Laing Investments Management Services Limited, Laing Investments Management Services (Australia) Limited, Laing Investments Management Services (Canada) Limited, Laing Investments Management Services (Netherlands) Limited, Laing Investments Management Services (New Zealand) Limited, Laing Investments Management Services (Singapore) Limited, John Laing (USA) Limited, John Laing Projects & Developments Limited, John Laing Services Limited and John Laing Capital Management Limited.

Under IAS 27, the Company has elected to account for its interest in these subsidiary companies at cost less any amounts written-off for any permanent diminution in value. In the Group financial statements, these interests are consolidated.

c) Taxation

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

Current tax payable is based on taxable profit for the year. Taxable profit differs from net profit because it excludes both items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted, or substantively enacted, by the balance sheet date.

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for the year ended 31 December 2016

2 ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments

Financial assets and financial liabilities are recognised on the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the instrument expire or the asset is transferred and the transfer qualifies for derecognition in accordance with IAS 39 Financial Instruments: Recognition and Measurement and IFRS 13 Fair Value Measurement.

i) Financial assets

The Company classifies its financial assets in the following categories: investments at FVTPL and loans and receivables and investments at cost. The classification depends on the purpose for which the financial assets were acquired. The Company determines the classification of its financial assets at initial recognition.

a) Investments at fair value through profit or loss

The Company's accounting policy in respect of investments at FVTPL is set out in section 2(b) above.

(b) Loans and receivables

The Company's loans and receivables comprise cash and cash equivalents and amounts owed by subsidiary undertakings and are recorded at amortised cost.

(c) Investments at cost

The Company's investments at cost comprise its investments in Service Companies (see note 2 (b) for further details) which are held at cost less impairments.

ii) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

a) Equity instruments – share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or associated with the establishment of the Company that would otherwise have been avoided are written off against the balance of the share premium account.

b) Financial liabilities

Financial liabilities are classified as other financial liabilities, comprising loans and borrowings which are initially recognised at the fair value of the consideration received and subsequently at amortised cost using the effective interest rate method.

e) Dividend payments

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The key area of the financial statements where the Company is required to make critical judgements and material accounting estimates is in respect of the fair value of investments held by the Company. The methodology for determining the fair value of investments and the critical accounting judgements and key sources of estimation uncertainty therein are set out in note 2 to the Group financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2016

4 INVESTMENTS

	31 December 2016 £ million	31 December 2015 £ million
At 1 January 2016	**816.1**	–
Acquisition of investments at cost less impairment	**–**	15.0
Acquisition of investments at FVTPL	**–**	630.0
Fair value movement	**136.6**	171.1
	952.7	816.1
Investments at FVTPL*	**937.7**	801.1
Investments at cost less impairment	**15.0**	15.0
	952.7	816.1

* Net gain on investments at FVTPL for the year ended 31 December 2016 is £136.6 million (2015 – £171.1 million).

Details of investments and how they are recognised in the accounts are as follows:

Investments	**Treatment**	**2016**	2015
John Laing Holdco Limited	Fair valued	**100%**	100%
John Laing (USA) Limited	Cost less impairment	**100%**	100%
John Laing Capital Management Limited	Cost less impairment	**100%**	100%
John Laing Projects & Developments Limited	Cost less impairment	**100%**	100%
John Laing Services Limited	Cost less impairment	**100%**	100%
Laing Investments Management Services (Australia) Limited	Cost less impairment	**100%**	100%
Laing Investments Management Services (Canada) Limited	Cost less impairment	**100%**	100%
Laing Investments Management Services (Germany) Limited	Cost less impairment	**100%**	–
Laing Investments Management Services (Netherlands) Limited	Cost less impairment	**100%**	100%
Laing Investments Management Services (New Zealand) Limited	Cost less impairment	**100%**	100%
Laing Investments Management Services (Singapore) Limited	Cost less impairment	**100%**	100%
Laing Investments Management Services Limited	Cost less impairment	**100%**	100%

All entities are incorporated in the United Kingdom.

5 TRADE AND OTHER RECEIVABLES

	31 December 2016 £ million	31 December 2015 £ million
Due within one year:		
Amounts owed by subsidiary undertakings	**272.4**	130.4

The amounts owed by subsidiary undertakings at 31 December 2016 and 2015 are repayable on demand and interest is charged at arm's length interest rates.

6 BORROWINGS

	31 December 2016 £ million	31 December 2015 £ million
Interest bearing loans and borrowings net of unamortised financing costs	**(161.4)**	(14.9)

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2016

7 TRADE AND OTHER PAYABLES

	31 December 2016 £ million	31 December 2015 £ million
Amounts owed to subsidiary undertakings	**(28.4)**	(10.9)
Accruals and deferred income	**(0.9)**	(0.5)
	(29.3)	(11.4)

8 SHARE CAPITAL

	31 December 2016 No.	31 December 2015 No.
Authorised:		
Ordinary shares of £0.10 each	**366,923,076**	366,923,076
	366,923,076	366,923,076

	£ million	£ million
Allotted, called up and fully paid:		
366,923,976 ordinary shares of £0.10 (31 December 2015 – 366,923,976 of £0.10) each	**36.7**	36.7
	36.7	36.7

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

	31 December 2016		31 December 2015	
	No.	**£ million**	No.	£ million
Allotted, called up and fully paid:				
At 1 January – 366,923,076 ordinary shares of £0.10 each (2015 – 100,000,000 ordinary shares of £0.00000001 each)	**366,923,076**	**36.7**	100,000,000	–
26 January 2015 – Issue of 100,000,000 ordinary shares of £0.00000001 each	**–**	**–**	100,000,000	–
27 January 2015 – Conversion of 200,000,000 ordinary shares of £0.00000001 each to 20 ordinary shares of £0.10 each	**–**	**–**	(199,999,980)	–
27 January 2015 – Issue of 299,999,980 ordinary shares of £0.10 each	**–**	**–**	299,999,980	30.0
17 February 2015 – Issue of 66,923,076 ordinary shares of £0.10 each	**–**	**–**	66.923.076	6.7
At 31 December	**366,923,076**	**36.7**	366,923,076	36.7

9 SHARE PREMIUM

On 26 January 2015 the Company allotted to its shareholder 100,000,000 ordinary shares of £0.00000001 each credited as fully paid to rank pari passu with the existing ordinary shares. On 27 January 2015 all the ordinary shares were consolidated into 20 ordinary shares of £0.10 each, each share having the same rights and being subject to the same restrictions (except as to nominal value) as the existing ordinary shares of £0.00000001 each in the Company as set out in its Articles. On the same day the Company allotted and issued to its shareholder a further 299,999,980 ordinary shares of £0.10 each at a premium of £2.00 per share, each to rank pari passu with the existing ordinary shares of £0.10 each in the capital of the Company. In addition, the Company undertook a reduction of its share premium account by £500 million.

On 17 February 2015, the Company issued 66,923,076 new ordinary shares of £0.10 each at a premium of £1.85 per share in connection with admission of its shares to listing.

	31 December 2016 £ million	31 December 2015 £ million
Opening balance	**218.0**	–
Premium arising on issue of equity shares	**–**	723.8
Reduction of share premium account	**–**	(500.0)
Costs associated with the issue of equity shares	**–**	(5.8)
Closing balance	**218.0**	218.0

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10 FINANCIAL INSTRUMENTS

Financial risk exposure is addressed on a Group basis rather than a company only basis. The Company's risk management programme is disclosed in detail in the Group accounts in note 16 and in the Financial Review section.

	Loans and receivables £ million	**Assets at FVTPL £ million**	**Investments at cost less impairments £ million**	**Financial liabilities at amortised cost £ million**	**Total £ million**
Fair value measurement method	**n/a**	**Level 3**	**n/a**	**n/a**	
31 December 2016					
Non-current assets					
Investments	**–**	**937.7**	**15.0**	**–**	**952.7**
Current assets					
Trade and other receivables	**272.4**	**–**	**–**	**–**	**272.4**
Total financial assets	**272.4**	**937.7**	**15.0**	**–**	**1,225.1**
Current liabilities					
Interest-bearing loans and borrowings	**–**	**–**	**–**	**(161.4)**	**(161.4)**
Trade and other payables	**–**	**–**	**–**	**(29.3)**	**(29.3)**
Total financial liabilities	**–**	**–**	**–**	**(190.7)**	**(190.7)**
Net financial instruments	**272.4**	**937.7**	**15.0**	**(190.7)**	**1,034.4**

	Loans and receivables £ million	Assets at FVTPL £ million	Investments at cost less impairments £ million	Financial liabilities at amortised cost £ million	Total £ million
Fair value measurement method	n/a	Level 1 / 3*	n/a	n/a	
31 December 2015					
Non-current assets					
Investments	–	801.1	15.0	–	816.1
Current assets					
Trade and other receivables	130.4	–	–	–	130.4
Total financial assets	130.4	801.1	15.0	–	946.5
Current liabilities					
Interest-bearing loans and borrowings	–	–	–	(14.9)	(14.9)
Trade and other payables	–	–	–	(11.4)	(11.4)
Total financial liabilities	–	–	–	(26.3)	(26.3)
Net financial instruments	130.4	801.1	15.0	(26.3)	920.2

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2016

11 TRANSACTIONS WITH RELATED PARTIES

Trading transactions

The Company has entered into loans with its subsidiaries, with interest being charged at arm's length rates.

	31 December 2016 £ million	31 December 2015 £ million
Amounts owed by subsidiary undertakings	**272.4**	130.4
Amounts owed to subsidiary undertakings	**(28.4)**	(10.9)
Dividends received	**4.0**	–
Interest income received	**3.5**	3.6
Interest paid	**(0.9)**	(0.6)

12 GUARANTEES AND OTHER COMMITMENTS

At 31 December 2015, the Company was a guarantor under the Group's £350 million syndicated, committed, revolving credit facility and associated credit facilities dated 17 February 2015. On 21 June 2016 these facilities were increased to £400 million. At 31 December 2016, the total amount utilised under these facilities, and hence guaranteed by the Company, was £284.1 million (2015 – £174.3 million).

On 8 April 2016, the Company became an indemnitor under each of two uncommitted surety facilities, one from Euler Hermes UK and the other from QBE Insurance Limited, which were each subsequently utilised to the sum of £25.0 million and which sums were outstanding at 31 December 2016 and hence were guaranteed by the Company.

On 24 November 2016, the Company became a guarantor under each of two committed £25.0 million term liquidity facilities backing the surety facilities entered into with Euler Hermes UK and QBE Insurance Limited. One facility was provided by Barclays Bank PLC and the other by HSBC Bank plc. Both of these facilities were undrawn at 31 December 2016.

At 31 December 2016, the Company was a guarantor under an uncommitted bonding facility from Zurich entered into by John Laing Limited. At 31 December 2016, the total amount utilised under this facility, and hence guaranteed by the Company, was £nil (2015 – £4.0 million).

13 SUBSIDIARIES AND OTHER INVESTMENTS

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

Details of the Company's subsidiaries at 31 December 2016 were as follows:

Name		Country of incorporation	Ownership interest	Registered office
RECOURSE SUBSIDIARIES				
Service Companies (consolidated)				
John Laing (USA) Limited	*	United Kingdom	100%	Note 1
John Laing and Son BV	**	Netherlands	100%	Note 3
John Laing Capital Management Limited	*	United Kingdom	100%	Note 1
John Laing Projects & Developments Limited	*	United Kingdom	100%	Note 1
John Laing Services Limited	*	United Kingdom	100%	Note 1
Laing Investments Management Services (Australia) Limited	*	United Kingdom	100%	Note 1
Laing Investments Management Services (Canada) Limited	*	United Kingdom	100%	Note 1
Laing Investments Management Services (Germany) Limited	*	United Kingdom	100%	Note 1
Laing Investments Management Services (Netherlands) Limited	*	United Kingdom	100%	Note 1
Laing Investments Management Services (New Zealand) Limited	*	United Kingdom	100%	Note 1
Laing Investments Management Services (Singapore) Limited	*	United Kingdom	100%	Note 1
Laing Investments Management Services Limited	*	United Kingdom	100%	Note 1
RL Design Solutions Limited	**	United Kingdom	100%	Note 1
				Note 1
Investment Entity subsidiaries (measured at fair value)				
Argon Ventures Limited	**	United Kingdom	100%	Note 1
Croydon PSDH Holdco 2 Limited	**	United Kingdom	100%	15 Canada Square, London, E14 5GL
Croydon PSDH Holdco Limited	**	United Kingdom	100%	15 Canada Square, London, E14 5GL
Denver Rail (Eagle) Holdings Inc.	**	United States	100%	Note 8
Forum Cambridge Holdco Limited	**	United Kingdom	100%	Note 1
Hungary M6 Limited	**	United Kingdom	100%	Note 1
Hyder Investments Limited	**	United Kingdom	100%	Note 1
John Laing Cambridge Limited	**	United Kingdom	100%	Note 1

NOTES TO THE COMPANY FINANCIAL STATEMENTS

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13 SUBSIDIARIES AND OTHER INVESTMENTS (CONTINUED)

Name		Country of incorporation	Ownership interest	Registered office
Investment Entity subsidiaries (measured at fair value) (continued)				
John Laing Funding Limited	**	United Kingdom	100%	Note 1
John Laing Holdco Limited	*	United Kingdom	100%	Note 1
John Laing Homes Limited	**	United Kingdom	100%	Note 1
John Laing I-4 Holdco Corp	**	United States	100%	Note 8
John Laing I-77 Holdco Corp	**	United States	100%	Note 8
John Laing Infrastructure Limited	**	United Kingdom	100%	Note 1
John Laing Infrastructure (A1 Mobil Holdings) Limited	**	United Kingdom	100%	Note 1
John Laing Infrastructure (German Holdings) Limited	**	United Kingdom	100%	Note 1
John Laing Infrastructure Management Services India Private Limited	**	India	100%	Delhi Rectangle, 4th Floor Rectangle No. 1, Saket Commercial Complex, D4 Saket, New Delhi, India
John Laing Investments (SLR) BV	**	Netherlands	100%	Note 3
John Laing Investments Limited	**	United Kingdom	100%	Note 1
John Laing Investments (Hornsdale) Pty Limited	**	Australia	100%	Note 4
John Laing Investments (Hornsdale 2) Pty Limited	**	Australia	100%	Note 4
John Laing Investments Netherlands Holdings BV	**	Netherlands	100%	Note 3
John Laing Investments (LBAJQ) BV	**	Netherlands	100%	Note 3
John Laing Investments (NGR) BV	**	Netherlands	100%	Note 3
John Laing Investments (NRAH) BV	**	Netherlands	100%	Note 3
John Laing Investments NZ Holdings Limited	**	United Kingdom	100%	Note 1
John Laing Investments Overseas Holdings Limited	**	United Kingdom	100%	Note 1
John Laing Investments (Perth Stadium) BV	**	Netherlands	100%	Note 3
John Laing Limited	**	United Kingdom	100%	Note 1
John Laing Projects & Developments (Croydon) Limited	**	United Kingdom	100%	15 Canada Square, London, E14 5GL
John Laing Projects & Developments (Holdings) Limited	**	United Kingdom	100%	Note 1
John Laing Regeneration GP Limited	**	United Kingdom	99%	Note 1
John Laing Social Infrastructure Limited	**	United Kingdom	100%	Note 1
John Laing Sterling Wind Holdco Corp	**	United States	100%	Note 8
Laing Infrastructure Holdings Limited	**	United Kingdom	100%	Note 1
Laing Investment Company Limited	**	United Kingdom	100%	Note 1
Laing Investments Greenwich Limited	**	United Kingdom	100%	Note 1
Laing Property Limited	**	United Kingdom	100%	Note 1
Laing Property Holdings Limited	**	United Kingdom	100%	Note 1
Rail Investments (Great Western) Limited	**	United Kingdom	80%	Note 1
NON-RECOURSE SUBSIDIARIES				
Subsidiary project companies (measured at fair value)				
AEM Holdco LLC	**	United States	92.5%	645 N. Michigan, Suite 980, Chicago, IL 60611, USA
AEM Wind LLC	**	United States	92.5%	645 N. Michigan, Suite 980, Chicago, IL 60611, USA
ALTRAC Light Rail Holdings 3 Pty Limited	**	Australia	100%	Note 4
ALTRAC Light Rail Holdings Trust 3	**	Australia	100%	Note 4
ALTRAC Light Rail 3 Pty Limited	**	Australia	100%	Note 4
ALTRAC Light Rail 3 Trust	**	Australia	100%	Note 4
CountyRoute (A130) plc	**	United Kingdom	100%	Note 2
CountyRoute 2 Limited	**	United Kingdom	100%	Note 2
CountyRoute Limited	**	United Kingdom	100%	Note 2
Courtibeaux (Holding) Limited	**	United Kingdom	100%	Note 1
Defence Support (St Athan) Holdings Limited	**	United Kingdom	100%	Note 2
Defence Support (St Athan) Limited	**	United Kingdom	100%	Note 2
Dritte Nordergründe Beteiligungs GmbH	**	Germany	100%	Torstrasse 138, 10119 Berlin, Germany
Education Support (Southend) Limited	**	United Kingdom	100%	Note 1
Glencarbry (Holdings) Limited	**	United Kingdom	100%	Note 1
Glencarbry Supply Company Limited	**	Ireland	100%	Arthur Cox Building, Earlsfort Terrace, Dublin 2, Ireland

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2016

13 SUBSIDIARIES AND OTHER INVESTMENTS (CONTINUED)

Name		Country of incorporation	Ownership interest	Registered office
Subsidiary project companies (measured at fair value) (continued)				
Glencarbry Windfarm Limited	**	Ireland	100%	Arthur Cox Building, Earlsfort Terrace, Dublin 2, Ireland
John Laing Rail Infrastructure Limited	**	United Kingdom	100%	Note 1
Kabeltrasse Morbach GmbH & Co. KG	**	Germany	81.82%	Oberdorfstraße 10, 55262 Heidesheim am Rhein, Germany
KGE Windpark Schipkau-Nord GmbH & Co. KG	**	Germany	100%	Am Nesseufer 40, 26789 Leer, Germany
KGE Schipkau-Nord Infrastruktur GmbH & Co. KG	**	Germany	85%	Am Nesseufer 40, 26789 Leer, Germany
Kiata Wind Farm Holdings Pty Limited	**	Australia	72.3%	Level 4, 30 Marcus Clarke Street, Canberra City ACT 2601, Australia
Kiata Wind Farm Pty Limited	**	Australia	72.3%	Level 4, 30 Marcus Clarke Street, Canberra City ACT 2601, Australia
Klettwitz Schipkau Nord Beteiligungs GmbH	**	Germany	100%	Note 7
Klettwitz SN Holdings GmbH	**	Germany	100%	Note 7
Klettwitz SN Verwaltungs GmbH	**	Germany	100%	Note 7
LBAJQ Holding 4 Pty Limited	**	Australia	100%	Note4
LBAJQ Holding Trust 4	**	Australia	100%	Note 4
LBAJQ 4 Pty Limited	**	Australia	100%	Note 4
LBAJQ Trust 4	**	Australia	100%	Note 4
Llynfi Afan Renewable Energy Park (Holdings) Limited	**	United Kingdom	100%	Note 1
Llynfi Afan Renewable Energy Park Limited	**	United Kingdom	100%	Note 1
Nordergründe Holdco GmbH	**	Germany	100%	Torstraße 138, 10119 Berlin, Germany
Parc Eolien des Courtibeaux SAS	**	France	100%	20 Av de la Paix, Strasbourg 67000, France
Parc Eolien des Tournevents du Cos SAS	**	France	100%	20 Av de la Paix, Strasbourg 67000, France
Parkway 6 BV	**	Netherlands	85%	Taurusavenue 100, Hoofddorp, Netherlands
Parkway 6 Holding BV	**	Netherlands	85%	Taurusavenue 100, Hoofddorp, Netherlands
Rammeldalsberget Vindkraft AB	**	Sweden	100%	Sveavagen 17, 111 57 Stockholm, Sweden
Rammeldalsberget Holding AB	**	Sweden	100%	Sveavagen 17, 111 57 Stockholm, Sweden
Services Support (Surrey) Holdings Limited	**	United Kingdom	100%	Note 1
Services Support (Surrey) Limited	**	United Kingdom	100%	Note 1
Société d'Exploitation du Parc Eolien du Tonnerois	**	France	100%	Pasilly Nord les Points, 89310 Pasilly, France
Sterling Wind John Laing Op Co. LLC	**	United States	100%	1209 Orange St, Wilmington, Delaware 19801, USA
Svartvallsberget SPW AB	**	Sweden	100%	Sveavagen 17, 111 57 Stockholm, Sweden
Svartvallsberget Holding AB	**	Sweden	100%	Sveavagen 17, 111 57 Stockholm, Sweden
Tonnerois (Holdings) Limited	**	United Kingdom	100%	Note 1
Tournevents (Holding) Limited	**	United Kingdom	100%	Note 1
Vierte Nordergründe Beteiligungs GmbH	**	Germany	100%	Torstrasse 138, 10119 Berlin, Germany
Wind Hold Co 1 Limited	**	United Kingdom	100%	Note 1

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2016

13 SUBSIDIARIES AND OTHER INVESTMENTS (CONTINUED)

Name		Country of incorporation	Ownership interest	Registered office
Subsidiary project companies (measured at fair value) (continued)				
Wind Project Co 1 Limited	**	United Kingdom	100%	Note 1
Windpark Horath Holding GmbH	**	Germany	100%	Note 7
Windpark Horath Verwaltungs GmbH	**	Germany	100%	Note 7
WP Horath GmbH & Co. KG	**	Germany	100%	Note 7
Zweite Nordergründe Beteiligungs GmbH	**	Germany	100%	Torstrasse 138, 10119 Berlin, Germany

Details of the Company's joint ventures and other investments at 31 December 2016 were as follows:

NON-RECOURSE

Joint venture project companies (measured at fair value)

Name		Country of incorporation	Ownership interest	Registered office
A Mobil Services GmbH	**	Germany	42.5%	Stader Strasse 36, 27419 Sittensen, Germany
A1 Mobil GmbH & Co. KG	**	Germany	42.5%	Stader Strasse 36, 27419 Sittensen, Germany
A1 Mobil Verwaltungs GmbH	**	Germany	42.5%	Stader Strasse 36, 27419 Sittensen, Germany
A-Lanes A15 Holding BV	**	Netherlands	28%	Venkelweg 64, Hoogvliet Rotterdam, Netherlands
A-Lanes A15 BV	**	Netherlands	28%	Venkelweg 64, Hoogvliet Rotterdam, Netherlands
A-Lanes Management Services BV	**	Netherlands	25%	Venkelweg 64, Hoogvliet Rotterdam, Netherlands
Agility Trains West (Holdings) Limited	**	United Kingdom	24%	Note 6
Agility Trains West (Midco) Limited	**	United Kingdom	24%	Note 6
Agility Trains West Limited	**	United Kingdom	24%	Note 6
Agility Trains East (Holdings) Limited	**	United Kingdom	30%	Note 6
Agility Trains East (Midco) Limited	**	United Kingdom	30%	Note 6
Agility Trains East Limited	**	United Kingdom	30%	Note 6
Alder Hey Holdco 3 Limited	**	United Kingdom	40%	Note 2
Alder Hey Holdco 2 Limited	**	United Kingdom	40%	Note 2
Alder Hey (Holdco 1 Limited	**	United Kingdom	40%	Note 2
Alder Hey (Special Purpose Vehicle) Limited	**	United Kingdom	40%	Note 2
ALTRAC Light Rail Partnership	**	Australia	32.5%	Level 7, 280 Elizabeth St Surry Hills, NSW 2010, Australia
Aylesbury Vale Parkway Limited	**	United Kingdom	50%	Note 2
Cramlington Renewable Energy Developments Hold Co Limited	**	United Kingdom	44.7%***	Note 1
Cramlington Renewable Energy Developments Limited	**	United Kingdom	44.7%***	Note 1
Croydon and Lewisham Lighting Services (Holdings) Limited	**	United Kingdom	50%	Note 2
Croydon and Lewisham Lighting Services Limited	**	United Kingdom	50%	Note 2
Denver Transit Holdings LLC	**	United States	45%	Note 8
Denver Transit Partners LLC	**	United States	45%	Note 8
Forum Cambridge LLP	**	United Kingdom	50%	Note 1
Gdansk Transport Company SA	**	Poland	29.69%	Powstancow Warszawy 19, 81-718 Sopot, Poland
Hornsdale Asset Co Pty Limited	**	Australia	30%	Note 5
Hornsdale Asset Co Pty 2 Limited	**	Australia	10%	Note 5
HWF Holdco 1 Pty Limited	**	Australia	15%	Note 5
HWF FinCo 1 Pty Limited	**	Australia	30%	Note 5
HWF 1 Pty Limited	**	Australia	30%	Note 5
HWF Holdco 2 Pty Limited	**	Australia	20%	Note 5
HWF FinCo 2 Pty Limited	**	Australia	20%	Note 5
HWF 2 Pty Limited	**	Australia	20%	Note 5
I-4 Mobility Partners HoldCo LLC	**	United States	50%	Note 8
I-4 Mobility Partners Midstream LLC	**	United States	50%	Note 8
I-4 Mobility Partners Op Co LLC	**	United States	50%	Note 8
I-77 Mobility Partners Holding LLC	**	United States	10%	1209 Orange St, Wilmington, Delaware 19801, USA

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2016

13 SUBSIDIARIES AND OTHER INVESTMENTS (CONTINUED)

Name		Country of incorporation	Ownership interest	Registered office
Joint venture project companies (measured at fair value) (continued)				
I-77 Mobility Partners LLC	**	United States	10%	1209 Orange St, Wilmington, Delaware 19801, USA
INEOS Runcorn (TPS) Holding Limited	**	United Kingdom	37.43%	PO BOX 9 Runcorn Site Hq, South Parade, Runcorn, Cheshire, WA7 4JE
INEOS Runcorn (TPS) Limited	**	United Kingdom	37.43%	PO BOX 9 Runcorn Site Hq, South Parade, Runcorn, Cheshire, WA7 4JE
Laing/Gladedale (Hastings) Holdings Limited	**	United Kingdom	50%	Note 1
Laing/Gladedale (Hastings) Limited	**	United Kingdom	50%	Note 1
Laing/Gladedale (St Saviours) Limited	**	United Kingdom	50%	Note 1
Laing Wimpey Alireza Limited	**	Saudi Arabia	33%	P.O. Box 2059, Jeddah, Saudi Arabia
MAK Mecsek Autopalya Koncesszios Zrt.	**	Hungary	30%	H-1117 Budapest, Budafoki ut 91-93, Hungary
New Forum Cambridge LLP	**	United Kingdom	50%	Note 1
NGR Holding Company Pty Limited	**	Australia	40%	c/- Allens, Level 33, 101 Collins Street, Melbourne VIC 3000, Australia
NGR Project Company Pty Limited	**	Australia	40%	c/- Allens, Level 33, 101 Collins Street, Melbourne VIC 3000, Australia
OWP Nordergründe GmbH & Co. KG	**	Germany	30%	Stephanitorsbollwerk 3, 28217 Bremen
Regenter Myatts Field North Holdings Company Limited	**	United Kingdom	50%	Note 2
Regenter Myatts Field North Limited	**	United Kingdom	50%	Note 2
SA Health Partnership Holding Nominees Pty Limited	**	Australia	17.26%	Level 19, 177 Pacific Highway North Sydney, NSW 2060, Australia
SA Health Partnership Nominees Pty Limited	**	Australia	17.26%	Level 19, 177 Pacific Highway North Sydney, NSW 2060, Australia
Securefuture Wiri Holdings Limited	**	New Zealand	30%	Level 3, 37 Galway Street, Britomart, Auckland 1010, New Zealand
Securefuture Wiri Limited	**	New Zealand	30%	Level 3, 37 Galway Street, Britomart, Auckland 1010, New Zealand
Severn River Crossing Plc	**	United Kingdom	35%	Bridge Access Road, Aust, South Gloucestershire, BS35 4BD
SPC Management Services BV	**	Netherlands	33.3%	Westkanaaldijk 2 Utrecht, Netherlands
Speyside Renewable Energy Finance Limited	**	United Kingdom	43.35%****	13 Queens Road, Aberdeen, Scotland, AB15 4YL
Speyside Renewable Energy Partnership Hold Co Limited	**	United Kingdom	43.35%****	13 Queens Road, Aberdeen, Scotland, AB15 4YL
Speyside Renewable Energy Partnership Limited	**	United Kingdom	43.35%****	13 Queens Road, Aberdeen, Scotland, AB15 4YL

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2016

13 SUBSIDIARIES AND OTHER INVESTMENTS (CONTINUED)

Name		Country of incorporation	Ownership interest	Registered office
Joint venture project companies (measured at fair value) (continued)				
Transcend Property Limited	**	United Kingdom	50%	Note 1
Viridor Laing (Greater Manchester) Holdings Limited	**	United Kingdom	50%	Note 1
Viridor Laing (Greater Manchester) Limited	**	United Kingdom	50%	Note 1
Westadium Project Holdco Pty Limited	**	Australia	50%	Note 4
Westadium Project Co Pty Limited	**	Australia	50%	Note 4
Wimpey Laing Iran Limited	**	United Kingdom	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR
Wimpey Laing Limited	**	United Kingdom	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR
Other investments				
City Greenwich Lewisham Rail Link plc	**	United Kingdom	5%	73 Norman Road, Greenwich, London, SE10 9QF
John Laing Environmental Assets Group Limited	**	Guernsey	3.3%	Sarnia House, Le Truchot, St Peter Port, Guernsey GY1 1GR, Channel Islands

* Entities owned directly by the Company

** Entities owned indirectly by the Company

*** 44.7% of share capital and 55.9% of subordinated debt loan

**** 43.35% of share capital and 51% of subordinated debt loan

Notes:

1 The registered office of these companies is: 1 Kingsway, London, WC2B 6AN

2 The registered office of these companies is: 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG

3 The registered office of these companies is: Schiphol Boulevard 253 D-building, Schiphol,1118 BH, The Netherlands

4 The registered office of these companies is: Level 16, 15 Castlereagh Street, Sydney NSW 2000, Australia

5 The registered office of these companies is: Suite 3 Level 14, 219-227 Elizabeth Street, Sydney NSW 2000, Australia

6 The registered office of these companies is: 4th Floor 4 Copthall Avenue, London, EC2R 7DA

7 The registered office of these companies is: Münzstraße 21, 10178 Berlin, Germany

8 The registered office of these companies is: 2711 Centreville Road Suite 400, Wilmington, Delaware 19808, USA

ADDITIONAL FINANCIAL INFORMATION (UNAUDITED)

Re-presented financial statements

INCOME STATEMENT

for the year ended 31 December 2015

	Pro forma IFRS Group Income Statement £ million	Adjustments £ million	**Re-presented income statement £ million**	**Re-presented income statement line items**
Fair value movements – investment portfolio	132.1	–	132.1	Fair value movements – investment portfolio
Fair value movements – other	(6.7)	(0.8)[a]	(7.5)	Fair value movements – other
Investment fees from projects	7.7	–	7.7	
Net gain on investments at fair value through profit or loss	**133.1**	**(0.8)**	**132.3**	
IMS revenue	13.4	–	13.4	IMS revenue
PMS revenue	17.0	–	17.0	PMS revenue
Recoveries on financial close	3.4	–	3.4	Recoveries on financial close
Other income	0.7	(0.7)[a,c]	–	
Other income	**34.5**	**(0.7)**	**33.8**	
Total income	**167.6**	**(1.5)**	**166.1**	
Cost of sales	(0.1)	0.1[c]	–	
Cost of sales	**(0.1)**	**0.1**	**–**	
Third party costs	(6.9)	0.3[c]	(6.6)	Third party costs
Staff costs	(31.8)	(0.7)[a]	(32.5)	Staff costs
General overheads	(11.7)	–	(11.7)	General overheads
Other net costs	(3.4)	(0.2)[c]	(3.6)	Other net costs
Pension and other charges	(1.5)	1.5[b]	–	
Administrative expenses	**(55.3)**	**0.9**	**(54.4)**	
EBIT	112.2	(0.5)	**111.7**	
Finance charges	(11.3)	4.7[a,b]	(6.6)	Finance charges
Pension and other charges	–	(4.2)[b]	(4.2)	Pension and other charges
Finance costs	**(11.3)**	**0.5**	**(10.8)**	
Profit before tax	**100.9**	**–**	**100.9**	

Notes:

[a] Adjustments comprise: £2.0 million interest income reclassified from 'fair value movements – other' to 'finance costs'; £0.7 million cost in respect of the IFRS 2 charge for share-based incentives reclassified from 'fair value movements – other' to 'staff costs'; £0.5 million fee income from project company shown as 'other income' in Group Income Statement reclassified to 'fair value movements – other' in re-presented income statement.

[b] Under IAS 19, the costs of the pension schemes comprise a service cost of £1.5 million, included in administrative expenses in the Group Income Statement, and a finance charge of £2.7 million, included in finance costs in the Group Income Statement. These amounts are combined together under management reporting.

[c] Other small reclassifications: (i) £0.1 million costs shown as 'cost of sales' in the Group Income Statement reclassified to 'other net costs'; (ii) £0.3 million of cost recoveries in 'other income' in the Group Income Statement offset against 'third party costs' in the re-presented income statement; (iii) other net costs of £0.1 million reclassified from 'other income' to 'other net costs'.

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ADDITIONAL FINANCIAL INFORMATION (UNAUDITED) (CONTINUED)

Re-presented financial statements (continued)

BALANCE SHEET

as at 31 December 2015

	IFRS Group Balance Sheet £ million	Adjustments £ million	**Re-presented Balance Sheet £ million**	**Re-presented balance sheet line items**
Non-current assets				
Intangible assets	0.2	(0.2)[c]	**–**	
Plant and equipment	1.0	(1.0)[c]	**–**	
Investments at FVTPL	965.3	(123.9)[a]	**841.4**	Portfolio book value
	–	123.9[b]	**123.9**	Cash collateral balances
	–	0.5[a]	**0.5**	Non-portfolio investments
Deferred tax assets	1.4	(1.4)[c]	**–**	
	–	5.6[c,e]	**5.6**	Other long term assets
	967.9	3.5	**971.4**	
Current assets				
Trade and other receivables	8.3	(8.3)[d]	**–**	
Cash and cash equivalents	1.1	4.4[a]	**5.5**	Cash and cash equivalents
	9.4	(3.9)	**5.5**	
Total assets	977.3	(0.4)	**976.9**	
Current liabilities				
	–	(22.1)[b,d,e]	**(22.1)**	Working capital and other balances
Current tax liabilities	(2.7)	2.7[d]	**–**	
Borrowings	(14.9)	(4.1)[e]	**(19.0)**	Cash borrowings
Trade and other payables	(19.6)	19.6[d]	**–**	
	(37.2)	(3.9)	**(41.1)**	
Liabilities directly associated with assets classified as held for sale	(4.2)	4.2[d]	**–**	
Net current liabilities	(32.0)	(3.6)	**(35.6)**	
Non-current liabilities				
Retirement benefit obligations	(46.2)	7.3[f]	**(38.9)**	Pension deficit (IAS 19)
	–	(7.3)[f]	**(7.3)**	Other retirement benefit obligations
Provisions	(0.1)	0.1[d]	**–**	
	(46.3)	0.1	**(46.2)**	
Total liabilities	(87.7)	0.4	**(87.3)**	
Net assets	889.6	–	**889.6**	

Notes:

[a] Investments at fair value through profit or loss (FVTPL) comprise: portfolio valuation of £841.4 million, non-portfolio investments of £0.5 million and other assets and liabilities within recourse investment entity subsidiaries of £123.4 million (see note 11 to the Group financial statements). Re-presented cash and cash equivalents increased from £1.1 million on the Group Balance Sheet because of the inclusion of available cash balances in recourse group investment subsidiaries of £4.4 million excluding cash collateral balances of £123.9 million.

[b] Other assets and liabilities within recourse investment entity subsidiaries of £123.4 million referred to in note (a) include (i) cash and cash equivalents of £128.3 million, of which £123.9 million is held to collateralise future investment commitments, and (ii) negative working capital and other balances of £4.9 million.

[c] Intangible assets, plant and equipment and deferred tax assets are combined as other long term assets.

[d] Trade and other receivables, current tax liabilities, trade and other payables, liabilities directly associated with assets classified as held for sale and provisions are combined as working capital and other balances.

[e] Borrowings comprise cash borrowings of £19.0 million net of unamortised financing costs of £4.1 million, with the non-current portion of £3.0 million re-presented as other long term assets and the current portion of £1.1 million re-presented as working capital and other balances.

[f] Total retirement benefit obligations are shown in their separate components as per note 18 to the Group financial statements.

DETAILS OF INVESTMENTS IN PROJECT COMPANIES

Details of the Group's investments in project companies as at 31 December 2016 broken down by infrastructure sector are as follows:

					Period of concession or estimated operating life		
Sector	**Company name**	**Project name**	**% owned**	**Description**	**Start date**	**No. of years**	**Equity committed / invested (par value)**
Social Infrastructure							
Health	Alder Hey (Special Purpose Vehicle) Limited	Alder Hey Children's Hospital	40%	Design, build, finance and operate new hospital in Liverpool costing £167 million.	July 2015	30	<£10 million
	SA Health Partnership Nominees Pty Limited	New Royal Adelaide Hospital	17.26%	Design, build, finance and operate new hospital in Adelaide, South Australia costing AUD $1,850 million.	Nov 2011	35	£25 – £50 million
Justice and Emergency Services	Securefuture Wiri Limited	Auckland South Corrections Facility	30%	Design, build, finance and operate a 960 place prison at Wiri, South Auckland, New Zealand costing NZD $270 million.	Sept 2012	28	£10 – £25 million
Defence	Defence Support (St Athan) Limited	DARA Red Dragon	100%	Design, build and finance aircraft maintenance facilities at RAF St. Athan costing £89 million.	Aug 2003	16	<£10 million
Regeneration	Regenter Myatts Field North Limited	Lambeth Housing	50%	Build and refurbish, finance and operate social housing in Lambeth costing £72.6 million.	May 2012	25	<£10 million
Other accommodation	Westadium Project Co Pty Limited	New Perth Stadium	50%	Design, build, finance, maintenance and operation of new Perth Stadium in Western Australia comprising total expenditure of AUD $1.0 billion.	Aug 2014	28	£25 – £50 million
Environmental							
Waste and biomass	INEOS Runcorn (TPS) Limited	Manchester Waste TPS Co	37.43%	Design, build, finance and operate a waste CHP plant in Runcorn costing £233 million.	Apr 2009	25	£10 – £25 million
	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 with construction costing £401 million.	Apr 2009	25	£25 – £50 million
	Speyside Renewable Energy Partnership Limited	Speyside Biomass	43.35%	Design, build, finance and operate a 15 MW biomass CHP plant in Speyside.	Aug 2014	33	£10 – £25 million
	Cramlington Renewable Energy Developments Limited	Cramlington Biomass	44.7%	Design, build, finance and operate a 28 MW biomass CHP plant in Cramlington.	Sept 2015	22	£25 – £50 million
Wind	Rammeldalsberget Vindkraft AB	Rammeldalsberget wind farm	100%	Design, build, finance and operate six 2.5 MW turbines in Sweden	Nov 2014	24	£10 – £25 million
	Glencarbry Windfarm Limited	Glencarbry wind farm	100%	Design, build, finance and operate seven 3.3 MW and five 2.5 MW turbines in Ireland	Jan 2016	26	£10 – £25 million
	Kabeltrasse Morbach GmbH & Co. KG	Horath wind farm	81.82%	Design, build, finance and operate nine 3.3 MW turbines in Germany	Nov 2016	24	£10 – £25 million
	HWF 1 Pty Limited	Hornsdale wind farm (Phase 1)	30%	Design, build, finance and operate 32 turbines to give 100 MW total installed capacity in Australia.	Aug 2015	26	£10 – £25 million
	HWF 2 Pty Limited	Hornsdale wind farm (Phase 2)	20%	Design, build, finance and operate 32 turbines to give 100 MW total installed capacity in Australia.	June 2016	26	<£10 million
	Kiata Wind Farm Pty Limited	Kiata wind farm	72.3%	Design, build, finance and operate a nine turbine 30 MW windfarm in Australia	Nov 2016	26	£10 – £25 million
	Llynfi Afan Renewable Energy Park Limited	Llynfi wind farm	100%	Design, build, finance and operate twelve 2 MW turbines in Wales.	June 2016	26	£10 – £25 million

ADDITIONAL FINANCIAL INFORMATION (UNAUDITED) (CONTINUED)

DETAILS OF INVESTMENTS IN PROJECT COMPANIES (CONTINUED)

					Period of concession or estimated operating life		
Sector	**Company name**	**Project name**	**% owned**	**Description**	**Start date**	**No. of years**	**Equity committed / invested (par value)**
Wind (continued)	Société d'Exploitation du Parc Eolien du Tonnerois	Pasilly wind farm	100%	Design, build, finance and operate ten 2 MW turbines in France.	Dec 2015	26	<£10 million
	Svartvallsberget SPW AB	Svartvallsberget wind farm	100%	Design, build, finance and operate ten 2 MW turbines in Sweden	Mar 2013	26	£10 – £25 million
	Klettwitz Shipkau Nord Beteiligungs GmbH	Klettwitz wind farm	100%	Design, build, finance and operate the re-powering of a windfarm with 27 turbines to give 89 MW total installed capacity in Germany	Oct 2015	25	£25 – £50 million
	AEM Wind LLC	Sterling wind farm	92.5%	Design, build, finance and operate 13 2.3 MW turbines in New Mexico, USA	Oct 2016	31	£10 – £25 million
	Parc Eolien des Courtibeaux SAS	St. Martin wind farm	100%	Design, build, finance and operate five 2.05 MW turbines in France	Nov 2016	27	<£10 million
	Parc Eolien des Tournevents du Cos SAS	Sommette wind farm	100%	Design, build, finance and operate nine 2.4 MW turbines in France	Sept 2016	27	£10 – £25 million
	OWP Nordergründe GmbH & Co. KG	Nordergründe offshore wind farm	30%	Design, build, finance and operate 18 offshore 6.2 MW turbines in the German North Sea	Aug 2016	26	£25 – £50 million
Transport							
Other	CountyRoute (A130) plc	A130	100%	Design, build, finance and operate the A130 bypass linking the A12 and A127 in Essex at a cost of £76 million.	Feb 2000	30	<£10 million
	Gdansk Transport Company SA	A1 Gdansk Poland	29.69%	Design, build, finance and operate the A1 motorway in Poland in two phases at a cost of €651 million for phase 1 and €900 million for phase 2.	Aug 2004	35	£10 – £25 million
	I-4 Mobility Partners Op Co LLC	I-4 Ultimate	50%	Design, build, finance and operate 21 miles of the I-4 Interstate in Florida, US at a cost of USD $2.32 billion.	Sept 2014	40	£10 – £25 million
	I-77 Mobility Partners LLC	I-77 Managed Lanes	10%	Design, build, finance and operate 25.9 miles of the I-77 Interstate in Charlotte, North Carolina, US at a cost of USD $665 million.	May 2015	53	£10 – £25 million
	Severn River Crossing Plc	Severn River Crossing	35%	Design, build, finance and operate a second crossing over the Severn River plus operate and maintain existing crossing. Construction cost approximately £320 million.	Apr 1992	The earlier of 30 years or until a pre-determined level of revenue achieved	£10 – £25 million
	MAK Mecsek Autopalya Koncesszios Zrt.	M6 Hungary	30%	Design, construction, refurbishment, operation, maintenance and financing of 48 km section of M6 expressway and 32 km of M60 expressway at a cost of €886 million.	Apr 2010	27	£10 – £25 million
	Parkway 6 BV	A6 Parkway Netherlands	85%	Design, build, finance, manage and maintain for a 20 year operational period the A6 Almere highway in the greater Amsterdam region.	Nov 2016	23	<£10 million
	A1 Mobil GmbH & Co. KG	A1 Germany	42.5%	Construct and operate the A1 Autobahn between Bremen and Hamburg in Germany at a cost of €417.1 million.	Aug 2008	30	£25 – £50 million
	A-Lanes A15 BV	A15 Netherlands	28%	Design, build, finance and maintain the A15 highway south of Rotterdam (about 40 km) at a construction cost of €727 million.	Dec 2010	25	£10 – £25 million
	City Greenwich Lewisham Rail Link plc	City Greenwich Lewisham (DLR)	5%	Construction and operation of infrastructure on Lewisham extension of the Docklands Light Railway (DLR) at a cost of £205 million.	Oct 1996	25	£10 – £25 million

DETAILS OF INVESTMENTS IN PROJECT COMPANIES (CONTINUED)

					Period of concession or estimated operating life		
Sector	**Company name**	**Project name**	**% owned**	**Description**	**Start date**	**No. of years**	**Equity committed / invested (par value)**
Other (continued)	Aylesbury Vale Parkway Limited	Aylesbury Vale Parkway	50%	Construction and operation of the Aylesbury Vale Parkway Station. Construction cost £15.5 million.	Aug 2007	21	<£10 million
	John Laing Rail Infrastructure Limited	Coleshill Parkway	100%	Construction and operation of the Coleshill Parkway Station. Construction cost £7.1 million.	Mar 2006	21	<£10 million
	Denver Transit Partners LLC	Denver Eagle P3	45%	Design, build, finance, maintenance and operation of passenger rail systems in Denver, Colorado. Construction cost USD $1.27 billion.	Aug 2010	34	£10 – £25 million
	ALTRAC Light Rail Partnership	Sydney Light Rail	32.5%	Design, build, finance, operate and maintain the CBD and South East Light Rail and to operate and maintain the Inner West Light Rail in Sydney, Australia.	Feb 2015	19	£50 – £100 million
	Croydon and Lewisham Lighting Services Limited	Croydon & Lewisham SL	50%	Installation and maintenance of street lighting. Programme cost £74.2 million.	Apr 2011	25	<£10 million
Rolling stock	Agility Trains West Limited	IEP (Phase 1)	24%	Delivery and maintenance of intercity train services on the Great Western Main Line (UK) using a fleet of new Super Express Trains and maintenance facilities. Construction cost £1.8 billion.	May 2012	41	£50 – £100 million
	Agility Trains East Limited	IEP (Phase 2)	30%	Delivery and maintenance of intercity train services on the East Coast Main Line (UK) using a fleet of new Super Express Trains and maintenance facilities. Construction cost £1.6 billion.	Apr 2014	41	£50 – £100 million
	NGR Project Company Pty Limited	New Generation Rollingstock	40%	Provision and maintenance of 75 new six-car trains for Queensland Rail, Australia. Construction cost AUD $1.8 billion.	Jan 2014	32	£10 – £25 million

NOTICE OF ANNUAL GENERAL MEETING

to be held at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS on 11 May 2017 at 11.00 am

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from an independent stockbroker, solicitor, accountant, or other professional adviser.

If you have sold or otherwise transferred all of your ordinary shares in John Laing Group plc, please pass this document together with the accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, so they can pass these documents to the person who now holds the shares.

A form of proxy for the annual general meeting (AGM) is enclosed and should be completed and returned as soon as possible in accordance with the instructions printed on the form of proxy. To be valid, it must reach the Company's registrar, Equiniti, no later than 48 hours before the time of the AGM. Alternatively, you may register your vote online by visiting the registrar's website at www.sharevote.co.uk or, if you already have a portfolio registered with Equiniti, by logging onto www.shareview.co.uk.

In order to register your vote online you will need to enter the Voting I.D., Task I.D. and Shareholder Reference Number which are on the enclosed form of proxy. If you are a member of CREST, the electronic settlement system for UK securities, you may register the appointment of a proxy by using the CREST electronic proxy appointment service. Further details are contained in the notes to the notice of AGM (see pages 137 and 138 of this document) and in the form of proxy. Electronic and CREST proxy voting instructions should also be submitted no later than 11.00am on 9 May 2017. Completion of a form of proxy or the appointment of a proxy electronically will not stop you from attending the AGM and voting in person should you so wish.

CHAIRMAN'S LETTER

NOTICE OF ANNUAL GENERAL MEETING

Dear Shareholder,

I am writing to you with details of the annual general meeting (AGM) of John Laing Group plc (John Laing or the Company) which we are holding at the offices of Freshfields Bruckhaus Deringer, 65 Fleet Street, London EC4Y 1HS on 11 May 2017 at 11.00am. We very much hope that as many shareholders as possible will be able to attend.

Voting on all the proposed resolutions at the AGM will be conducted on a poll rather than on a show of hands. Voting on a poll is more transparent and equitable because it includes a vote in respect of every share held by each shareholder (present and voting in person or by proxy), rather than a single vote for each shareholder or proxy who attends the AGM.

Shareholders of the Company will be asked to consider and, if thought fit, approve resolutions in respect of the following matters:

Ordinary resolutions

The Company's accounts and the reports of the Directors of the Company (the Directors) and the auditor of the Company (the external auditor);

The final dividend for the year ended 31 December 2016;

Re-election of Directors;

Approval of the Directors' remuneration report for the year ended 31 December 2016;

Reappointment of Deloitte LLP as auditor for the ensuing year;

Authority to determine the remuneration of the auditor;

Authority to allot shares; and

Authority to make political donations.

Special resolutions

Waiver of pre-emption rights in certain circumstances;

Authority for the Company to purchase its own shares; and

Approval to reduce the notice period for a general meeting, other than an annual general meeting.

A brief description of these matters is set out below.

Notice of AGM

The formal notice of the AGM is set out on pages 135 to 138 of this document.

Report and accounts and final dividend
(resolutions 1 and 2)

The first resolution at the AGM relates to the receipt and consideration of the Company's accounts and the reports of the Directors and the external auditor for the financial year ended 31 December 2016.

Separately, shareholders will also be asked to approve the payment of a final dividend of 6.3 pence per ordinary share in respect of the year ended 31 December 2016, as recommended by the Directors.

If the recommended final dividend is approved, it is proposed that the dividend will be paid on 19 May 2017 to shareholders on the Company's register of members at the close of business on 21 April 2017 (the record date).

Re-election of Directors
(resolutions 3 to 9)

In accordance with the UK Corporate Governance Code (the Code), all the Directors of the Company being eligible will offer themselves for re-election at the AGM. The re-election of Directors will take effect from the conclusion of the AGM.

Following the evaluation exercise conducted in 2016, as Chairman, I believe that the contribution and performance of each of the Directors continues to be valuable and effective and that it is appropriate for them to continue to serve as Directors of the Company.

In accordance with the Code, the Board has reviewed the independence of its non-executive Directors and has determined that they remain fully independent of management and that there are no relationships or circumstances likely to affect their character or judgement.

Biographical details for each of the Directors offering themselves for re-election are set out in pages 44 to 45 of the Annual Report.

CHAIRMAN'S LETTER (CONTINUED)

Directors' remuneration report
(resolution 10)

The Company believes that the Directors' remuneration report, which may be found on pages 56 to 68 of the Annual Report, demonstrates the link between our remuneration policy and practice, and the Company's strategy and performance.

The Directors' remuneration policy, a summary of which may be found on pages 63 to 68 of the Annual Report, sets out the Company's forward-looking policy on directors' remuneration and describes the components of the executive and non-executive Directors' remuneration.

The Board considers that appropriate executive remuneration plays a vital part in helping to achieve the Company's overall objectives and, accordingly, and in compliance with the relevant legislation, shareholders will be invited to approve the Directors' remuneration report.

The Directors' remuneration report is included in the Annual Report and provides details of the remuneration paid to the Directors during the year ended 31 December 2016, including share awards. Shareholders are invited to approve the Directors' remuneration report under resolution 10. This vote is advisory in nature in that payments made or promised to Directors will not have to be repaid, reduced or withheld in the event that the resolution is not passed. This vote will be in respect of the content of the Directors' remuneration report and not specific to any Director's level or terms of remuneration.

The Company is required to seek shareholder approval of the Directors' remuneration policy every three years, except in the event that a change to the policy is proposed or the advisory vote on the Directors' remuneration report is not passed at the preceding AGM. The Directors' remuneration policy was approved at the 2016 AGM and there have been no changes since it was approved. It is expected that a resolution approving the Directors' remuneration policy will next be put to shareholders at the 2019 AGM.

External Auditor
(resolutions 11 and 12)

In the second half of 2016 the Company undertook an audit tender which resulted in Deloitte LLP being selected to continue as the Company's external auditor. Resolutions will be proposed to reappoint Deloitte LLP as external auditor until the conclusion of the AGM in 2018 and to authorise the Directors to determine their remuneration.

Directors' authority to allot shares
(resolution 13)

Further to the provisions of section 551 of the Companies Act 2006 (the Act), shareholders will be asked to grant the Board the authority to allot shares, grant rights to subscribe for shares, or convert any security into shares in the Company (the new authority). The new authority would be valid until the close of the AGM in 2018 or, if earlier, the close of business on 11 August 2018.

If passed, the new authority would be limited to an aggregate nominal value of £12,230,769.20, or 122,307,692 ordinary shares, (representing approximately 33.3% of the Company's issued ordinary share capital as at 6 March 2017 being the latest practicable date prior to the publication of this notice) save that, if the new authority were used in connection with a rights issue, it would be limited to an aggregate nominal value of £24,461,538.40 ordinary shares, or 244,615,384 ordinary shares, (representing approximately 66.6% of the Company's issued share capital as at 6 March 2017).

In each case the number of shares to which the new authority applies is in addition to those committed to employee share plans. At the date this document was approved by the Board, the Directors had no intention to exercise this authority, although they considered its grant to be appropriate in order to preserve maximum flexibility for the future. The Directors intend to seek the approval of shareholders to renew this authority annually.

Political donations
(resolution 14)

The Act restricts companies from making donations to political parties, other political organisations or independent election candidates and from incurring political expenditure, in each case without shareholders' consent. It is not proposed or intended to alter the Company's policy of not making such donations or incurring such expenditure. However, the Act contains some potentially broad definitions and it may be that some of the activities of the Company and its subsidiaries fall within these definitions and, without the necessary authorisation, this could inhibit the Company's ability to communicate its views effectively to political audiences and to relevant interest groups. Accordingly, the Company believes that the authority contained in this resolution is necessary to allow it and its subsidiaries to fund activities which it is in the interests of shareholders that the John Laing group of companies should support. Such authority will enable the Company and its subsidiaries to be sure that they do not unintentionally commit a technical breach of the Act. Any expenditure which may be incurred under authority of this resolution will be disclosed in next year's Annual Report. It is the Company's intention to seek renewal of this resolution on an annual basis.

Waiver of pre-emption rights
(resolutions 15 and 16)

Under section 561(1) of the Act, if the Directors wish to allot ordinary shares, or grant rights to subscribe for, or convert securities into, ordinary shares, or sell treasury shares for cash (other than pursuant to an employee share scheme) they must in the first instance offer them to existing shareholders in proportion to their holdings. There may be occasions, however, when the Directors need the flexibility to finance business opportunities by the issue of shares without a pre-emptive offer to existing shareholders. This cannot be done under the Act unless the shareholders have first waived their pre-emption rights, so two resolutions will be proposed to waive these statutory pre-emption provisions for a period ending at the close of the AGM in 2018 or, if earlier, at the close of business on 11 August 2018.

In line with the Pre-Emption Group's Statement of Principles, the first resolution will allow the Board to issue equity securities for cash consideration either on a non-pre-emptive basis: (i) by way of a rights or other pre-emptive issue in order to allow the Directors to make appropriate exclusions and other arrangements to resolve legal or practical problems which might, for example, arise in relation to overseas shareholders; or (ii) by way of a non-pre-emptive issue, in the latter case limited to an aggregate nominal value of £1,834,615.30, or a total of 18,346,153 ordinary shares, representing approximately 5% of the Company's issued share capital as at 6 March 2017. The second resolution will permit the Board to issue equity securities representing a further 18,346,153 ordinary shares or 5% of the Company's issued share capital to be used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights in March 2015. Both of these resolutions are conditional on resolution 13 being passed.

At the date this document was approved by the Board, the Directors had no intention to exercise these authorities, although they considered their grants to be appropriate in order to preserve maximum flexibility for the future. The Directors intend to seek the approval of shareholders to renew these authorities annually.

Authority to purchase own shares
(resolution 17)

Shareholders will be asked to authorise the market purchase by John Laing of a proportion of its issued ordinary share capital, subject to the limits referred to below.

The Directors consider it prudent to be able to act at short notice if circumstances warrant. In considering the purchase of ordinary shares, the Directors will follow the procedures laid down in the Act and will take into account cash resources, capital requirements and the effect of any purchase on gearing levels and on NAV and earnings per share. They will only consider exercising the authority when satisfied that it would be in the best interests of the Company and its shareholders as a whole to do so, having first considered any other investment opportunities open to the Company.

Any purchase by the Company of its own shares pursuant to this authority will be paid for out of distributable profits. Any shares which are repurchased will be dealt with in accordance with section 724 of the Act. The Company is entitled to hold the shares as treasury shares, sell them for cash, cancel them or transfer them pursuant to an employee share plan. The authority, which will expire at the close of the AGM in 2018 or, if earlier, at the close of business on 11 November 2018, will be limited to the purchase of 36,692,307 ordinary shares, representing approximately 10% of John Laing's issued ordinary share capital as at 6 March 2017. The maximum price (excluding expenses) to be paid per ordinary share on any occasion will be restricted to the higher of (i) 105% of the average of the middle market quotations of an ordinary share of the Company derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased and (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current bid for an ordinary share as derived from the London Stock Exchange Trading System. The minimum price will be 10p per ordinary share, which is the nominal value of the shares.

Shareholders should understand that the maximum number of shares and the price range are stated merely for the purposes of compliance with statutory requirements in seeking this authority and should not be taken as any indication of the terms upon which the Company intends to make such purchases. At the date this document was approved by the Board, the Directors had no intention to exercise this authority.

Any purchases of ordinary shares would be by means of market purchases through the London Stock Exchange. Any shares purchased under this authority may either be cancelled or held as treasury shares. Treasury shares may subsequently be cancelled, sold for cash or used to satisfy options issued to employees pursuant to the Company's employee share schemes.

The Company's issued share capital as at 6 March 2017 (the latest practicable date prior to the publication of this document) was 366,923,076 ordinary shares of 10p each. The total number of awards over ordinary shares which were outstanding as at 6 March 2017 was approximately 3,858,769 which represents approximately 1.07% of the issued share capital of the Company at that date. If the maximum number of 36,692,307 shares were to be purchased by the Company (under resolution 16), the adjusted issued share capital would be 330,230,769 and the awards outstanding would represent approximately 1.19% of the adjusted issued share capital.

CHAIRMAN'S LETTER (CONTINUED)

Notice of general meetings
(resolution 18)

The Act sets the notice period required for general meetings of the Company at 21 days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. This resolution seeks such approval. It is intended that the shorter notice period would not be used as a matter of routine for such meetings but only where the flexibility is merited by the business of the meeting and is thought to be in the interests of shareholders as a whole. The Company undertakes to meet the requirements for electronic voting in the Act before calling a general meeting on 14 clear days' notice. If given, the approval will be effective until the Company's next AGM, when it is intended that a renewal of the approval will be proposed.

Annual General Meeting

The resolutions referred to in this letter are included in the notice of AGM set out on page 135 of this document. The AGM is to be held at the offices of Freshfields Bruckhaus Deringer, 65 Fleet Street, London EC4Y 1HS at 11.00am on 11 May 2017. If you are unable to attend the AGM, please complete and return the enclosed form of proxy in the prepaid envelope provided so as to reach the Company's registrar, Equiniti, not less than 48 hours before the time of the AGM. Alternatively, you may register your vote online by visiting the registrar's website at www.sharevote.co.uk or, if you already have a portfolio registered with Equiniti, by logging onto www.shareview.co.uk. In order to register your vote online you will need to enter the Voting I.D., Task I.D. and Shareholder Reference Number which are on the enclosed form of proxy. If you are a member of CREST, you may register the appointment of a proxy by using the CREST electronic proxy appointment service.

Further details are contained in the notes to the notice of AGM and in the form of proxy.

Completion of a form of proxy or the appointment of a proxy electronically, will not stop you from attending the AGM and voting in person should you so wish. If you are unable to attend the AGM but would like to ask a question, please e-mail carolyn.cattermole@laing.com.

Recommendation

The Directors consider that all the resolutions to be put to the AGM are in the best interests of the Company and its shareholders as a whole and are most likely to promote the success of the Company. Your Board will be voting in favour of all the proposed resolutions and unanimously recommends that you do so as well.

Yours sincerely,

Phil Nolan
CHAIRMAN

Registered Office:
1 Kingsway
London WC2B 6AN
United Kingdom

John Laing Group plc
Registered in England and Wales No. 05975300

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS on 11 May 2017 at 11.00am. You will be asked to consider and vote on the resolutions below. Resolutions 15 to 18 (inclusive) will be proposed as special resolutions and will be passed if at least three-quarters of the votes cast (in person or by proxy) are in favour. All other resolutions will be proposed as ordinary resolutions and will be passed if a majority of the votes cast (in person or by proxy) are in favour.

ORDINARY RESOLUTIONS

To consider and, if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive and consider the audited accounts of the Company for the year ended 31 December 2016 and the report of the Directors and auditor thereon.
2. To declare a final dividend of 6.3 pence per ordinary share for the year ended 31 December 2016 recommended by the Directors.
3. To re-elect Phil Nolan as Director of the Company with effect from the end of the AGM.
4. To re-elect Olivier Brousse as Director of the Company with effect from the end of the AGM.
5. To re-elect Patrick O'Donnell Bourke as Director of the Company with effect from the end of the AGM.
6. To re-elect David Rough as Director of the Company with effect from the end of the AGM.
7. To re-elect Jeremy Beeton as Director of the Company with effect from the end of the AGM.
8. To re-elect Toby Hiscock as Director of the Company with effect from the end of the AGM.
9. To re-elect Anne Wade as Director of the Company with effect from the end of the AGM.
10. To receive and approve the Directors' Remuneration Report contained within the Annual Report for the year ended 31 December 2016, in accordance with section 439 of the Companies Act 2006 (the Act).
11. To re-appoint Deloitte LLP as the Company's auditor to hold office until the conclusion of the next general meeting of the Company at which accounts are laid.
12. To authorise the Directors to agree the auditor's remuneration.
13. THAT, pursuant to section 551 of the Act, the Board be authorised to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company:

    (i) up to an aggregate nominal amount of £12,230,769.20; and

    (ii) comprising equity securities, as defined in section 560 of the Act, up to an aggregate nominal amount of £24,461,538.40 (including within such limit any shares or rights issued or granted under (i) above) in connection with an offer by way of a rights issue:

    (A) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

    (B) to people who are holders of other equity securities if this is required by the rights of those securities or, if the Board considers it necessary, as permitted by the rights of those securities;

    and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authorities to expire (unless previously reviewed, varied or revoked by the Company in general meeting) at the close of the AGM in 2018 (or, if earlier, at the close of business on 11 August 2018) provided that, in each case, the Company may make offers and enter into agreements during the relevant period which would, or might, require shares in the Company to be allotted or rights to subscribe for, or convert any security into, shares to be granted, after the authority expires and the Board may allot shares in the Company and grant rights under any such offer or agreement as if the authority had not expired.
14. THAT the Company and all companies that are its subsidiaries, at any time up to the end of the AGM in 2018, be authorised, in aggregate, to:

    (i) make political donations to political parties and/or independent election candidates not exceeding £50,000 in total;

    (ii) make political donations to political organisations other than political parties not exceeding £100,000 in total; and

    (iii) incur political expenditure not exceeding £50,000 in total.

    For the purposes of this authority the terms "political donation", "political parties", "independent election candidates", "political organisation" and "political expenditure" have the meanings given by sections 363 to 365 of the Act.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

SPECIAL RESOLUTIONS

15. To consider and, if thought fit, to pass the following resolutions which will be proposed as special resolutions: THAT, subject to resolution 13 being passed, the Board be authorised, pursuant to section 570 of the Act, to allot equity securities (as defined in the Act) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561(1) of the Act did not apply to any such allotment or sale, such authority to be limited:

(i) to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under resolution 13(a)(ii), by way of a rights issue only):

(A) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(B) to people who are holders of other equity securities, if this is required by the rights of those securities or, if the Board considers it necessary, as permitted by the rights of those securities;

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

(ii) to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (i) above) up to a nominal amount of £1,834,615, being approximately 5 per cent of the issued ordinary share capital of the Company as at 6 March 2017.

such authority to expire at the end of the next AGM of the Company (or, if earlier, at the close of business on 11 August 2018) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

16. THAT if resolution 13 is passed, the Board be authorised, pursuant to section 570 and section 573 of the Act, and in addition to any authority granted under resolution 15, to allot equity securities (as defined in the Act) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such authority to be:

(i) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £1,834,615, being approximately 5 per cent of the issued ordinary share capital of the Company as at 6 March 2017; and

(ii) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board of the Company determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

such authority to expire at the end of the next AGM of the Company (or, if earlier, at the close of business on 11 August 2018) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

17. THAT the Company is hereby generally and unconditionally authorised in accordance with section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 10p each in the capital of the Company provided that: (i) the maximum number of ordinary shares hereby authorised to be purchased is 36,692,307; (ii) the minimum price (exclusive of expenses) which may be paid for an ordinary share is 10p per share; (iii) the maximum price (exclusive of expenses) which may be paid for an ordinary share is, in respect of an ordinary share contracted to be purchased on any day, the higher of (a) an amount equal to 105% of the average of the middle market quotations of an ordinary share of the Company derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased and (b) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System; (iv) the authority hereby conferred shall expire at the close of the AGM in 2018 (or, if earlier, at the close of business on 11 November 2018); and (v) during the relevant period the Company may make a contract to purchase ordinary shares under this authority prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract as if the authority had not expired.

18. THAT a general meeting of the Company, other than an annual general meeting, may be called on not less than 14 clear days' notice.

By order of the Board

Carolyn Cattermole
COMPANY SECRETARY
6 March 2017

Registered Office:
1 Kingsway
London WC2B 6AN
United Kingdom

John Laing Group plc
Registered in England and Wales No. 05975300

Notes

1. The right to attend and vote at the AGM is determined by reference to the Company's register of members. Only a member entered in the register of members at 6.30p.m. on 9 May 2017 (or, if this AGM is adjourned, in the register of members at 6.30p.m. two business days before the time of any adjourned meeting) is entitled to attend and vote at the AGM and a member may vote in respect of the number of ordinary shares registered in the member's name at that time. Changes to the entries in the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the AGM.

2. Any shareholder or nominee shareholder may appoint one or more persons (whether shareholders of the Company or not) to act as his/her proxy or proxies to attend, speak and vote instead of him/her. The form of proxy for use at the AGM must be deposited, together with any power of attorney or authority under which it is signed, at Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, not less than 48 hours before the time appointed for the AGM or any adjournment thereof. An appropriate form of proxy is enclosed. Alternatively, you may register your vote online by visiting www.sharevote.co.uk or, if you already have a portfolio registered with Equiniti, by logging onto www.shareview.co.uk. In order to register your vote online you will need to enter the Voting I.D., Task I.D. and Shareholder Reference Number which are on the enclosed form of proxy.

3. CREST members who wish to appoint a proxy or proxies, or amend an instruction to a previously appointed proxy, through the CREST electronic proxy appointment service may do so for the AGM to be held at 11.00am on 11 May 2017 and any adjournment(s) thereof, by using the procedures described in the CREST manual (available via www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual. The message, regardless of whether it relates to the appointment of a proxy or to an instruction to a previously appointed proxy, must be transmitted so as to be received by the issuer's agent (ID: RA19) by no later than 11.00am on 9 May 2017. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

   CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

4. Completion of a form of proxy, or the appointment of a proxy electronically, will not stop you from attending the AGM and voting in person should you so wish.

   Shareholders may change proxy instructions by submitting a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

   Shareholders may revoke a proxy instruction delivered pursuant to note 2, but to do so must inform the Company in writing by sending a signed hard copy notice clearly stating their intention to revoke the proxy appointment to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the Company no later than the cut-off time (48 hours before the time appointed for the AGM) set out above. If a shareholder attempts to revoke his or her proxy appointment but the revocation is received after the time specified, such shareholder's original proxy appointment will remain valid unless the shareholder attends the AGM and votes in person.

   The 2017 AGM will be held at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS on 11 May 2017 at 11.00am.

   In the case of joint holders, where more than one of the joint holders completes a proxy appointment, only the appointment submitted by the most senior holder will be accepted. For this purpose seniority is determined by the order in which the names of the joint holders appear in the Company's register of members (the first-named being the most senior).

5. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all of its powers as a shareholder, provided that no more than one corporate representative exercises powers over the same share.

6. Any person to whom this notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

   The statement of the rights of shareholders in relation to the appointment of proxies in paragraph 2 above does not apply to Nominated Persons. The rights described in that paragraph can only be exercised by shareholders of the Company.

7. As at 6 March 2017 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital consisted of 366,923,076 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 6 March 2017 are 366,923,076 votes.

8. Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish a statement on a website setting out any matter relating to:

   - the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or
   - any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid.

   The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Act to publish on a website.

9. Any shareholder, proxy or corporate representative attending the AGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if:

   - to do so would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information;
   - the answer has already been given on a website in the form of an answer to a question; or
   - it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

10. The following documents will be available for inspection during normal business hours on any business day at the Company's registered office and will also be available during the AGM and for 15 minutes beforehand:

    - copies of the Directors' service contracts with, or letters of appointment by, the Company; and
    - the articles of association of the Company.

11. A copy of this notice, and other information required by section 311A of the Act, can be found at www.laing.com.

12. You may not use any electronic address provided either in this notice or any related documents (including the form of proxy) to communicate with the Company for any purpose other than those expressly stated.

    The results of the voting at the AGM will be announced through a Regulatory Information Service and will appear on the Company's website (www.laing.com/investor-relations/regulatory-news.html) as soon as possible following the AGM.

SHAREHOLDER INFORMATION

FINANCIAL DIARY

20 April 2017	Ex-dividend date for final dividend
21 April 2017	Record date for final dividend
11 May 2017	Annual General Meeting
19 May 2017	Payment of final dividend
August 2017	Announcement of half year results
October 2017	Interim dividend expected to be paid

REGISTERED OFFICE AND ADVISERS

Secretary and Registered Office
C Cattermole
1 Kingsway
London WC2B 6AN
Registered No: 05975300

AUDITOR

Deloitte LLP
2 New Street Square
London EC4A 3BZ

SOLICITORS

Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HS

PRINCIPAL GROUP BANKS

Barclays Bank PLC
1 Churchill Place
London E14 5HP

HSBC Bank plc
60 Queen Victoria Street
London EC4N 4TR

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

The Bank of Tokyo-Mitsubishi UFJ, Limited
Ropemaker Place
25 Ropemaker Street
London EC2Y 9AN

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

Crédit Agricole Corporate and Investment Bank
Broadwalk House
5 Appold Street
London EC2A 2DA

JOINT STOCKBROKERS

Barclays Bank PLC
5 The North Colonnade
London E14 4BB

HSBC Bank plc
8 Canada Square
London E14 5HQ

INDEPENDENT VALUERS

KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL

REGISTRARS

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Please contact the Registrars at the address above to advise of a change of address or for any enquiries relating to dividend payments, lost share certificates or other share registration matters. The Registrars provide on-line facilities at www.shareview.co.uk. Once you have registered you will be able to access information on your John Laing Group plc shareholding, update your personal details and amend your dividend payment instructions on-line without having to call or write to the Registrars.

REGISTRARS QUERIES

Information on how to manage your shareholdings can be found at https://help.shareview.co.uk. The pages at this web address provide answers to commonly asked questions regarding shareholder registration, links to downloadable forms and guidance notes.

If your question is not answered by the information provided, you can send your enquiry via secure email from the pages at https://help.shareview.co.uk. You will be asked to complete a structured form and to provide your Shareholder Reference, name and address. You will also need to provide your email address if this is how you would like to receive your response.

Alternatively you can telephone: 0371 384 2030. Lines are open 8.30am to 5.30pm Monday to Friday.

Calls from overseas: +44 121 415 7047.

COMPANY WEBSITE

The Company's website at www.laing.com contains the latest information for shareholders, including press releases and an updated financial diary. Email alerts of the latest news, press releases and financial reports about John Laing Group plc may be obtained by registering for the email news alert service on the website.

SHARE PRICE INFORMATION

The latest price of the Company's ordinary shares is available on www.laing.com. Alternatively click on www.londonstockexchange.com. John Laing's ticker symbol is JLG. John Laing is classified in the Speciality Finance Sector of Financial Services on The London Stock Exchange. It is recommended that you consult your financial adviser and verify information obtained from these services before making any investment decision.

DIVIDENDS

Shareholders who wish to have their dividends paid directly into a bank or building society account should contact the Registrars.

SHARE DEALING SERVICES

The Registrars offer a real-time telephone and internet dealing service for the UK. Further details including terms and rates can be obtained by logging on to the website at www.shareview.co.uk/dealing or by calling 0345 603 7037. Lines are open between 8am and 4.30pm, Monday to Friday.

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Further copies of this Annual Report & Accounts
are available by visiting the Company's
website or at the address below

www.laing.com

John Laing Group plc

Registered Office:
1 Kingsway
London
WC2B 6AN
United Kingdom

Registered No. 05975300

Tel: +44 (0)20 7901 3200

2015

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT 213

Front Range
Mobility Group

2015

JOHN LAING GROUP PLC

Year end exchange rates	1.4833

Group Income Statement

for the year ended 31 December 2016

	Year ended 31 December 2015 Pro forma
	USD million
Continuing operations	
Net gain on investments at fair value through profit or loss	197.4
Other income	51.2
Operating income	248.6
Cost of sales	(0.1)
Gross profit	248.5
Administrative expenses	(82.0)
Profit from operations	166.4
Finance costs	(16.8)
Profit before tax	149.7
Tax charge	(3.1)
Profit from continuing operations	146.6
Discontinued operations	
Profit from discontinued operations (after tax)	8.5
Profit for the year attributable to the Shareholders of the Company	155.1

Group Balance Sheet

as at 31 December 2016

	31 December 2015
	Statutory
	USD million
Non-current assets	
Intangible assets	0.3
Plant and equipment	1.5
Investments at fair value through profit or loss	1,431.8
Deferred tax assets	2.1
	1,435.7
Current assets	
Trade and other receivables	12.3
Cash and cash equivalents	1.6
	13.9
Assets classified as held for sale	-
Total assets	1,449.6
Current liabilities	
Current tax liabilities	(4.0)
Borrowings	(22.1)
Trade and other payables	(29.1)
	(55.2)
Liabilities directly associated with assets classified as held for sale	(6.2)
Net current liabilities	(47.5)
Non-current liabilities	
Retirement benefit obligations	(68.5)
Provisions	(0.1)
	(68.7)
Total liabilities	(130.1)
Net assets	1,319.5
Equity	
Share capital	54.4
Share premium	323.4
Other reserves	1.0
Retained earnings	940.7
Equity attributable to the Shareholders of the Company	1,319.5

Group Cash Flow Statement

for the year ended 31 December 2016

	Year ended 31 December 2015 Pro forma
	USD million
Net cash outflow from operating activities	(104.6)
Investing activities	
Net cash transferred to investments held at fair value through profit or loss	(80.1)
Cash acquired on acquisition of subsidiaries	-
Purchase of plant and equipment	(0.9)
Net cash used in investing activities	(81.0)
Financing activities	
Dividends paid	(8.8)
Finance costs paid	(20.3)
Proceeds from borrowings	74.2
Repayment of borrowings	(46.0)
Proceeds on issue of share capital	185.0
Net cash from financing activities	184.1
Net increase/(decrease) in cash and cash equivalents	(1.5)
Cash and cash equivalents at beginning of the year	3.3
Effect of foreign exchange rate changes	(0.1)
Cash and cash equivalents at end of year	1.6

John laing

making infrastructure happen

JOHN LAING GROUP PLC

2015 Annual Report & Accounts

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Infrastructure can be defined as the physical assets and systems that support a country or community.

Infrastructure assets typically support services such as transportation, utilities and communications and also cater to social needs such as housing, health and education.

PPP projects typically have the following features:

- A consortium enters into a long-term concession contract with a public sector body to design, build, finance and operate/maintain an infrastructure asset in accordance with agreed service standards.
- The infrastructure asset usually reverts back to the public sector body at the end of the concession.

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

John laing
making infrastructure happen

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

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

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

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

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

- Since making our first infrastructure investment in 1969, we have committed to invest in 117 projects.
- As at 31 December 2015, we held a portfolio of 39 investments in infrastructure projects in 11 countries with a book value of £825 million, plus a shareholding in JLEN (a listed environmental asset investment fund) valued at £16 million, making an overall investment portfolio of £841 million.

We aim to deliver predictable returns and to actively manage and reduce risk across our Primary and Secondary Investment portfolios.

KEY PERFORMANCE INDICATORS (KPIs) AND HIGHLIGHTS

KPIs

£ million (unless otherwise stated)	2015	2014
IFRS pro forma financial information[1]		
Net asset value (NAV)	**889.6**	771.1[2]
NAV per share	**242p**	210p[3]
Profit before tax[4]	**106.6**	120.4
Earnings per share (EPS)[5]	**27.6p**	40.2p
Total dividend per share	**6.9p**	N/A
IFRS statutory financial information		
Net asset value (NAV)	**889.6**	–
Profit before tax	**103.2**	–
Portfolio valuation	**841.4**	772.0
Cash yield from investments	**38.9**	24.3
New investment committed	**180.5**	217.2[6]
External Assets under Management (AuM)[7]	**1,135.6**	1,019.9

HIGHLIGHTS

- Successful listing on the London Stock Exchange in February 2015, raising net proceeds of £121.3 million
- 15.4% increase in Net Asset Value (NAV), from £771.1 million[2] at 31 December 2014 to £889.6 million
- NAV per share at 31 December 2015 of 242p (2014 – 210p pro forma[3])
- New investment commitments of £180.5 million versus an annual average of £135 million over the previous four years
- Realisations of £86.3 million from the sale of investments
- Profit before tax (pro forma) of £106.6 million compared to £120.4 million in 2014[4]
- 11% increase in external Assets under Management (AuM) to £1,136 million[7]
- Cash yield from investment portfolio of £38.9 million (2014 – £24.3 million)
- Continuing international growth with investment commitments in seven different countries: Australia, France, Germany, Ireland, Sweden, the UK and the US
- Final dividend of 5.3p per share in line with policy (including a special dividend of 2.1p per share)

[1] Pro forma financial information prepared on the basis described on page 26 in the Financial Review section.

[2] NAV reported at 31 December 2014 of £649.8 million increased by net IPO proceeds of £121.3 million (comprising gross proceeds of £130.5 million less costs of £9.2 million, of which £5.8 million has been offset against share premium and £3.4 million expensed in the Group Income Statement).

[3] Based on adjusted NAV (see note 2 above) and number of shares in issue of 366.92 million.

[4] Profit before tax from continuing operations of £100.9 million (2014 – £120.4 million) and from discontinued operations of £5.7 million (2014 – £nil).

[5] Basic EPS from continuing operations (see note 4 to the Group financial statements).

[6] Includes £62.7 million commitment in 2014 to the East West Link project, Melbourne, subsequently cancelled.

[7] External AuM based on published portfolio values of JLIF and JLEN at 30 September 2015.

OUR BUSINESS MODEL

Our business, which integrates origination, investment and asset management capabilities, is organised across three key areas of activity:

- **Primary Investment:** we source, originate, bid for and win greenfield infrastructure projects, typically as part of a consortium in the case of PPP projects. Our Primary Investment portfolio comprises interests in infrastructure projects which have recently reached financial close, and/or are in the construction phase.
- **Secondary Investment:** we own a substantial portfolio of investments in operational infrastructure projects, almost all of which were previously part of our Primary Investment portfolio.
- **Asset Management:** we actively manage our own Primary and Secondary Investment portfolios and provide investment advice and asset management services to the external funds John Laing Infrastructure Fund (JLIF) and John Laing Environmental Assets Group (JLEN) through our FCA-regulated subsidiary, John Laing Capital Management Limited (JLCM), as well as in respect of a small number of PPP assets held by John Laing Pension Fund (JLPF).

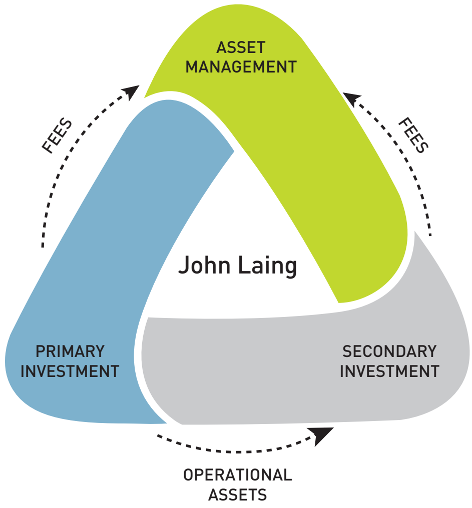
We create value by originating and investing in new greenfield infrastructure investments...

which, post-construction, aim to produce long-term predictable cash flows that meet our rate of return targets.

Once operational, these investments move from our Primary Investment portfolio to our Secondary Investment portfolio where they can be sold to secondary market investors targeting a lower rate of return consistent with the reduction in risk. Realisations release capital to recycle into primary investment opportunities.

Investments that are retained in the portfolio after construction generate a cash yield and offer potential for value enhancement from changes that improve project cashflow.

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



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

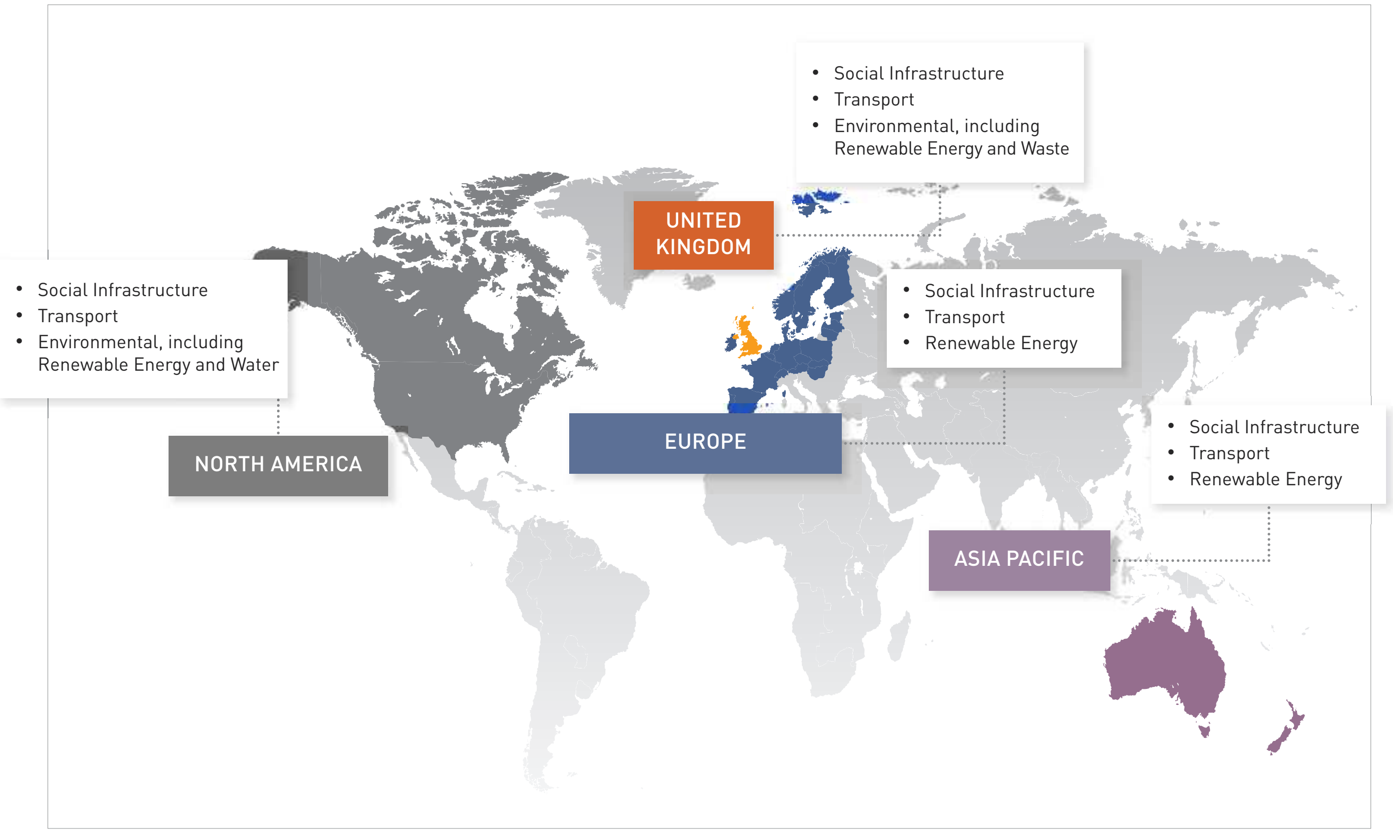
OUR SECTORS

Our activities are focused on the following infrastructure sectors:

Transport	Environmental	Social
Rail (including rolling stock), roads, street lighting, and highways maintenance	Renewable energy (including wind power, solar power and biomass), water treatment and waste management	Healthcare, education, justice, public sector accommodation and social housing

OUR INTERNATIONAL REACH

John Laing has a well-established presence in each of its chosen overseas markets: Asia Pacific, North America and Europe, including the UK.



UNITED KINGDOM

- Social Infrastructure
- Transport
- Environmental, including Renewable Energy and Waste

NORTH AMERICA

- Social Infrastructure
- Transport
- Environmental, including Renewable Energy and Water

EUROPE

- Social Infrastructure
- Transport
- Renewable Energy

ASIA PACIFIC

- Social Infrastructure
- Transport
- Renewable Energy

OUR PORTFOLIO (As at 31 December 2015)

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

		PRIMARY INVESTMENT	SECONDARY INVESTMENT
SOCIAL INFRASTRUCTURE	Health	New Royal Adelaide Hospital 17.26%	Alder Hey Children's Hospital 40%
	Justice and Emergency Services		British Transport Police 54.17% Auckland South Corrections Facility 30%
	Defence		DARA Red Dragon 100%
	Regeneration	Lambeth Housing 50%	Oldham Housing 95%
	Other Accommodation	Hastings Property Development 50% New Perth Stadium 50%	
TRANSPORT	Roads	A15 Netherlands 28% I-4 Ultimate 50% 🟦 I-77 Managed Lanes 10%	A1 Germany 42.5% A1 Gdansk Poland 29.69% Severn River Crossing 35% M6 Hungary 30% A55 100% A130 100%
	Rail	IEP (Phase 1) 24% IEP (Phase 2) 30% Denver Eagle P3 45% New Generation Rollingstock 40% 🟦 Sydney Light Rail 32.5%	Coleshill Parkway 100% Aylesbury Vale Parkway 50% City Greenwich Lewisham (DLR) 5%
	Street Lighting	Croydon & Lewisham SL 50%	
ENVIRONMENTAL	Waste		Manchester Waste VL Co 50% Manchester Waste TPS Co 37.43%
	Renewable Energy	Speyside Biomass 51% New Albion Wind Farm 100% 🟦 Rammeldalsberget Wind Farm 100% 🟦 Glencarbry Wind Farm 100% 🟦 Hornsdale Wind Farm 30% 🟦 Cramlington Biomass 44.7% 🟦 Pasilly Wind Farm 100%	Svartvallsberget Wind Farm 100% Dungavel Wind Farm 100% 🟦 Klettwitz Wind Farm 100%

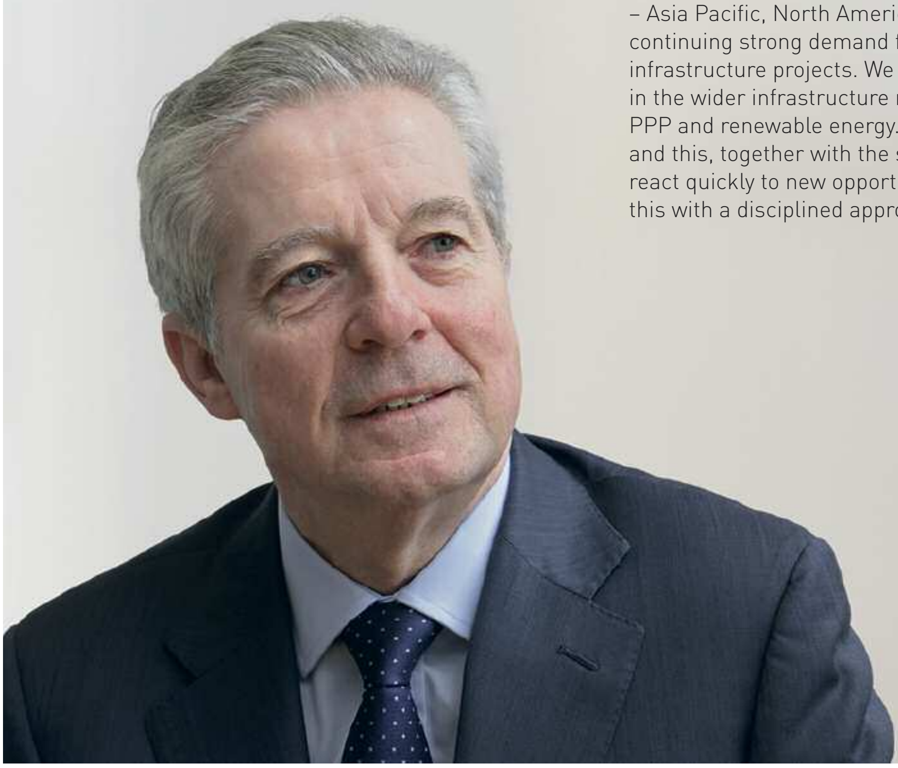
⬜ Investment commitment pre 2015
🟦 Investment commitment in 2015

CHAIRMAN'S STATEMENT

"Looking forward, we have confidence in the robustness of our business model and the deliverability of our strategy."

Phil Nolan
CHAIRMAN

2015 was a very significant year for John Laing. In February, we returned to the London stock market through a successful IPO in which we raised £121 million (net of costs) in primary proceeds for John Laing Group plc (the Company).



Our shares are now held by a wide range of shareholders, principally institutional, all of whom we welcome to John Laing. As well as bringing new funds and new shareholders, the IPO has increased our visibility with key partners and stakeholders.

At the business level, I am pleased to report a strong performance in 2015. Our priorities were our investment commitments; enhancing our investment portfolio; and maintaining a strong pipeline of future opportunities in each of our core markets:

- Net Asset Value (NAV) grew by 15.4% to £889.6 million or 242p per share at 31 December 2015, from £771.1 million (adjusted pro forma) or 210p per share (adjusted pro forma) at 31 December 2014;
- Investment commitments reached £180.5 million, well ahead of our annual average of £135 million over the previous four years;
- Realisations of investments were £86.3 million, short of our guidance for 2015 of approximately £100 million because we decided to seek better terms on a particular PPP transaction (subsequently agreed in February 2016);
- Our total external Assets under Management grew to £1,136 million, an increase of 11%; and
- We are proposing a final dividend for 2015 of 5.3p per share made up of a base dividend of 3.2p per share and a special dividend of 2.1p per share.

Our business is now well established as both a renewable energy and a PPP investor and, in addition, is becoming increasingly international. We operate in three selected geographical markets – Asia Pacific, North America and Europe – and in each we see continuing strong demand for new privately-financed infrastructure projects. We are also looking at opportunities in the wider infrastructure market in sectors closely linked to PPP and renewable energy. The model we operate is flexible and this, together with the skillset of our teams, enables us to react quickly to new opportunities as they arise. We combine this with a disciplined approach to risk analysis.

In our IPO in February 2015, new shareholders subscribed for 37.4% of the Company's shares. Following a lock-up which expired at the end of September 2015, the balance of the shares (62.6%) was distributed directly by Henderson Equity Partners (Henderson) to more than 20 underlying fund investors. On 1 October 2015, in conjunction with this distribution, Priscilla Davies and Guy Pigache stood down as non-executive directors. In addition, the agreement put in place to govern the relationship post IPO between Henderson and the Company came to an end. I want to take this opportunity to thank Priscilla and Guy for their very strong contribution to John Laing over a number of years.

No other Board changes have taken place since the IPO and the Board complied with all applicable provisions of the UK Corporate Governance Code (the Code) in the year under review. Our new non-executive Directors have rapidly come to grips with the challenges and opportunities of our business and I believe we have a good mix of experience and background at Board level and within the senior management team. As well as regular Board meetings, we held a two-day review in October 2015 to address the future strategy and direction of the business. This reconfirmed our commitment to creating shareholder value by continued focus on our core investment activities.

During the year, I met and spoke to many members of staff and I would like to thank all of them for their contribution. It is to their credit that, following the IPO, it was quickly back to business as usual and this is reflected in the strong results for the year.

In our IPO prospectus, the Board set out its policy to pay a base dividend of £20 million. For 2015, this is reduced pro-rata for the period from the date of listing. Consistent with this, we are recommending a final base dividend for 2015 of 3.2p per share.

In the policy, the Board also said that it intended to distribute special dividends of approximately 5% – 10% of gross proceeds from the sale of investments on an annual basis, subject to specific investment requirements in any one year. Accordingly, I am pleased to say the Board is also recommending a special dividend for 2015 of 2.1p per share. This is equivalent to applying the mid-point of the 5% – 10% range to our realisations guidance for 2015 of approximately £100 million.

→ **Pro forma NAV**
£889.6 million

→ **Pro forma profit before tax**
£106.6 million

→ **Portfolio valuation**
£841.4 million

→ **New investment committed**
£180.5 million

The total final dividend therefore amounts to 5.3p per share, which, together with the interim dividend of 1.6p paid in October 2015, makes a total dividend for 2015 of 6.9p per share. The final dividend will be put to shareholders for their approval at the Company's Annual General Meeting (AGM) which will be held on 12 May 2016.

Looking forward, we have confidence in the robustness of our business model and the deliverability of our strategy. With our growing pipeline of opportunities, and our established position in each of our chosen geographical markets, we are well positioned for future growth.

Phil Nolan
CHAIRMAN

CHIEF EXECUTIVE OFFICER'S REVIEW

> “**We operate in a market for new infrastructure primarily driven** by population growth, urbanisation and climate change which means that infrastructure needs are generally substantial and urgent.”

Olivier Brousse
CHIEF EXECUTIVE OFFICER

I am delighted to present our 2015 results. Since our IPO in February 2015, the Group has performed well and we have delivered on our IPO commitments.

The highlights of this successful year include:

- 15.4% increase in NAV, from £771.1 million (adjusted pro forma) at 31 December 2014 to £889.6 million;
- NAV per share at 31 December 2015 of 242p (2014 – 210p adjusted pro forma);
- New investment commitments of £180.5 million in seven different countries;
- Realisations of £86.3 million from the sale of assets;
- Profit before tax of £106.6 million compared to £120.4 million (pro forma) in 2014;
- 11% increase in external Assets under Management (AuM) to £1,136 million; and
- Cash yield from investment portfolio of £38.9 million (2014 – £24.3 million).

Outlook for our markets

We operate in a market for new infrastructure primarily driven by population growth, urbanisation and climate change which means that infrastructure needs are generally substantial and urgent. However, our market is also affected by external factors such as government policies, interest rates, exchange rates and, for our renewable energy assets, energy prices. Any of these factors can present challenges, but John Laing is well positioned to mitigate the consequences while capturing opportunities and creating shareholder value. Our 2015 results demonstrate this.

We currently operate in three principal geographical regions: Asia Pacific (Australia and New Zealand); North America (Canada and the US); and Europe (including the UK).

PPP: The mid-term prospects for PPP investments are strong and our pipeline continues to grow:

- Asia Pacific: the PPP market continues to be very active in Australia and New Zealand, with an ongoing commitment to infrastructure investment. We have a strong and established team which knows the market really well and is pursuing a number of exciting opportunities;
- Europe: the market is more subdued in the near term, even if we see that some countries such as Germany, the Netherlands, Norway and Ireland have increasing ambitions for their infrastructure. We anticipate that other European countries will follow, in order to catch up with the growing demands for new capacity and to renew ageing existing infrastructure; and
- North America: in Canada our local team is focused on a clear and significant flow of projects, especially in terms of transport systems. In the US, the actual number of PPP projects is still relatively small, but the prospects are significant: an increasing number of individual states have passed PPP legislation and there is a visible need to replace or upgrade existing bridges, roads and other transport assets. Since 2014 we have built a strong team based in New York to pursue numerous PPP bids as well as other emerging opportunities, for example in the water sector.

Renewable Energy: Since making our first investment in 2011, we are now a seasoned investor in the renewable energy market. Our pipeline has been growing steadily and the recent COP 21 summit reinforced our confidence in future growth in this sector. Our objective is to establish a balanced portfolio of assets with diversified exposure to power markets, technologies, geographical locations and governmental support mechanisms.

In 2015, we confirmed our ability to secure investments at good rates of return in both Europe and Australia. In 2016, this trend should continue and we will likely invest in our first renewable energy projects in countries where we are already PPP investors, such as the US.

We are seeing the markets for onshore wind and solar farms becoming increasingly competitive, even for greenfield projects. As a result, we are assessing related opportunities such as the repowering of older wind farms, together with off-shore wind. We are also investigating further biomass and waste-to-energy projects. We are careful always to take into account the latest industry forecasts for energy price and to maintain an appropriate balance of availability and volume-based investments in our portfolio.

Beyond the PPP and renewable energy markets, we see potential opportunities to bring our expertise to asset classes that are opening up to project finance, such as smart meters in the UK or LNG and other energy assets. We will continue to investigate new sectors with the same risk analysis and investment discipline that have helped to deliver our success in the past. We will also continue to look at expanding into new countries, with a cautious approach and with "tested and proven" technologies.

Asset management
John Laing is an active manager of its investments during the construction and operational phases. In 2015, we have again proven the strength of our teams, with no material issues reported for our projects under construction. Also, the asset management team has successfully identified value enhancements through optimising costs, de-risking and refinancing. We see ourselves as an active investor. Our partners and banks around the world appreciate our skills in that respect. We continue to make good use of these skills to take our investments through construction whilst protecting the investment base cases and always seeking to extract additional value.

Organisation
We are adapting our organisation to stay ahead of evolving market demands, whilst carefully managing our cost base. We support our international expansion by recruiting and training new talent and by redeploying existing resources to the areas of fastest growth. Overall our teams have started 2016 with a lot of exciting projects and a high degree of focus and discipline.

CHIEF EXECUTIVE OFFICER'S REVIEW (CONTINUED)

Business model
Our business model has three key areas of activity:

- *Primary Investment:* we source, originate, bid for and win greenfield infrastructure projects, typically as part of a consortium in the case of PPP projects. Our Primary Investment portfolio comprises interests in infrastructure projects which have recently reached financial close, and/or are in the construction phase.
- *Secondary Investment:* we own a substantial portfolio of investments in operational infrastructure projects, almost all of which were previously part of our Primary Investment portfolio.
- *Asset Management:* we actively manage our own Primary and Secondary Investment portfolios and provide investment advice and asset management services to the external funds John Laing Infrastructure Fund (JLIF) and John Laing Environmental Assets Group (JLEN) through our FCA-regulated subsidiary, John Laing Capital Management Limited (JLCM), as well as in respect of a small number of PPP assets held by John Laing Pension Fund (JLPF).

Our business model is based on our investment and asset management capabilities and the current strong demand for operational infrastructure assets.

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

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

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

Objectives and outcomes
Our overall strategy is to create value for shareholders by originating, investing in and managing infrastructure assets internationally. In that respect, we see NAV growth and dividends as key measures of our success. In 2015, our NAV grew by 15.4% from £771.1 million (adjusted pro forma) at 31 December 2014 to £889.6 million at 31 December 2015. Our dividends are proposed to amount to 6.9p per share in total for 2015.

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

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

Growth in primary investment volumes over the medium term
We operate in a wide market for new infrastructure with a strong pipeline of future opportunities, including opportunities in sectors linked to the PPP and renewable energy sectors.

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

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

- a commitment to the development of privately-financed infrastructure;
- a stable political and legal framework;
- the ability to form relationships with strong supply chain partners; and
- the likelihood of target financial returns, on a risk-adjusted basis, being realised.

Our total commitment to new investments in 2015 was £180.5 million, made up of £112.5 million in renewable energy and £68.0 million in PPP assets, well ahead of our annual average over the previous four years of £135 million. Our international growth continued with investment commitments in seven different countries, including the following projects:

→	Sydney Light Rail (Australia) – £41.4 million
→	Klettwitz Wind Farm (Germany) – £33.8 million
→	Cramlington Biomass (UK) – £27.0 million
→	I-77 Managed Lanes (US) – £16.0 million
→	Hornsdale Wind Farm (Australia) – £12.1 million

Growth in the value of external AuM and related fee income
Our strategy to grow the value of our external AuM is linked to our activities as an investment adviser to JLIF and JLEN. Both funds have a right of first offer over certain investments should they be offered for sale by the Group. The Group not only advises and provides management services to the portfolios of JLIF and JLEN, but also sources new investments on their behalf. In July 2015, JLEN's first equity issue since its IPO in March 2014 was oversubscribed.

We made good progress during the year, with the value of external AuM growing from £1,020 million to £1,136 million, an increase of 11%. Fee income from external AuM was £12.0 million for 2015, up from £10.3 million in 2014.

Investment portfolio and realisations
At 31 December 2015, our portfolio of infrastructure investments comprised 39 projects, excluding our shareholding in JLEN (31 December 2014 – 40 projects). Our year end portfolio value, including the shareholding in JLEN, was £841.4 million (31 December 2014 – £772.0 million). The increase was primarily due to growth in the retained portfolio, offset by investment realisations.

The portfolio valuation represents our assessment of the fair value of investments in projects on the basis that each asset is held to maturity, other than shares in JLEN which are held at market value. The 2015 year end valuation reflected underlying growth of 18.6% after adjusting for acquisitions, realisations, cash invested and cash yield. This growth is explained further in the Portfolio Valuation section.

At the year end, 72.7% of the portfolio valuation was attributable to investments where the underlying projects were availability-based. Looking forward, our intention is to maintain a majority of availability-based investments by value in our portfolio.

The cash yield in 2015 was £38.9 million (2014 – £24.3 million), a yield of 9.8% (2014 – 6.6%) on the average Secondary Investment portfolio, above our guidance of a 6.5% to 8.5% yield. Cash yield represents cash receipts in the form of dividends, interest and shareholder loan repayments from project companies and listed investments, with the higher yield in 2015 attributable to a larger than forecast distribution from the Manchester Waste VL Co investment, received in July 2015 after the asset became operational.

During the year, we completed realisations of £86.3 million, short of our full year target of approximately £100 million. We realised investments in seven projects, of which four were sales of renewable energy projects to JLEN. We also sold two investments to purchasers other than JLIF or JLEN. Taking our realisations as a whole, we achieved prices above the most recent portfolio valuation, consistent with an active secondary market. At the end of 2015 we decided to postpone a particular PPP transaction to 2016, in order to seek better terms. Accordingly, in late February 2016, we completed the disposal of our shareholding in one PPP project, British Transport Police, and agreed the conditional disposal of another, Oldham Housing, to JLIF for combined net proceeds of £19.5 million. Despite the uncertain macro-economic background referred to earlier, we expect the secondary market for operational infrastructure to remain active, and we have a number of realisations planned for 2016.

Profit total before tax
Our total profit before tax was £106.6 million in 2015, compared to £120.4 million in 2014. Profit before tax is primarily driven by the fair value movement in our investment portfolio, which in 2015 was lower mainly due to lower value enhancements. We have previously highlighted that value enhancements do not arise evenly from one year to another.

Corporate banking facility
At the time of the IPO, we entered into a five-year £350 million committed corporate banking facility and associated ancillary facilities which expire in March 2020. These revolving facilities enable us to issue letters of credit (LCs) and/or put up cash collateral to back investment commitments. We finance new investments through a combination of cash flow from existing assets, the corporate banking facilities and realisations of investments in operational projects. Our self-funding model continues to apply.

Staff
Our staff numbers grew slightly in 2015 from 242 at the end of 2014 to 252 at 31 December 2015. We now have 22% of staff located outside the UK (2014 – 18%), another sign of our growing internationalisation.

I travel regularly to meet our partners and our staff around the world. We are fortunate to have experienced and dedicated teams throughout our business. Once again, I would like to thank all our staff for their contribution both to our 2015 results and to the Company's successful IPO. The success of our business depends on them.

Current trading and guidance
During 2015, our investments in six projects (the two Manchester Waste projects, Auckland South Corrections Facility, Alder Hey Children's Hospital, Oldham Housing and Dungavel Wind Farm) completed construction and moved from the Primary to the Secondary Investment portfolio. A number of other large projects are well advanced in the construction stage; this is positive for future growth in our investment portfolio which underpins our NAV.

Our total investment pipeline at 31 December 2015 was £1,494 million and includes £1,135 million of PPP opportunities looking out three years or so as well as renewable energy opportunities of £359 million. We will continue to be selective and invest only in those projects that have the right characteristics and, as mentioned above, we aim to maintain an appropriate balance between availability and volume-based investments.

While we have not announced any new investment commitments in 2016 to date, the year has started well. Our guidance for 2016 investment commitments is a total in line with the £180.5 million achieved in 2015. We are working on a number of specific PPP opportunities in the US, Australia and Continental Europe and also expect to convert some of our opportunities in renewable energy shortly. As previously advised, we are also assessing opportunities in the wider infrastructure market in sectors closely linked to the PPP and renewable energy sectors.

As well as constantly pursuing value enhancement opportunities in our portfolio, we are working on realisations of investments with guidance of approximately £100 million for 2016. This excludes the realisation proceeds of £19.5 million agreed in late February 2016.

Against this background, and given our business model and our track record, we are confident of our future prospects.

Olivier Brousse
CHIEF EXECUTIVE OFFICER

HITACHI
Inspire the Next

Royal Adelaide Hospital

Project:
Intercity Express Programme

- Location:
  United Kingdom
- Partners:
  Hitachi Rail Europe
- Description:
  The IEP is an innovative scheme covering the finance, design, manufacture, delivery into daily service and maintenance of a fleet of 122 state-of-the-art Hitachi Super Express trains over a guaranteed minimum usage period of 26 years for the Great Western Main Line (Phase 1) and the East Coast Main Line (Phase 2) in the UK.

  The project is one of the largest PPPs globally, raising a total £4.7 billion of funding. John Laing has a 24% interest in Phase 1 and a 30% interest in Phase 2.

Project:
New Perth Stadium

- Location:
  Australia
- Partners:
  Brookfield Multiplex and Brookfield Global Integrated Services
- Description:
  The New Perth Stadium will be a major sporting and entertainment venue with an initial 60,000 seat capacity. It will be primarily used for Australian-rules football but can readily accommodate a wide variety of other sporting and entertainment events. Construction is scheduled to be completed in time for the start of the 2018 Australian-rules football season.

Project:
New Royal Adelaide Hospital

- Location:
  Australia
- Partners:
  HYLC joint venture and Spotless
- Description:
  The New Royal Adelaide Hospital, with a projected capital expenditure of A$1.85 billion, is the single largest infrastructure project in South Australia to date. The new hospital, containing 700 single bedrooms and 100 same-day beds, will have the capacity to admit over 80,000 patients per year. Construction is due to be completed in 2016.

PRIMARY INVESTMENT

Our Primary Investment activities are focused on greenfield infrastructure projects.

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

The Primary Investment portfolio comprises the Group's shareholdings in 13 PPP projects, as well as in seven renewable energy projects, which have recently reached financial close and/or are in the construction phase. The Group's Primary Investment portfolio was valued at £405.9 million at 31 December 2015 (31 December 2014 – £414.3 million).

NEW INVESTMENT COMMITMENTS

During 2015, the Primary Investment team successfully secured eight new investments, and made additional commitments to two existing investments, resulting in total commitments of £180.5 million:

- *Asia Pacific* – the Sydney Light Rail project in New South Wales reached financial close in February 2015 and we closed the Hornsdale Wind Farm project in South Australia in August 2015, the Group's first renewable energy investment in the region.
- *North America* – having re-established an office in New York in 2014, we continued to strengthen our team and increased our activities in the market. During the year, we secured a stake in the I-77 road project in North Carolina, our first investment in the growing managed lanes sector in the US.
- *Europe* –
    - We committed to four on-shore wind farm investments, one in each of Sweden, Ireland, Germany and France;
    - We also secured and closed the Group's second investment in a stand-alone biomass project at Cramlington in Northern England. This plant will supply power to two adjacent businesses and export surplus power to the grid; and
    - We reached financial close on a comprehensive refinancing for the Intercity Express Programme (IEP) (Phase 1) (rolling stock for the UK's Great Western Rail line), resulting in a small further investment commitment, and we acquired the remaining 50% shareholding in the A55 road project in the UK.

Our investment commitments for 2015 are summarised in the table below:

Investment commitments	Region	PPP £ million	RE £ million	Total £ million
Sydney Light Rail	Asia Pacific	41.4	–	41.4
Rammeldalsberget Wind Farm	Europe	–	14.7	14.7
Glencarbry Wind Farm	Europe	–	17.1	17.1
Hornsdale Wind Farm	Asia Pacific	–	12.1	12.1
Cramlington Biomass	Europe	–	27.0	27.0
Klettwitz Wind Farm	Europe	–	33.8	33.8
Pasilly Wind Farm	Europe	–	7.8	7.8
I-77 Managed Lanes	North America	16.0	–	16.0
A55 and IEP refinancing	Europe	10.6	–	10.6
Totals		**68.0**	**112.5**	**180.5**

PRIMARY INVESTMENT (CONTINUED)

ACTIVITIES

The Primary Investment team is responsible for all the Group's bid development activities. The team takes responsibility for developing and managing a pipeline of opportunities, including market research, project selection, bid co-ordination and negotiations with public sector authorities, vendors and lenders. In each of our target markets of Asia Pacific, North America and Europe, we work with strong delivery partners. For instance, in the Asia Pacific region, the Group is currently working with leading international and domestic contractors and service providers, including Acciona, Alstom, Bombardier, Bouygues, Brookfield Multiplex, Cintra, Fulton Hogan, Laing O'Rourke, Leighton/CIMIC, Lend Lease, Serco and Spotless. This approach is replicated in each region.

We target a wide range of infrastructure sectors:

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

We are also assessing opportunities in new infrastructure sectors such as the upcoming smart meter programme in the UK, where we believe our business model could be successfully applied.

PROJECT FINANCE

Pricing of project finance facilities continued to improve during 2015, and we were able to secure financing for projects where required. Institutional sources of long-term project finance were available in Europe, although commercial bank debt was typically more competitively priced. In Australia and New Zealand, medium-term bank debt and refinancing requirements are well established, with a large number of international banks being active in these markets. In Canada and the US, projects tend to be financed in the debt capital markets rather than with bank financing. Overall, financial markets in the regions in which the Group is active have supported our growing levels of investment and we expect this to continue in 2016.

PIPELINE

At 31 December 2015, our overall investment pipeline of £1,494 million was higher than the pipeline of £1,331 million at 31 December 2014. The pipeline comprises opportunities to invest equity in PPP projects with the potential to reach financial close over the next three years or so, while the renewable energy pipeline relates to the next two years.

Our overall pipeline is constantly evolving as new opportunities are added and other opportunities drop out. We budget a win rate of 30% (for PPP bids in particular) and our 2016 guidance for new investment commitments is in line with the figure of £180.5 million achieved in 2015.

An analysis of our total pipeline broken down below by bidding stage is as follows:

Pipeline at 31 December 2015 by bidding stage	Number of projects	PPP £ million	RE £ million	Total £ million
Shortlisted/exclusive	16	168	117	285
Other active bids	4	98	–	98
Other pipeline	54	869	242	1,111
Totals	**74**	**1,135**	**359**	**1,494**

The shortlisted PPP projects included a light rail project in Australia, a bridge project in North America and four availability-based road projects, spread across the Netherlands, New Zealand and the US.

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

Pipeline at 31 December 2015 by target market	PPP £ million	RE £ million	Total £ million
Asia Pacific	355	51	406
North America	419	46	465
UK	110	20	130
Other Europe	251	242	493
Totals	**1.135**	**359**	**1,494**

CIRCULAR QUAY

Project:
Sydney Light Rail

- Location:
  Australia
- Partners:
  Transdev Sydney, Alstom Transport Australia, Acciona Infrastructure Australia, First State Super and Acciona Concesiones
- Description:
  Sydney's new Central Business District and South East Light Rail project. The project will form an integrated part of Sydney's transport network and pedestrianise one of the busiest streets in Sydney providing a commuter route into the Central Business District and convenient access to the south east of the city. Services are expected to start from early 2019.

Some 27% of our pipeline relates to the Asia Pacific region which continues to offer substantial opportunities. In this region, the Group's current bidding activities are focused on Australia and New Zealand, where the Group has built up a strong base. Building on our investment in the Hornsdale Wind Farm, we see the potential for further renewable energy opportunities in Australia.

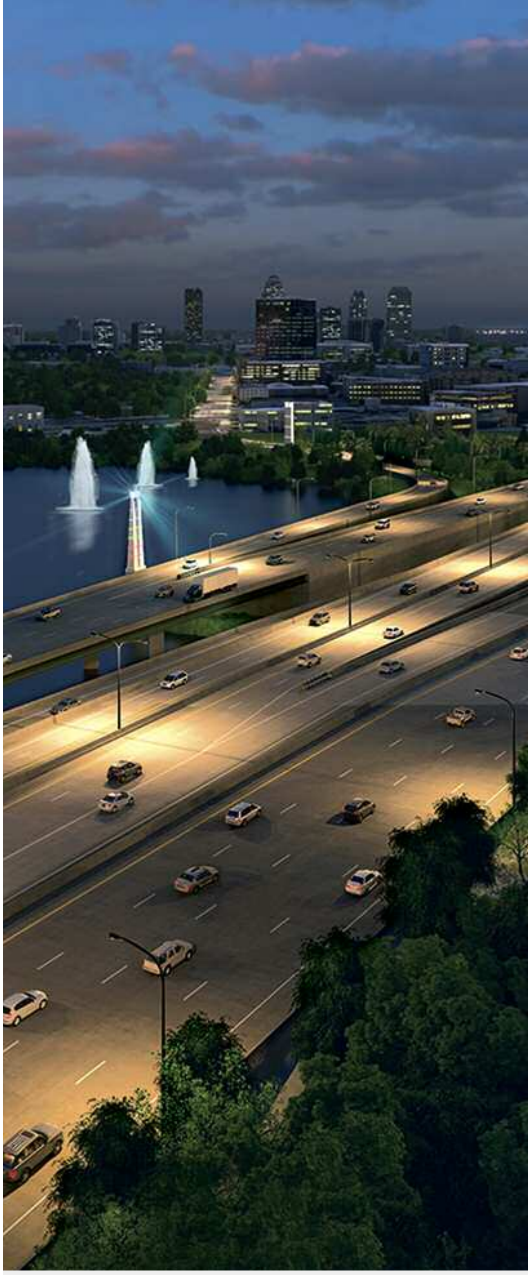
In North America (US and Canada), which makes up 31% of the pipeline, our focus is on what has the potential to become a very substantial PPP market. Following our first investment in the managed lanes sector in the US, we are also assessing opportunities in renewable energy and the growing water sector. The Canadian market continues to demonstrate strong PPP deal flow, which we are actively pursuing.

The balance of our pipeline is in Europe, where PPP activity remains at a satisfactory level in countries such as the Netherlands and Belgium. However, in 2016 we expect to increase our activities in markets such as Germany, Norway and the Czech Republic. There is also a significant PPP programme in Turkey, which we are currently evaluating. The UK market in 2016 includes potential opportunities in rail rolling stock, and a small pipeline of transportation and social infrastructure projects.

Selected countries in Europe will also provide our main focus for renewable energy opportunities in 2016. Our pipeline includes many potential wind and solar projects as well as investment opportunities in biomass plants. Our renewable energy pipeline was £359 million at 31 December 2015, higher than the £264 million at 31 December 2014. In the main, we target investments where a substantial proportion of revenue is supported by governmental incentive mechanisms which leads to reduced exposure to energy price fluctuations. During the year, we closed our first wind farm investments in Germany, Ireland and France. These are markets with strong pipelines supported by feed-in-tariffs, and they will continue to be a key focus during 2016.

In addition to the above, the Group continues to monitor potential new geographic markets. Markets which offer potential in the medium to long term include South America, for instance Chile, and other Asia Pacific markets such as Singapore.

Derek Potts
GROUP MANAGING DIRECTOR, PRIMARY INVESTMENT



Project:
Greater Manchester Waste

- Location:
  United Kingdom
- Partners:
  Viridor Waste Management, INOVYN ChlorVinyls
- Description:
  Manchester Waste VL Co, in which John Laing has a 50% interest alongside Viridor, is responsible for a network of waste recycling facilities in Manchester. These include five waste treatment sites which produce solid recoverable fuel suitable for burning at the combined heat and power facility managed by Manchester Waste TPS Co, in which John Laing has a 37.4% interest in joint venture with Viridor and INOVYN ChlorVinyls. Manchester Waste VL Co and Manchester Waste TPS Co became operational in 2015.

Project:
I-4 Ultimate

- Location:
  Orlando, Florida, USA
- Partners:
  Skanska Infrastructure Development
- Description:
  This availability-based road project has a total capex of US$2.3 billion and involves reconstructing 15 major interchanges, building more than 140 bridges, adding four variable toll Express Lanes and completely rebuilding 21 miles of general use lanes of the existing I-4 Interstate in central Florida. Construction began in 2015 and is expected to be completed in 2021.

Project:
Denver Eagle P3

- Location:
  Denver, Colorado, USA
- Partners:
  Aberdeen Infrastructure Investments, Fluor
- Description:
  The project is to design, build, finance, maintain and operate two new commuter rail lines and a portion of a third in the Denver Metropolitan area. The first line connecting Denver International Airport and downtown Denver is due to open in 2016 with final completion of the project expected in 2017.

SECONDARY INVESTMENT

At 31 December 2015, the Secondary Investment portfolio comprised 16 PPP projects and three renewable energy projects with a book value of £419.4 million (31 December 2014 – £292.1 million).

The Secondary Investment portfolio also included a 7.0% shareholding in JLEN valued at £16.1 million at 31 December 2015 (31 December 2014 – 39.7% shareholding valued at £65.6 million). In February 2015, a majority of the JLEN shareholding held at 31 December 2014 was transferred to JLPF as part of the IPO process.

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

The majority of our secondary investments were originated as primary investments of the Group. In late 2015, we also acquired the remaining 50% shareholding in the A55 road project in the UK, taking our shareholding in this secondary investment to 100%.

INVESTMENT REALISATIONS

During the year, we achieved total proceeds of £86.3 million from the realisation of investments:

- In the first half, our investments in two renewable energy projects, Wear Point Wind Farm (100%) and Carscreugh Wind Farm (100%), and part of our investment in Branden Solar Parks (64%) were sold to JLEN for £42.5 million;
- In a separate transaction with JLEN, we sold our investment in Burton Wold Wind Farm (100%) for £21.8 million;
- Our investment in North Birmingham Mental Health Hospital (100%), a PPP project, was sold to JLIF for £11.6 million; and
- Our investments in NH3 Road India (36%) and Cleveland Firearms (27.08%) were sold to third parties and the remaining shareholding in Branden Solar Parks was sold to JLEN. Taken together, the proceeds for these three disposals were £10.4 million.

Taking realisations for the year as a whole, prices were above the most recent portfolio valuation.

Realisations	Shareholding	Purchaser	Total £ million
Branden Solar Parks	64%	JLEN	42.5
Wear Point Wind Farm	100%		
Carscreugh Wind Farm	100%		
North Birmingham MHH	100%	JLIF	11.6
Burton Wold Wind Farm	100%	JLEN	21.8
Branden Solar Parks	36%	JLEN	10.4
Cleveland Firearms	27.08%	Third party	
NH3 Road India	36%	Co-shareholders	
Total			**86.3**

The secondary market for operational projects continues to be strong. In February 2016, we completed the disposal of our shareholding in one PPP project, British Transport Police, and agreed the conditional disposal of another, Oldham Housing, to JLIF for combined net proceeds of £19.5 million. Our guidance for realisations in 2016 is proceeds of approximately £100 million, excluding the £19.5 million transaction agreed in February 2016.

TRANSFERS FROM THE PRIMARY INVESTMENT PORTFOLIO

During the year, six investments became part of the Secondary Investment portfolio as the underlying projects moved into the operational stage:

Auckland South Corrections Facility, New Zealand (30% interest)

Construction of the Auckland South Corrections Facility was completed five weeks early in January 2015. The early completion permitted a longer mobilisation and training period prior to operational commencement in May 2015 and build-up to the total complement of 960 prisoners was successfully completed in October 2015. The facility's operational approach places a significant focus on rehabilitation and employment, including the use of dedicated buildings to support vocational training and education.

Manchester Waste, UK

After construction delays and a prolonged commissioning phase, both projects – Manchester Waste VL Co (50% interest) and Manchester Waste TPS Co (37.43% interest) – became operational in the first quarter of 2015. All 42 sites comprising the Manchester Waste VL Co project are now operational. Solid recovered fuel produced at the VL Co processing sites is now being burned at forecast volumes in Manchester Waste TPS Co's principal asset, the thermal power station at Runcorn in Cheshire, which produces both heat and power.

Dungavel Wind Farm, UK (100% interest)

Located in South Lanarkshire and comprising 13 Vestas V80 2MW turbines, this 26 MW wind farm commenced commercial operations in October 2015 and is our eighth wind farm to become operational.

Alder Hey Children's Hospital, UK (40% interest)

Following issuance of the completion certificate at the end of September 2015, this 270 bed state-of-the-art children's hospital in the north west of England became fully operational in early October 2015.

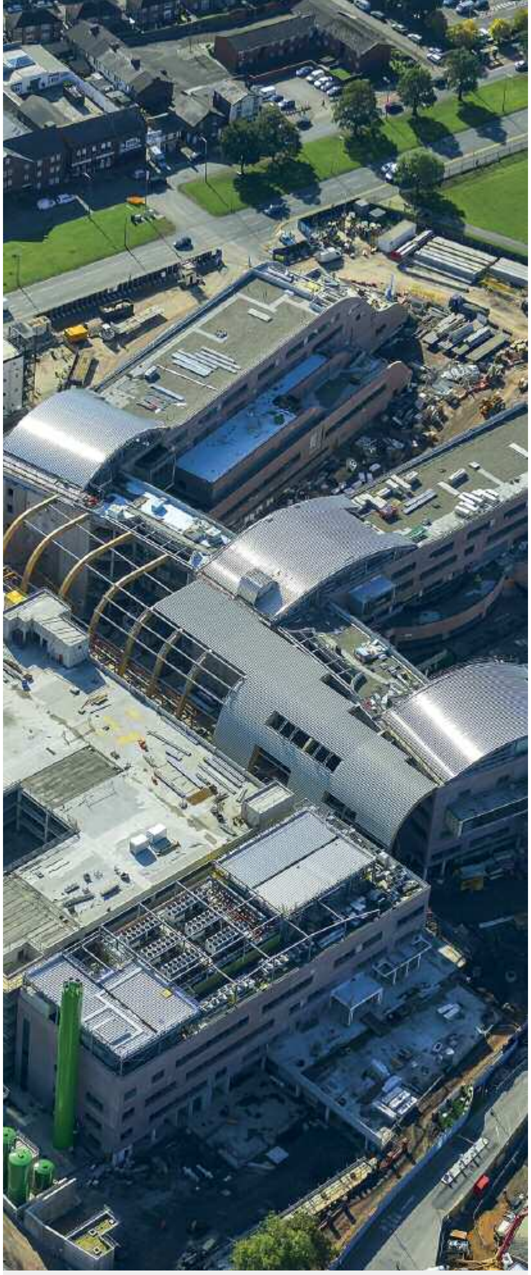
Oldham Housing, UK (95% interest)

This project became fully operational in 2015 and has delivered 648 new or refurbished properties, two new community centres and three new public open spaces in the Oldham area.

Chris Waples
GROUP MANAGING DIRECTOR, ASSET MANAGEMENT

Project:
Klettwitz Wind Farm

- Location:
  Brandenburg Schipkau, Germany
- Partners:
  None
  (wholly owned by John Laing)
- Description:
  Total installed capacity is 89 MW from 27 wind turbines after repowering, replacing previous total installed capacity of 59 MW from 36 turbines at the legacy wind farm previously in operation at the site. The project benefits from a feed in tariff for up to 20 years.



Project:
Alder Hey Children's Hospital

- Location:
  Liverpool, United Kingdom
- Partners:
  Laing O'Rourke and Interserve
- Description:
  A 270 bed state-of-the-art acute children's hospital.

  The hospital became fully operational in October 2015.

Project:
A1 Motorway

- Location:
  Poland
- Partners:
  Skanska, Intertoll, NDI Autostrada
- Description:
  The project comprises two phases:

  Phase one – approximately 90 km of new road from Gdansk to Nowe Marzy in Northern Poland.

  Phase two – approximately 60 km of extension to the city of Torun at the southern end of the A1 motorway.

  Phase one became fully operational in 2008 and Phase two in 2011.

ASSET MANAGEMENT

The Asset Management division's activities comprise Investment Management Services and Project Management Services.

INVESTMENT MANAGEMENT SERVICES

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

External IMS JLCM provides advisory services to JLIF and JLEN under investment advisory agreements. As at 30 September 2015, JLIF and JLEN had published portfolio values of £877 million and £218 million respectively. JLCM has an independent chairman and two separate dedicated fund management teams whose senior staff are authorised and regulated by the FCA. The teams focus their advice primarily on sourcing new investments for and arranging capital raisings by the two funds. They operate behind information barriers in view of the market sensitive nature of their activities and to ensure the separation of "buy-side" and "sell-side" teams when John Laing is selling investments to either fund. Both funds have a right of first offer over certain investments should they be offered for sale by the Group. Both JLIF and JLEN are stand-alone entities separate from the Group; each maintains an independent board of directors and is independently owned.

At 31 December 2015, the Group also managed three PPP investments valued at £41.4 million held by JLPF.

Fee income from external IMS grew from £10.3 million in 2014 to £12.0 million in 2015.

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

Value protection – examples

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

Value enhancement – examples

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

PROJECT MANAGEMENT SERVICES

The Group also provides Project Management Services (PMS), largely of a financial or administrative nature, to project companies in which John Laing, JLIF or JLEN are investors. These services are provided under Management Services Agreements (MSAs): at 31 December 2015, there were 75 MSAs in total, comprising 29 MSAs with projects in which John Laing invests, 34 MSAs with projects in which JLIF invests, 10 MSAs with projects in which JLEN invests and two MSAs with projects invested in by another party. PMS revenue also includes non-contractual income earned from project companies and occasional development management fees from property-related investments.

Revenues from PMS in 2015 were £17.0 million (2014 – £14.6 million), delivered by some 155 staff across the UK, Continental Europe, Australia and North America. Revenues were higher than in 2014 because of higher development management fees and the full year effect of new MSAs signed in 2014.

ASSET MANAGEMENT (CONTINUED)

PROJECTS UNDER CONSTRUCTION

An update on significant Group projects under construction, which are managed by the Asset Management division and are part of the Primary Investment portfolio, is set out below.

Intercity Express Programme (IEP)

John Laing is in partnership with Hitachi to manage the contracts that cover the design, manufacture, finance and delivery into daily service and maintenance over 26 years of a fleet of 122 Super Express trains for the UK's Great Western Main Line (Phase 1 – 24% interest) and the East Coast Main Line (Phase 2 – 30% interest). With a total capital expenditure across the two phases of £3.4 billion, it is one of the largest PPP projects to be awarded. The first three trains arrived in the UK during 2015 and are currently undergoing testing on the UK rail network. Hitachi's new UK train assembly plant was opened by the Prime Minister in September 2015. Construction of the Phase 1 (Great Western) depots will be completed in early 2016 and development of the Phase 2 (East Coast) depots is progressing well. The first trains are scheduled to become operational during 2017.

As a result of delays to electrification of the Great Western Route being undertaken by Network Rail, the Department of Transport has asked the Phase 1 project company to order more bi-mode trains that can be powered by diesel as well as electricity. We are not expecting any negative impact on our investments from these delays.

A15 Road, Netherlands (28% interest)

This road became fully operational in December 2015 but remains in our Primary Investment portfolio awaiting contractual acceptance with completion sign-off expected later in 2016. The project includes the iconic Botlek bridge, a large lifting bridge which is raised as often as once per hour to allow vessels to pass underneath.

New Royal Adelaide Hospital (NRAH), Australia (17.3% interest)

This project is currently one of the largest building construction projects in Australia, with a capital cost of A$1.85 billion. Containing 700 single bedrooms and 100 same-day beds, NRAH will have the capacity to admit over 80,000 patients per year. The project is in its final stages of construction; technical completion is on schedule for the second quarter of 2016 and commercial acceptance for the third quarter of 2016.

Denver Eagle P3, US (45% interest)

This project is to design, build, finance, maintain and operate two new commuter rail lines and a portion of a third in the Denver Metropolitan area. The fleet of rolling stock continues to be delivered on schedule and is nearing completion. Testing of the integrated systems on the East Line is well advanced and the civil work on the remaining lines is progressing well. Operator training has been taking place on trains running at full speed on sections of the East Line to Denver International Airport. The first line is on target to open in the second quarter of 2016 with final completion expected in 2017.

I-4 Ultimate, US (50% interest)

This availability project has a total capex of US$2.3 billion and involves reconstructing 15 major interchanges, building more than 140 bridges, adding four variable toll Express Lanes, and completely rebuilding the general use lanes of 21 miles of the existing I-4 interstate in central Florida. Construction commenced in 2015 and is anticipated to finish in 2021.

Speyside Biomass (51% interest)

John Laing is a co-investor with the Green Investment Bank and Estover Energy in this £74 million capex Combined Heat and Power biomass renewable energy plant expected to generate both renewable electricity – enough to power more than 20,000 homes – and heat in the form of steam. The new plant will provide 90% of the steam needed by the adjacent Macallan whisky distillery. Works on site are now well advanced with final take-over of the plant expected in the third quarter of 2016.

New Perth Stadium, Australia (50% interest)

The New Perth Stadium will be a major sporting and entertainment venue, capable of attracting national and international events. The stadium will predominantly be used for Australian-rules football but can readily accommodate other sports, as well as entertainment events through the use of drop-in seats. Construction works are on track for completion in the fourth quarter of 2017, in advance of the 2018 Australian Football League season.

Rammeldalsberget Wind Farm, Sweden (100% interest)

Construction of this 15MW wind farm is virtually complete and final commissioning is scheduled for the first quarter of 2016.

Chris Waples
GROUP MANAGING DIRECTOR, ASSET MANAGEMENT

→ Project:
Auckland South Corrections Facility

- Location:
  New Zealand
- Partners:
  Fletcher Construction and Serco
- Description:
  The facility has dedicated buildings to support vocational training and education, and places a significant focus on rehabilitation and employment for prisoners after release.

  Construction was completed in January 2015 and build up to the total complement of 960 prisoners was successfully completed in October 2015.

→ Project:
A15 Road

- Location:
  Netherlands
- Partners:
  Strabag AG, Strukton, Ballast Nedam
- Description:
  This road project includes widening of a 36km section of the A15 between Maasvlakte and Vaanplein and constructing the new Botlek bridge, a large lifting bridge which is raised to allow vessels to pass underneath. The road became fully operational in 2015.

PORTFOLIO VALUATION

The portfolio valuation at 31 December 2015 was £841.4 million compared to £772.0 million at 31 December 2014. After adjusting for transfers, realisations, cash yield and cash invested, this represented a positive movement in fair value of £132.1 million (18.6%) during 2015.

	Investments in projects £ million	Listed investment £ million	Total £ million
Portfolio valuation at 1 January 2015	706.4	65.6	772.0
– Cash invested	142.5	–	142.5
– Cash yield	(38.0)	(0.9)	(38.9)
– Proceeds from realisations	(86.3)	–	(86.3)
– Transfer of investments to JLPF	(29.6)	(50.4)	(80.0)
Rebased valuation	**695.0**	**14.3**	**709.3**
– Movement in fair value	130.3	1.8	132.1
Portfolio valuation at 31 December 2015	**825.3**	**16.1**	**841.4**

Cash investment in respect of new projects entered into during 2015 totalled £71.1 million. In addition £71.4 million was invested into existing projects, including the acquisition of an additional 50% shareholding in the A55 project, as they progressed through, or completed, construction.

During 2015, the Group transferred substantial shareholdings in two investments to JLPF (£80.0 million), as part of the special contribution under the IPO process, and completed the realisation of seven investments for total consideration of £86.3 million. Cash yield during 2015 totalled £38.9 million.

The £132.1 million movement in fair value is analysed in the table below. The fair value movement includes a net benefit of £19.5 million from the amendment of benchmark discount rates in response to our understanding and experience of the secondary market. Our amendments comprised a 25 basis points reduction in benchmark rates in June 2015 for all but two investments, a further 50 basis points reduction for two investments and a 100 basis points increase for one investment.

	Year ended 31 December 2015 Total £ million	Year ended 31 December 2014 Total £ million
Unwinding of discount	**61.0**	53.0
Reduction of construction risk premia	**22.8**	16.3
Impact of foreign exchange rate movements	**(9.2)**	(7.8)
Change in operational benchmark discount rates	**19.5**	–
Value enhancements and other changes	**38.0**	97.1
Fair value movement	**132.1**	158.6

The net movement in fair value comprised unwinding of discount (£61.0 million), the reduction of construction risk premia (£22.8 million), the reduction in operational benchmark discount rates (£19.5 million) and net value enhancements, new investment commitments and other changes (£38.0 million), which were net of the adverse impact on the value of renewable energy projects from lower power price forecasts (£10.7 million). Foreign exchange rate movements were £9.2 million adverse and are addressed further in the Financial Review section.

The Primary Investment portfolio includes investments in both PPP and renewable energy assets in the construction phase. The Secondary Investment portfolio includes investments in both operational PPP and renewable energy assets. The listed investment in JLEN is included within the Secondary Investment portfolio.

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

	31 December 2015 £ million	**%**	31 December 2014 £ million	%
Primary Investment	**405.9**	**48.2**	414.3	53.7
Secondary Investment	**435.5**	**51.8**	357.7	46.3
Portfolio valuation	**841.4**	**100.0**	772.0	100.0

The reduction in the Primary Investment portfolio is due to transfers to the Secondary Investment portfolio of £189.1 million, offset by a movement in fair value of £83.5 million, including value enhancements and financial closes achieved during the year, and cash invested of £98.4 million.

	Primary Investment £ million
Portfolio valuation at 1 January 2015	414.3
– Cash invested	98.4
– Cash yield	(1.2)
– Transfers to Secondary Investment	(189.1)
Rebased valuation	**322.4**
– Movement in fair value	83.5
Portfolio valuation at 31 December 2015	**405.9**

The increase in the Secondary Investment portfolio is due to transfers from the Primary Investment portfolio of £189.1 million, cash invested of £44.1 million and a movement in fair value of £48.6 million offset by investment realisations during the year of £86.3 million, the transfer of investments to JLPF of £80.0 million and cash yield of £37.7 million.

	Secondary Investment £ million
Portfolio valuation at 1 January 2015	357.7
– Cash invested	44.1
– Cash yield	(37.7)
– Proceeds from realisations	(86.3)
– Transfer of investments to JLPF	(80.0)
– Transfers from Primary Investment	189.1
Rebased valuation	**386.9**
– Movement in fair value	48.6
Portfolio valuation at 31 December 2015	**435.5**

METHODOLOGY

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

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

The discounted cash flow valuation is based on future cash distributions from projects forecast as at 31 December 2015, derived from detailed financial models for each underlying project. These incorporate the Group's expectations of likely future cash flows, including value enhancements.

For the 31 December 2015 valuation, the overall weighted average discount rate was 9.5% compared to the weighted average discount rate at 31 December 2014 of 9.8%. The decrease was primarily due to the 25 basis point reduction in benchmark operational discount rates for all but two investments in June 2015, as well as the reduction of construction risk premia. The weighted average discount rate at 31 December 2015 was made up of 9.7% for the Primary Investment portfolio and 8.9% for the Secondary Investment portfolio. The shareholding in JLEN was valued at its closing market price on 31 December 2015 of 103.0p per share (31 December 2014 – 103.25p).

The overall weighted average discount rate of 9.5% reflects the fact that project cash flows for investments in the Primary Investment portfolio tend to have a longer duration than for investments in the Secondary Investment portfolio.

The weighted average discount rate of 8.9% for the Secondary Investment portfolio reflects (i) a few PPP projects with above average discount rates because of location or an element of volume/technology risk and (ii) the impact of renewable energy projects which tend to have higher discount rates than PPP projects.

The discount rate ranges used in the portfolio valuation at 31 December 2015 were as set out below:

Sector	Primary Investment %	Secondary Investment %
PPP projects	7.7 – 11.8	7.3 – 11.0
Renewable energy projects	8.8 – 12.3	8.0 – 9.6

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 2015.

MACRO-ECONOMIC ASSUMPTIONS

During 2015 lower than previously forecast inflation had a negative impact on the majority of forecast project cash flows within the portfolio. Deposit rates received on cash balances during 2015 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-term. As mentioned above, weakening of certain foreign currencies against Sterling over the twelve months to 31 December 2015 resulted in adverse foreign exchange movements of £9.2 million, excluding the effect of foreign currency exchange hedges described more fully in the Financial Review section.

PORTFOLIO VALUATION (CONTINUED)

The table below summarises the main macro-economic assumptions used in the portfolio valuation.

Assumption			**31 December 2015**	31 December 2014
Long term inflation	UK	RPI & RPIX	**2.75%**	2.75%
	Europe	CPI	**2.00%**	2.00%
	US	CPI	**2.25%-2.50%**	2.25%-2.50%
	Australia	CPI	**2.00%-2.75%**	2.00%-2.75%
Foreign exchange rates	GBP/EUR		**1.3592**	1.2808
	GBP/AUD		**2.0340**	1.9005
	GBP/USD		**1.4833**	1.5567

DISCOUNT RATE SENSITIVITY

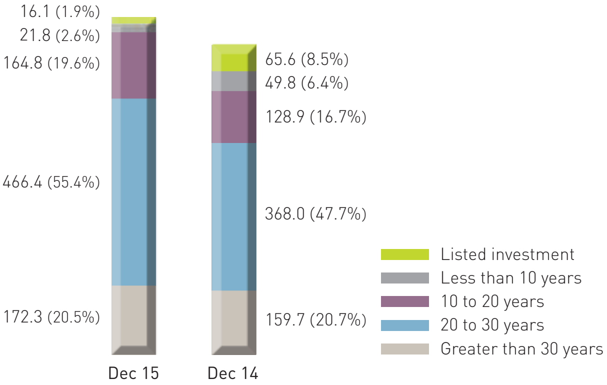
The weighted average discount rate used at 31 December 2015 was 9.5% (31 December 2014 – 9.8%). The table below shows the sensitivity of the portfolio valuation to each 1% change in this rate up to plus or minus 3.0%.

Discount rate sensitivity	Portfolio valuation £ million	Difference in valuation £ million
+3.0%	590.7	(250.7)
+2.0%	661.0	(180.4)
+1.0%	743.6	(97.8)
0.0%	841.4	–
-1.0%	958.1	116.7
-2.0%	1,098.6	257.2
-3.0%	1,269.2	427.8

Analysis of the portfolio valuation is shown in the following charts:

BY TIME REMAINING ON PROJECT CONCESSION/LIFE

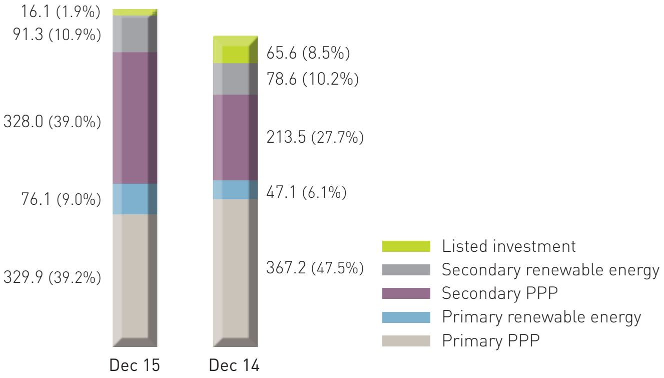
£ million



PPP projects are based on long-term concessions and renewable energy assets have long-term useful economic lives. As demonstrated in the chart above, 20.5% of the portfolio by value had a greater than 30-year unexpired concession term or useful economic life at 31 December 2015, whereas 55.4% had 20 to 30 years remaining and a further 19.6% had 10 to 20 years remaining. The investment in JLEN, which represented 1.9% (31 December 2014 – 8.5%) of the portfolio value, is shown separately.

SPLIT BETWEEN PPP AND RENEWABLE ENERGY

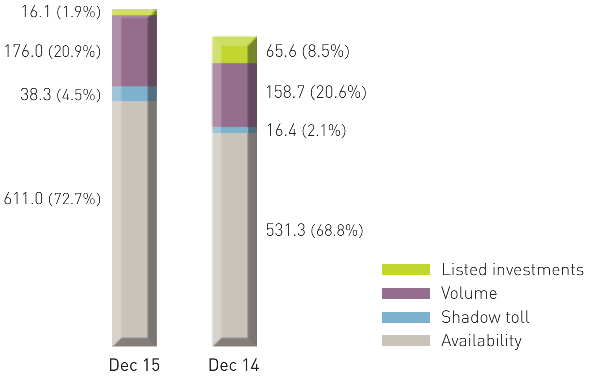
£ million



Primary PPP investments made up the largest part of the portfolio, representing 39.2% of the portfolio valuation at 31 December 2015, with Secondary PPP investments representing a further 39.0%.

BY REVENUE TYPE

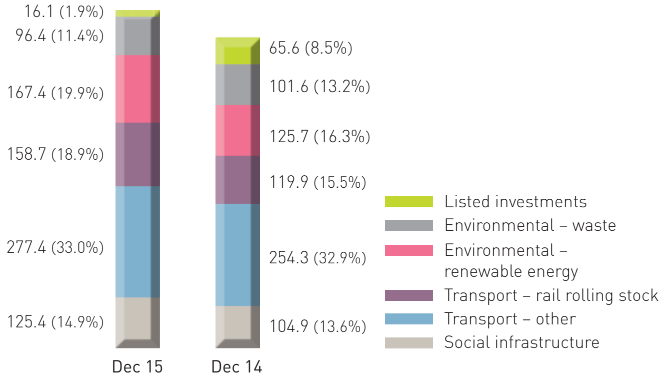
£ million



Availability-based investments continued to make up the majority of the portfolio, representing 72.7% of the portfolio valuation at 31 December 2015. Renewable energy investments comprised the majority of the volume-based investments. The investment in JLEN, which holds investments in PPP and renewable energy projects, is shown separately.

BY SECTOR

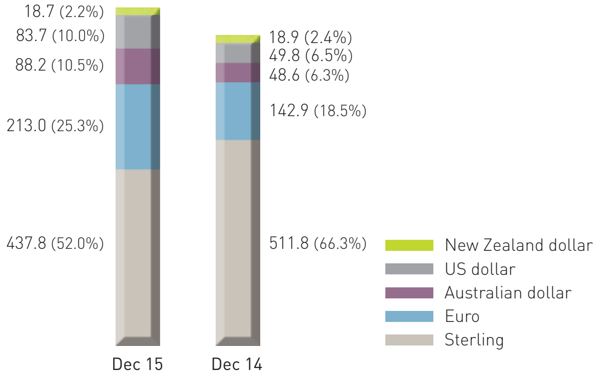
£ million



Investments in the transport sector (excluding rail rolling stock) continued to make up the largest proportion of the portfolio valuation, representing 33.0% of the portfolio at 31 December 2015, with rail rolling stock investments accounting for a further 18.9%. Renewable energy investments made up 19.9% of the portfolio by value, social infrastructure investments – 14.9%, and environmental investments – 11.4%. The portfolio underlying the JLEN shareholding consists of a mix of renewable energy and environmental projects.

BY CURRENCY

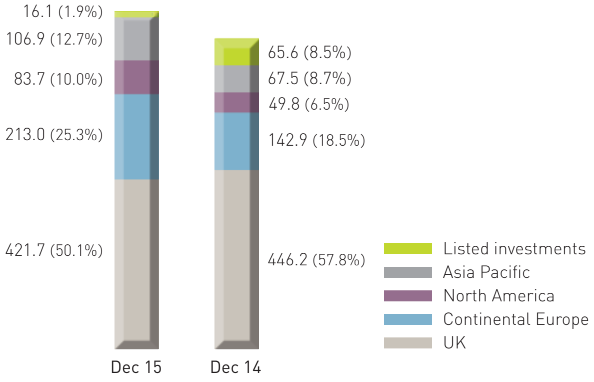
£ million



The percentage of investments denominated in foreign currencies increased from 33.7% to 48.0%. This is consistent with our pipeline and the overseas jurisdictions we target. This analysis excludes the effect of foreign currency hedges which the Group holds.

BY GEOGRAPHICAL REGION

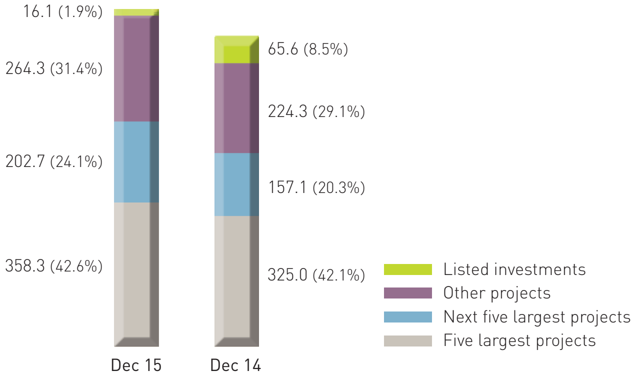
£ million



Investments in the UK continued to make up the majority of the portfolio valuation, representing 50.1% of the portfolio at 31 December 2015. Continental Europe remained the next largest category with 25.3%. Investments in projects located in the Asia Pacific region made up 12.7% and investments in North America 10.0%. The JLEN portfolio consists of investments in UK based projects.

BY INVESTMENT SIZE

£ million



The top five investments in the portfolio made up 42.6% of the portfolio at 31 December 2015. The next five largest investments made up a further 24.1%, with the remaining investments in the portfolio comprising 31.4%. The shareholding in JLEN made up 1.9% of the portfolio.

FINANCIAL REVIEW

BASIS OF PREPARATION

As the Company meets the definition of an investment entity set out within IFRS 10, the financial statements have been prepared accordingly. Investment entities are required to account for all investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss (FVTPL), except for those directly-owned subsidiaries that provide investment related services or engage in permitted investment related activities with investees (Service Companies).

Pro forma financial information for the Group has been prepared alongside statutory financial information in the financial statements.

As at 31 December 2014, the Company did not form a group as it only held 22.46% of John Laing Holdco Limited. On 27 January 2015, prior to the Company's Admission in February 2015, a group restructuring occurred which included the Company becoming the sole shareholder of John Laing Holdco Limited. On 17 February 2015, the legal ownership of certain Service Companies was transferred from the John Laing Holdco Limited group to the Company.

The Company was unable to produce group accounts nor show financial information in respect of the newly formed group within its statutory results for the year ended 31 December 2014. Therefore, for the year ended 31 December 2014, in addition to the statutory financial information, pro forma financial information was prepared on the basis that the restructuring described above had occurred on 1 January 2013 and had been in place throughout the year ended 31 December 2014. In the opinion of the Directors, not to present this information would not have given a true and fair view of the state of the Company's affairs.

There is no difference between the pro forma and statutory balance sheets as at 31 December 2015. However, there is a difference between the pro forma and statutory income statement relating to the 27 day period between 1 January 2015 and 27 January 2015 when the Company only owned 22.46% of the John Laing Holdco Limited group (the Company acquired the remaining 77.54% of the John Laing Holdco Limited group on 27 January 2015). Both pro forma and statutory information has therefore been presented in the Group Income Statement for the year ended 31 December 2015. This is the last year for which pro forma financial information will be presented.

The statutory income statement includes an additional £3.4 million fair value loss within 'net gain on investments at fair value through profit or loss' that arises on the Company's acquisition of John Laing Holdco Limited on 27 January 2015, which is held as an investment at fair value in accordance with IFRS 10, from the difference between the acquisition price of £630.0 million and the net assets of the John Laing Holdco group at the date of acquisition of £626.6 million. The net assets of the John Laing Holdco Limited group at the date of acquisition were lower than the net assets at 31 December 2014 of £649.8 million (as per the pro forma balance sheet) primarily as a result of an increase in the deficit on the John Laing Holdco Limited group's pension schemes between 1 January 2015 and the date of acquisition.

The pro forma and statutory financial information has been prepared on the historical cost basis except for the revaluation of the investment portfolio and financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies.

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

SUMMARY OF RESULTS FOR THE YEAR

A summary of the results for the year on the pro forma basis is presented in the table below by operating segment.

	Primary Investment		Secondary Investment		Asset Management		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	£ million	£ million	**£ million**	£ million	**£ million**	£ million	**£ million**	£ million
Adjusted profit before tax for operating segments	**50.7**	99.4	**43.0**	30.1	**15.5**	9.7	**109.2**	139.2
Post retirement charges							**(4.2)**	(10.0)
Other costs							**(4.1)**	(8.8)
Profit before tax (continuing operations)							**100.9**	120.4
Profit before tax (discontinued operations)							**5.7**	–
Profit before tax – pro forma							**106.6**	120.4
Adjustments for statutory basis:								
Fair value loss on acquisition of John Laing Holdco Limited							**(3.4)**	
Profit before tax – statutory							**103.2**	
Basic earnings per share from continuing operations							**27.6p**	40.2p
Portfolio valuation	**405.9**	414.3	**435.5**	357.7	**–**	–	**841.4**	772.0
Other net current liabilities							**(16.0)**	(16.4)
Group net cash[1]							**110.4**	80.0
Post-retirement obligations							**(46.2)**	(185.8)
Group net assets							**889.6**	649.8

[1] Group net cash includes cash balances held to collateralise future investment commitments of £123.9 million (31 December 2014 – £60.5 million) and is presented net of short-term cash borrowings of £19.0 million (31 December 2014 – £nil).

The remainder of this financial review concerns the pro forma financial information unless stated otherwise.

Profit before tax for the year ended 31 December 2015 was £106.6 million (2014 – £120.4 million). The main reason for the lower profit before tax was a lower fair value movement in 2015 compared to 2014. This is principally because investment commitments and value enhancements do not necessarily arise evenly from one year to another.

- As in 2014, the main profit contributor in 2015 was the Primary Investment division. The Primary Investment division contribution in 2014 was particularly strong as a result of the financial close of IEP (Phase 2) in April of that year.
- The higher contribution in 2015 from the Secondary Investment division was primarily as a result of higher valuation growth in the year from the reduction in operational benchmark discount rates.
- The higher contribution in 2015 from the Asset Management division was principally due to higher fee income from both IMS, as a result of increased external AuM, and PMS primarily as a result of higher development management fee income.
- Post retirement charges are lower reflecting the reduction in the JLPF deficit under IAS 19.
- Other costs in 2015 include £3.4 million of the total IPO-related expenses of £9.2 million, which have been expensed through the Group Income Statement rather than offset against share premium account as they were not directly associated with the issue of shares.
- Profit before tax from discontinued operations for the year ended 31 December 2015 was £5.7 million compared to £nil for the year ended 31 December 2014 and was mainly attributable to the resolution of legacy claims.
- Basic earnings per share from continuing operations in 2015 were 27.6 pence compared to 40.2 pence in 2014 in line with lower profit before tax.

Profit before tax shown above is net of the following staff related costs:

	Primary Investment		**Secondary Investment**		**Asset Management**		**Central**		**Total**	
Year ended 31 December	**2015 £ million**	2014 £ million	**2015 £ million**	2014 £ million	**2015 £ million**	2014 £ million	**2015 £ million**	2014 £ million	**2015 £ million**	2014 £ million
Staff costs	**8.8**	8.6	**–**	–	**16.9**	16.5	**6.1**	8.1	**31.8**	33.2

No staff are allocated to the Secondary Investment division. Central staff costs in 2014 included some one-off costs.

Included within Asset Management staff costs are costs relating to:

	Investment Management Services		**Project Management Services**		**Total Asset Management**	
Year ended 31 December	**2015 £ million**	2014 £ million	**2015 £ million**	2014 £ million	**2015 £ million**	2014 £ million
Staff costs	**8.0**	6.6	**8.9**	9.9	**16.9**	16.5

Other key matters that affected the financial performance, financial position and cash flows of the Group in 2015 were:

- Total investment commitments of £180.5 million across ten projects (2014 – 11 projects with investment commitments of £217.2 million), including acquisitions;
- Cash investment of £142.5 million into existing portfolio projects during and at the end of their construction phase or on acquisitions of projects (2014 – £88.3 million);
- Full realisation of investments in seven projects (including one investment to JLIF and four investments to JLEN) for total proceeds of £86.3 million. In 2014, there were full realisations of investments in twelve projects (including four investments to JLIF and six investments to JLEN) and a partial realisation in one project, for total proceeds of £159.6 million;
- The combined deficit of the Group's defined benefit pension (under IAS 19) and post-retirement medical schemes at 31 December 2015 decreased to £46.2 million (31 December 2014 – £185.8 million), primarily due to a special contribution to JLPF of £100 million in cash and assets at the time of the IPO in February 2015 and a scheduled contribution of £27 million in cash in March 2015.

FINANCIAL REVIEW (CONTINUED)

GROUP INCOME STATEMENT

The financial information in the Group Income Statement includes:

- the consolidated results of the Company and the Company's recourse subsidiaries that perform service related activities (the Service Companies defined under basis of preparation above). In the statutory financial information, the results of the Service Companies, whose legal ownership was transferred to the Company from certain wholly owned subsidiaries on 17 February 2015, are consolidated from the date of the transfer. As per the above basis of preparation, in the pro forma financial information the results of the Service Companies are consolidated for the entirety of the years ended 31 December 2015 and 31 December 2014;
- the movement in the fair value of the Company's investment in its recourse investment entity subsidiaries through which it invests in both non-recourse project companies and listed investments, as adjusted for dividends received during the year. In the statutory financial information the fair-valued investment included the investment in the Service Companies until the transfer of their legal ownership to the Company on 17 February 2015.

The Group achieved a net recovery of £3.4 million on financial close on four projects in 2015 (£13.2 million on seven projects in 2014, including a high recovery on IEP (Phase 2), a project on which costs had been incurred over several years).

The Group's valuation of its investments in project companies is calculated by discounting their future cash flows as set out in the Portfolio Valuation section. The Group's investment in JLEN is held at its closing market value at the year end. After adjusting for the impact of investments, distributions and disposals, there was an uplift of £132.1 million (2014 – £158.6 million) in the fair value of investments. This uplift is included within 'net gain on investments at fair value through profit or loss' on the Group Income Statement. Note 12 to the financial statements shows a total fair value movement of £137.3 million on investments in project companies and listed investments which includes £5.2 million in respect of non-portfolio investments in small joint ventures.

During the year, an investment in one project was sold to JLIF and investments in four projects were sold to JLEN, with a further two investments sold to third parties, resulting in total proceeds of £86.3 million. Any gain arising on investment realisations is included in fair value movements on investments through the Group Income Statement.

Finance costs include the costs arising on the corporate banking facilities and interest on the pension fund deficit. These resulted in a net finance cost of £11.3 million in 2015 (2014 – £25.7 million) with the decrease being primarily due to the write off in 2014 of £4.3 million of unamortised upfront fees relating to the previous corporate banking facility that was replaced in February 2015, together with £5.7 million lower interest on the reduced pension fund deficit in 2015.

The Group's tax charge on continuing activities for 2015 was £0.1 million (2014 – £2.4 million credit). This comprised a tax charge of £2.1 million in recourse group subsidiary entities that are consolidated (shown on the 'Tax (charge)/credit' line of the Group Income Statement), primarily in relation to group relief payable to entities held at FVTPL, and a tax credit of £2.0 million in recourse group subsidiary entities that are held at FVTPL (included within 'net gain on investments at fair value through profit or loss' on the Group Income Statement). 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. There are no tax losses in the Company but there are tax losses in recourse group subsidiary entities that are held at FVTPL.

GROUP BALANCE SHEET

At 31 December 2015, the statutory and pro forma balance sheets are the same and include on a line by line basis the assets and liabilities of the Company and of the Service Companies directly owned by the Company as well as the fair value of the Company's investment in its recourse investment entity subsidiaries through which it invests in non-recourse project companies and listed investments.

The pro forma balance sheet at 31 December 2014 was prepared on the basis that the restructuring associated with the Company's Admission to listing in February 2015 was in place at 31 December 2014 and therefore the Service Companies are included in the Pro Forma Group Balance Sheet on a line by line basis at 31 December 2014.

The statutory balance sheet at 31 December 2014 reflects the Company's 22.46% investment in John Laing Holdco Limited. This investment was valued at £nil at this date because John Laing Holdco Limited had net liabilities at 31 December 2014 arising from shareholder loans from Henderson Infrastructure Holdco (Jersey) Limited, which owned the remaining 77.54% of John Laing Holdco Limited.

The Directors' valuation of the Group's portfolio of investments in project companies and listed investments was £841.4 million at 31 December 2015 (31 December 2014 – £772.0 million). The valuation methodology is set out in the Portfolio Valuation section.

The portfolio valuation is reconciled to the Group Balance Sheet as follows:

	31 December 2015 £ million	31 December 2014 £ million
Portfolio valuation	**841.4**	772.0
Value of other investments not included in portfolio valuation	**0.5**	0.3
Other assets and liabilities within recourse group investment entity subsidiaries[1]	**123.4**	85.9
Investments held at FVTPL on the Group Balance Sheet	**965.3**	858.2

[1] Include cash and cash equivalents of £128.3 million (31 December 2014 – £78.5 million), of which £123.9 million (31 December 2014 – £60.5 million) is held to collateralise future investment commitments, and trade and other receivables less trade and other payables.

Included in other assets and liabilities within recourse group investment entity subsidiaries at 31 December 2014 was a working capital advance of £7.8 million to a joint venture in anticipation of a potential UK PPP project. While this project may still go ahead, a decision was taken to provide in full against the recoverability of this advance as a result of prolonged delays in reaching the project's financial close.

The combined accounting deficit in the Group's defined benefit pension and post-retirement medical schemes at 31 December 2015 was £46.2 million (31 December 2014 – £185.8 million). The Group operates two defined benefit schemes in the UK – JLPF and the John Laing Pension Plan (the Plan). Both schemes are closed to new members and future accrual.

Within the combined accounting deficit of £46.2 million, the pension deficit in JLPF was £38.9 million, based on a discount rate of 3.75%. The amount of the deficit is dependent on key assumptions, principally: inflation; the discount rate used; and the life expectancy of members. The discount rate used, as prescribed by IAS 19, is based on the yields from high quality corporate bonds. The sensitivity of JLPF's pension liabilities to changes in key assumptions is illustrated in note 19 to the financial statements.

In December 2013, a schedule of contributions was agreed with the JLPF trustee over a period of ten years, comprising annual contributions of £26.1 million, increasing by 3.55% annually, payable each March, starting from March 2014. In line with this schedule, the Company made a cash contribution to JLPF in March 2015 of £27.0 million (2014 – £26.1 million). As part of the IPO process in February 2015 the Group also made a special contribution to JLPF satisfied by the transfer of assets, including cash, valued at £100 million and agreed a reduction in contributions payable in March 2016 and March 2017. The next triennial actuarial valuation of JLPF is due as at 31 March 2016. The valuation will reflect market movements since 31 December 2015.

FINANCIAL RESOURCES

At 31 December 2015, the Group had a committed corporate banking facility and associated ancillary facilities of £350.0 million expiring in March 2020 (31 December 2014 – £353.9 million). Of these facilities, £175.7 million was undrawn at 31 December 2015 (31 December 2014 – £109.0 million). Net available financial resources at 31 December 2015 were £180.1 million (31 December 2014 – £127.3 million).

Analysis of Group financial resources (recourse)

	31 December 2015 £ million	31 December 2014 £ million
Committed corporate banking facilities	**350.0**	353.9
Letters of credit issued	**(154.2)**	(243.8)
Other guarantees and commitments	**(1.1)**	(1.1)
Short term cash borrowings	**(19.0)**	–
Net facility utilisation	**(174.3)**	(244.9)
Facility headroom	**175.7**	109.0
Cash and bank deposits[1]	**5.5**	19.5
Less unavailable cash	**(1.1)**	(1.2)
Net available financial resources	**180.1**	127.3

[1] Cash and bank deposits exclude cash collateral balances.

Cash and bank deposits are included in the pro forma financial information in the Group Balance Sheet within the following lines:

	31 December 2015 £ million	31 December 2014 £ million
Amounts in fair valued entities included within investments at fair value through profit or loss	**4.4**	17.3
Amounts in consolidated entities shown as cash and cash equivalents	**1.1**	2.1
Amounts in discontinued operations	**–**	0.1
Total cash and bank deposits	**5.5**	19.5

Letters of credit issued from the committed corporate banking facilities and cash collateral together represent future cash investment by the Group into primary projects.

	31 December 2015 £ million	31 December 2014 £ million
Letters of credit issued (see below)	**154.2**	243.8
Cash collateral (see below)	**123.9**	60.5
Future cash investment into projects	**278.1**	304.3

During 2015, the Group has increased its use of cash collateral in order to make efficient use of cash balances.

FINANCIAL REVIEW (CONTINUED)

The table below shows the letters of credit issued from the committed corporate banking facilities at 31 December 2015 analysed by investment and the date when cash is expected to be invested into the underlying project, at which point the letter of credit would reduce or expire:

Project	Letter of credit issued £ million	Expected date of cash investment
Speyside Biomass, UK	8.0	February 2016 to June 2016
IEP (Phase 1), UK	10.0	July 2016
A15, Netherlands	11.7	July 2016
Croydon & Lewisham SL, UK	4.3	October 2016
New Generation Rollingstock, Australia	20.4	December 2016 to October 2017
Cramlington Biomass, UK	27.0	December 2017
IEP (Phase 2), UK	72.8	October 2018
Total	**154.2**	

The table below shows cash collateral balances at 31 December 2015 analysed by investment and the date when the cash is expected to be invested into the underlying project:

Project	Cash collateral amount £ million	Expected date of cash investment
IEP (Phase 1), UK	58.7	July 2016
New Perth Stadium, Australia	8.7	January 2016 to December 2017
Sydney Light Rail, Australia	39.8	September 2016 to November 2016
I-77 Managed Lanes, US	16.7	November 2017 to November 2018
Total	**123.9**	

The cash collateral in relation to the I-77 Managed Lanes project backs a letter of credit issued under an uncommitted cash collateralised facility.

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

At 31 December 2014, cash collateral balances of £60.5 million included £39.7 million relating to the East West Link project. Letters of credit issued at 31 December 2014 included a letter of credit for £21.0 million relating to the East West Link project. Both the letter of credit and the cash collateral were returned in June 2015 as part of the resolution of this project, which was cancelled.

The Group has tended not to be a cash borrower at the corporate level for significant periods of time and has not, therefore, generally sought to hedge its exposure to interest rate movements. However, there are significant non-recourse borrowings within the project companies in which the Group invests. The interest rate exposure on the debt of such project companies is, in almost all circumstances, fixed on financial close, through the issue of either a long-dated bond or fixed rate debt, or through the fixing of floating rate bank debt via interest rate swaps. Given this, the impact on the Group's returns from investments in project companies of changes in interest rates on project borrowings is minimal. There is an impact from changes in interest rates on the investment income from monies held on deposit both at Group level and within project companies but such an effect has not been, and is unlikely to be, significant in the context of the Group Income Statement.

The Group regularly reviews the sensitivity of its balance sheet to changes in exchange rates relative to Sterling and to the timing and amount of forecast foreign currency denominated cash flows. As set out in the Portfolio Valuation section, the Group's portfolio comprises investments denominated in Sterling, Euro, and Australian, US and New Zealand Dollars. As a result of foreign exchange movements in the year ended 31 December 2015, primarily in the Euro, there was a negative fair value movement of £9.2 million in the portfolio valuation between 31 December 2014 and 31 December 2015. This negative impact was partly offset by net gains, both realised and unrealised, included within net gain on investments at FVTPL in the Group Income Statement, of £1.6 million from foreign exchange hedges held by the Group at 31 December 2015 of part of its Euro-denominated investments (£97.4 million) and part of its New Zealand dollar-denominated investment (£8.9 million). Net gains of £2.7 million on other hedges held by the Group against cash collateral balances in foreign currencies offset foreign exchange translation losses of £4.5 million on those balances.

The Group may apply an appropriate hedge to a specific currency transaction exposure, which could include borrowing in that currency or entering into forward foreign exchange contracts. An analysis of the portfolio value by currency is set out in the Portfolio Valuation section.

Letters of credit in issue at 31 December 2015 of £154.2 million (31 December 2014 – £243.8 million) are analysed by currency as follows:

Letters of credit by currency	31 December 2015 £ million	31 December 2014 £ million
Sterling	**122.1**	162.0
Euro	**11.7**	12.5
US dollar	**–**	15.7
Australian dollar	**20.4**	53.6
	154.2	243.8

GOING CONCERN

The Group has a committed corporate banking facility until March 2020 and has sufficient resources available to meet its committed capital requirements, investments and operating costs for the foreseeable future. Accordingly, the Group has adopted the going concern basis in the preparation of its pro forma financial statements for the year ended 31 December 2015.

Patrick O'D Bourke
GROUP FINANCE DIRECTOR

VIABILITY STATEMENT

In accordance with the revised UK Corporate Governance Code (the Code), the Directors have assessed the viability of the Group over a three year period to 31 December 2018, taking into account the Group's current position and the principal risks set out on pages 32 to 36. The assessment carried out supports the Directors' statements both on viability, as set out below, and also in respect of going concern, as set out in the Financial Review section.

The Directors selected a period of three years for their assessment because this is the longest timescale over which the Group usually has visibility over the future investment opportunities which make up its pipeline. It is also the key period of focus in the Group's budget and planning process which is updated each year and looks forward up to four years.

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

- The Group makes primarily long-term investments which are not publicly traded. The minimum holding period for an investment is likely to extend beyond the construction time for the underlying asset (which for a PPP asset may be as long as 5-6 years), and some assets may be held to maturity;
- New investments in greenfield projects are funded through a combination of cash flow from existing assets, the Group's corporate banking facilities and realisations of investments in operational projects. Realisations are dependent on there being continuing demand in a currently active secondary market;
- Availability of debt finance continues at Group level through the corporate banking facilities and at project level through non-recourse project finance facilities specific to each project;
- The Group is exposed to potential increases in pension cash contributions as well as volatility in the JLPF pension deficit reported as part of NAV, principally because of movements in the main risks (discount rate, inflation rate and life expectancy) which impact the value of pension liabilities. The next triennial actuarial valuation of JLPF is due as at 31 March 2016; and
- The value of the Group's investment portfolio is dependent on a number of key risks including: discount rates derived from the secondary market; macro-economic factors such as exchange rates, taxation rates, inflation and deposit rates; the construction stage and operational performance of underlying assets; volumes (where project revenue is linked to project usage); and forward energy prices and energy yields.

The Directors' assessment has been undertaken using a detailed financial model, which the Group uses consistently for forecasting purposes and to monitor compliance with the covenants in its corporate banking facilities. Key output from this model is reviewed at monthly treasury meetings and by the Group's Executive Committee, Audit Committee and Board. Where appropriate, the model has been subjected to robust sensitivity analysis to stress test the resilience of the Group's forecasts to severe but plausible scenarios. These include a scenario under which the Group is unable to make further investment realisations over an extended time period and accordingly materially reduces new investment activity as well as costs.

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

Based on the above assessment, the Directors have formed a reasonable expectation that the Group will be able to continue its operations and meet its liabilities as they fall due over the next three years from 31 December 2015.

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 2015 and up to the date of this Annual Report include:

- an organisational structure which provides adequate segregation of responsibilities, clearly defined lines of accountability, delegated authority to trained and experienced staff and extensive reporting;
- clear business objectives aligned with the Group's risk appetite;
- risk reporting, including identification of risks through Group-wide risk registers, that is embedded in the regular management reporting of business units and is communicated to the Board; and
- an independent internal audit function, which reports to the Audit 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, Audit Committee and Executive Committee in formulating and enforcing the Group's risk management policy.

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

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

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

Risk	Link to strategic objectives (note)	Mitigation	Change in risk since 31 December 2014
Governmental policy Changes to legislation or public policy in the jurisdictions in which the Group operates or may wish to operate could negatively impact the volume of potential opportunities available to the Group and the returns from existing opportunities. The use of PPP programmes by governmental entities may be delayed or may decrease thereby limiting opportunities for private sector infrastructure investors in the future, or be structured such that returns to private sector infrastructure investors are reduced. Governmental entities may in the future seek to terminate or renegotiate the terms applying to existing projects for example to introduce new policies or legislation that result in higher tax obligations on existing PPP or renewable energy projects or otherwise affect existing or future projects. Changes to legislation or public policy relating to renewable energy could negatively impact the economic returns on the Group's investments in renewable energy projects, which would adversely affect the demand for and attractiveness of such projects. Compliance with the public tender regulations which apply to PPP projects is complex and the outcomes may be subject to third party challenge and reversed.	1, 2, 3	The Board limits its exposure to any single jurisdiction. 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. Where possible the Group seeks specific contractual protection from changes in government policy and law for the projects it invests in. General change of law is considered to be a normal business risk. During the bidding process for a project, the Group takes a view on an appropriate level of return to cover the risk of non-discriminatory changes in law. During the bidding process for a project, the Group assesses the sensitivity of the project's forecast returns to changes in factors such as tax rates and/or, for renewable energy projects, governmental support mechanisms. The Group targets jurisdictions which have a track record of support for renewable energy investments and which continue to demonstrate such support. Through its track record of 117 investment commitments, the Group has developed significant expertise in compliance with public tender regulations.	→ No change

Risk	Link to strategic objectives (note)	Mitigation	Change in risk since 31 December 2014
Macroeconomic factors Inflation, interest rates and foreign exchange all potentially impact the return generated from an investment, to the extent such factors cannot be hedged. Weakness in factors which affect energy prices, such as the oil price, could negatively impact the economic returns on the Group's investments in renewable energy. Weakness in the political and economic climate in a particular jurisdiction could impact the value of, or the return generated from, any or all of the Group's investments located in that jurisdiction.	1, 2, 3	Factors which have the potential to impact adversely the underlying cash flows of an investment are hedged wherever possible at a project level and sensitivities are considered during the investment approval process. Systemic risks, such as potential deflation, or appreciation/depreciation of Sterling versus the currency in which an investment is made, are assessed in the context of the portfolio as a whole. The Group seeks to reduce the extent to which its renewable energy investments are exposed to energy prices through government support mechanisms and/or off take arrangements. The Group monitors closely the level of investments it has exposed to foreign currencies, including regularly testing the sensitivity of the financial covenants in its corporate banking facilities to a significant change in the value of individual currencies. Where possible, specific clauses relating to potential currency change are incorporated in project documentation.	↑ Increased
Liquidity in the secondary market Weakness in the secondary markets for investments in PPP or renewable energy, for example as the result of a lack of economic growth in relevant markets, regulatory reform in the banking sector, liquidity in financial markets, changes in interest rates and project finance market conditions,and the recent difficulties in parts of the Eurozone, may affect the Group's ability to realise full value from its divestments. The secondary market for investments in renewable energy projects may be affected by, inter alia, changes in energy prices, in governmental policy, in the value of governmental support mechanisms and in project finance market conditions. The ability of JLIF and JLEN to finance further investments may have an impact on both the Group's ability to sell investments in PPP and renewable energy projects and on the Group's asset management business more generally.	1, 2, 3	Projects are appraised on a number of bases, in particular being held to maturity. Projects are also carefully structured so that they are capable of being divested, if appropriate, before maturity. Over recent years, the secondary markets for both PPP and renewable energy investments have grown. In particular, several new environmental funds have been launched. While JLIF and JLEN are natural buyers of the Group's PPP and renewable energy investments respectively, the size and breadth of secondary markets provide the Group with confidence that it can sell investments to other purchasers.	→ No change
Financial resources Any shortfall in the financial resources that are available to the Group to satisfy its financial obligations may make it necessary for the Group to constrain its business development, refinance its outstanding obligations, forego investment opportunities and/or sell existing investments. Inability to secure project finance could hinder the ability of the Group to make a bid, or where the Group has a preferred bidder position, could negatively impact whether an underlying project reaches financial close. The inability of a project company to satisfactorily refinance existing maturing medium-term project finance facilities periodically during the life of a project could affect the Group's projected future returns on investments from such projects. Adverse financial performance by a project company which affects the financial covenants in its project finance loan documents may result in the project company being unable to make distributions to the Group and other investors and may enable senior project finance debt providers to declare default on the financing terms and exercise their security.	1, 3	In February 2015, the Group entered into corporate banking facilities which mature in March 2020. Available headroom is carefully monitored and compliance with the financial covenants and other terms of this facility is closely observed. The Group also monitors its working capital and letter of credit requirements and maintains an active dialogue with its banks. It operates a policy of ensuring that sufficient financial resources are maintained to satisfy committed and likely future investment requirements. The Group believes that there is currently sufficient depth and breadth in project finance markets to meet the financing needs of the projects it invests in. The Group works closely with a wide range of project finance providers, including banks and other financial institutions. Projects in which the Group has invested in PPP markets such as Australia and New Zealand, where the tenor of project finance facilities at financial close tends to be medium term, will need to be refinanced in due course. Prior to financial close, all proposed investments are scrutinised by the Investment Committee. This scrutiny includes a review of sensitivities to adverse performance of investment returns and financial ratio tests as well as an assessment of a project's ability to be refinanced if the tenor of its debt is less than the term of the concession or the project's useful life. The Group maintains an active dialogue with the banks and other financial institutions which provide project finance to the projects in which it invests. Monitoring of compliance with financial covenant ratios and other terms of loan documents continues throughout the term of the project finance loan.	↓ Decreased

PRINCIPAL RISKS AND RISK MANAGEMENT (CONTINUED)

Risk	Link to strategic objectives (note)	Mitigation	Change in risk since 31 December 2014
Pensions The amount of the deficit in the Group's main defined benefit pension scheme (JLPF) can vary significantly due to gains or losses on scheme investments and movements in the assumptions used to value scheme liabilities (in particular life expectancy, discount rate and inflation rate). Consequently the Group is exposed to the risk of increases in cash contributions payable, volatility in the deficit reported in the Group Balance Sheet, and gains/losses recorded in the Group Statement of Comprehensive Income.	1, 3	The Group's two defined benefit pension schemes are overseen by corporate trustees, the directors of which include independent and professionally qualified individuals. The Group works closely with the trustees on the appropriate funding strategy for the schemes and takes independent actuarial advice as appropriate. Both schemes are closed to future accrual and accordingly have no active members, only deferred members and pensioners. A significant proportion of the liabilities of JLPF is matched by a bulk annuity buy-in agreement with Aviva. Other hedging is also in place. In February 2015, the Group made a special contribution to JLPF of assets/cash valued at £100 million, thereby significantly reducing the IAS 19 deficit in the scheme. The next actuarial valuation of JLPF is due as at 31 March 2016.	→ No change
Competition The Group operates in competitive markets and may not be able to compete effectively or profitably.	1	The Group believes that its experience and expertise as an active investor accumulated over more than 20 years, together with its flexibility and ability to respond to market conditions will continue to enable it to compete effectively and secure attractive investments.	→ No change
Valuation The valuation of an investment in a project may not reflect its ultimate realisable value. In circumstances where the revenue derived from a project is related to patronage (i.e. customer usage), actual revenues may vary materially from assumptions made at the time the investment commitment is made. In addition, to the extent that a project company's actual costs incurred differ from forecast costs, for example, because of late construction, and cannot be passed on to sub-contractors or other third parties, investment returns may be adversely affected. Revenues from renewable energy projects may be affected by the volume of power production (e.g. from changes in wind or solar yield), restrictions on the electricity network or other factors such as noise and other environmental restrictions, as well as by changes in energy prices and to governmental support mechanisms. The valuation of the Group's investment portfolio is affected by movements in foreign exchange rates, which are reflected through the Group's financial statements. In addition, there are foreign exchange risks associated with conversion of foreign currency cash flows relating to an investment into and out of Sterling. During the construction phase of an infrastructure project, there are risks that either the works are not completed within the agreed time-frame or that construction costs overrun. Where such risks are not borne by sub-contractors, or sub-contractors fail to meet their contractual obligations, this can result in delays or cost overruns, which may adversely affect the valuation of and return on the Group's investments. 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.	3	The discount rates used to value investments are derived from publicly available market data and other market evidence and are updated regularly. The Group has a good track record of realising investments at prices consistent with the fair values at which they are held. The Group's investments are in projects which are principally availability-based (where the revenue does not generally depend on the level of use of the project asset). Where patronage or volume risk is taken, the Directors review assumptions and their sensitivities in detail prior to any investment commitment. Where the revenue from projects is related to patronage or volume (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) stress-testing the robustness of project returns against significant falls in forecast volumes. The Group typically hedges cash flows arising from investment realisations or significant distributions in currencies other than Sterling. The intention is that projects are structured such that (i) day-to-day service provision is sub-contracted to qualified sub-contractors supported by appropriate security packages (ii) cost and price inflation risk in relation to the provision of services lies with sub-contractors (iii) performance deductions in relation to non-availability lie with sub-contractors (iv) major maintenance and ongoing project company costs are reviewed annually and cost mitigation strategies adopted as appropriate. The Group's intention is to maintain a majority of availability – based investments by value in its portfolio. The Group has procedures in place to ensure that project companies in which it invests appoint competent sub-contractors with relevant experience and financial strength. If project construction is delayed, sub-contracting arrangements contain terms enabling the project company to recover liquidated damages, additional costs and lost revenue, subject to limits. In addition, the project company may terminate its agreement with a sub-contractor if the latter is in default and seek an alternative sub-contractor. The terms of the sub-contracts into which project companies enter provide significant protections for investment returns from the poor performance of third parties. The ability to replace defaulting third parties is supported by security packages to protect against price movement on re-tendering.	↓ Decreased

Risk	Link to strategic objectives (note)	Mitigation	Change in risk since 31 December 2014
Counterparty risk The Group is exposed to counterparty credit risk with regards to (i) governmental entities, sub-contractors, lenders and suppliers at a project level and (ii) consortium partners, financial institutions and suppliers at a Group level. In overseas jurisdictions, the Group's investments backed by governmental entities may ultimately be subject to sovereign risk.	3	The Group works with multiple clients, joint venture partners, sub-contractors and institutional investors so as to reduce the probability of systemic counterparty risk in its investment portfolio. In establishing project contractual arrangements prior to making an investment, the credit standing and relevant experience of a sub-contractor are considered. Post contract award, the financial standing of key counterparties is monitored to provide an early warning of possible financial distress. PPP projects are normally supported by central and local government covenants, which significantly reduce the Group's risk. Risk is further reduced by the increasing geographical spread of the Group's investments. Counterparties for deposits at a Group level, project debt swaps and deposits within project companies are required to be banks with a suitable credit rating and are monitored on an ongoing basis. Entry into new geographical areas which have a different legal framework and/or different financial market characteristics is considered by the Board separately from individual investment decisions. Typically, a substantial proportion of the revenue generated by renewable energy projects is backed by governmental support mechanisms.	→ No change
Major incident A major incident at any of the projects invested in by the Group, such as a terrorist attack or war, could lead to a loss of crucial business data, technology, buildings and reputation and harm to the public, all of which could collectively or individually result in a loss of value for the Group.	2, 3	At financial close, projects benefit from comprehensive insurance arrangements, either directly or through contractors' insurance policies. Detailed business continuity plans have been designed and are tested at frequent/regular intervals. Business continuity procedures are also regularly updated in order to maintain their relevance. John Laing 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 it routinely monitors health, safety and environmental issues in the projects it invests in or manages.	→ No change
Investment adviser agreements with JLIF and/or JLEN A loss of JLCM's investment adviser agreements with JLIF and JLEN respectively would be detrimental to the Group's Asset Management business.	2	Through JLCM, and supported by other parts of the Asset Management division, the Group focuses on delivering a high quality service to both funds.	→ No change
Future returns from investments The Group's historical returns and cash yields from investments may not be indicative of future returns. The Group's expected hold-to-maturity internal rates of return from investments are based on a variety of assumptions which may not be correct at the time they are made and may not be achieved in the future.	1, 2, 3	In bidding for new projects, the Group sets a target internal rate of return taking account of historical experience, current market conditions and expected returns once the project becomes operational. The Group continually looks for value enhancement opportunities which would improve the target rate of return. At the investment appraisal stage, projects are tested for their sensitivity to changes in key assumptions.	→ No change

PRINCIPAL RISKS AND RISK MANAGEMENT (CONTINUED)

Risk	Link to strategic objectives (note)	Mitigation	Change in risk since 31 December 2014
Taxation The Group may be exposed to changes in taxation in the jurisdictions in which it operates, or it may cease to satisfy the conditions for relevant reliefs. Tax authorities may disagree with the positions that the Group has taken or intends to take. Project companies may be exposed to changes in taxation in the jurisdictions in which they operate. In October 2015, the OECD published its recommendations for tackling Base Erosion and Profit Shifting (BEPS) by international companies. The governments of OECD countries are now considering how best to implement these recommendations into their domestic law. The OECD has identified the use of tax deductible interest as one of the key areas where there is opportunity for BEPS by international companies. To the extent that one or more of the jurisdictions in which the Group operates changes its rules to limit tax deductible interest, this could significantly impact the way in which future project-financed infrastructure investments are structured in those jurisdictions.	1, 3	Tax positions taken by the Group are based on industry practice and/or external tax advice. At the investment appraisal stage, projects are tested for their sensitivity to changes in tax rates. Project valuations are regularly updated for changes in tax rates. The Group's understanding is that not all governments will implement the OECD recommendations in the same way. Some believe their existing rules are adequate to limit the scope for BEPS. Others may take advantage of grandfathering provisions or the potential for exemptions for projects with a public benefit. The Group has contributed to the UK Government's consultation on how to implement the OECD recommendations. The Group's effective tax rate tends to be lower than the standard rate of UK corporation tax principally because the contributions the Group makes to JLPF are deductible for tax purposes.	↑ Increased
Personnel The Group may fail to recruit or retain key senior management and skilled personnel in, or relocate high-quality personnel to, the jurisdictions in which it operates or seeks to expand.	1, 2, 3	The Group regularly reviews pay and benefits to ensure they remain competitive. The Group's senior managers participate in long term incentive plans. The Group plans its human resources needs carefully, including appropriate local recruitment, when it bids for overseas projects.	→ No change

Note:

The Group's three strategic objectives, as set out in the Chief Executive Officer's review, are:

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

CORPORATE RESPONSIBILITY

"The John Laing Group has committed for the long term to its corporate responsibility agenda which is endorsed by the John Laing Executive Committee. However in relation to our community investment strategy, it is the engagement of our employees that makes the difference. Our intent is to be a good corporate citizen and to support our employees to contribute positively in their own capacities to good causes where they live and work. Our policies and procedures reflect the values, of a responsible employer which operates with integrity, and in a manner that is both ethical and transparent."

Olivier Brousse
CHIEF EXECUTIVE OFFICER

VOLUNTEER
OZHARVEST

COMMUNITY INVESTMENT

Our community investment strategy is delivered through our employees and a number of partners.

Since 2006 we have been an active Patron of the Prince's Trust, which has allowed us to support disadvantaged and vulnerable young people across the UK, to help them move into work, education or training. In May 2015, a team of 26 John Laing staff and members of their families undertook a mountain challenge in the UK's Lake District. Through sponsorship matched by the John Laing Charitable Trust (JLCT), the team raised £18,770 for the Prince's Trust.

The Group encourages its staff to become involved in activities and initiatives that benefit local communities and environments. During the year our Asset Management finance team undertook community work on the Thrive garden project in Battersea Park, London, an initiative set up by Business in the Community's "Give and Gain day". This involved cleaning planting areas, clearing walkways and assisting in the project's on-site shop as well as working with people living with disabilities and ill health.

During 2015, staff in Australia, Canada, New Zealand and the US successfully applied to JLCT for donations to charities they are involved with and wished to support. Their activities included a 2km open sea swim from Bondi Beach for seven colleagues from Sydney supporting The Kids Cancer charity project. They also included the New Generation Rollingstock team in our Brisbane office becoming actively involved in Oz Harvest, a perishable food rescue organisation in Australia that collects excess food from commercial outlets and delivers it to in excess of 500 charities.

THE JOHN LAING CHARITABLE TRUST (JLCT)

JLCT supports the work of welfare visitors who look after the needs of former employees and their surviving partners. Its trustees set aside considerable funds each year to provide financial help and assistance.

All John Laing employees or members of their immediate family directly involved in a charity are able to apply to JLCT for a grant of up to £1,000 to support a good cause; additionally JLCT is able to match charitable donations raised by employees, up to a value of £1,500 per employee. Through JLCT, the Company was able to reward the loyalty of long serving staff as well as recognising their contribution to the business through the annual Star Awards (see Workplace section). In 2015, employees qualifying for Star Awards were given the opportunity to donate up to £1,000 towards a charity of their choice. During 2015, the combined donations on all these fronts equated to over £70,000.

CORPORATE RESPONSIBILITY (CONTINUED)

HEALTH AND SAFETY

John Laing holds independent third party certification for the internationally-recognised occupational health and safety management system BS OHSAS 18001:2007, and operates in accordance with the Health and Safety at Work Act 1974 and all other applicable legislation. As an international organisation, we operate to UK legislated standards across all our undertakings, or country specific standards if higher.

These arrangements enable us to demonstrate our ongoing commitment to the health and safety of all our staff and anyone who may be directly or indirectly affected by our activities. We strive to deliver continual improvement in all areas of our health and safety performance and regularly engage with our employees to ensure that their occupational health and wellbeing is considered a key business priority. We have systems in place to monitor the implementation of health and safety throughout the business.

ENVIRONMENT

We seek to reduce the impact on the environment from infrastructure projects in which we invest through engagement with both projects' public sector clients and contractors alike. Wherever possible, we develop joint strategies to reduce both greenhouse gas emissions and the volume of 'waste to landfill' produced by such projects.

John Laing captures energy data covering head office and business travel activities, in order to determine, and where feasible reduce, our direct consumption and associated carbon footprint. The majority of our office accommodation is fitted with energy efficient technology to ensure our operations do not cause unnecessary detriment to the environment.

In order to comply with the Energy Savings Opportunity Scheme Regulations 2014 (ESOS Regulations), John Laing issued a qualifying and independently audited submission to the Environment Agency during November 2015.

Greenhouse Gas Emissions

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

The table below shows our greenhouse gas (GHG) emissions for the year ended 31 December 2015. We listed on the London Stock Exchange in 2015 and accordingly do not provide comparable figures for 2014.

Greenhouse gas emissions in tonnes of carbon dioxide (tCO_2) or carbon dioxide equivalent (tCO_2e)

Emissions source	Emissions
Combustion of fuel and operation of facilities (Scope 1)	52.2 tCO_2e
Electricity purchased for our own use within buildings and leased electric vehicles (Scope 2: location-based)	152.9 tCO_2e
Electricity purchased for our own use within buildings and leased electric vehicles (Scope 2: market-based)	105.9 tCO_2
Other indirect emissions (Scope 3)	426.9 tCO_2e

Emissions resulting from the consumption of electricity outside the UK and emissions from purchased electricity calculated on the market-based approach using supplier-specific emission factors are reported in tCO_2 rather than tCO_2e due to the availability of emission factors.

Methodology

We quantify and report our organisational GHG emissions in alignment with the World Resources Institute GHG Protocol Corporate Accounting and Reporting Standard and in alignment with the new Scope 2 Guidance update to the Corporate Standard. We report on GHG emissions where we have operational control.

We have voluntarily reported on our Scope 3 indirect emissions from business travel and water consumption using the GHG Protocol Corporate Value Chain (Scope 3) Standard. We have worked with Carbon Credentials Energy Services to calculate our GHG emissions.

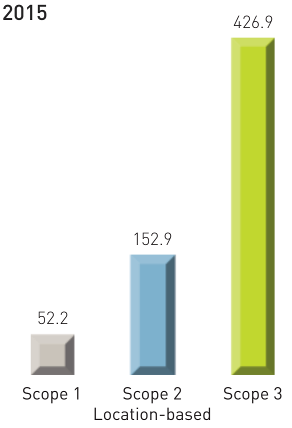
The GHG sources that are covered for the 2015 reporting period are:

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

In some cases, values have been estimated using either extrapolation of available data from the reporting period or data from 2014 as a proxy.

TOTAL EMISSIONS 2015

(tCO_2e)

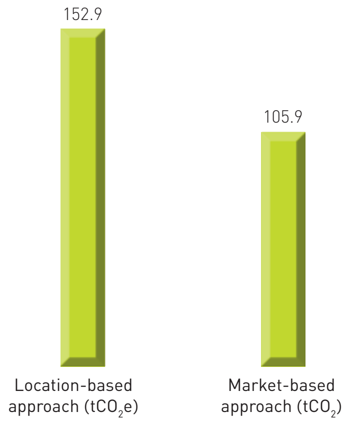


The new Scope 2 Guidance in the GHG Protocol referred to above requires that we quantify and report Scope 2 emissions from purchased electricity consumption for our own use using two different methodologies: the location-based method, using average emissions factors for the country in which the reported operations take place, and the market-based method, which uses the actual emissions factors of the energy procured. This is known as dual reporting.

The bar chart below shows John Laing's Scope 2 emissions from purchased electricity, which have been calculated using the two different methodologies.

SCOPE 2 EMISSIONS

(tCO_2e/tCO_2)



The two methodologies are also illustrated in the table below.

Gross greenhouse gas emissions and emissions intensity metric in tCO_2e or tCO_2

	Location-based approach	Market-based approach
Scope 1 & 2 emissions	205.1 tCO_2e	158.1 tCO_2
Scope 1 & 2 emissions per full-time equivalent (FTE) employee	0.61 tCO_2e	0.42 tCO_2
Scope 1, 2 & 3 emissions	632.0 tCO_2e	585.0 tCO_2

Scope 1 and 2 emissions per FTE are based on a figure of 250 FTE employees.

Improving Performance

As part of compliance with the UK Energy Savings Opportunities Scheme, we have identified savings which could lead to a reduction in electricity consumption at our headquarters at 1 Kingsway, London, as well as reductions in emissions from business mileage.

WORKPLACE

Our People

John Laing aims to attract, retain, engage, develop and reward its high quality employees. We fully support our people to maximise their career potential through learning and development and to achieve a work-life balance. We recognise that investing in our people is critical to the success of our business.

Employment

At 31 December 2015, the Group employed 252 people in the UK and overseas (2014 – 242). During 2015 we continued to align our resource base with the needs of the markets in which we operate. As a result the percentage of staff located outside the UK increased from 18% to 22%.

Employee Engagement

Employees are regularly informed of progress and updates in the business through conference calls conducted by the Executive Committee as well as through briefings on topical and relevant business issues. The Group's 15-20 most senior managers met on three occasions in 2015 over one to two days to address specific business issues as well as future strategies.

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

Work-Life Balance Policies

We recognise the importance of a working environment which enables employees to achieve a balance between their work and personal life to the mutual benefit of the individual, the business and society. Our aim is to create an environment that supports staff and their general wellbeing, maintains effective working practices and enables a productive and positive balance between work and life outside work.

The Group has a number of work-life balance policies and practices in place which support flexible working, working parents and periods of absence from the work place. The Group seeks to exceed statutory minimum requirements where it can. For example we offer enhanced maternity, paternity and adoption pay arrangements.

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

Learning and Development

We support the skills, development and learning of employees through a range of means, including external courses and seminars, sponsorship for undertaking professional qualifications, secondments, development assessments, and coaching and mentoring.

Retention of our employees through effective development is key to the success of the business. During the year, we provided personal development, mentoring and coaching support for employees with high potential. We also provided a programme of courses and workshops that support the development of key management skills. Throughout 2015, we also focused on the development requirements of individuals and teams, supported where necessary with external facilitation, to ensure teams are operating effectively.

We continue to focus on the development of our people through an annual Performance Development Review. This encourages discussion on performance and objectives between individuals and their managers. It also allows individuals to discuss their career aspirations and identify with their manager development opportunities to support these.

During 2015, the Group ran an in-house training programme which covered a wide range of subjects, including management development, negotiation, personal effectiveness, professional development and information technology. During 2016, we are placing a premium on on-the-job training and also putting the onus on staff to identify their own training needs.

We also offer a personal financial planning course to assist employees in planning for their longer-term financial future including pension planning.

We offer a flexible benefits package which allows people to select and choose from a variety of benefits and we conduct annual staff awards (the Star Awards) which provide for recognition of the achievements and contributions employees make to both the business and the community.

Staff numbers at 31 December 2015, broken down by certain remuneration and gender criteria, were:

	Total	Male	%	Female	%
Total Group	**252**	**153**	**61**	**99**	**39**
Senior Managers earning above £70,000 per annum	103	91	88	12	12
Executive Directors	2	2	100	–	–

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DIRECTORS AND COMPANY SECRETARY

* EXECUTIVE DIRECTORS

** NON-EXECUTIVE DIRECTORS

** Dr Phil Nolan BSc PHD MBA

Chairman

Phil has been Chairman since joining John Laing in January 2010. He has a wealth of experience on the boards of many companies, private and public and in both an executive and non-executive capacity. He is non-executive Chairman of Affinity Water Limited, Chairman of Ulster Bank Ireland Limited and a non-executive director of Providence Resources Plc and EnQuest PLC. He was Chairman of Infinis, a then privately held, leading renewable energy generator between 2007 and 2010, Chairman of Sepura plc, a listed, global supplier of TETRA radios between 2007 and 2010 and CEO of Eircom, Ireland's national telecommunications supplier from 2002 to 2006. Prior to that, he served as an Executive Director of BG Group plc and CEO of Transco plc from 1998 and in 2000, led the demerger of Transco as CEO of the Lattice Group. *Age 62*

* Olivier Brousse EP, ENPC

Chief Executive Officer

Olivier joined John Laing in March 2014 as Chief Executive Officer. Following graduation from École Polytechnique and École Nationale des Ponts et Chaussées in France, he became Commercial Director of Unic Systems and then Chief of Staff to the Chairman and CEO of Compagnie Générale des Eaux, 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 Transport Group, responsible for French and US businesses. From 2008 to 2014, he served as CEO and then Executive Chairman of Saur SA in France. In 2016, he was awarded the Légion d'Honneur by the French President François Hollande. *Age 51*

* Patrick O'D Bourke MA, ACA

Group Finance Director

Patrick joined John Laing in 2011 as Group Finance Director. He graduated from Cambridge University and qualified as a chartered accountant with Peat Marwick (now KPMG) before spending nine years in investment banking with first Hill Samuel and then with Barclays de Zoete Wedd. In 1995, he joined Powergen plc where he was responsible for mergers and acquisitions before becoming Group Treasurer. From 2000 to 2006, he was Group Finance Director of Viridian Group PLC, the Northern Ireland based energy group, becoming Group Chief Executive in 2007 after Viridian was taken private. He joined the Board of Affinity Water Limited in 2013 as a non-executive director. *Age 58*

** Anne Wade BA, MSc

Independent Non-Executive Director

Anne joined John Laing in December 2014 as a non-executive director. An asset manager by background, Anne has extensive experience in capital markets. From 1995 to 2012, she was Senior Vice President and Director of Capital International. Throughout her 17 year career with Capital, she was responsible for infrastructure-related investments. Anne is a non-executive director and member of the Governance and Strategy Committee of Holcim, based in Switzerland. Anne is also a director of the Heron Foundation in New York and Big Society Capital, in London, and an Associate with Leader's Quest. She has a BA from Harvard and an MSc from the London School of Economics. *Age 43*

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

Independent Non-Executive Director

Jeremy joined John Laing in December 2014 as a non-executive director. He is a Fellow of the Institution of Civil Engineers with 40 years of international experience in project and programme management over very large multi-site, multiple project operations portfolios for and within government, public companies and private companies. He is also currently an independent non-executive director of SSE plc, an independent non-executive director of WYG plc, an Advisory Board member of PricewaterhouseCoopers LLP and Chairman of Merseylink Ltd. Additionally, Jeremy sits on the governing Court of Strathclyde University. He was Director General of the London 2012 Olympic and Paralympic Games from 2007 until the Olympic Baton was passed on to Rio de Janeiro in 2012. For eight years prior to this, he was a Principal Vice President with Bechtel, responsible for their worldwide civil operations and has lived and worked extensively in the Middle East and Asia Pacific. He was awarded CB in the 2013 New Year Honours and holds an honorary Doctorate of Engineering from Napier University. *Age 62*

** Toby Hiscock MA (Oxon), FCA

Independent Non-Executive Director

Toby joined John Laing in June 2009 as a non-executive director. He is a qualified chartered accountant with 34 years' experience as a finance professional. He was the Chief Financial Officer and an Executive Director of Henderson Group plc from 2003 until his retirement in 2009, and was responsible for all aspects of financial stewardship of the Henderson Group. Before Henderson, he was a senior manager at Midland Bank Group in London and from 1981 to 1988 worked for Binder Hamlyn, Chartered Accountants after graduating from Oxford University. Toby is also a non-executive director of and consultant to a number of other public and private institutions. *Age 56*

** David Rough BSc Hons

Senior Independent Director

David joined John Laing in December 2014 as a non-executive director. He has spent his life working in the financial services sector predominantly in the investment management business. He joined Legal and General in 1988 and was made head of securities in 1989. In 1991, David was appointed to the group board as Group Director (Investments) responsible for the group's investment operations. He retired from the business in 2002. During that time he also served as chairman of the Association of British Insurers' Investment Committee. David has been a non-executive and senior independent director on a number of boards, including Land Securities, London Metal Exchange, Friends Provident and Xstrata. Since 2003, David is a non-executive director of Brown Shipley, a wealth management business. He was appointed as a non-executive director of Hansteen Holdings plc in October 2015. *Age 65*

Carolyn Cattermole LLB

Group General Counsel and Company Secretary

Carolyn joined John Laing in September 2012 as Group General Counsel and Company Secretary. Her previous roles were General Counsel and Company Secretary of DS Smith Plc, the international supplier of recycled packaging, for ten years, and Company Secretary of Courtaulds Textiles plc for three years. Prior to that, she was a senior legal adviser with Courtaulds plc, having qualified as a solicitor with Norton Rose. *Age 55*

DIRECTORS' REPORT

The Directors submit their Annual Report and the audited Group and Company financial statements of John Laing Group plc for the year ended 31 December 2015. The Group financial statements are set out on pages 68 to 111 and the Company financial statements on pages 112 to 119. Disclosures made elsewhere in this Annual Report are cross-referenced (and thereby deemed disclosed) in this Directors' Report as appropriate.

GROUP ACTIVITIES

John Laing is an originator, active investor and manager of international infrastructure projects. John Laing Group plc is a company incorporated in England and Wales with company number 5975300.

A list of the Company's investments can be found in note 29 to the Group financial statements on page 109 of this Annual Report.

There have been no significant changes in the principal activities of the John Laing group of companies 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.

The Group's greenhouse gas emissions for 2015 are presented in detail in the Corporate Responsibility section.

ADMISSION TO LISTING

On 17 February 2015, the Company's ordinary shares were admitted to listing on the main market of the London Stock Exchange (Admission). On 29 January 2015, conditional on Admission, the Company and Henderson entered into a relationship agreement, the principal purpose of which was to ensure that the Company and its subsidiaries were capable of carrying on their business independently of Henderson and the underlying funds it represented. The relationship agreement terminated on 1 October 2015 when Henderson distributed the remaining shares it controlled in the Company to the underlying investors.

RESULTS AND DIVIDENDS FROM CONTINUING OPERATIONS

The John Laing Group pro forma profit before taxation from continuing operations for the year amounted to £100.9 million (2014 – £120.4 million). The statutory profit before taxation from continuing operations for the year amounted to £97.5 million (2014 – £nil).

The Company-only statutory profit for the year was £170.7 million (see page 114) (2014 – loss £25).

An interim dividend of 1.6 pence per ordinary share was paid on 30 October 2015 and the Directors are recommending a final dividend of 5.3 pence per ordinary share which, together with the interim dividend, makes a total dividend for the year of 6.9 pence. Subject to the approval of shareholders at the AGM to be held on 12 May 2016, the final dividend will be paid on 20 May 2016 to shareholders on the register at the close of business on 22 April 2016.

FINANCIAL INSTRUMENTS

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

POST BALANCE SHEET EVENTS

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

STRATEGIC REPORT, CORPORATE GOVERNANCE REPORT AND DIRECTORS' REMUNERATION REPORT

The key events during the year and the development of the business of the John Laing group of companies are set out in the Strategic Report on pages 8 to 39. The Strategic Report includes the Financial Review on pages 26 to 30, the viability statement on page 31 and the principal risks facing the Group on pages 32 to 36.

The Corporate Governance Report can be found on pages 44 to 46 and the Directors' Remuneration Report on pages 50 to 62.

SHARE CAPITAL

Details of the Company's issued share capital and the rights and restrictions attached to the shares, together with details of movements in the issued share capital during the year, are shown in note 21 to the Group financial statements on page 102 of this Annual Report. The Company has not utilised its authority to make market purchases of shares granted to it at Admission but, in line with market practice, will be seeking to renew such authority at this year's AGM.

MAJOR INTERESTS IN ORDINARY SHARES

Notifications of the following major voting interests in the Company's ordinary share capital (notifiable in accordance with Rule 5 of the FCA's Disclosure and Transparency Rules or Section 793 of the Companies Act 2006) had been received by the Company as at 31 December 2015 and 1 March 2016:

	As at 31 December 2015	% of issued share capital	As at 1 March 2016	% of issued share capital
Schroder Investment Management	31,241,985	8.51	32,788,562	8.94
IMI CFI Trustee Limited	31,083,372	8.47	31,083,372	8.47
Blackrock Investment Management	26,898,767	7.33	26,898,767	7.33
Universities Superannuation Scheme	16,251,685	4.43	16,251,685	4.43
BUPA Pension Scheme Trustees Limited	10,427,619	2.84	–	–
Standard Life (Holdings) Limited	8,891,927	2.42	21,227,592	5.79

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 are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

DIRECTORS

The following Directors served on the Board during the year.

P M G Nolan (appointed on 16 January 2015)
O Brousse (appointed on 16 January 2015)
P O'D Bourke (appointed on 16 January 2015)
N T Hiscock (appointed on 16 January 2015)
J J Beeton (appointed on 17 February 2015)
D Rough (appointed on 17 February 2015)
A K Wade (appointed on 17 February 2015)

P A Davies (resigned on 1 October 2015)
G R M Pigache (resigned on 1 October 2015)
M I Jaffe (resigned on 16 January 2015)

Biographical details of the current Directors can be found on pages 40 and 41 of this Annual Report.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

MATERIAL CONTRACTS

The Group's £350 million committed revolving credit corporate banking facility dated 19 January 2015 and associated ancillary facilities each terminate on 9 March 2020 and include a change of control clause. In the event of a change of control occurring, it would be expected that new financing arrangements to fund the outstanding utilisations would need to be made by the incoming owners.

EMPLOYEES

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

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

Further details relating to the employees of the Group (including details of certain of the Group's employment policies) can be found on page 39 of the Strategic Report section of this Annual Report.

The Directors' Report, the Strategic Report, the Corporate Governance Report and the Directors' Remuneration Report were approved by the Board on 7 March 2016.

On behalf of the Board

Carolyn Cattermole
GROUP GENERAL COUNSEL AND COMPANY SECRETARY
7 March 2016

CORPORATE GOVERNANCE REPORT

The Board has resolved that the disclosures to be made in the Annual Report regarding the operation of the Board and its sub-committees should comply with the requirements of the UK Corporate Governance Code (the Code) and best practice generally. The Company has complied with the requirements of the Code since Admission on 17 February 2015. The Code is published by the Financial Reporting Council and the full text is available on its website at www.frc.org.uk. The following section describes how the Board applies the main principles of the Code.

DIRECTORS

The Directors were appointed to the Board in the early part of 2015 in anticipation of the admission of the Company's ordinary shares to the premium listing segment of the FCA and to trading on the London Stock Exchange's main market of listed securities. The Board believes it has an appropriate balance of skills and experience.

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

Board meetings follow a formal agenda of matters reserved for decision and approval by the Board 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 published on the Company's website at www.laing.com. The Board receives regular reports on current trading and the financial position and forecasts of the Group prior to its meetings. In addition, the Board receives relevant information on business, corporate and strategic issues. Formal procedures exist to ensure that the Board is made aware of any significant health and safety issues and non-compliance with statutory regulations. Olivier Brousse is the Board member responsible for health and safety issues. Further details of the Company's approach to health and safety are set out in the Corporate Responsibility section of the Strategic Report on page 38 of this Annual Report.

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

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

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

EFFECTIVENESS

Shortly after the 2015 year end, the Board conducted its annual evaluation of its own performance and that of its Committees and individual Directors. On this occasion, the process was led by the Chairman and conducted internally; the performance evaluation will be externally facilitated for the 2016 financial year. The Chairman held one-on-one discussions informed by a questionnaire with all Directors and the Company Secretary. The results of the evaluation process were reported to, and discussed by, the Board. In addition, the Chairman provided individual feedback to Directors. Following the review, it is proposed that the terms of reference of the Audit Committee be expanded to include a more formal consideration of business risks. In addition the Company Secretary has been asked to arrange ongoing relevant training for members of the Remuneration and Audit Committees.

The evaluation included consideration of the overall composition of the Board including plans for non-executive director succession over time. Directors identified the backgrounds and experiences which would be desirable in future non-executive directors to complement the Board's existing skills. In October 2015, the Board held a two-day review to address the future strategy and direction of the business which the Board judged to have been valuable.

In his role of Senior Independent Director, David Rough led a review by the Directors of the performance of the Chairman and subsequently reported back to the Board and provided feedback to the Chairman. The review concluded that the Chairman was fulfilling his role effectively.

BOARD AND COMMITTEE ATTENDANCE

	Board	Nomination Committee	Audit Committee	Remuneration Committee
Total number of meetings in 2015	7	1	5	6

Total number of meetings attended in 2015

	Independent	Board	Nomination Committee	Audit Committee	Remuneration Committee
Executive Directors					
Olivier Brousse	No	7	1	–	–
Patrick O'D Bourke	No	7	–	–	–
Non-Executive Directors					
Phil Nolan	On appointment	7	1	–	–
Jeremy Beeton	Yes	6	1	5	6
Toby Hiscock	Yes	6	1	5	6
David Rough	Yes	7	1	5	6
Anne Wade	Yes	7	1	–	6

– Not applicable.

BOARD SUB-COMMITTEES

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

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

AUDIT COMMITTEE

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

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

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

The Group Finance Director is normally invited to attend meetings, along with other members of management as appropriate. The external auditor and Head of Internal Audit are also invited to attend meetings and meet with the Audit 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 its independence is not compromised. The Committee's specific approval is required for non-audit services performed by the external auditor where the fee is expected to exceed £20,000.

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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

NOMINATION COMMITTEE

The Committee met once during the year. Phil Nolan is the Chairman of the Committee. The other members of the Committee are four non-executive directors (Anne Wade, David Rough, Jeremy Beeton and Toby Hiscock) and the Chief Executive Officer.

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

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

REMUNERATION COMMITTEE

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

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

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

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

MANAGEMENT COMMITTEES

In addition to the Executive Committee, which comprises the Executive Directors, the Group Managing Director of Primary Investment, the Group Managing Director of Asset Management and the Group General Counsel and Company Secretary, there are two further management committees.

INVESTMENT COMMITTEE

The purpose of the Investment Committee is to make recommendations to the Board, or to approve proposals within its delegated authority, in relation to the Group's investments in infrastructure projects. The Committee also reviews the Group's portfolio valuation and monitors the balance of risk across the portfolio. The activities, recommendations and approvals of the Committee are reported to the Board. The Committee's delegated authorities are reviewed annually by the Board and are currently set at £30 million for each PPP investment and £20 million for each renewable energy investment (including biomass).

Members of the Committee are appointed by the Board and comprise the Executive Directors, the Group Managing Director of Primary Investment, the Group Managing Director of Asset Management, the Group General Counsel and Company Secretary and such other persons as the Board shall appoint from time to time. The Committee is currently chaired by the Group Managing Director of Asset Management and usually meets at least fortnightly.

RISK COMMITTEE

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

Members of the Committee are appointed by the Board and comprise at least three members of the senior management team, including the Group Finance Director. The Committee is chaired by the Group Finance Director and its other members are currently the Group General Counsel and Company Secretary, the Group Managing Director of Asset Management and four other senior managers.

AUDIT COMMITTEE REPORT

PURPOSE OF THE COMMITTEE

The Audit Committee's (the Committee) terms of reference include all matters covered by Disclosure and Transparency Rule 7.1 and the Code. Its terms of reference are reviewed at least annually and referred to the Board for approval.

The main responsibilities of the Committee are to:

1. Scrutinise the Group and Company financial statements, preliminary announcements, any trading updates and other public statements relating to financial performance and position;
2. Review the content of the annual and interim report and accounts and advise the Board on whether, as a whole, they are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Group and Company's financial affairs, business model and strategy;
3. Monitor the efficacy of the Group's internal financial and other controls;
4. Monitor the effectiveness of the internal audit function in the context of the Group's risk management systems;
5. Consider and recommend to the Board the appointment, reappointment, resignation or removal of the Group's external auditor, subject to approval by the Company's shareholders at the AGM;
6. Negotiate and agree on behalf of the Board the external auditor's remuneration, including fees for any non-audit services performed;
7. Assess the external auditor's independence and objectivity and the overall effectiveness of the external audit process; and
8. Report to the Board how it has discharged its responsibilities.

COMPOSITION OF THE COMMITTEE

The members of the Committee are all independent non-executive directors who have served throughout the period from Admission in February 2015 until the date of this report. They are:

Toby Hiscock (Chairman)
Jeremy Beeton
David Rough

The Committee Chairman is deemed to have up to date relevant financial experience. Further details on the qualifications and experience of the Audit Committee members can be found on pages 40 and 41 of the Annual Report.

COMMITTEE MEETINGS

The Committee met five times during the year. The Head of Internal Audit and the external auditor attended all meetings, including a private meeting with the Committee without management present.

The Committee Chairman attends each AGM of the Company and is prepared to answer any questions from shareholders on matters falling within the Committee's responsibility.

SIGNIFICANT MATTERS CONSIDERED BY THE COMMITTEE IN RESPECT OF THE 2015 GROUP AND COMPANY FINANCIAL STATEMENTS

1. Pro forma presentation: The Group financial statements include financial statements presented on a pro forma basis that assumes the restructuring relating to the Company's IPO in February 2015 and the Group's current corporate banking facility were in place throughout the financial years ended 31 December 2015 and 31 December 2014. The restructuring and facility are described in the Financial Review section of the Strategic Report and the facility, in further detail, in note 17 to the Group financial statements found on page 93 of this Annual Report. The Committee is satisfied that this presentation is necessary to give a true and fair view of the Group's financial results and position for the reporting period and that it will assist shareholders with their understanding of the business and its financial affairs.
2. Fair value of investments: A full valuation of the Group's investment portfolio is prepared every six months, at 30 June and 31 December each year, with a review at 31 March and 30 September each year, principally using a discounted cash flow methodology. The valuation assumes that the investments and their related cashflows are held until maturity. Changes in the fair value of the investments are recognised in the Group Income Statement in net gains on investments at fair value through profit and loss.

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

   i. the forecast cashflows accruing to each investment;

   ii. the macro-economic factors affecting forecast cashflows, such as long term inflation, interest and foreign exchange rates; and

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

   During 2015 the Committee reviewed and challenged the valuations prepared by management as well as the work performed on them by the external auditor and the Group's independent valuers, a professionally qualified third party.

AUDIT COMMITTEE REPORT (CONTINUED)

3. Retirement benefit obligations: The combined deficit in the Group's defined benefit pension and post-retirement medical schemes is reflected on the Group Balance Sheet in accordance with IAS 19. It is sensitive to assumptions made for future price inflation, discount rates and life expectancy and can, therefore, be volatile, especially in the prevailing uncertain macro-economic environment. A sensitivity table on the deficit has been included in note 19 to the Group financial statements.

   The deficit calculation is prepared by the Company with the benefit of input from the Group's actuarial adviser and is subject to external audit. Following detailed review, the Committee is satisfied that the deficit shown as at 31 December 2015 adequately reflects the Group's net retirement benefit obligations outstanding at that date under IAS 19. Furthermore, the Committee is satisfied that, based on legal advice, there is no minimum funding requirement and consequently no additional pension liability arising under IFRIC 14.

INTERNAL AUDIT

During the year the Committee reviewed and challenged the:

1. Terms of reference of this function;
2. Programme of work undertaken by it; and
3. Reports issued by the Head of Internal Audit, including the adequacy of responses from management to the findings of such reports.

A new Head of Internal Audit recruited during the year has brought several improvements to the function, such as a more focused risk-based coverage plan and a new format for audit reports, some of which were in response to an external review of internal audit effectiveness conducted shortly before the Company's IPO.

The Head of Internal Audit reports directly to the Committee and has access at all times to the Group and Committee Chairmen.

EXTERNAL AUDIT

Deloitte LLP has been the Group's auditor since 2007 and this is its ninth consecutive annual audit. Ross Howard has been the audit engagement partner since December 2008. The maximum period the same engagement partner can serve on a UK listed company audit is five years. However, under present regulation, Ross Howard can continue to serve one more year (2016) beyond the year of the Company's Admission (2015).

The Company is required to tender its audit every ten years, in accordance with the UK Competition and Market Authority's Statutory Audit for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, effective from when the external auditor was first appointed. As Deloitte LLP was first appointed in 2007, the Company needs to undertake an audit tender in or before 2017. It is the Committee's intention to initiate this tender in 2016. There are no contractual restrictions on the Company's choice of auditor.

During the year under review, the Committee considered:

1. Deloitte's planned approach to both the interim and annual accounts;
2. Deloitte's execution of the above approach, including its handling of key accounting and audit judgements, principally the fair value of the Group's investment portfolio and retirement benefit obligations;
3. The content of Deloitte's reporting on internal controls;
4. Deloitte's arrangements to identify, manage and report any of its own conflicts of interest;
5. Deloitte's safeguards over its audit independence and objectivity;
6. The extent and quality of non-audit services provided by Deloitte; and
7. The arrangements for day to day management of the audit relationship.

In addition the Committee reviewed and approved on behalf of the Board the external auditor's remuneration and terms of engagement.

During the year Deloitte provided non-audit services as reporting accountant to the Company's IPO. It was appointed after a competitive tender process. Audit independence and objectivity were safeguarded by ensuring the IPO work was performed by partners and staff of Deloitte with no involvement in the audit of the Group and Company's financial statements.

For the year ended 31 December 2015, the fees paid to Deloitte for audit and non-audit services were:

- Audit: £0.2 million; and
- Non-audit: £1.2 million which includes £1.1 million for reporting accountant and other services in relation to the IPO of the Company in February 2015.

EXTERNAL AUDIT (CONTINUED)

In summary, the Committee is satisfied with the quality of the external audit and has recommended to the Board that Deloitte LLP is reappointed for the year ending 31 December 2016. Deloitte LLP has indicated its willingness to continue in office; a resolution that Deloitte LLP be reappointed will be proposed at the AGM.

OTHER MATTERS

Other matters considered by the Committee during 2015 included, but were not limited to:

1. The constitution and work of the Risk Committee and the effectiveness of the Group's internal controls, including updates to the Group risk register;
2. The assumptions and analysis underlying i) the viability statement required by recent changes to the Code; and ii) adoption of the going concern basis in preparing the financial statements;
3. The Group's taxation exposures and relationships with tax authorities;
4. With the recent recruitment of a dedicated Compliance Officer, the Group's compliance with financial regulation, including anti-bribery, anti-money laundering and whistle-blowing arrangements; and
5. The Group's policies and procedures for preventing and detecting fraud.

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

APPROVED

On behalf of the Audit Committee

Toby Hiscock
CHAIRMAN
7 March 2016

DIRECTORS' REMUNERATION REPORT

Dear Shareholder,

Welcome to our first remuneration report as a newly listed company. The aim of our remuneration policy is to attract, retain and motivate high calibre senior managers. This policy also aims to focus them on the delivery of the strategic and business objectives of the Group, to promote the long-term success of the Company and its affiliates, to create a strong and sustainable performance culture and to align the interests of management with those of shareholders. In promoting these objectives, the remuneration policy has been structured so as to adhere to the principles of good corporate governance. The Remuneration Committee (the Committee), has reviewed the policy put in place at Admission and considers that it continues to remain appropriate.

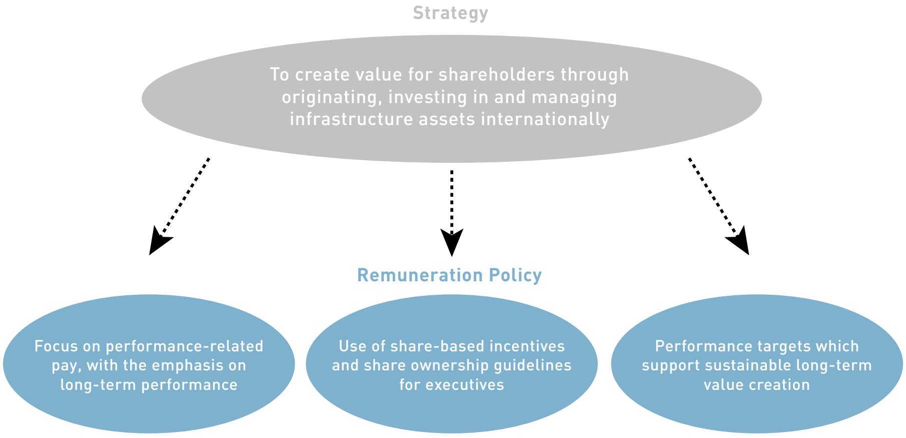
This report is split into two sections:

- Directors' Remuneration Policy – this sets out the remuneration policy for the Executive Directors, Chairman and non-executive directors. The Directors' Remuneration Policy will be put to a binding shareholder vote at the forthcoming AGM; and
- Annual Report on Remuneration – this sets out in detail how the remuneration policy has been applied in 2015, the remuneration received by Directors for the year and how the policy will be applied in 2016. The Annual Report on Remuneration, together with this introductory letter, will be subject to an advisory shareholder vote at the AGM.

REMUNERATION AT A GLANCE

How the remuneration policy supports our business strategy

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



Strategy

To create value for shareholders through originating, investing in and managing infrastructure assets internationally

Remuneration Policy

Focus on performance-related pay, with the emphasis on long-term performance

Use of share-based incentives and share ownership guidelines for executives

Performance targets which support sustainable long-term value creation

SUMMARY OF THE CURRENT REMUNERATION ARRANGEMENTS FOR EXECUTIVE DIRECTORS

	Element	Description	Opportunity
Fixed	Base pay	Salaries are set taking into account the experience of the Director, his/her role and responsibilities.	Current salaries are £430,000 for the Chief Executive Officer and £333,000 for the Group Finance Director.
	Benefits	Private medical insurance, life insurance, permanent health insurance and, for Patrick O'D Bourke, a car allowance.	Market competitive.
	Pension	Cash allowance in lieu of pension.	15% of salary.
Variable	Bonus	Annual bonus is determined by reference to corporate and personal performance*. Any bonus above target (60% of salary) is deferred into shares vesting in equal tranches over one, two and three years subject to continued employment.	Up to 100% of salary (60% of salary at target).
	LTIP	Shares vest after three years subject to continued employment and the achievement of NAV per share and Total Shareholder Return (TSR) targets (with 50% of the award on each measure)*. Executive Directors are required to retain the net of tax number of any shares vesting under the LTIP for a further two years post-vesting.	Current award levels are 175% of salary per annum for the Chief Executive Officer and 150% of salary per annum for the Group Finance Director (within a policy maximum of 200% of salary per annum).

* The performance measures for the 2015 Bonus and the 2015 LTIP awards are set out in the Annual Report on Remuneration on page 59.

REMUNERATION RECEIVED BY THE EXECUTIVE DIRECTORS FOR 2015

£'000	Salary	Benefits	Pension[1]	Bonus[2]	Long-Term Incentives	Other[3]	Total
Olivier Brousse	429	2	54	300	nil	750	1,535
Patrick O'D Bourke	333	12	43	233	nil	800	1,421

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

[2] Bonuses were based on an assessment of corporate and individual performance objectives (see page 59 for further details).

[3] This relates to the vesting of pre-IPO incentive arrangements (see page 59 for further details).

REMUNERATION FOR 2016

In terms of application of the policy for 2016:

- The salaries remain unchanged from those set at IPO.
- The structure and operation of the bonus remain unchanged. The bonus maximum remains 100% of salary. Bonuses will continue to be based on corporate and personal performance. The metrics used to assess corporate performance for 2016 will be:
  - NAV
  - Distributions (excluding from non-portfolio assets)
  - Disposals
  - New investments
  - Value enhancements
  - Profit Before Tax.

  Disclosure of the performance targets used to determine the size of the 2016 bonus awards will be set out in next year's Annual Report on Remuneration.
- Annual LTIP awards will be granted at 175% of salary for the Chief Executive Officer and 150% of salary for the Group Finance Director as in 2015. The awards will continue to be based 50% on relative TSR and 50% on growth in NAV per share. Details of the performance targets to be applied to the 2016 awards are shown on page 62.
- Annual fees for the Chairman and the non-executive directors are the same as those applying for 2015.

SUMMARY

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

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

Anne Wade
CHAIRMAN, REMUNERATION COMMITTEE
7 March 2016

DIRECTORS' REMUNERATION REPORT (CONTINUED)

DIRECTORS' REMUNERATION POLICY

This report sets out the remuneration policy for the Directors. The report is subject to a binding vote by shareholders at our forthcoming AGM on 12 May 2016 and will be effective from that date. The policy is consistent with that set out in the Company's Prospectus issued at IPO.

Remuneration policy table

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

Element	Purpose and link to strategy	Operation	Link to performance	Maximum opportunity
Base salary	To provide a core reward for the role at a sufficient level to recruit and retain individuals of the necessary calibre to execute the Company's business strategy.	Reviewed annually by the Committee (with effect from 1 January) or, if appropriate, following a change in an individual's position or responsibilities. Benchmarked periodically against relevant market comparators, including companies of a similar size and complexity and other broadly comparable companies.	Base salary levels are set at a level to reflect the experience, skills and responsibilities of the individual as well as the scope and scale of their role. Increases to base salary will reflect individual performance and contribution as well as the pay and conditions for other employees of the Group.	While there is no maximum salary, increases will normally be in line with the typical level of increase awarded to other employees of the Group. However, increases above this level may be offered in certain circumstances such as where an Executive Director has been promoted, has had a change in responsibilities, to reflect increased experience in the role, or where there has been a significant change in the size and/or scope of the business. For details of salary levels from 1 January 2016 see the Annual Report on Remuneration on page 62.
Benefits	To operate a competitive benefits structure for Executive Directors that aids in their recruitment and retention.	Provision of benefits such as private medical insurance, life insurance, permanent health insurance, company sick pay and a car allowance. Executive Directors are also eligible to participate in any all-employee share plans operated by the Company, in line with HMRC guidelines currently prevailing, on the same basis as other eligible employees. Additional benefits may be provided from time to time if the Committee decides payment of such benefits is appropriate, for example, if this is in line with emerging market practice or to facilitate the relocation of an Executive Director. Each Executive Director is entitled to reimbursement of reasonable expenses incurred by him in the performance of his duties (including any tax payable thereon).	Not applicable	The cost of the benefit provision varies from year-to-year and there is no prescribed maximum limit. The Committee monitors annually the overall cost of the benefits provided to ensure that it remains appropriate.
Pension	To offer market competitive levels of pension and to recognise long-term commitment to the Group.	The Company may provide a cash allowance in lieu of a contribution to a pension scheme, contribute an amount to a money purchase pension scheme or provide for a combination of the two depending on the circumstances of the individual.	Not applicable	15% of salary

Element	Purpose and link to strategy	Operation	Link to performance	Maximum opportunity
Annual bonus	To recognise and reward the delivery of short-term strategic and financial objectives which contribute towards long-term sustainable growth.	The Executive Directors participate in the same overall bonus structure as other Group employees (except for those employees within John Laing Capital Management (JLCM)). The size of the overall Group bonus is determined based on performance against a range of metrics linked to the Group's strategy. The overall bonus is then allocated partly based on Company performance with the remainder based on individual performance. To the extent any bonus exceeds the target amount (60% of salary), the full amount of any excess will be deferred in shares under the Deferred Share Bonus Plan (DSBP). Awards under the DSBP vest in equal tranches on the first, second and third anniversary of grant, normally subject to continued employment. Dividends that accrue on the DSBP shares during the vesting period may be paid in cash and/or shares at the time of vesting. Clawback and, in the case of deferred share awards, malus provisions will apply.	The size of the bonus is assessed by the Committee taking into account performance against a scorecard of corporate metrics. The choice of metrics is reviewed by the Committee at the start of each financial year, with a target range set for each measure. Details of the metrics used to determine the 2015 bonus are set out in the Annual Report on Remuneration on page 59 and the metrics to be used for the 2016 bonus are set out in the Annual Report on Remuneration on page 62. There is no pre-determined weighting between metrics. The Committee uses the scorecard as a guide to help it consider the overall performance of the business and the appropriate size of the overall bonus. The Committee will, in its absolute discretion, take into account all relevant circumstances when determining the size of the overall Group bonus, recognising that, given the long-term nature of the business, timescales on particular projects may be outside management's control. The Committee also has the discretion to reduce the size of the overall Group bonus if it feels that the level of bonus is not supported by the underlying financial and operational performance of the business. Once performance against the corporate metrics has been determined, the calculation of an individual's allocation will be subject to an assessment by the Committee of both Group performance and individual performance. The amount allocated based on individual performance cannot exceed 40% of salary. The Committee may reduce a participant's bonus (including to zero) to reflect adverse events, e.g. health and safety breaches or poor personal performance.	100% of salary (60% of salary for target performance). No more than 25% of salary will be payable for threshold performance.
Long Term Incentive Plan (LTIP)	To incentivise and reward the creation of long-term shareholder value.	At the discretion of the Committee, Executive Directors will receive annual awards of shares in the form of nil (or nominal) cost options or conditional awards which will usually vest on the third anniversary of grant (or, if later, when the Committee determines that the performance conditions have been satisfied). The awards are subject to the achievement of performance and service conditions. Executive Directors are required to retain the net of tax number of any shares vesting under an LTIP award for a further two years post-vesting. Dividends that accrue on the shares during the vesting period may be paid in cash and/or shares at the time of vesting. Clawback and malus provisions apply.	Awards are subject to the achievement of performance targets linked to the long-term success of the Company. These are currently based 50% on growth in NAV per share and 50% on TSR. However, different performance metrics/weightings may be set for future awards to ensure that the LTIP remains aligned to the Company's strategy. A sliding scale of targets is applied for each performance metric, with no more than 25% of that part of the award vesting for achievement of the threshold target.	Up to 200% of salary. It is intended that awards for 2016 will be limited to 175% and 150% of salary for the Chief Executive Officer and Group Finance Director respectively.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

DIRECTORS' REMUNERATION POLICY (CONTINUED)

Shareholding guidelines

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

Annual bonus performance metrics

The size of the overall Group bonus is assessed by the Committee taking into account performance against a scorecard of metrics which reflect the growth of the business. The choice of metrics may change for future award cycles, but was based on the following for 2015:

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

LTIP metrics

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

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

Incentive plan operation

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

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

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

Clawback and malus

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

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

Shareholder views

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

Link to the remuneration policy for all employees

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

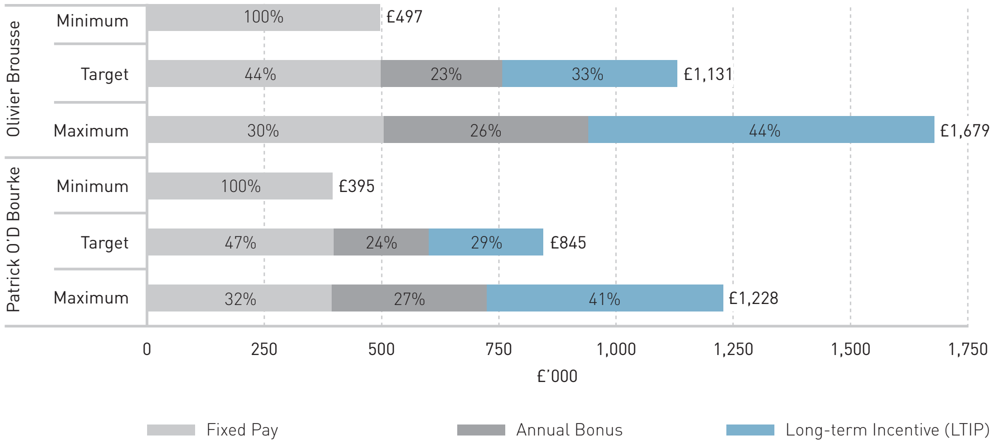
A consistent approach to remuneration is applied across the Group – with the same overarching principle that reward should be sufficient to attract and retain high calibre talent and that reward should support the delivery of the business strategy.

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

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

Remuneration reward scenarios

The total remuneration for each of the Executive Directors that could result from the remuneration policy in 2016 is shown below:



Notes:

1. Fixed pay consists of salary, benefits and pension. Salary to be paid in 2016 and benefits are based on the value shown in the single total figure of remuneration for 2015 on page 58. Pension is shown as 15% of salary.
2. The maximum bonus opportunity is 100% of salary with 60% of salary earned at target performance. Any bonus earned for above target performance is deferred in shares, which vest subject to continued employment over one, two and three years.
3. The maximum LTIP award for 2016 is 175% of salary for the Chief Executive Officer and 150% of salary for the Group Finance Director. An award of 50% of the maximum is assumed for target performance. LTIP awards are subject to a three year performance period and the net of tax number of any shares received must be held for a further two years post vesting.
4. No assumptions are made as to future share price movements which will impact on the actual values to be received under the DSBP and LTIP.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

DIRECTORS' REMUNERATION POLICY (CONTINUED)

Executive Director Recruitment and Promotions

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

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

Executive Directors' service agreements and payments for loss of office

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

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

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

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

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

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

[1] e.g. termination for cause etc.

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

Other

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

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

External Board Appointments

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

Olivier Brousse is a non-executive director of 1001 Fontaines and of Brive Rugby Club. He does not receive any fees for these appointments. Patrick O'D Bourke is a non-executive director of Affinity Water Limited and received fees of £47,000 in 2015.

Remuneration for the Chairman and non-executive directors

	Operation
Fee policy	The Chairman is paid an all-inclusive fee for all Board responsibilities. The other non-executive directors receive a basic Board fee, with supplementary fees payable for additional Board responsibilities (e.g. for Chairmanship of the Audit or Remuneration Committee or the role of Senior Independent Director). The non-executive directors do not participate in any of the Company's incentive arrangements. The maximum aggregate fee is set at £750,000 in the Company's Articles of Association. Current fee levels are set out in the Annual Report on Remuneration on page 58. Fee levels are reviewed on a periodic basis, and may be increased taking into account factors such as the time commitment of the role and market levels in companies of comparable size and complexity and other broadly comparable companies.
Expenses	The Chairman and the non-executive directors are entitled to reimbursement of reasonable expenses (and any tax payable thereon).
Letters of appointment and policy on termination	The letter of appointment for the Chairman states that his appointment is expected to last for at least three years but will be subject to annual re-election at the AGM. The appointment is terminable by either party giving to the other six months' written notice or at any time in accordance with the Articles of Association of the Company (without prejudice to the Chairman's right to receive six months' payment in lieu of notice unless the removal is as a result of a serious default on his part). The appointments of the other non-executive directors are for initial terms of three years. The non-executive directors are subject to annual re-election by the Company's shareholders. Their appointments may be terminated at any time upon written notice or in accordance with the Articles of Association of the Company or upon their resignation. The non-executive directors are not entitled to receive any compensation on termination of their appointment.

Director	Date of letter of appointment*	Unexpired term at 31 December 2015
Dr Phil Nolan	16 January 2015	25 months
Jeremy Beeton	18 December 2014	25 months
Toby Hiscock	16 January 2015	25 months
David Rough	17 December 2014	25 months
Anne Wade	17 December 2014	25 months

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

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

DIRECTORS' REMUNERATION REPORT (CONTINUED)

ANNUAL REPORT ON REMUNERATION

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

Remuneration Committee members

Anne Wade (Chairman)
Jeremy Beeton
Toby Hiscock
David Rough

The Committee took effect from Admission. All members of the Committee are independent non-executive directors. Further details on the members of the Committee can be found on pages 40 and 41 of this Annual Report.

Responsibilities

The Committee recommends the Group's policy on executive remuneration, determines the levels of remuneration for the Executive Directors, the Chairman and other senior executives and prepares an Annual Report on Remuneration for approval by shareholders at the AGM. The Committee's terms of reference can be viewed on our website at www.laing.com/investor-relations/corporate-governance. Details of the number of meetings held during the year are shown in the Corporate Governance Report on page 45.

Advisors

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

New Bridge Street (NBS) was appointed in early 2015 to act as the independent adviser to the Committee. NBS is a trading name of Aon Hewitt Limited, which is a subsidiary of Aon plc. Fees are normally charged on a time spent basis, with estimates provided in advance for particular projects. The total fees paid to NBS in respect of its services to the Committee during the year were £34,532 plus VAT. NBS also provided advice to the Company during the year in relation to the implementation of the various executive incentive plans. NBS is a signatory to the Remuneration Consultants' Code of Conduct and reports directly to the Chairman of the Committee. The Committee is satisfied that the advice that it receives from NBS is objective and independent.

Directors' single total figure of remuneration for 2015 (audited)

The table below provides a breakdown of the various elements of Director pay for the year ended 31 December 2015. This comprises the total remuneration earned in respect of the period from 1 January 2015 to 31 December 2015, including remuneration received prior to Admission.

As John Laing Group plc was listed during 2015, there is no disclosure in this report of prior year information. In the 2016 report, prior year information will be disclosed.

£'000	Salary/ Fees 2015	Benefits[1] 2015	Pension[2] 2015	Bonus[3] 2015	LTIP[4] 2015	Other[5] 2015	Total 2015
Olivier Brousse	429	2	54	300	nil	750	1,535
Patrick O'D Bourke	333	12	43	233	nil	800	1,421
Dr Phil Nolan	173	–	–	–	–	–	–
David Rough[6]	55	–	–	–	–	–	–
Jeremy Beeton[6]	45	–	–	–	–	–	–
Toby Hiscock	60	–	–	–	–	–	–
Anne Wade[6]	55	–	–	–	–	–	–

1. This relates to private health insurance. The figure for Patrick O'D Bourke also includes a car allowance of £10,200.
2. Paid as a cash supplement in lieu of pension.
3. This relates to the bonus awarded for the year ended 31 December 2015. In accordance with the DSBP any amount over 60% of salary awarded in bonus is deferred in shares.
4. The first award under the new LTIP will vest in April 2018 subject to performance over the three years to 31 December 2017.
5. This relates to the vesting of the pre-IPO incentive plans.
6. Appointed to the Board of John Laing Group plc on Admission.
7. Priscilla Davies and Guy Pigache resigned from the Board on 1 October 2015. Neither received any remuneration for their services to the Company.

Details of variable pay earned in the year (audited)

Annual Bonus

The bonus payable for 2015 (excluding JLCM employees) was assessed by the Committee taking into account performance against the following scorecard of metrics:

£'m	Threshold	Target	Stretch	Actual	Narrative
NAV	861	884	947	890	Target
Portfolio value	740	779	857	841	Between Target and Stretch
Distributions (excluding from non-portfolio assets)	24	25	28	39	Above Stretch
Disposals	98	103	113	86	Below Threshold; for explanation see page 11
New investments	165	174	191	181	Between Target and Stretch
Profit before tax	92	96	106	107	Above Stretch

In addition to the overall Company targets, the Executive Directors were given specific individual objectives. For both the Chief Executive Officer and the Group Finance Director these included the Company's successful transition to a listed company including development of good relationships with a diverse shareholder base enabling the smooth transition from Henderson ownership. For the Group Finance Director there were additional objectives around developing the strategy for public financial communication and development of good relationships with shareholders and equity analysts. For the Chief Executive Officer, in addition to oversight of all Group objectives, he was individually tasked with the development of a more performance-related compensation structure for the Company; and oversight of the Company's future investment strategy.

For the Executive Directors, the allocation between corporate and individual objectives was as follows:

	Olivier Brousse	Patrick O'D Bourke	
Corporate (maximum 60% of salary)	**42%**	**42%**	Based on the achievement of the above scorecard of metrics, the Committee determined that the overall bonus payable for corporate performance was 70% of the maximum (i.e. equivalent to 42% of salary for the Executive Directors).
Individual (maximum 40% of salary)	**28%**	**28%**	Taking into account achievement against their specific individual objectives and the overall performance of the Group since IPO, the Committee awarded individual bonuses of 28% of salary to both Executive Directors (out of a maximum of 40% for this element of the bonus).
Total (% of maximum)	**70%**	**70%**	
Total (£000)	**£300**	**£233**	

Bonuses up to 60% of salary are paid in cash with any bonus above this level awarded in the form of deferred shares, vesting in equal tranches over one, two and three years, normally subject to continued employment. The deferred shares will be awarded as soon as practicable following the announcement of results in March 2016.

Pre-IPO incentive plans

Both Olivier Brousse and Patrick O'D Bourke participated in existing long-term pre-IPO incentive arrangements as set out in the Prospectus.

Under the terms of the exit-related incentive plan, Olivier Brousse and Patrick O'D Bourke were entitled to receive cash payments of £750,000 and £500,000 respectively. 50% was payable on Admission, with the remainder payable on the first anniversary (subject to continued employment only). These have both now been paid and are included in the single figure table for 2015.

Patrick O'D Bourke was also entitled to receive outstanding deferred amounts under prior long-term incentive plan arrangements that were discontinued on Admission (relating to awards made in 2011, 2012 and 2013). 50% was payable on Admission, with the remainder payable on the first anniversary (subject to continued employment). The total amount payable was £545,000, of which £300,000 was performance related and has been included in the single figure table for 2015.

Olivier Brousse and Patrick O'D Bourke each subscribed for shares worth £100,000 on Admission and agreed, to the extent that they had not yet reached their individual shareholding guideline, to invest 50% of the net payment that vested on the first anniversary of Admission in further shares. Details of the Directors' current shareholdings and achievement against their guideline limits are set out on page 61.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

ANNUAL REPORT ON REMUNERATION (CONTINUED)

Details of long-term incentive awards granted in the year (audited)

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

	Type of award	Award size	Face value[1]	Number of shares	Grant date	Performance period	Performance targets
Olivier Brousse	LTIP (nil cost option)	175% salary	£752,500	342,820	16 April 2015	16 April 2015 to 15 April 2018 for TSR 1 January 2015 to 31 December 2017 for NAV	50% based on relative TSR and 50% based on NAV per share.
Patrick O'D Bourke	LTIP (nil cost option)	150% salary	£499,500	227,560			

[1] Calculated using the middle market share price on the day preceding the date of grant which was 219.5 pence.

The performance conditions attached to the awards are:

- 50% is based on TSR performance against a comparator group comprising the members of the FTSE 250 index. 25% of the shares in this tranche will vest for median performance with full vesting for upper quartile performance or above (straight line vesting between these points).
- 50% is based on the annual compound growth in the Company's NAV per share. NAV will be based on the figures reported in the Company's annual financial statements but adjusted to include the value of any dividends paid to or approved by shareholders during the three year performance period. The NAV figures may also be adjusted at the discretion of the Committee to reflect any regulatory or accounting changes or any changes to the Company's share capital. 25% of the shares in this tranche will vest for 12% p.a. growth, with full vesting for 18% p.a. growth or above (straight line vesting between these points). The base year for the measurement of the growth in the value of NAV is the 2014 financial year for which the NAV value was 210p per share which includes the funds raised in the Company's IPO in February 2015.

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

Chairman and non-executive director fees

The current fee policy for the Chairman and non-executive directors is set out below:

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

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

Directors' shareholdings (audited)

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

	No. of shares owned immediately following Admission	No. of shares owned on 31 December 2015	Other interests in shares (outstanding LTIP awards)	Total interest in shares as at 31 December 2015
Olivier Brousse	51,282	96,282	342,820	439,102
Patrick O'D Bourke	51,282	76,282	227,560	303,842
Dr Phil Nolan	10,256	110,256	–	110,256
David Rough	10,256	35,256	–	35,256
Jeremy Beeton	10,256	10,256	–	10,256
Toby Hiscock	10,256	10,256	–	10,256
Anne Wade	10,256	10,256	–	10,256

Priscilla Davies and Guy Pigache resigned from the Board on 1 October 2015. Neither Director held shares in the Company.

Between 31 December 2015 and the date of this report Jeremy Beeton bought 4,000 shares increasing his interest in shares to 14,256. Also during this period Anne Wade bought 10,000 shares increasing her interest in shares to 20,256.

The guideline shareholding for Executive Directors is 100% of salary. At 31 December 2015, Olivier Brousse and Patrick O'D Bourke held shares worth 47.0% and 48.1% of salary respectively. They have agreed to invest 50% of the (net of tax) payment vesting on the first anniversary of Admission under the pre-IPO incentive plans in shares and are expected to retain all shares vesting under the DSBP and LTIP (net of tax) until such time as the guideline holding has been achieved.

Payments to past Directors (audited)

There were no payments to past Directors during the year.

Payments for loss of office (audited)

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

Relative importance of the spend on pay

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

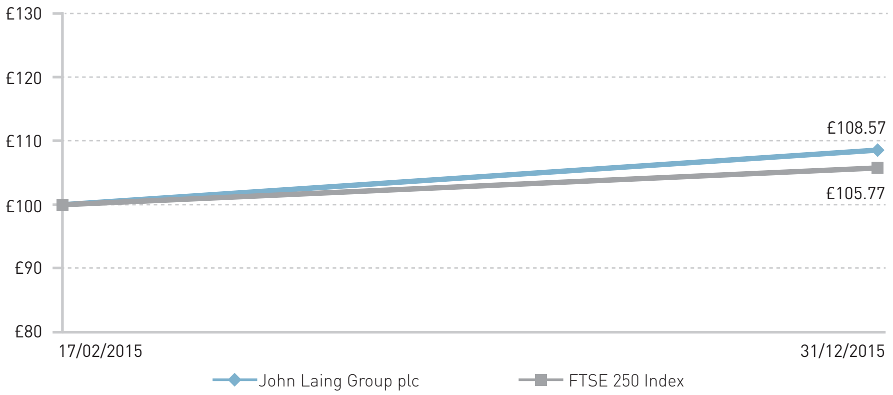
£'m	2015
Remuneration paid to or receivable by all employees	**36.5**
Distributions to shareholders by way of dividends	**5.9**
Distributions to shareholders by way of share buy-backs	**Nil**

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

Prior to the IPO, employees, including the Chief Executive Officer, were employed by group companies other than John Laing Group plc. It is therefore not possible to provide meaningful comparative data for 2015, for which the Company was only listed for part of the year. However, full disclosure of the year-on-year movement will be provided in future remuneration reports.

Performance graph

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



The chart shows the value (as at 31 December 2015) of £100 invested in John Laing Group plc on the date of Admission (17 February 2015) compared to £100 invested in the FTSE 250 Index on the same day.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

ANNUAL REPORT ON REMUNERATION (CONTINUED)

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

	2015
Total Remuneration (£'000)	**1,535**
Annual bonus (% of maximum)	**70%**
LTIP (% of maximum)	**n/a**

Application of the Remuneration Policy for 2016

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

Salaries for Executive Directors	Olivier Brousse – £430,000 (no increase) Patrick O'D Bourke – £333,000 (no increase) Salaries were reviewed in March 2016 and the Committee determined to maintain them at their current level.
Benefits and Pension	No change
2016 Bonus	There is no change to the structure of the bonus for 2016. Bonuses will be awarded based on a mix of corporate and personal performance. Corporate performance will be assessed taking into account NAV, distributions (excluding from non-portfolio assets), disposals, new investments, value enhancements and profit before tax. The performance targets for 2016 are deemed to be commercially sensitive and will be disclosed in next year's Annual Report on Remuneration.
2016 LTIP	LTIP awards granted to the Chief Executive Officer and Group Finance Director in 2016 will be over shares worth 175% and 150% of salary respectively (the same as 2015). Performance will be measured over three years subject to the following conditions (with an equal weighting on each measure):
Chairman and non-executive director fees	The Chairman and non-executive director fees have not been increased for 2016. A summary of the current fee policy is set out on page 57.

2016 LTIP performance conditions:

Performance condition	Threshold (25% vesting)	Maximum (100% vesting)
Growth in NAV per share	12% p.a.	18% p.a.
TSR relative to the constituents of the FTSE 250 Index	Median performance	Upper Quartile performance

There will be straight-line vesting between these points.

By order of the Board

Anne Wade
CHAIRMAN OF THE REMUNERATION COMMITTEE
7 March 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that 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.

This responsibility statement was approved by the Board of Directors on 7 March 2016 and is signed on its behalf by:

Olivier Brousse
CHIEF EXECUTIVE OFFICER
7 March 2016

Patrick O'D Bourke
GROUP FINANCE DIRECTOR
7 March 2016

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

OPINION ON THE FINANCIAL STATEMENTS OF JOHN LAING GROUP 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 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Statements of Changes in Equity, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements and the related notes 1 to 29 of the Group financial statements and notes 1 to 13 of the Company financial statements. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

GOING CONCERN AND THE DIRECTORS' ASSESSMENT OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE GROUP

As required by the Listing Rules we have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2d to the Group financial statements and the Directors' statement on the longer-term viability of the Group contained within the Strategic Report on page 31.

We have nothing material to add or draw attention to in relation to:

- the Directors' confirmation on page 32 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 32 to 36 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in note 2d to the Group financial statements that they consider it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the Director's explanation on page 31 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. 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.

INDEPENDENCE

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

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 in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Valuation of investments	
The Group holds a range of investments which primarily include PPP and renewable energy assets. The total value of these assets at 31 December 2015 was £825.8 million (31 December 2014: £706.7 million) as disclosed in note 12 to the Group financial statements. This excludes the listed equity shareholding in JLEN. These underlying assets are held across a range of different sectors comprising Transport, Environmental (including Renewable Energy) and Social Infrastructure, and a range of geographies including the UK, Europe, North America and Asia Pacific. The valuation of these investments is a significant judgement underpinned by a number of key assumptions and estimates. 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 rates and tax rates. Many of these assumptions differ depending on both the sector and geography of the project. A full internal valuation is prepared at June and December each year and this valuation is incorporated into the financial statements. An independent opinion is obtained from an external valuer that the portfolio as a whole represents fair value. More information on the valuation and valuation methodology can be found on page 23 and notes 1 and 12 to the Group financial statements.	• We assessed the design and implementation of the controls in place when valuing the Group's investments. • We reviewed and challenged the cash flows incorporated in a sample of project financial models. • We obtained evidence, including external market data, to substantiate key assumptions including project discount rate(s) and macro-economic assumptions such as forecast tax and inflation rates. We also obtained evidence, such as contractual documentation, to substantiate the ability of the Group to achieve value enhancements which include improvements in project revenues and reductions in project costs. • We benchmarked management's discount rates against market transaction data, including the Group's disposals in the current and previous period. We performed this work in conjunction with our own valuation specialists. • We met with the Group's external valuer to understand and challenge the process undertaken by them in arriving at their opinion that the portfolio as a whole represents fair value. We also assessed the competency and independence of the external valuer. • We checked that the disclosures in the financial statements were appropriate.
Valuation of the defined benefit pension schemes	
The Group has two defined benefit pension schemes (The John Laing Pension Fund and the John Laing Pension Plan) which had a combined deficit of £38.9 million at 31 December 2015 (£177.6 million at 31 December 2014). During the year the Group made a special contribution to the John Laing Pension Fund of £100 million, comprising both cash and investments, and a regular contribution of £27 million. The valuation of the deficit is subject to a number of judgements including (i) discount rates (ii) inflation rates and (iii) mortality assumptions. There is also a judgement concerning the Group's ability to recover a surplus under the scheme rules and consequently the consideration of minimum funding requirements under IFRIC14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirement'. See note 19 for further information.	• We assessed the design and implementation of the controls in place when valuing the Group's defined benefit pension schemes including the setting of actuarial assumptions. • In conjunction with our internal actuarial specialists, we compared the Group's key assumptions including the discount rate, mortality rate assumptions and the inflation rates against our own benchmarks and those adopted by other companies in the market. • We audited the scheme assets via agreement to external confirmations from the custodian and also agreed a sample of scheme assets back to independent market data. We also obtained and reviewed the AAF 01/06/ISAE 3402 assurance report on internal controls for each custodian to assess if there were any matters which impact our work. • In assessing the impact of IFRIC14, we examined the nature of the Group's funding commitments to the schemes and reviewed the scheme rules, the external legal advice obtained by management and the actuarial schedule of contributions. • We checked that the disclosure requirements of IAS19R Employee Benefits had been fulfilled.

The list of risks included above is consistent with our report issued last year. The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee and discussed on pages 47 to 48.

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

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

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 £16 million (2014: £12 million), which is below 2% (2014: 2%) of shareholders' equity. We selected shareholders' equity as net asset value is a key performance indicator for the Group.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £320,000 (2014: £240,000), 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 audit scope primarily focused on the fair value of those PPP and renewable energy investments which are significant to the Group. Audit work was performed on a sample of investments which comprised 85% (2014: 92%) of the total valuation of investments. Other investments were subject to review procedures.

We made enquiries of the auditors of a sample of investments where the Group's investment when planning our audit was greater than £32 million (which covered 55% of the value of the portfolio) as to whether they were aware of any matters which may impact the fair value of those investments.

Our audit work on those subsidiaries which provide asset management services and are consolidated was executed at a materiality lower than Group materiality.

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

The Group audit team has initiated a programme of planned visits that has been designed so that the Group audit team visits a sample of the Group's investments each year. This year the Group audit team visited four of the Group's investments.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Report relating to the Company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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). 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 and independent partner reviews.

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

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 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
7 March 2016

GROUP INCOME STATEMENT

for the year ended 31 December 2015

		Year ended 31 December 2015		Year ended 31 December 2014	
	Notes	Pro forma £ million	Statutory £ million	Pro forma £ million	Statutory £ million
Continuing operations					
Net gain on investments at fair value through profit or loss	12	**133.1**	**129.7**	168.3	–
Other income	6	**34.5**	**31.5**	38.3	–
Operating income	3	**167.6**	**161.2**	206.6	–
Cost of sales		**(0.1)**	**(0.1)**	(0.4)	–
Gross profit		**167.5**	**161.1**	206.2	–
Administrative expenses		**(55.3)**	**(52.3)**	(60.1)	–
Profit from operations	7	**112.2**	**108.8**	146.1	–
Finance costs	9	**(11.3)**	**(11.3)**	(25.7)	–
Profit before tax		**100.9**	**97.5**	120.4	–
Tax (charge)/credit	10	**(2.1)**	**(2.1)**	0.2	–
Profit from continuing operations		**98.8**	**95.4**	120.6	–
Discontinued operations					
Profit/(loss) from discontinued operations (after tax)	11	**5.7**	**5.7**	(0.1)	–
Profit for the year attributable to the Shareholders of the Company		**104.5**	**101.1**	120.5	–
Earnings per share (pence)					
From continuing operations					
Basic	4	**27.6**	**28.3**	40.2	–
Diluted	4	**27.5**	**28.2**	40.2	–
From continuing and discontinued operations					
Basic	4	**29.2**	**30.0**	40.2	–
Diluted	4	**29.1**	**29.9**	40.2	–

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2015

		Year ended 31 December 2015		Year ended 31 December 2014	
	Notes	**Pro forma £ million**	**Statutory £ million**	Pro forma £ million	Statutory £ million
Profit for the year		**104.5**	**101.1**	120.5	–
Exchange differences on translation of overseas operations		**–**	**–**	(0.3)	–
Actuarial gain on retirement benefit obligations	19	**15.8**	**39.0**	1.6	–
Other comprehensive income for the year		**15.8**	**39.0**	1.3	–
Total comprehensive income for the year		**120.3**	**140.1**	121.8	–

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 2015

PRO FORMA

	Notes	Share capital £ million	Share premium £ million	Other reserves £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2015		**30.0**	**100.0**	**–**	**519.8**	**649.8**
Profit for the year		**–**	**–**	**–**	**104.5**	**104.5**
Other comprehensive income for the year		**–**	**–**	**–**	**15.8**	**15.8**
Total comprehensive income for the year		**–**	**–**	**–**	**120.3**	**120.3**
Shares issued in the year	21, 22	**6.7**	**123.8**	**–**	**–**	**130.5**
Costs associated with the issue of shares	22	**–**	**(5.8)**	**–**	**–**	**(5.8)**
Share-based incentives	5	**–**	**–**	**0.7**	**–**	**0.7**
Dividends paid		**–**	**–**	**–**	**(5.9)**	**(5.9)**
Balance at 31 December 2015		**36.7**	**218.0**	**0.7**	**634.2**	**889.6**

	Share capital £ million	Share premium £ million	Other reserves £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2014	30.0	100.0	–	398.0	528.0
Profit for the year	–	–	–	120.5	120.5
Other comprehensive income for the year	–	–	–	1.3	1.3
Total comprehensive income for the year	–	–	–	121.8	121.8
Balance at 31 December 2014	30.0	100.0	–	519.8	649.8

	Year ended 31 December 2015 pence	Year ended 31 December 2014 pence
Dividends on ordinary shares		
Per ordinary share:		
– interim paid	**1.6**	–
– final proposed	**5.3**	–

STATUTORY

	Notes	Share capital £ million	Share premium £ million	Other reserves £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2015		**–**	**–**	**–**	**–**	**–**
Profit for the year		**–**	**–**	**–**	**101.1**	**101.1**
Other comprehensive income for the year		**–**	**–**	**–**	**39.0**	**39.0**
Total comprehensive income for the year		**–**	**–**	**–**	**140.1**	**140.1**
Shares issued in the year	21, 22	**36.7**	**723.8**	**–**	**–**	**760.5**
Costs associated with the issue of shares	22	**–**	**(5.8)**	**–**	**–**	**(5.8)**
Reduction of share premium account	22	**–**	**(500.0)**	**–**	**500.0**	**–**
Share-based incentives	5	**–**	**–**	**0.7**	**–**	**0.7**
Dividends paid		**–**	**–**	**–**	**(5.9)**	**(5.9)**
Balance at 31 December 2015		**36.7**	**218.0**	**0.7**	**634.2**	**889.6**

	Share capital £ million	Share premium £ million	Other reserves £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2014	–	–	–	–	–
Profit for the year	–	–	–	–	–
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–
Balance at 31 December 2014	–	–	–	–	–

GROUP BALANCE SHEET

as at 31 December 2015

	Notes	31 December 2015 Pro forma and Statutory £ million	31 December 2014 Pro forma £ million	31 December 2014 Statutory £ million
Non-current assets				
Intangible assets		**0.2**	0.8	–
Plant and equipment		**1.0**	1.1	–
Investments at fair value through profit or loss	12	**965.3**	858.2	–
Deferred tax assets	18	**1.4**	1.5	–
		967.9	861.6	–
Current assets				
Trade and other receivables	13	**8.3**	9.2	–
Cash and cash equivalents	24	**1.1**	2.1	–
		9.4	11.3	–
Assets classified as held for sale	11	**–**	0.1	–
Total assets		**977.3**	873.0	–
Current liabilities				
Current tax liabilities		**(2.7)**	–	–
Borrowings	15	**(14.9)**	–	–
Trade and other payables	14	**(19.6)**	(26.5)	–
		(37.2)	(26.5)	–
Liabilities directly associated with assets classified as held for sale	11	**(4.2)**	(8.8)	–
Net current liabilities		**(32.0)**	(23.9)	–
Non-current liabilities				
Retirement benefit obligations	19	**(46.2)**	(185.8)	–
Provisions	20	**(0.1)**	(2.1)	–
		(46.3)	(187.9)	–
Total liabilities		**(87.7)**	(223.2)	–
Net assets		**889.6**	649.8	–
Equity				
Share capital	21	**36.7**	30.0	–
Share premium	22	**218.0**	100.0	–
Other reserves		**0.7**	–	–
Retained earnings		**634.2**	519.8	–
Equity attributable to the Shareholders of the Company		**889.6**	649.8	–

The statutory net assets at 31 December 2014 were £77. At 31 December 2014 there were total assets of £1,077 and total liabilities of £1,000.

The financial statements of John Laing Group plc, registered number 5975300, were approved by the Board of Directors and authorised for issue on 7 March 2016. They were signed on its behalf by:

Olivier Brousse	**Patrick O'D Bourke**
CHIEF EXECUTIVE OFFICER	GROUP FINANCE DIRECTOR
7 March 2016	7 March 2016

GROUP CASH FLOW STATEMENT

for the year ended 31 December 2015

		Year ended 31 December 2015		Year ended 31 December 2014	
		Pro forma	**Statutory**	Pro forma	Statutory
	Notes	**£ million**	**£ million**	£ million	£ million
Net cash outflow from operating activities	23	**(70.5)**	**(70.5)**	(41.3)	–
Investing activities					
Net cash transferred (to)/from investments held at fair value through profit or loss	12	**(54.0)**	**(54.0)**	56.0	–
Cash acquired on acquisition of subsidiaries		**–**	**2.2**	–	–
Purchase of plant and equipment		**(0.6)**	**(0.6)**	–	–
Net cash (used in)/from investing activities		**(54.6)**	**(52.4)**	56.0	–
Financing activities					
Dividends paid		**(5.9)**	**(5.9)**	–	–
Finance costs paid		**(13.7)**	**(13.7)**	(9.0)	–
Proceeds from borrowings		**50.0**	**50.0**	47.5	–
Repayment of borrowings		**(31.0)**	**(31.0)**	(53.5)	–
Proceeds on issue of share capital		**124.7**	**124.7**	–	–
Net cash from/(used in) financing activities		**124.1**	**124.1**	(15.0)	–
Net (decrease)/increase in cash and cash equivalents		**(1.0)**	**1.2**	(0.3)	–
Cash and cash equivalents at beginning of the year		**2.2**	**–**	2.3	–
Effect of foreign exchange rate changes		**(0.1)**	**(0.1)**	0.2	–
Cash and cash equivalents at end of year	24	**1.1**	**1.1**	2.2	–

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

1 GENERAL INFORMATION

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

The pro forma and statutory financial information is presented in pounds sterling and prepared in accordance with IFRS as adopted by the EU. The statutory financial statements on a Company-only basis can be found on pages 112 to 119.

2 ACCOUNTING POLICIES

a) Basis of preparation

As at 31 December 2014, the Company did not constitute a group as it held only 22.46% of John Laing Holdco Limited (formerly Henderson Infrastructure Holdco Limited), the holding company of John Laing Limited (formerly John Laing plc). On 27 January 2015 prior to the Company's Admission in February 2015, a restructuring occurred which included the Company becoming the sole shareholder of John Laing Holdco Limited. On 17 February 2015, the legal ownership of certain Service Companies in the John Laing Holdco Limited sub-group was transferred to the Company. Service Companies are explained in note 2c.

The Company was unable to produce group accounts or show financial information in respect of the newly formed group within its statutory results for the year ended 31 December 2014. Nonetheless, the Directors decided to prepare pro forma financial information for 2014 on the basis that the restructuring described above had occurred on 1 January 2013 and had been in place throughout the year ended 31 December 2014. In the opinion of the Directors, this information was necessary in order to give a true and fair view of the Company's affairs.

For the year ended 31 December 2015, there is no difference between the pro forma and statutory balance sheets as at 31 December 2015. However, there is a difference in the income statement relating to the 27 day period between 1 January 2015 and 27 January 2015 when the Company only owned 22.46% of the John Laing Holdco Limited group (the Company acquired the remaining 77.54% of the John Laing Holdco Limited group on 27 January 2015). The difference primarily relates to the deficit on the Group's pension schemes, held at the time in the John Laing Holdco Limited sub-group, at 27 January 2015 compared to 1 January 2015, due to an adverse movement in discount rates between these dates. Pro forma and statutory information has therefore both been presented in the Group Income Statement for the year ended 31 December 2015. This is the last year for which pro forma financial information will be presented.

The financial statements have been prepared on an investment entity basis (see note 2c) and in accordance with the historical cost convention except for the revaluation of the investment portfolio and financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies.

b) Adoption of new and revised standards

The Group has adopted the amendments resulting from Annual Improvements to IFRS (2010 – 2012) and (2011 – 2013) which have had no material impact on the Group financial statements for the year ended 31 December 2015.

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

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- Amendments to:
  - IFRS 10 Consolidated Financial Statements;
  - IFRS 11 Joint Arrangements;
  - IFRS 12 Disclosure of Interests in Other Entities; and
  - IAS 28 Investments in Associates
- Amendments arising from the Annual Improvements to IFRS (2012 – 2014) Cycle.

With the exception of IFRS 9 Financial Instruments, the Directors do not anticipate that the adoption of these standards will have a material impact on the financial statements of the Group in future reporting periods. The adoption of IFRS 9, when it becomes mandatory, will have an impact on the classification and disclosures of financial instruments.

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

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

2 ACCOUNTING POLICIES (CONTINUED)

c) 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 concluded that the Company met the definition of an investment entity. The Group 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 its investments in investment entity subsidiaries, through which it holds investments in project companies and other investments, at fair value through profit or loss (FVTPL), in accordance with IAS 39 Financial Instruments: Recognition and Measurement (to be replaced by IFRS 9 Financial Instruments when it becomes effective).

The Company consolidates those directly owned subsidiaries which provide services in relation to the Group's investment activities (Service Companies). Those subsidiaries include Laing Investments Management Services Limited, John Laing Capital Management Limited and John Laing Services Limited.

d) Going concern

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

In arriving at their conclusion, the Directors took into account the Group's approach to liquidity and cash flow management and the availability of its £350.0 million corporate banking facilities committed until March 2020. 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 32 to 36. In addition, the Group's policies for management of its exposure to financial risks, including liquidity, foreign exchange, credit and interest rate risks, are set out in note 17.

e) Dividend income

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

f) Dividend payments

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

g) Net gain on investments at FVTPL

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

h) Other income

The Group earns income from the following sources:

(i) Fees from asset management services

Fees from asset management services to projects in the Group's investment portfolio and to external parties are recognised as services are provided in accordance with IAS 18 Revenue.

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

(ii) Recovery of bid costs on financial close

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

Other income excludes the value of intra-group transactions and VAT and includes revenue derived from the provision of services by Service Companies to project companies which are held at FVTPL.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

2 ACCOUNTING POLICIES (CONTINUED)

i) Financial instruments

Financial assets and financial liabilities are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the instrument expire or the asset is transferred and the transfer qualifies for derecognition in accordance with IAS 39 Financial Instruments: Recognition and Measurement and IFRS 13 Fair Value Measurement.

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

(i) Financial assets

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

Financial assets are classified into the following specified categories: financial assets at FVTPL; 'held-to-maturity' investments; 'available-for-sale' 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 financial assets at FVTPL and loans and receivables:

- Financial assets at FVTPL comprise investments at FVTPL which include investments in project companies, investments in listed companies and other assets and liabilities of investment entity subsidiaries. Investments in project companies and in listed companies are designated upon initial recognition as financial assets at FVTPL. Subsequent to initial recognition, investments in project companies are measured on a combined basis at fair value using discounted cash flow methodology. Investments in listed investments are valued at the quoted market price at the end of the period.

  The Directors consider that the carrying value of other assets and liabilities held in investment entity subsidiaries at FVTPL approximates to their fair value.

  Changes in fair value are recognised within operating income in the Group Income Statement.

- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial. Loans and receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the Group Balance Sheet.

(ii) Impairment of financial assets

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

(iii) Derecognition of financial assets

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

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

2 ACCOUNTING POLICIES (CONTINUED)

i) Financial instruments (continued)

(iv) Financial liabilities

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

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

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

(v) Derivative financial instruments

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

j) Provisions

Provisions are recognised when:

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

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

k) Finance costs

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

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

l) 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.

Deferred tax

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

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

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

2 ACCOUNTING POLICIES (CONTINUED)

m) Foreign currencies

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

Monetary assets and liabilities expressed in foreign currency (including investments measured at fair value) are reported at the rate of exchange prevailing at the balance sheet date or, if appropriate, at the forward contract rate. Any difference arising on the retranslation of these amounts is taken to the Group Income Statement with foreign exchange movements on investments measured at fair value recognised in operating income as part of net gain on investments at FVTPL. Income and expense items are translated at the average exchange rates for the period.

n) 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 co-ordinated 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 historical financial periods being presented on this basis.

Non-current assets classified as held for sale 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.

o) Retirement benefit costs

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

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

The retirement benefit obligations recognised in the Group Balance Sheet represent the present value of: (i) defined benefit scheme obligations as adjusted for unrecognised past service costs and 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.

p) 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.

q) Leasing

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

r) Share capital

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

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

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

2 ACCOUNTING POLICIES (CONTINUED)

s) Employee benefit trust

In June 2015, the Group established the John Laing Group Employee Benefit Trust (EBT) as described further in note 5. The Group is deemed to have control of the EBT and it is therefore treated as a subsidiary and consolidated for the purposes of the accounts. Any investment by the EBT in the parent company's shares is deducted from equity in the Group Balance Sheet as if they were treasury shares. Other assets and liabilities of the EBT are recognised as assets and liabilities of the Group.

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

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. The key areas of the financial statements where the Group is required to make critical judgements and material accounting estimates are in respect of the fair value of investments and accounting for the Group's defined benefit pension liabilities, including whether there is any minimum funding requirement to be recognised.

Fair value of investments

A valuation of the Group's investment portfolio is prepared on a consistent, principally discounted cash flow basis at 30 June and 31 December. The valuation (excluding listed investments) assumes that forecast cash flows are received until maturity of the underlying assets. The valuation is subject to a number of material estimates including discount rates and forecast cash flows from investments in projects.

A base case discount rate for an operational project is derived from secondary market information and other available data points. The base case discount rate is then adjusted to reflect project-specific risks. In addition, risk premia are added during the construction phase to reflect the additional risks 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 discount rates applied to investments at 31 December 2015 were in the range of 7.3% to 12.3% (31 December 2014 – 7.5% to 13.0%).

The cash flows on which the discounted cash flow valuation is based are those forecast to be distributable to the Group at each balance sheet date, derived from detailed project financial models. These incorporate assumptions about value enhancements. Further detail on key assumptions underpinning the valuation of the investments (including sensitivities) can be found in note 17.

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 2015 was £46.2 million (31 December 2014 – £185.8 million). The value of the pension deficit is highly dependent on key assumptions including price inflation, discount rate and life expectancy. The assumptions applied at 31 December 2015 and the sensitivity of the pension liabilities to certain changes in these assumptions are illustrated in note 19.

In determining the Group's defined benefit pension liability, consideration is also given to whether there is a minimum funding requirement under IFRIC 14 Limit on Defined Benefit Asset which is in excess of the IAS 19 Employee Benefits liability. If the minimum funding requirement is higher, an additional liability would need to be recognised. Under the trust deed and rules of JLPF, the Group has an ultimate unconditional right to any surplus and accordingly the excess of the minimum funding requirement over the IAS 19 Employee Benefits liability has not been recognised as an additional liability.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

3 OPERATING SEGMENTS

Information is reported to the Group's Board (the chief operating decision maker under IFRS 8 Operating Segments) for the purposes of resource allocation and assessment of segment performance based on the category of activities undertaken within the Group. The principal categories of activity, and thus the reportable segments under IFRS 8 Operating Segments, 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 originating, 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, JLEN's and JLPF's portfolios plus fee income and associated costs from project management services.

The Board's primary measure of profitability for each segment is profit before tax. The Board has measured profitability using pro forma profit before tax, which in future years will be aligned to statutory profit before tax.

The following is an analysis of the Group's profit before tax and operating income for the years ended 31 December 2015 and 31 December 2014:

	Year ended 31 December 2015						
	Reportable segments						
Pro forma	**Primary Investment £ million**	**Secondary Investment £ million**	**Asset Management £ million**	**Segment Sub-total £ million**	**Inter-segment £ million**	**Non-segmental results £ million**	**Total £ million**
Continuing operations							
Net gain on investments at FVTPL	82.9	49.4	–	**132.3**	–	0.8	**133.1**
Other income	3.4	–	42.4	**45.8**	(12.0)	0.7	**34.5**
Operating income	86.3	49.4	42.4	**178.1**	(12.0)	1.5	**167.6**
Cost of sales	–	–	–	**–**	–	(0.1)	**(0.1)**
Gross profit	86.3	49.4	42.4	**178.1**	(12.0)	1.4	**167.5**
Administrative expenses	(29.3)	(5.9)	(26.9)	**(62.1)**	12.0	(5.2)	**(55.3)**
Profit from operations	57.0	43.5	15.5	**116.0**	–	(3.8)	**112.2**
Finance costs	(6.3)	(0.5)	–	**(6.8)**	–	(4.5)	**(11.3)**
Profit before tax from continuing operations	50.7	43.0	15.5	**109.2**	–	(8.3)	**100.9**
Profit before tax from discontinued operations							**5.7**
Profit before tax – pro forma							**106.6**
Reconciliation to statutory results:							
Fair value loss on acquisition of John Laing Holdco Limited (see note 2)							**(3.4)**
Profit before tax – statutory							**103.2**

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

3 OPERATING SEGMENTS (CONTINUED)

	Year ended 31 December 2014						
	Reportable segments						
Pro forma	Primary Investment £ million	Secondary Investment £ million	Asset Management £ million	Segment Sub-total £ million	Inter-segment £ million	Non-segmental results £ million	Total £ million
Continuing operations							
Net gain on investments at FVTPL	127.2	39.3	–	166.5	–	1.8	168.3
Other income	13.2	–	36.7	49.9	(10.2)	(1.4)	38.3
Operating income	140.4	39.3	36.7	216.4	(10.2)	0.4	206.6
Cost of sales	–	–	–	–	–	(0.4)	(0.4)
Gross profit	140.4	39.3	36.7	216.4	(10.2)	–	206.2
Administrative expenses	(30.8)	(7.5)	(27.0)	(65.3)	10.2	(5.0)	(60.1)
Profit from operations	109.6	31.8	9.7	151.1	–	(5.0)	146.1
Finance costs	(10.2)	(1.7)	–	(11.9)	–	(13.8)	(25.7)
Profit before tax from continuing operations	99.4	30.1	9.7	139.2	–	(18.8)	120.4
Loss before tax from discontinued operations							–
Profit before tax – pro forma							120.4

Non-segmental results include results from corporate activities of intermediary holding companies and discontinued operations.

For the year ended 31 December 2015, more than 10% of operating income was derived from the IEP (Phase 1) project (year ended 31 December 2014 – IEP (Phase 2)).

Statutory Income Statement

The loss for the year ended 31 December 2014 was £23 due to £5 interest income offset by £28 of administrative expenses. The Group did not review the statutory results on a segmental basis prior to the IPO in February 2015.

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

Segment assets	**31 December 2015 Pro forma and Statutory £ million**	31 December 2014 Pro forma £ million
Primary Investment	**405.9**	414.3
Secondary Investment	**435.5**	357.7
Total investment portfolio	**841.4**	772.0
Other investments	**0.5**	0.3
Other assets and liabilities	**123.4**	85.9
Total investments at FVTPL	**965.3**	858.2
Other assets	**12.0**	14.8
Total assets	**977.3**	873.0
Retirement benefit obligations	**(46.2)**	(185.8)
Other liabilities	**(41.5)**	(37.4)
Total liabilities	**(87.7)**	(223.2)
Group net assets	**889.6**	649.8

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

Statutory Balance Sheet

At 31 December 2014 there were total assets of £1,077 and total liabilities of £1,000. The Group did not review the statutory results on a segmental basis prior to the IPO in February 2015.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

4 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	Year ended 31 December 2015		Year ended 31 December 2014	
	Pro forma £ million	**Statutory £ million**	Pro forma £ million	Statutory £ million
Earnings				
Profit from continuing operations for the purpose of basic and diluted earnings per share	**98.8**	**95.4**	120.6	–
Profit/(loss) from discontinued operations for the purpose of basic and diluted earnings per share	**5.7**	**5.7**	(0.1)	–
Profit for the year	**104.5**	**101.1**	120.5	–
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	**358,305,584**	**336,935,722**	300,000,000	100,000,000
Dilutive effect of ordinary shares potentially issued under share-based incentives (note 5)	**1,255,857**	**1,255,857**	–	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**359,561,441**	**338,191,579**	300,000,000	100,000,000
Earnings per share from continuing operations (pence/share)				
Basic	**27.6**	**28.3**	40.2	–
Diluted	**27.5**	**28.2**	40.2	–
Earnings per share from continuing and discontinued operations (pence/share)				
Basic	**29.2**	**30.0**	40.2	–
Diluted	**29.1**	**29.9**	40.2	–

5 SHARE-BASED INCENTIVES

This note applies to both pro forma and statutory financial information.

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

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

	Number of shares awarded	
	2015	2014
At 1 January	**–**	–
Granted on 16 April 2015	**1,795,830**	–
Lapsed	**(32,800)**	–
At 31 December	**1,763,030**	–

The weighted average fair value of awards granted during the year was 130.89 pence per share (2014 – nil) for the market-based performance condition, determined using the Stochastic valuation model, and 218.11 pence per share (2014 – nil) for the non-market based performance condition determined using the Black Scholes model. The weighted average fair value of awards granted during the year from both models is 174.46 pence per share (2014 – nil). The significant inputs into the model were the weighted average share price of 219.5 pence (2014 – nil) at the grant date, expected volatility of 14.17% (2014 – nil), expected dividend yield of 2.17% (2014 – nil), an expected award life of three years and an annual risk-free interest rate of 0.68% (2014 – nil). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over three years.

The total expense recognised in the Group Income Statement for awards granted under share-based incentive arrangements for the year ended 31 December 2015 was £0.7 million (2014 – £nil).

Of the 1,763,030 outstanding awards (2014 – nil), none were exercisable (2014 – nil). The weighted average exercise price of the awards granted during 2015 was £nil (2014 – £nil). There were no awards forfeited, exercised or expired during the year ended 31 December 2015 (2014 – nil). During the year ended 31 December 2015, 32,800 awards lapsed as a result of one participant in the share-based incentive scheme leaving the Group (2014 – nil).

The awards outstanding at the end of the year vest on 15 April 2018 subject to the conditions described above. The weighted average exercise price of the awards outstanding at 31 December 2015 was £nil (31 December 2014 – £nil).

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

5 SHARE-BASED INCENTIVES (CONTINUED)

Employee Benefit Trust

On 19 June 2015 the Company established the John Laing Group Employee Benefit Trust (EBT) to be used as part of the remuneration arrangements for employees. The purpose of the EBT is to facilitate the ownership of shares by or for the benefit of employees by the acquisition and distribution of shares in the Company. The EBT purchases shares in the Company to satisfy the Company's obligations under its share-based payment plans.

During the year the EBT purchased no shares in John Laing Group plc and as at 31 December 2015 the EBT held no shares in the Company.

6 OTHER INCOME

	Year ended 31 December 2015		Year ended 31 December 2014	
	Pro forma £ million	**Statutory £ million**	Pro forma £ million	Statutory £ million
Fees from asset management services	**31.1**	**28.1**	26.5	–
Recovery of bid costs	**3.4**	**3.4**	11.4	–
Other	**–**	**–**	0.4	–
	34.5	**31.5**	38.3	–

7 PROFIT FROM OPERATIONS

	Year ended 31 December 2015		Year ended 31 December 2014	
	Pro forma £ million	**Statutory £ million**	Pro forma £ million	Statutory £ million
Profit from operations has been arrived at after (charging)/crediting:				
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries	**(0.3)**	**(0.3)**	(0.3)	–
Total audit fees	**(0.3)**	**(0.3)**	(0.3)	–
– other assurance services	**(0.1)**	**(0.1)**	(0.1)	–
– corporate finance services	**–**	**–**	(0.8)	–
Total non-audit fees	**(0.1)**	**(0.1)**	(0.9)	–
Operating lease charges:				
– rental of land and buildings	**(0.8)**	**(0.8)**	(3.0)	–
Depreciation of plant and equipment	**(0.7)**	**(0.7)**	(1.0)	–
Amortisation of intangible assets	**(0.5)**	**(0.5)**	(0.5)	–
Net foreign exchange gain	**1.4**	**1.4**	2.3	–

The fees payable to the Company's auditor for the audit of the Company's annual accounts were £6,312 (2014 – £6,249). The fees payable to the Company's auditor for non-audit services comprised: £0.1 million for other assurance services (2014 – £0.1 million) and £nil for corporate finance services (2014 – £0.8 million for vendor due diligence services in relation to a potential trade sale of the Group). Fees of £1.1 million paid to the Company's auditor (2014 – £nil) for reporting accountant and other services in relation to the IPO of the Company in February 2015 have been deducted from share premium in 2015 as an expense on the issue of equity shares.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

8 EMPLOYEE COSTS AND DIRECTORS' EMOLUMENTS

	Year ended 31 December 2015		Year ended 31 December 2014	
	Pro forma £ million	**Statutory £ million**	Pro forma £ million	Statutory £ million
Employee costs comprise:				
Salaries	**(29.9)**	**(26.0)**	(26.3)	–
Social security costs	**(3.4)**	**(3.0)**	(3.5)	–
Pension charge				
– defined benefit schemes (see note 19)	**(1.3)**	**(1.3)**	(1.3)	–
– defined contribution	**(1.2)**	**(1.0)**	(1.5)	–
Share-based incentives (see note 5)	**(0.7)**	**(0.7)**	–	–
	(36.5)	**(32.0)**	(32.6)	–

Employee costs in 2015 include one-off costs of £3.4 million incurred in relation to the IPO.

Annual average employee numbers (including Directors):

	Year ended 31 December 2015		Year ended 31 December 2014	
	Pro forma No.	**Statutory No.**	Pro forma No.	Statutory No.
Staff	**247**	**247**	229	–
UK	**196**	**196**	191	–
Overseas	**51**	**51**	38	–
Activity				
Bidding activities, asset management and Group	**247**	**247**	229	–

Details of Directors' remuneration for the year ended 31 December 2015 can be found in the Directors' Remuneration Report on pages 50 to 62. No Directors of the Company during the year ended 31 December 2014 received any remuneration for services to the Company (or the Group).

9 FINANCE COSTS

	Year ended 31 December 2015		Year ended 31 December 2014	
	Pro forma £ million	**Statutory £ million**	Pro forma £ million	Statutory £ million
Finance costs on corporate banking facilities	**(7.6)**	**(7.6)**	(11.0)	–
Amortisation of debt issue costs	**(1.0)**	**(1.0)**	(6.3)	–
Net interest cost of retirement obligations (see note 19)	**(2.7)**	**(2.7)**	(8.4)	–
Total finance costs	**(11.3)**	**(11.3)**	(25.7)	–

Amortisation of debt issue costs for the year ended 31 December 2014 includes an amount of £4.3 million for the write off of unamortised finance costs at 31 December 2014 in relation to the facility that was replaced in February 2015 by new corporate banking facilities.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

10 TAX

The tax (charge)/credit for the year comprises:

	Year ended 31 December 2015		Year ended 31 December 2014	
	Pro forma	**Statutory**	Pro forma	Statutory
	£ million	**£ million**	£ million	£ million
Current tax:				
UK corporation tax charge – current period	**(2.0)**	**(2.0)**	–	–
Foreign tax credit	**–**	**–**	0.2	–
	(2.0)	**(2.0)**	0.2	
Deferred tax charge	**(0.1)**	**(0.1)**	–	–
Tax (charge)/credit on continuing operations	**(2.1)**	**(2.1)**	0.2	–

The tax (charge)/credit for the year can be reconciled to the profit in the Group Income Statement as follows:

	Year ended 31 December 2015		Year ended 31 December 2014	
	Pro forma	**Statutory**	Pro forma	Statutory
	£ million	**£ million**	£ million	£ million
Profit before tax on continuing operations	**100.9**	**97.5**	120.4	–
Tax at the UK corporation tax rate	**(20.4)**	**(19.7)**	(25.9)	–
Tax effect of expenses and other similar items that are not deductible	**(1.1)**	**(1.1)**	(2.1)	–
Non-taxable movement on fair value of investments	**27.0**	**26.3**	36.2	–
Adjustment for management charges from/to fair value group	**(7.4)**	**(7.4)**	(8.2)	–
Origination and reversal of timing differences	**(0.1)**	**(0.1)**	–	–
Other movements	**(0.1)**	**(0.1)**	0.2	–
Total tax (charge)/credit on continuing operations for the year	**(2.1)**	**(2.1)**	0.2	–

For the year ended 31 December 2015 a blended tax rate of 20.25% has been applied due to the change in the UK corporation tax rate from 21% to 20% with effect from 1 April 2015 (2014 – 21.5%). The UK Government has announced its intention to reduce the main corporation tax rate by 1% to 19% from 1 April 2017 and by a further 1% to 18% from 1 April 2020.

The Group expects that the majority of deferred tax assets will be realised after 1 April 2020 and therefore the Group has measured its deferred tax assets at 31 December 2015 at 18% (31 December 2014 – 20%).

11 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 potential liabilities at the time of sale of the legacy businesses.

The results of discontinued operations, which have been included in the Group Income Statement, were as follows: £5.7 million income (2014 – £0.2 million income) in administrative expenses; £nil (2014 – £0.2 million cost) in finance costs and £nil (2014 – £0.1 million tax charge) in tax. These amounts resulted in profit from discontinued operations after tax of £5.7 million (2014 – £0.1 million loss). The profit for the year ended 31 December 2015 is mainly due to the resolution of legacy claims.

During the year ended 31 December 2015 net cash inflow from operating activities included £1.1 million (2014 – outflow £1.1 million) in respect of discontinued operations.

The major classes of assets and liabilities classified as discontinued operations at 31 December 2015 were as follows: £nil (31 December 2014 – £0.1 million) of cash and cash equivalents and £4.2 million (31 December 2014 – £8.8 million) of provisions. Included within the provisions balance are provisions in relation to the legacy construction businesses for £4.2 million (31 December 2014 – £8.8 million). The reduction in the provisions is mainly due to the resolution of legacy claims.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

12 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2015			
Pro forma	**Project companies £ million**	**Listed investments £ million**	**Other assets and liabilities £ million**	**Total £ million**
Opening balance	**706.7**	**65.6**	**85.9**	**858.2**
Distributions	**(43.4)**	**(0.9)**	**44.3**	**–**
Investment in equity and loans	**142.9**	**–**	**(142.9)**	**–**
Realisations	**(86.3)**	**–**	**86.3**	**–**
Investments transferred to JLPF	**(29.6)**	**(50.4)**	**–**	**(80.0)**
Fair value movement	**135.5**	**1.8**	**(4.2)**	**133.1**
Net cash transferred to investments held at FVTPL	**–**	**–**	**54.0**	**54.0**
Closing balance	**825.8**	**16.1**	**123.4**	**965.3**

	31 December 2015			
Statutory	**Project companies £ million**	**Listed investments £ million**	**Other assets and liabilities £ million**	**Total £ million**
Opening balance	**–**	**–**	**–**	**–**
Acquisition of John Laing Holdco Limited	**706.7**	**65.6**	**(142.3)**	**630.0**
Acquisition of Service Companies	**–**	**–**	**231.6**	**231.6**
Distributions	**(43.4)**	**(0.9)**	**44.3**	**–**
Investment in equity and loans	**142.9**	**–**	**(142.9)**	**–**
Realisations	**(86.3)**	**–**	**86.3**	**–**
Investments transferred to JLPF	**(29.6)**	**(50.4)**	**–**	**(80.0)**
Fair value movement	**135.5**	**1.8**	**(7.6)**	**129.7**
Net cash transferred to investments held at FVTPL	**–**	**–**	**54.0**	**54.0**
Closing balance	**825.8**	**16.1**	**123.4**	**965.3**

On 27 January 2015, the Company acquired the remaining 77.54% interest in John Laing Holdco Limited for £630.0 million as part of a pre IPO restructuring. On 17 February 2015, the Company acquired from the John Laing Holdco Limited group the interests in its Service Companies. From this date, these Service Companies have been consolidated in the group financial statements. This latter acquisition has been treated as an acquisition under common control. Please refer to note 2 for further details.

	31 December 2014			
Pro forma	Project companies £ million	Listed investments £ million	Other assets and liabilities £ million	Total £ million
Opening balance	645.1	39.7	61.1	745.9
Distributions	(26.0)	(1.9)	27.9	–
Investment in equity and loans	91.7	63.5	(155.2)	–
Realisations	(159.6)	(38.9)	198.5	–
Fair value movement	155.5	3.2	9.6	168.3
Net cash transferred from investments held at FVTPL	–	–	(56.0)	(56.0)
Closing balance	706.7	65.6	85.9	858.2

Included within other assets and liabilities above is cash collateral of £123.9 million (31 December 2014 – £60.5 million) in respect of future investment commitments on IEP (Phase 1), I-77 Managed Lanes, New Perth Stadium and Sydney Light Rail (31 December 2014 – East West Link, New Perth Stadium and Oldham Housing).

Following financial close of the East West Link project in October 2014, a change of government took place in the State of Victoria. The incoming Labor government gave notice in December 2014 to the East West Connect consortium, in which the Group had a shareholding, that it was suspending the project. Following agreement with the State of Victoria, the investment commitment to this project, which was made up of cash collateral of £39.7 million and a letter of credit of £21.0 million, was recovered in June 2015.

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for the year ended 31 December 2015

12 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The investment disposals that have occurred in the years presented above are as follows:

Year ended 31 December 2015

During the year ended 31 December 2015, the Group disposed of shares and subordinated debt in seven PPP and renewable energy project companies. Sale proceeds were £86.3 million. The Group also made a contribution of £80.0 million to JLPF settled by a transfer of shares in JLEN and shares in one PPP project company.

Details were as follows:

	Date of completion	Original holding %	Holding disposed of %	Retained holding %
Sold to John Laing Environmental Assets Group Limited (JLEN)				
Carscreugh Holdings Limited	31 March 2015	100.0	100.0	–
Wear Point Wind Holdco Limited	31 March 2015	100.0	100.0	–
Branden Solar Park Holdings Limited	31 March 2015	100.0	64.0	36.0
Branden Solar Park Holdings Limited	30 July 2015	36.0	36.0	–
Burton Wold Extension Limited	2 December 2015	100.0	100.0	–
Sold to John Laing Infrastructure Fund Limited (JLIF)				
Healthcare Support (Erdington) Holdings Limited	30 June 2015	100.0	100.0	–
Sold to other parties				
Dhule Palesner Tollway Limited	31 October 2015	36.0	36.0	–
Services Support (Cleveland) Holdings Limited	5 November 2015	27.08	27.08	–
Transferred to JLPF				
City Greenwich Lewisham Rail Link plc	17 February 2015	52.0	47.0	5.0
John Laing Environmental Assets Group Limited (JLEN)	17 February 2015	39.7	29.9	9.8*

* shareholding reduced to 7.0% following the equity issue by JLEN in July 2015.

Year ended 31 December 2014

During the year ended 31 December 2014, the Group disposed of shares and subordinated debt in 12 PPP and renewable energy project companies. Sale proceeds were £139.5 million in cash. In addition in December 2014, the Group realised £20.1 million from its investment in the Croydon BWH project when Croydon Council exercised its option to acquire the property. The Group also disposed of its remaining holding in JLIF on 31 March 2014 for £38.9 million, net of costs of £0.4 million.

Details were as follows:

	Date of completion	Original holding %	Holding disposed of %	Retained holding %
Sold to John Laing Infrastructure Fund Limited (JLIF)				
Duo2 Holdings BV	26 September 2014	40.0	40.0	–
Services Support (SEL) Limited	1 October 2014	25.0	25.0	–
JLW Excellent Homes for Life Limited	19 December 2014	80.0	80.0	–
Surrey Lighting Services Limited	19 December 2014	50.0	50.0	–
Sold to John Laing Environmental Assets Group Limited (JLEN)				
Amber Solar Parks (Holdings) Limited	3 April 2014	100.0	100.0	–
Bilsthorpe Wind Farm Holdings Limited	3 April 2014	100.0	100.0	–
ELWA Holdings Limited	17 April 2014	80.0	80.0	–
JL Hall Farm Holdings Limited	31 March 2014	100.0	100.0	–
Shanks Dumfries and Galloway Holdings Limited	31 March 2014	80.0	80.0	–
Wind Assets LLP	4 April 2014	100.0	100.0	–
Sold to other parties				
Coastal Clearwater Limited	5 December 2014	50.0	50.0	–
Westadium Project Holdco Pty Limited	19 December 2014	100.0	50.0	50.0

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for the year ended 31 December 2015

13 TRADE AND OTHER RECEIVABLES

	31 December 2015	31 December 2014	
	Pro forma and statutory	Pro forma	Statutory
	£ million	£ million	£ million
Current assets			
Trade receivables	**4.4**	4.3	–
Other taxation	**–**	0.1	–
Other receivables	**3.4**	2.0	–
Prepayments and accrued income	**0.5**	2.8	–
	8.3	9.2	–

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

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

	31 December 2015	31 December 2014	
	Pro forma and statutory	Pro forma	Statutory
	£ million	£ million	£ million
Sterling	**7.7**	8.6	–
Other currencies	**0.6**	0.6	–
	8.3	9.2	–

The other currencies balance mainly includes trade and other receivables in Canadian dollars (31 December 2014 – Canadian dollars).

Included in the Group's trade receivables are debtors with a carrying value of £0.1 million which were overdue at 31 December 2015 (31 December 2014 – £0.2 million). The overdue balances have an ageing of up to 60 days (31 December 2014 – up to 60 days). 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.

Included in the Group's trade receivables are debtors with a carrying value of £nil which were impaired at 31 December 2015 (31 December 2014 – £nil).

14 TRADE AND OTHER PAYABLES

	31 December 2015	31 December 2014	
	Pro forma and statutory	Pro forma	Statutory
	£ million	£ million	£ million
Current liabilities			
Trade payables	**(10.2)**	(13.9)	–
Other taxation	**(1.6)**	(1.0)	–
Accruals	**(7.4)**	(11.3)	–
Deferred income	**(0.4)**	(0.3)	–
	(19.6)	(26.5)	–

15 BORROWINGS

	31 December 2015	31 December 2014	
	Pro forma and statutory	Pro forma	Statutory
	£ million	£ million	£ million
Current liabilities			
Interest-bearing loans and borrowings net of unamortised financing costs (note 16 c)	**(14.9)**	–	–
	(14.9)	–	–

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16 FINANCIAL INSTRUMENTS

There were no financial instruments in the statutory financial statements for the year ended 31 December 2014. Note 16 presents the pro forma and statutory numbers for the year ended 31 December 2015 and the pro forma numbers for the year ended 31 December 2014.

a) Financial instruments by category

Pro forma and statutory Continuing operations	**Loans and receivables £ million**	**Assets at FVTPL £ million**	**Financial liabilities at amortised cost £ million**	**Total £ million**
Fair value measurement method	**n/a**	**Level 1 / 3***	**n/a**	
31 December 2015				
Non-current assets				
Investments at FVTPL*	**–**	**965.3**	**–**	**965.3**
Current assets				
Trade and other receivables	**8.1**	**–**	**–**	**8.1**
Cash and cash equivalents	**1.1**	**–**	**–**	**1.1**
Total financial assets	**9.2**	**965.3**	**–**	**974.5**
Current liabilities				
Interest-bearing loans and borrowings	**–**	**–**	**(14.9)**	**(14.9)**
Trade and other payables	**–**	**–**	**(17.6)**	**(17.6)**
Total financial liabilities	**–**	**–**	**(32.5)**	**(32.5)**
Net financial instruments	**9.2**	**965.3**	**(32.5)**	**942.0**

Pro forma Continuing operations	Loans and receivables £ million	Assets at FVTPL £ million	Financial liabilities at amortised cost £ million	Total £ million
Fair value measurement method	n/a	Level 1 / 3*	n/a	
31 December 2014				
Non-current assets				
Investments at FVTPL*	–	858.2	–	858.2
Current assets				
Trade and other receivables	8.4	–	–	8.4
Cash and cash equivalents	2.1	–	–	2.1
Total financial assets	10.5	858.2	–	868.7
Current liabilities				
Trade and other payables	–	–	(25.3)	(25.3)
Total financial liabilities	–	–	(25.3)	(25.3)
Net financial instruments	10.5	858.2	(25.3)	843.4

* Investments at FVTPL are split between: Level 1, JLEN, which is a listed investment fair valued at £16.1 million (31 December 2014 – £65.6 million) using quoted market prices; and Level 3 investments in project companies fair valued at £825.8 million (31 December 2014 – £706.7 million). Level 1 and Level 3 investments are fair valued in accordance with the policy and assumptions set out in note 2 i. The investments at FVTPL include other assets and liabilities as shown in note 12. Such other assets and liabilities are recorded at amortised cost which the Directors believe approximates to their fair value.

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16 FINANCIAL INSTRUMENTS (CONTINUED)

a) Financial instruments by category (continued)

The tables in section a) provide an analysis of financial instruments that are measured subsequent to their initial recognition at fair value.

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

There were no transfers between Levels 1 and 2 during either year. There were no transfers out of Level 3.

Reconciliation of Level 3 fair value measurement of financial assets and liabilities

An analysis of the movement between opening and closing balances of assets at FVTPL is given in note 12. The carrying amounts of financial assets and financial liabilities in these financial statements reflect their fair values.

b) Foreign currency and interest rate profile of financial assets (excluding investments at FVTPL)

	Continuing operations	
Currency	**31 December 2015 Pro forma and statutory Financial assets Non-interest bearing £ million**	31 December 2014 Pro forma Financial assets Non-interest bearing £ million
Sterling	**7.7**	8.5
Euro	**0.2**	0.3
Canadian dollar	**0.6**	0.5
US dollar	**0.4**	0.4
Australian dollar	**0.2**	0.6
Other	**0.1**	0.2
Total	**9.2**	10.5

c) Foreign currency and interest rate profile of financial liabilities

The Group's financial liabilities at 31 December 2015 were £32.5 million (31 December 2014 – £25.3 million), of which £14.9 million (31 December 2014 – £nil) related to short-term cash borrowings of £19.0 million net of unamortised finance costs of £4.1 million.

	Continuing operations 31 December 2015			Continuing operations 31 December 2014		
	Pro forma and statutory Financial liabilities			Pro forma Financial liabilities		
Currency	**Fixed rate £ million**	**Non-interest bearing £ million**	**Total £ million**	Fixed rate £ million	Non-interest bearing £ million	Total £ million
Sterling	**(14.9)**	**(14.2)**	**(29.1)**	–	(22.0)	(22.0)
Euro	**–**	**(0.6)**	**(0.6)**	–	(0.7)	(0.7)
US dollar	**–**	**(1.4)**	**(1.4)**	–	(1.3)	(1.3)
Australian dollar	**–**	**(1.1)**	**(1.1)**	–	(1.2)	(1.2)
Other	**–**	**(0.3)**	**(0.3)**	–	(0.1)	(0.1)
Total	**(14.9)**	**(17.6)**	**(32.5)**	–	(25.3)	(25.3)

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17 FINANCIAL RISK MANAGEMENT

There were no financial instruments in the statutory financial statements for the year ended 31 December 2014. Note 17 presents the pro forma and statutory numbers for the year ended 31 December 2015 and the pro forma numbers for the year ended 31 December 2014.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange rate risk, interest rate risk and inflation risk), credit risk, price risk, 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 2015 the Group held investments in 18 overseas projects (31 December 2014 – 14 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 below.

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 15 forward currency contracts open as at 31 December 2015 (31 December 2014 – ten). The fair value of these contracts was a liability of £3.7 million (31 December 2014 – £0.3 million asset) and is included in investments at FVTPL.

At 31 December 2015, the Group's most significant currency exposure was to the Euro (31 December 2014 – Euro).

Foreign currency exposure of investments at FVTPL:

	31 December 2015				31 December 2014			
	Pro forma and statutory				Pro forma			
	Project companies £ million	**Listed investments £ million**	**Other assets and liabilities £ million**	**Total £ million**	Project companies £ million	Listed investments £ million	Other assets and liabilities £ million	Total £ million
Sterling	**421.9**	**16.1**	**53.3**	**491.3**	446.3	65.6	30.3	542.2
Euro	**213.3**	**–**	**1.4**	**214.7**	143.1	–	0.8	143.9
Australian dollar	**88.2**	**–**	**50.2**	**138.4**	48.6	–	54.1	102.7
Canadian dollar	**–**	**–**	**–**	**–**	–	–	0.2	0.2
US dollar	**83.7**	**–**	**18.0**	**101.7**	49.8	–	0.7	50.5
New Zealand dollar	**18.7**	**–**	**0.5**	**19.2**	18.9	–	(0.4)	18.5
Other	**–**	**–**	**–**	**–**	–	–	0.2	0.2
	825.8	**16.1**	**123.4**	**965.3**	706.7	65.6	85.9	858.2

Investments in project companies are fair valued based on the spot rate at the balance sheet date. As at 31 December 2015, a 10% weakening of the relevant currency against Sterling would decrease the value of investments in project companies by £36.7 million. A 10% strengthening of the relevant currency against Sterling would increase the value by £40.4 million.

Market risk – interest rate risk

The Group's interest rate risk arises due to fluctuations in interest rates which impact on the value of returns from floating rate deposits and expose the Group to variability in interest payment cash flows on variable rate borrowings. The Group has assessed its exposure to interest rate risk and considers that this exposure is minimal as its variable rate borrowings are short term, its finance costs in relation to letters of credit issued under the corporate banking facility are at a fixed rate and the interest earned on its cash and cash equivalents minimal.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

17 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	31 December 2015 Pro forma and statutory			31 December 2014 Pro forma		
	Interest bearing Floating rate £ million	**Non-interest bearing £ million**	**Total £ million**	Interest bearing Floating rate £ million	Non-interest bearing £ million	Total £ million
Financial assets						
Investments at FVTPL	**–**	**965.3**	**965.3**	–	858.2	858.2
Trade and other receivables	**–**	**8.1**	**8.1**	–	8.4	8.4
Cash and cash equivalents	**1.1**	**–**	**1.1**	2.1	–	2.1
Financial assets exposed to interest rate risk	**1.1**	**973.4**	**974.5**	2.1	866.6	868.7

An analysis of the movement between opening and closing balances of investments at FVTPL is given in note 12. Investments in project companies are valued on a discounted cash flow basis. At 31 December 2015, the weighted average discount rate was 9.5% (31 December 2014 – 9.8%). For investments in project companies, changing the discount rate used to value the underlying instruments would alter their fair value. As at 31 December 2015 a 1% increase in the discount rate would reduce the fair value by £97.8 million (31 December 2014 – £77.3 million) and a 1% reduction in the discount rate would increase the fair value by £116.7 million (31 December 2014 – £91.9 million).

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

	31 December 2015 Pro forma and statutory			31 December 2014 Pro forma		
	Interest-bearing Fixed rate £ million	**Non-interest bearing £ million**	**Total £ million**	Interest-bearing Fixed rate £ million	Non-interest bearing £ million	Total £ million
Interest-bearing loans and borrowings	**(14.9)**	**–**	**(14.9)**	–	–	–
Trade and other payables	**–**	**(17.6)**	**(17.6)**	–	(25.3)	(25.3)
Financial liabilities exposed to interest rate risk	**(14.9)**	**(17.6)**	**(32.5)**	–	(25.3)	(25.3)

Market risk – inflation risk

The Group has limited direct exposure to inflation risk, but the fair value of investments is determined by future project revenue and costs which can be partly linked to inflation. Sensitivity to inflation can be mitigated by the project company entering into inflation swaps. Where PPP investments are positively correlated to inflation, an increase in inflation expectations will tend to increase the value of PPP investments. Conversely an increase in inflation expectations would tend to increase JLPF's pension liabilities.

Credit risk

Credit risk is managed on a Group basis and arises from a combination of the value and term to settlement of balances due and payable by counterparties for both financial and trade transactions.

In order to minimise credit risk, cash investments and derivative transactions are limited to financial institutions of a suitable credit quality and counterparties are carefully screened. The Group's cash balances are invested in line with a policy approved by the Board, capped with regard to counter-party credit ratings.

A significant 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. As a result, these projects tend not to be exposed to significant credit risk.

Price risk

The Group's investments in PPP assets have limited direct exposure to price risk. The fair value of many such project companies is dependent on the receipt of fixed fee income from government departments, public sector or local authority clients. As a result, these projects tend not to be exposed to price risk. The Group also holds investments in renewable energy projects whose fair value may vary with forward energy prices to the extent they are not hedged through short to medium term fixed price purchase agreements with electricity suppliers, or do not benefit from governmental support mechanisms at fixed prices. The Group's investment in JLEN is valued at its closing market share price.

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 relative predictability in both value and timing of cash flows to and from the project companies in which the Group invests.

NOTES TO THE GROUP FINANCIAL STATEMENTS

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17 FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity of financial assets

The maturity profile of the Group's financial assets (excluding investments at FVTPL) is as follows:

	Continuing operations	
	31 December 2015 Pro forma and statutory Less than one year £ million	31 December 2014 Pro forma Less than one year £ million
Trade and other receivables	**8.1**	8.4
Cash and cash equivalents	**1.1**	2.1
Financial assets (excluding investments at FVTPL)	**9.2**	10.5

Other than certain trade and other receivables, as detailed in note 13, none of the financial assets is either overdue or impaired.

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

	31 December 2015 Pro forma and statutory £ million	31 December 2014 Pro forma £ million
In one year or less, or on demand	**(32.5)**	(25.3)
Total	**(32.5)**	(25.3)

The following table details the remaining contractual maturity of the Group's financial liabilities. The table reflects undiscounted cash flows relating to financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flows:

Pro forma and statutory	**Weighted average effective interest rate %**	**In one year or less £ million**	**Total £ million**
31 December 2015			
Fixed interest rate instruments – loans and borrowings	**3.0**	**(14.9)**	**(14.9)**
Non-interest bearing instruments*	**n/a**	**(17.6)**	**(17.6)**
		(32.5)	**(32.5)**
Pro forma			
31 December 2014			
Fixed interest rate instruments – loans and borrowings	n/a	–	–
Non-interest bearing instruments*	n/a	(25.3)	(25.3)
		(25.3)	(25.3)

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

NOTES TO THE GROUP FINANCIAL STATEMENTS

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17 FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk

The Group seeks to adopt efficient financing structures that enable it to manage capital effectively and achieve the Group's objectives without putting shareholder value at undue risk. The Group's capital structure comprises its equity (as set out in the Group Statement of Changes in Equity) and its net borrowings.

On 17 February 2015, the Group entered into a five year £350.0 million corporate banking facility and related ancillary facilities. These replaced a facility of £353.9 million which was due to expire on 20 February 2017.

Issued at 31 December 2015 were letters of credit of £154.2 million (31 December 2014 – £243.8 million) related to future capital and loan commitments and performance and bid bonds of £1.1 million (31 December 2014 – £1.1 million).

The Group has requirements for both borrowings and letters of credit, which at 31 December 2015 were met by its £350.0 million committed corporate banking facility, related ancillary facilities and uncommitted cash backed facilities (31 December 2014 – £353.9 million). The committed facilities are summarised below:

	31 December 2015 Pro forma and statutory			
	Total facilities £ million	**Loans drawn £ million**	**Letters of credit in issue/other commitments £ million**	**Total undrawn £ million**
Committed corporate banking facilities	**350.0**	**(19.0)**	**(155.3)**	**175.7**
Total committed Group facilities	**350.0**	**(19.0)**	**(155.3)**	**175.7**

	31 December 2014 Pro forma			
	Total facility £ million	Loans drawn £ million	Letters of credit in issue/other commitments £ million	Total undrawn £ million
Committed corporate banking facility	353.9	–	(244.9)	109.0
Total committed Group facility	353.9	–	(244.9)	109.0

18 DEFERRED TAX

The following are the major deferred tax assets and movements therein recognised by the Group for the years ended 31 December 2015 and 31 December 2014:

Pro forma	**Other deductible temporary differences £ million**
Opening asset at 1 January 2015	**1.5**
Charge to income – prior year	**(0.2)**
Credit to income – current year	**0.1**
Closing asset at 31 December 2015	**1.4**
Opening asset at 1 January 2014	1.5
Closing asset at 31 December 2014	1.5

Statutory	**Other deductible temporary differences £ million**
Arising on acquisition	**1.5**
Charge to income – prior year	**(0.2)**
Credit to income – current year	**0.1**
Closing asset at 31 December 2015	**1.4**
Opening asset at 1 January 2014	–
Closing asset at 31 December 2014	–

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

19 RETIREMENT BENEFIT OBLIGATIONS

There were no retirement benefit assets or liabilities in the statutory financial statements for the year ended 31 December 2014. This note presents the pro forma and statutory numbers for the year ended 31 December 2015 and the pro forma numbers for the year ended 31 December 2014.

Retirement benefit obligations:

	31 December 2015 Pro forma and statutory £ million	31 December 2014 Pro forma £ million
Pension schemes	**(38.9)**	(177.6)
Post-retirement medical benefits	**(7.3)**	(8.2)
Retirement benefit obligations	**(46.2)**	(185.8)

a) Pension schemes

The Group operates two defined benefit pension schemes in the UK (the Schemes) – The John Laing Pension Fund (JLPF) which commenced on 31 May 1957 and The John Laing Pension Plan (the Plan) which commenced on 6 April 1975. JLPF was closed to future accrual from 1 April 2011 and the Plan was closed to future accrual from September 2003. Neither Scheme has any active members, only deferred members and pensioners. The assets of both Schemes are held in separate trustee-administered funds.

UK staff employed since 1 January 2002, who are entitled to retirement benefits, can choose to be members of a defined contribution stakeholder scheme sponsored by the Group in conjunction with Legal and General Assurance Society Limited. Local defined contribution arrangements are available to overseas staff.

JLPF

An actuarial valuation of JLPF was carried out as at 31 March 2013 by a qualified independent actuary, Towers Watson. At that date, JLPF was 75% funded on the technical provision funding basis. This valuation took into account the Continuous Mortality Investigation Bureau (CMI Bureau) projections of mortality. Under the schedule of contributions agreed at the time, John Laing agreed to contribute £26.1 million for 2014 increasing by 3.55% per annum until 2023. Under a revision to the schedule of contributions agreed as part of the IPO, the deficit reduction contribution for 2016 will be £18.0 million increasing to £19.0 million in 2017. The next triennial actuarial valuation of JLPF is due as at 31 March 2016.

During the year ended 31 December 2015, John Laing made deficit reduction contributions of £127.4 million (2014 – £26.1 million) to JLPF in a mixture of cash, JLEN shares and PPP investments. At 31 December 2015, JLPF's assets included PPP investments valued at £41.4 million (31 December 2014 – £7.0 million). The Company has guaranteed to fund any cumulative shortfall in forecast project yield payments for some of the PPP investments up until 2017, but considers it unlikely that a net shortfall will arise.

The liability at 31 December 2015 allows for indexation of deferred pensions and post 5 April 1988 GMP pension increases based on the Consumer Price Index (CPI).

The Plan

No contributions were made to the Plan in the year ended 31 December 2015 (31 December 2014 – none). At its last actuarial valuation as at 31 March 2014, the Plan had assets of £12.3 million and liabilities of £11.4 million resulting in an actuarial surplus of £0.9 million. The next triennial actuarial valuation of the Plan is due as at 31 March 2017.

An analysis of members of both schemes is shown below:

31 December 2015	**Deferred**	**Pensioners**	**Total**
JLPF	**4,569**	**3,787**	**8,356**
The Plan	**114**	**334**	**448**

31 December 2014	Deferred	Pensioners	Total
JLPF	4,886	3,747	8,633
The Plan	121	301	422

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

a) Pension schemes (continued)

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

	31 December 2015 Pro forma and statutory %	31 December 2014 Pro forma %
Discount rate	**3.75**	3.60
Rate of increase in non-GMP pensions in payment	**2.90**	2.90
Rate of increase in non-GMP pensions in deferment	**2.00**	2.00
Inflation – RPI	**3.00**	3.00
Inflation – CPI	**2.00**	2.00

The major categories and fair value of assets held by the Schemes were as follows:

	31 December 2015 Pro forma and statutory £ million	31 December 2014 Pro forma £ million
Bonds and other debt instruments	**364.2**	372.9
Equity instruments	**337.1**	244.1
Aviva bulk annuity buy in agreement	**214.2**	226.3
Property	**2.3**	8.7
Derivatives	**(8.3)**	(5.5)
Cash and cash equivalents	**5.8**	12.9
UK PPP investments	**41.4**	7.0
Total market value of assets	**956.7**	866.4

The amount of the JLPF deficit is highly dependent upon the assumptions above and may vary significantly from period to period. The impact of possible future changes to some of the assumptions is shown below, without taking into account any inter-relationship between the assumptions. In practice, there would be inter-relationships between the assumptions. The analysis has been prepared in conjunction with the Group's actuarial adviser.

	(Increase)/decrease in pension liabilities at 31 December 2015 before deferred tax	
	Increase in assumption £ million	**Decrease in assumption £ million**
0.25% on discount rate	**34.4**	**(38.7)**
0.25% on inflation rate	**(27.1)**	**25.5**
1 year post retirement longevity	**(29.3)**	**26.1**

Mortality

Mortality assumptions at 31 December 2015 and 31 December 2014 were based on the following tables published by the CMI Bureau:

- SAPS S2 normal (S2NA) year of birth tables for staff members with mortality improvements in line with CMI 2013 core projections with a long term trend rate of 1.0% per annum; and
- SAPS S2 light (S2NA_L) year of birth tables for executive members with mortality improvements in line with CMI 2013 core projections with a long term trend rate of 1.0% per annum.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

a) Pension schemes (continued)

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

	31 December 2015 Pro forma and statutory Years	31 December 2014 Pro forma Years
Life expectancy – of member reaching age 65 in 2015		
Males	**22.3**	22.3
Females	**24.4**	24.3
Life expectancy – of member aged 65 in 2030		
Males	**23.4**	23.3
Females	**25.5**	25.4

Analysis of the major categories of assets held by the Schemes

	31 December 2015 Pro forma and statutory		31 December 2014 Pro forma	
	£ million	**%**	£ million	%
Bond and other debt instruments				
UK corporate bonds	**114.0**		114.2	
UK government gilts	**104.7**		108.6	
UK government gilts – index linked	**145.5**		150.1	
	364.2	**38.1**	372.9	43.0
Equity instruments				
UK listed equities	**147.5**		103.8	
European listed equities	**28.7**		19.3	
US listed equities	**80.7**		48.9	
Other international listed equities	**80.2**		72.1	
	337.1	**35.3**	244.1	28.2
Aviva bulk annuity buy in agreement	**214.2**	**22.4**	226.3	26.1
Property				
Retail property	**–**		2.2	
Commercial property	**–**		4.4	
Industrial property	**2.3**		2.1	
	2.3	**0.2**	8.7	1.0
Derivatives				
Inflation swaps	**(8.3)**		(5.5)	
	(8.3)	**(0.9)**	(5.5)	(0.6)
Cash and equivalents	**5.8**	**0.6**	12.9	1.5
UK PPP investments	**41.4**	**4.3**	7.0	0.8
Total market value of assets	**956.7**	**100.0**	866.4	100.0
Present value of Schemes' liabilities	**(992.9)**		(1,041.0)	
Deficit in the Schemes	**(36.2)**		(174.6)	
Less unrecoverable surplus in the Plan	**(2.7)**		(3.0)	
Net pension liability	**(38.9)**		(177.6)	

Virtually all equity and debt instruments held by JLPF have quoted prices in active markets (Level 1). Derivatives can be classified as Level 2 instruments and property and PPP investments as Level 3 instruments. It is the policy of JLPF to use inflation swaps to hedge its exposure to inflation risk. The JLPF Trustee invests in return seeking assets, such as equity, property and PPP investments, 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 JLPF Trustee entered into a bulk annuity buy-in agreement with Aviva to mitigate JLPF's exposure to changes in liabilities. At 31 December 2015, the underlying insurance policy was valued at £214.2 million (31 December 2014 – £226.3 million), being very substantially equal to the IAS 19 valuation of the related liabilities.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

a) Pension schemes (continued)

Analysis of amounts charged to operating profit

	Year ended 31 December 2015 Pro forma and statutory £ million	Year ended 31 December 2014 Pro forma £ million
Current service cost*	**(1.3)**	(1.3)

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

Analysis of amounts charged to finance costs

	Year ended 31 December 2015 Pro forma and statutory £ million	Year ended 31 December 2014 Pro forma £ million
Interest on Schemes' assets	**34.2**	34.1
Interest on Schemes' liabilities	**(36.6)**	(42.2)
Net charge to finance costs	**(2.4)**	(8.1)

Analysis of amounts recognised in Group Statement of Comprehensive Income

Pro forma	**Year ended 31 December 2015 £ million**	Year ended 31 December 2014 £ million
Return on Schemes' assets (excluding amounts included in interest on Schemes' assets above)	**(23.0)**	84.6
Experience gain/(loss) arising on Schemes' liabilities	**15.6**	(0.1)
Changes in demographic assumptions underlying the present value of the Schemes' liabilities	**–**	(5.3)
Changes in financial assumptions underlying the present value of the Schemes' liabilities	**22.1**	(77.4)
Decrease in unrecoverable surplus	**0.3**	0.4
Actuarial gain recognised in Group Statement of Comprehensive Income	**15.0**	2.2

Statutory	**Year ended 31 December 2015 £ million**	Year ended 31 December 2014 £ million
Return on Schemes' assets (excluding amounts included in interest on Schemes' assets above)	**(23.7)**	–
Experience gain arising on Schemes' liabilities	**15.6**	–
Changes in financial assumptions underlying the present value of Schemes' liabilities	**46.0**	–
Decrease in unrecoverable surplus	**0.3**	–
Actuarial gain recognised in Group Statement of Comprehensive Income	**38.2**	–

Changes in present value of defined benefit obligations

Pro forma	**31 December 2015 £ million**	31 December 2014 £ million
Opening defined benefit obligation	**(1,041.0)**	(958.0)
Current service cost	**(1.3)**	(1.3)
Interest cost	**(36.6)**	(42.2)
Experience gain/(loss) on Schemes' liabilities	**15.6**	(0.1)
Changes in demographic assumptions underlying the present value of Schemes' liabilities	**–**	(5.3)
Changes in financial assumptions underlying the present value of Schemes' liabilities	**22.1**	(77.4)
Benefits paid (including administrative costs paid)	**48.3**	43.3
Closing defined benefit obligation	**(992.9)**	(1,041.0)

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

a) Pension schemes (continued)

The weighted average life of JLPF liabilities at 31 December 2015 is 15.3 years (31 December 2014 – 15.9 years).

Statutory	31 December 2015 £ million	31 December 2014 £ million
Arising on acquisition	**(1,058.9)**	–
Current service cost	**(1.3)**	–
Interest cost	**(36.6)**	–
Experience gain arising on Schemes' liabilities	**15.6**	–
Changes in financial assumptions underlying the present value of Schemes' liabilities	**46.0**	–
Benefits paid (including administrative costs paid)	**42.3**	–
Closing defined benefit obligation	**(992.9)**	–

Changes in the fair value of Schemes' assets

Pro forma	31 December 2015 £ million	31 December 2014 £ million
Opening fair value of Schemes' assets	**866.4**	764.6
Interest on Schemes' assets	**34.2**	34.2
Return on Schemes' assets (excluding amounts included in interest on Schemes' assets above)	**(23.0)**	84.6
Contributions by employer	**127.4**	26.3
Benefits paid (including administrative costs paid)	**(48.3)**	(43.3)
Closing fair value of Schemes' assets	**956.7**	866.4

Statutory	31 December 2015 £ million	31 December 2014 £ million
Arising on acquisition	**861.1**	–
Interest on Schemes' assets	**34.2**	–
Return on Schemes' assets (excluding amounts included in interest on Schemes' assets above)	**(23.7)**	–
Contributions by employer	**127.4**	–
Benefits paid (including administrative costs paid)	**(42.3)**	–
Closing fair value of Schemes' assets	**956.7**	–

Analysis of the movement in the deficit during the year

Pro forma	31 December 2015 £ million	31 December 2014 £ million
Opening deficit	**(174.6)**	(193.4)
Current service cost	**(1.3)**	(1.3)
Other finance cost	**(2.4)**	(8.0)
Contributions	**127.4**	26.3
Actuarial gain*	**14.7**	1.8
Closing deficit in Schemes	**(36.2)**	(174.6)
Less unrecoverable surplus in the Plan	**(2.7)**	(3.0)
Pension deficit	**(38.9)**	(177.6)

* excluding the decrease in unrecoverable surplus in the Plan.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

a) Pension schemes (continued)

The cumulative amount of losses recognised in the Group Statement of Changes in Equity is £344.1 million (31 December 2014 – £359.1 million).

Statutory	**31 December 2015 £ million**	31 December 2014 £ million
Arising on acquisition	**(197.8)**	–
Current service cost	**(1.3)**	–
Other finance cost	**(2.4)**	–
Contributions	**127.4**	–
Actuarial gain*	**37.9**	–
Closing deficit in Schemes	**(36.2)**	–
Less unrecoverable surplus in the Plan	**(2.7)**	–
Pension deficit	**(38.9)**	–

* excluding the decrease in unrecoverable surplus in the Plan.

The cumulative amount of gains recognised in the Group Statement of Changes in Equity is £38.2 million (31 December 2014 – £nil).

History of the weighted average experience gains and losses

	Year ended 31 December 2015 Pro forma	**Year ended 31 December 2015 Statutory**	Year ended 31 December 2014 Pro forma
Difference between actual and expected returns on assets:			
Amount (£ million)	**(23.0)**	**(23.7)**	84.6
% of Schemes' assets	**2.4**	**2.5**	9.8
Experience gain/(loss) on Schemes' liabilities:			
Amount (£ million)	**15.6**	**15.6**	(0.1)
% of present value of Schemes' liabilities	**1.6**	**1.6**	–
Total amount recognised in the Group Statement of Comprehensive Income (excluding deferred tax):			
Amount (£ million)	**15.0**	**38.2**	2.2
% of present value of Schemes' liabilities	**1.5**	**3.8**	0.3

Amounts for the current period and previous four years are as follows:

	31 December 2015 £ million Pro forma	**31 December 2015 £ million Statutory**	31 December 2014 £ million Pro forma	31 December 2013 £ million Pro forma	31 December 2012 £ million Pro forma	31 December 2011 £ million Pro forma
Present value of Schemes' liabilities	**(992.9)**	**(992.9)**	(1,041.0)	(958.0)	(900.4)	(841.2)
Market value of Schemes' assets	**956.7**	**956.7**	866.4	764.6	721.7	691.2
Deficit (after unrecoverable surplus in Plan)	**(38.9)**	**(38.9)**	(177.6)	(196.8)	(182.6)	(154.2)
Experience gain/(loss) on Schemes' liabilities	**15.6**	**15.6**	(0.1)	(30.7)	0.3	(8.2)
% of present value of Schemes' liabilities	**1.6%**	**1.6%**	–	3.2%	–	1.0%
Experience (loss)/gain on Schemes' assets	**(23.0)**	**(23.7)**	84.6	30.1	12.3	10.8
% of Schemes' assets	**2.4%**	**2.5%**	9.8%	3.9%	1.7%	1.6%

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

b) Post retirement medical benefits

The Company provides post-retirement medical insurance benefits to 65 former employees. This scheme, which was closed to new members in 1991, is unfunded.

The present value of the future liabilities under this arrangement has been assessed by the Company's actuarial adviser, Lane Clark & Peacock LLP, and has been included in the Group Balance Sheet under retirement benefit obligations as follows:

Pro forma	**31 December 2015 £ million**	31 December 2014 £ million
Post-retirement medical liability – opening	**(8.2)**	(7.6)
Other finance costs	**(0.3)**	(0.3)
Contributions	**0.4**	0.4
Experience gain/(loss)*	**0.4**	(0.1)
Changes in financial assumptions underlying the present value of Schemes' liabilities*	**0.4**	(0.6)
Post-retirement medical liability – closing	**(7.3)**	(8.2)

Statutory	**31 December 2015 £ million**	31 December 2014 £ million
Post-retirement medical liability – arising on acquisition	**(8.2)**	–
Other finance costs	**(0.3)**	–
Contributions	**0.4**	–
Experience gain*	**0.4**	–
Changes in financial assumptions underlying the present value of Schemes' liabilities*	**0.4**	–
Post-retirement medical liability – closing	**(7.3)**	–

* These amounts are actuarial gains/(losses) that go through the Group Statement of Comprehensive Income.

The annual rate of increase in the per capita cost of medical benefits was assumed to be 5.0% in 2015 (2014 – 3.6%). It is expected to increase in 2016 and thereafter at RPI plus 2.0% per annum (2014 – at 5.4% 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 at 31 December 2015:

	1% increase £ million	**1% decrease £ million**
Post-retirement medical liability	**(8.1)**	**(6.6)**

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

20 PROVISIONS

Pro forma	At 1 January 2015 £ million	Unwinding of discount £ million	Credit to Group Income Statement £ million	Utilised £ million	At 31 December 2015 £ million
Retained liabilities	**(8.8)**	**–**	**2.2**	**2.4**	**(4.2)**
Employee related liabilities	**(0.1)**	**–**	**–**	**–**	**(0.1)**
Onerous property leases	**(2.0)**	**–**	**–**	**2.0**	**–**
Total provisions	**(10.9)**	**–**	**2.2**	**4.4**	**(4.3)**
Classified as:					
Continuing operations	**(2.1)**	**–**	**–**	**2.0**	**(0.1)**
Discontinued operations (see note 11)	**(8.8)**	**–**	**2.2**	**2.4**	**(4.2)**
Provisions on continuing operations are analysed as:					
Non-current provisions	**(2.1)**				**(0.1)**
	(2.1)				**(0.1)**

Statutory	At 1 January 2015 £ million	Arising on acquisition £ million	Unwinding of discount £ million	Credit to Group Income Statement £ million	Utilised £ million	At 31 December 2015 £ million
Retained liabilities	**–**	**(8.8)**	**–**	**2.2**	**2.4**	**(4.2)**
Employee related liabilities	**–**	**(0.1)**	**–**	**–**	**–**	**(0.1)**
Onerous property leases	**–**	**(2.0)**	**–**	**–**	**2.0**	**–**
Total provisions	**–**	**(10.9)**	**–**	**2.2**	**4.4**	**(4.3)**
Classified as:						
Continuing operations	**–**	**(2.1)**	**–**	**–**	**2.0**	**(0.1)**
Discontinued operations (see note 11)	**–**	**(8.8)**	**–**	**2.2**	**2.4**	**(4.2)**
Provisions on continuing operations are analysed as:						
Non-current provisions		**(2.1)**				**(0.1)**
		(2.1)				**(0.1)**

Pro forma	At 1 January 2014 £ million	Unwinding of discount £ million	Credit/(charge) to Group Income Statement £ million	Utilised £ million	At 31 December 2014 £ million
Retained liabilities	(9.2)	(0.2)	0.4	0.2	(8.8)
Onerous contracts	(0.1)	–	0.1	–	–
Employee related liabilities	(0.1)	–	–	–	(0.1)
Onerous property leases	–	–	(2.0)	–	(2.0)
Total provisions	(9.4)	(0.2)	(1.5)	0.2	(10.9)
Classified as:					
Continuing operations	(0.2)	–	(1.9)	–	(2.1)
Discontinued operations (see note 11)	(9.2)	(0.2)	0.4	0.2	(8.8)
Provisions on continuing operations are analysed as:					
Non-current provisions	(0.2)				(2.1)
	(0.2)				(2.1)

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

20 PROVISIONS (CONTINUED)

Statutory – 31 December 2014

There were no provisions in the statutory financial statements for the year ended 31 December 2014.

Provisions for retained liabilities relate to disposed businesses, £4.2 million of which relates to the sale of Laing Construction in 2001 (31 December 2014 – £8.8 million). These amounts are assessed regularly on a contract by contract basis and are expected to be utilised over the next few years.

The provision for onerous property leases of £nil (31 December 2014 – £2.0 million) primarily related to the lease of the Company's head office at 1 Kingsway, London and was utilised in 2015. During the year ended 31 December 2015, the Group re-assigned the lease for one of the floors at its head office. As a result of the re-assignment, the Group does not have any obligations for future rental payments on that floor space.

21 SHARE CAPITAL

	31 December 2015 Pro forma and statutory No.	31 December 2014 Pro forma No.	31 December 2014 Statutory No.
Authorised:			
Ordinary shares of £0.00000001 each	**–**	–	100,000,000
Ordinary shares of £0.10 each	**366,923,076**	300,000,000	–
Total	**366,923,076**	300,000,000	100,000,000

Pro forma	**31 December 2015 No.**	**31 December 2015 £ million**	31 December 2014 No.	31 December 2014 £ million
Allotted, called up and fully paid:				
At 1 January – 300,000,000 ordinary shares of £0.10 each	**300,000,000**	**30.0**	300,000,000	30.0
Issue of 66,923,076 ordinary shares of £0.10 each	**66,923,076**	**6.7**	–	–
At 31 December	**366,923,076**	**36.7**	300,000,000	30.0

Statutory	**31 December 2015 No.**	**31 December 2015 £ million**	31 December 2014 No.	31 December 2014 £ million
Allotted, called up and fully paid:				
At 1 January – 100,000,000 ordinary shares of £0.00000001 each	**100,000,000**	**–**	100,000,000	–
Issue of 100,000,000 ordinary shares of £0.00000001 each	**100,000,000**	**–**	–	–
Conversion of 200,000,000 ordinary shares of £0.00000001 each to 20 ordinary shares of £0.10 each	**(199,999,980)**	**–**	–	–
Issue of 299,999,980 ordinary shares of £0.10 each	**299,999,980**	**30.0**	–	–
Issue of 66,923,076 ordinary shares of £0.10 each	**66,923,076**	**6.7**	–	–
At 31 December	**366,923,076**	**36.7**	100,000,000	–

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

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

22 SHARE PREMIUM

On 26 January 2015 the Company allotted to its shareholder 100,000,000 ordinary shares of £0.00000001 each credited as fully paid to rank pari passu with the existing ordinary shares. On 27 January 2015 all the ordinary shares were consolidated into 20 ordinary shares of £0.10 each, each share having the same rights and being subject to the same restrictions (except as to nominal value) as the existing ordinary shares of £0.00000001 each in the Company as set out in its Articles. On the same day the Company allotted and issued to its shareholder a further 299,999,980 ordinary shares of £0.10 each at a premium of £2.00 per share, each to rank pari passu with the existing ordinary shares of £0.10 each in the capital of the Company. In addition, the Company undertook a reduction of its share premium account by £500 million.

The pro forma financial statements have been prepared on the basis that the transactions described above occurred on 1 January 2013 and were in place throughout the year ended 31 December 2014 and the year ended 31 December 2015.

On 17 February 2015, the Company issued 66,923,076 new ordinary shares of £0.10 each at a premium of £1.85 per share in connection with admission of its shares to listing.

	31 December 2015		31 December 2014	
	Pro forma £ million	**Statutory £ million**	Pro forma £ million	Statutory £ million
Opening balance	**100.0**	**–**	100.0	–
Premium arising on issue of equity shares	**123.8**	**723.8**	–	–
Reduction of share premium account	**–**	**(500.0)**	–	–
Costs associated with the issue of equity shares	**(5.8)**	**(5.8)**	–	–
Closing balance	**218.0**	**218.0**	100.0	–

23 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Year ended 31 December 2015		Year ended 31 December 2014	
	Pro forma £ million	**Statutory £ million**	Pro forma £ million	Statutory £ million
Profit before tax from continuing operations	**100.9**	**97.5**	120.4	–
Adjustments for:				
Finance costs	**11.3**	**11.3**	25.7	–
Discontinued operations' cash flows (note 11)	**1.1**	**1.1**	(1.1)	–
Unrealised profit arising on changes in fair value of investments in project companies (note 12)	**(133.1)**	**(129.7)**	(168.3)	–
Depreciation of plant and equipment	**0.7**	**0.7**	1.0	–
Amortisation of intangible assets	**0.5**	**0.5**	0.5	–
Contribution to JLPF	**(47.5)**	**(47.5)**	(26.3)	–
(Decrease)/increase in provisions	**(1.9)**	**(1.9)**	1.9	–
Operating cash outflow before movements in working capital	**(68.0)**	**(68.0)**	(46.2)	–
(Increase)/decrease in trade and other receivables	**(1.0)**	**(1.0)**	0.5	–
(Decrease)/increase in trade and other payables	**(1.5)**	**(1.5)**	4.4	–
Net cash outflow from operating activities	**(70.5)**	**(70.5)**	(41.3)	–

24 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE GROUP CASH FLOW STATEMENT

	31 December 2015 Pro forma and statutory £ million	31 December 2014 Pro forma £ million	31 December 2014 Statutory £ million
Cash and cash equivalents in the Group Balance Sheet	**1.1**	2.1	–
Cash and cash equivalents in classified as held for sale	**–**	0.1	–
Cash and cash equivalents in the Group Cash Flow Statement	**1.1**	2.2	–

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

25 GUARANTEES, CONTINGENT ASSETS AND LIABILITIES AND OTHER COMMITMENTS

At 31 December 2015 the Group had future equity and loan commitments in PPP and renewable energy projects of £278.1 million (31 December 2014 – £304.3 million) backed by letters of credit of £154.2 million (31 December 2014 – £243.8 million) and collateralised cash of £123.9 million (31 December 2014 – £60.5 million).

As stated in note 19 a) the Company has provided guarantees in respect of certain PPP investments transferred to JLPF in settlement of prior annual contribution obligations. Guarantees are provided to fund any cumulative shortfall in forecast yield payments from these PPP investments up until 2017, and the maximum exposure at 31 December 2015 was £0.3 million (31 December 2014 – £0.8 million).

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

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

The Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases for land and buildings, falling due as follows:

	31 December 2015 Pro forma and statutory £ million	31 December 2014 Pro forma £ million	31 December 2014 Statutory £ million
Within one year	**0.9**	1.7	–
In the second to fifth years inclusive	**3.3**	6.4	–
After five years	**4.0**	11.0	–
	8.2	19.1	–

26 TRANSACTIONS WITH RELATED PARTIES

Group

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

Trading transactions

The Group has entered into the following trading transactions with project companies:

	Year ended 31 December 2015 Pro forma and statutory £ million	Year ended 31 December 2014 Pro forma £ million	Year ended 31 December 2014 Statutory £ million
Services income*	**13.5**	17.1	–
Amounts owed by project companies	**3.1**	1.4	–
Amounts owed to project companies	**(0.7)**	(0.8)	–

* Services income is generated from project companies through management services agreements and recoveries of bid costs on financial close.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

26 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Investment transactions

	Year ended 31 December 2015 Pro forma and statutory £ million	Year ended 31 December 2014 Pro forma £ million	Year ended 31 December 2014 Statutory £ million
Net cash transferred (to)/from investments at FVTPL (note 12)	**(54.0)**	56.0	–

Transactions with other related parties

In 2015 and earlier years, the Group transferred ownership of certain interests in PPP investments to JLPF as partial consideration for agreed deficit reduction contributions. More details are set out in notes 19 and 25.

At 31 December 2014 the amount due to the Group from the Company's previous parent undertaking was £1.6 million.

Remuneration of key management personnel

The remuneration of the Directors of John Laing Group plc together with other members of the Executive Committee, who were the key management personnel of the Group for the period of the financial statements, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures:

	Year ended 31 December 2015 Pro forma and statutory £ million	Year ended 31 December 2014 Pro forma £ million	Year ended 31 December 2014 Statutory £ million
Cash basis			
Short-term employee benefits	**3.0**	2.6	–
Post-employment benefits	**0.2**	0.2	–
Termination benefits	**–**	0.4	–
Cash payments under long-term incentive plans	**1.9**	1.4	–
Social security costs	**0.7**	0.6	–
	5.8	5.2	–
Award basis			
Short-term employee benefits	**3.0**	2.8	–
Post-employment benefits	**0.2**	0.2	–
Termination benefits	**–**	0.4	–
Awards under long-term incentive plans	**2.6**	1.0	–
Social security costs	**0.7**	0.6	–
	6.5	5.0	–

In addition to the above amounts, £nil (2014 – £0.1 million) was paid to Nalon Management Services Limited, of which Phil Nolan is a director.

27 EVENTS AFTER BALANCE SHEET DATE

On 29 February 2016, the Group disposed of its shares in one project, British Transport Police (54.17% holding), and agreed to dispose of its shares and subordinated debt in another project, Oldham Housing (95% holding), for total net proceeds of £19.5 million. The disposal of Oldham Housing is subject to satisfying certain conditions and is expected to complete shortly.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

28 DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS

The Group has investments in project companies which are disclosed within investments at FVTPL (see note 12). A number of these project companies are subject to service concession arrangements in the Social Infrastructure, Transport, and Environmental 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. Typically at the end of concession periods the assets are returned to the concession owner; however, on two of the investments held at 31 December 2015 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.

Details of the services concession arrangements in project companies as at 31 December 2015 are as follows:

				Short description	Period of concession			Obligations to
Sector	Company name	Project name	% owned	of concession arrangement	Start date	End date	No. of years	property, plant and equipment
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.
	SA Health Partnership Nominees Pty Limited	New Royal Adelaide Hospital	17.26%	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.
	Securefuture Wiri Limited	Auckland South Corrections Facility	30%	Design, build, finance and operate a 960 place prison at Wiri, South Auckland, New Zealand.	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	Inspiral Oldham Limited	Oldham Housing	95%	Refurbish, finance and operate social housing in Oldham.	30/11/2011	30/11/2036	25	Construction costing £68.1 million.
	Regenter Myatts Field North Limited	Lambeth Housing	50%	Build and refurbish, finance and operate social housing in Lambeth.	04/05/2012	04/05/2037	25	Construction costing £72.6 million.
Other accommodation	Westadium Project Co Pty Limited	New Perth Stadium	50%	Design, build, finance, maintenance and operation of new Perth Stadium in Western Australia.	21/08/2014	31/12/2042	28	Total expenditure of AUD $1.0 billion.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

28 DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

					Period of concession			
Sector	Company name	Project name	% owned	Short description of concession arrangement	Start date	End date	No. of years	Obligations to property, plant and equipment
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.
	I-4 Mobility Partners Op Co LLC	I-4 Ultimate	50%	Design, build, finance and operate 21 miles of the I-4 Interstate in Florida, US	04/09/2014	03/09/2054	40	New build at a cost of USD $2.32 billion.
	I-77 Mobility Partners LLC	I-77 Managed Lanes	10%	Design, build, finance and operate 25.9 miles of the I-77 Interstate in Charlotte, North Carolina, US.	20/05/2015	30/11/2068	54	New build at a cost of USD $665 million.
	Severn River Crossing Plc	Severn River Crossing	35%	Design, build, finance and operate a second crossing over the Severn River plus operate and maintain existing crossing.	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 Koncesszios 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	100%	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 Mobil 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 BV	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).
Rail	City Greenwich Lewisham Rail Link plc	City Greenwich Lewisham (DLR)	5%	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 2015

28 DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

Sector	Company name	Project name	% owned	Short description of concession arrangement	Period of concession Start date	End date	No. of years	Obligations to property, plant and equipment
Rail (continued)	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 Eagle P3	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 Limited	IEP (Phase 1)	24%	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 £1.8 billion over 6 years and maintenance costing £65 million per annum over 27.5 years.
	Agility Trains East Limited	IEP (Phase 2)	30%	Delivery and maintenance of intercity train services on the East Coast Main Line (UK) using a fleet of new Super Express Trains and maintenance facilities.	15/04/2014	22/02/2046	32	Construction costing £1.6 billion over 6 years and maintenance costing £77 million per annum over 27.5 years.
	NGR Project Company Pty Limited	New Generation Rollingstock	40%	Provision and maintenance of 75 new six-car trains for Queensland Rail, Australia.	14/01/2014	15/01/2046	32	Construction phase costing AUD $1.8 billion.
	ALTRAC Light Rail Partnership	Sydney Light Rail	32.5%	Design, build, finance, operate and maintain the CBD and South East Light Rail and to operate and maintain the Inner West Light Rail in Sydney, Australia.	25/02/2015	16/03/2034	19	Construction phase costing AUD $1.325 billion.
Street Lighting	Croydon and Lewisham Lighting Services Limited	Croydon & Lewisham Street Lighting	50%	Installation and maintenance of street lighting.	19/04/2011	31/07/2036	25	Replacement column programme costing £74.2 million.
Environmental								
Waste	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.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

29 SUBSIDIARIES AND OTHER INVESTMENTS

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

Details of the Company's subsidiaries at 31 December 2015 were as follows:

Name		Country of incorporation	Ownership interest	Recourse/ Non-recourse
Service Companies (consolidated)				
John Laing and Son BV	**	Netherlands	100%	Recourse
John Laing (USA) Limited	*	United Kingdom	100%	Recourse
John Laing Capital Management Limited	*	United Kingdom	100%	Recourse
John Laing Projects & Developments Limited	*	United Kingdom	100%	Recourse
John Laing Services Limited	*	United Kingdom	100%	Recourse
Laing Investments Management Services (Australia) Limited	*	United Kingdom	100%	Recourse
Laing Investments Management Services (Canada) Limited	*	United Kingdom	100%	Recourse
Laing Investments Management Services (Netherlands) Limited	*	United Kingdom	100%	Recourse
Laing Investments Management Services (New Zealand) Limited	*	United Kingdom	100%	Recourse
Laing Investments Management Services (Singapore) Limited	*	United Kingdom	100%	Recourse
Laing Investments Management Services Limited	*	United Kingdom	100%	Recourse
RL Design Solutions Limited	**	United Kingdom	100%	Recourse
Laing Wimpey Alireza Limited	**	Saudi Arabia	33%	Recourse
Wimpey Laing Limited	**	United Kingdom	50%	Recourse
Investment entity subsidiaries (measured at fair value)				
Argon Ventures Limited	**	United Kingdom	100%	Recourse
Croydon PSDH Holdco 2 Limited	**	United Kingdom	100%	Recourse
Croydon PSDH Holdco Limited	**	United Kingdom	100%	Recourse
Denver Rail (Eagle) Holdings Inc.	**	United States	100%	Recourse
Forum Cambridge Holdco Limited	**	United Kingdom	100%	Recourse
Hungary M6 Limited	**	United Kingdom	100%	Recourse
Hyder Investments Limited	**	United Kingdom	100%	Recourse
John Laing Cambridge Limited	**	United Kingdom	100%	Recourse
John Laing Funding Limited	**	United Kingdom	100%	Recourse
John Laing Holdco Limited	*	United Kingdom	100%	Recourse
John Laing Homes Limited	**	United Kingdom	100%	Recourse
John Laing I-4 Holdco Corp	**	United States	100%	Recourse
John Laing I-77 Holdco Corp	**	United States	100%	Recourse
John Laing Infrastructure Limited	**	United Kingdom	100%	Recourse
John Laing Infrastructure (A1 Mobil Holdings) Limited	**	United Kingdom	100%	Recourse
John Laing Infrastructure (German Holdings) Limited	**	United Kingdom	100%	Recourse
John Laing Infrastructure Management Services India Private Limited	**	India	100%	Recourse
John Laing Investments (SLR) BV	**	Netherlands	100%	Recourse
John Laing Investments Limited	**	United Kingdom	100%	Recourse
John Laing Investments (A8 Mobil Holdings) Limited	**	United Kingdom	100%	Recourse
John Laing Investments (German Holdings A8) Limited	**	United Kingdom	100%	Recourse
John Laing Investments (Hornsdale) Pty Limited	**	Australia	100%	Recourse
John Laing Investments Mauritius (Holdings) Limited	**	Mauritius	100%	Recourse
John Laing Investments Mauritius (No.1) Limited	**	Mauritius	100%	Recourse
John Laing Investments Netherlands Holdings BV	**	Netherlands	100%	Recourse
John Laing Investments (LBAJQ) BV	**	Netherlands	100%	Recourse
John Laing Investments (NGR) BV	**	Netherlands	100%	Recourse
John Laing Investments (NRAH) BV	**	Netherlands	100%	Recourse
John Laing Investments NZ Holdings Limited	**	United Kingdom	100%	Recourse
John Laing Investments Overseas Holdings Limited	**	United Kingdom	100%	Recourse
John Laing Investments (Perth Stadium) BV	**	Netherlands	100%	Recourse
John Laing Limited	**	United Kingdom	100%	Recourse
John Laing Projects & Developments (Croydon) Limited	**	United Kingdom	100%	Recourse
John Laing Projects & Developments (Holdings) Limited	**	United Kingdom	100%	Recourse
John Laing Regeneration GP Limited	**	United Kingdom	99%	Recourse
John Laing Social Infrastructure Limited	**	United Kingdom	100%	Recourse

* Subsidiaries owned directly by the Company

** Subsidiaries owned indirectly by the Company

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

29 SUBSIDIARIES AND OTHER INVESTMENTS (CONTINUED)

Name		Country of incorporation	Ownership interest	Recourse/ Non-recourse
Investment entity subsidiaries (measured at fair value) (continued)				
Laing Infrastructure Holdings Limited	**	United Kingdom	100%	Recourse
Laing Investment Company Limited	**	United Kingdom	100%	Recourse
Laing Investments Greenwich Limited	**	United Kingdom	100%	Recourse
Laing Property Limited	**	United Kingdom	100%	Recourse
Laing Property Holdings Limited	**	United Kingdom	100%	Recourse
Rail Investments (Great Western) Limited	**	United Kingdom	80%	Recourse
Project subsidiaries (measured at fair value)				
CountyRoute (A130) Plc	**	United Kingdom	100%	Non-recourse
CountyRoute 2 Limited	**	United Kingdom	100%	Non-recourse
CountyRoute Limited	**	United Kingdom	100%	Non-recourse
Defence Support (St Athan) Holdings Limited	**	United Kingdom	100%	Non-recourse
Defence Support (St Athan) Limited	**	United Kingdom	100%	Non-recourse
Dreachmhor Wind Farm (Holdings) Limited	**	United Kingdom	100%	Non-recourse
Dreachmhor Wind Farm Limited	**	United Kingdom	100%	Non-recourse
Education Support (Southend) Limited	**	United Kingdom	100%	Non-recourse
Glencarbry (Holdings) Limited	**	United Kingdom	100%	Non-recourse
Glencarbry Supply Company Limited	**	Ireland	100%	Non-recourse
Glencarbry Windfarm Limited	**	Ireland	100%	Non-recourse
Inspiral Oldham Limited	**	United Kingdom	95%	Non-recourse
Inspiral Oldham Holdings Company Limited	**	United Kingdom	95%	Non-recourse
John Laing (Croydon Development Company) LLP	**	United Kingdom	100%	Non-recourse
John Laing Rail Infrastructure Limited	**	United Kingdom	100%	Non-recourse
KGE Windpark Schipkau-Nord GmbH & Co. KG	**	Germany	100%	Non-recourse
KGE Schipkau-Nord Infrastruktur GmbH & Co. KG	**	Germany	85%	Non-recourse
Klettwitz Schipkau Nord Beteiligungs GmbH	**	Germany	100%	Non-recourse
Klettwitz SN Holdings GmbH	**	Germany	100%	Non-recourse
Klettwitz SN Verwaltungs GmbH	**	Germany	100%	Non-recourse
New Albion Wind (Holdings) Limited	**	United Kingdom	100%	Non-recourse
New Albion Wind Limited	**	United Kingdom	100%	Non-recourse
Rammeldalsberget Vindkraft AB	**	Sweden	100%	Non-recourse
Rammeldalsberget Holding AB	**	Sweden	100%	Non-recourse
Services Support (Surrey) Holdings Limited	**	United Kingdom	100%	Non-recourse
Services Support (Surrey) Limited	**	United Kingdom	100%	Non-recourse
Société d'Exploitation du Parc Eolien Du Tonnerois	**	France	100%	Non-recourse
Svartvallsberget SPW AB	**	Sweden	100%	Non-recourse
Svartvallsberget Holding AB	**	Sweden	100%	Non-recourse
Tonnerois (Holdings) Ltd.	**	United Kingdom	100%	Non-recourse
UK Highways Limited	**	United Kingdom	100%	Non-recourse
UK Highways A55 (Holdings) Limited	**	United Kingdom	100%	Non-recourse
UK Highways A55 Limited	**	United Kingdom	100%	Non-recourse
UK Highways Management Services Limited	**	United Kingdom	100%	Non-recourse
Wind Hold Co 1 Limited	**	United Kingdom	100%	Non-recourse
Wind Project Co 1 Limited	**	United Kingdom	100%	Non-recourse

* Subsidiaries owned directly by the Company

** Subsidiaries owned indirectly by the Company

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2015

29 SUBSIDIARIES AND OTHER INVESTMENTS (CONTINUED)

Details of the Company's joint ventures and investments at 31 December 2015 are as follows:

Name		Country of incorporation	Ownership interest	Recourse/ Non-recourse
Joint ventures				
A Mobil Services GmbH	**	Germany	42.5%	Non-recourse
A1 Mobil GmbH & Co. KG	**	Germany	42.5%	Non-recourse
A-Lanes A15 BV	**	Netherlands	28%	Non-recourse
A-Lanes Management Services BV	**	Netherlands	25%	Non-recourse
Agility Trains West Limited	**	United Kingdom	24%	Non-recourse
Agility Trains East Limited	**	United Kingdom	30%	Non-recourse
Alder Hey (Special Purpose Vehicle) Limited	**	United Kingdom	40%	Non-recourse
ALTRAC Light Rail Partnership	**	Australia	32.5%	Non-recourse
Aylesbury Vale Parkway Limited	**	United Kingdom	50%	Non-recourse
CCURV LLP	**	United Kingdom	50%	Non-recourse
Cramlington Renewable Energy Developments Limited	**	United Kingdom	44.7%	Non-recourse
Croydon and Lewisham Lighting Services Limited	**	United Kingdom	50%	Non-recourse
Denver Transit Partners LLC	**	United States	45%	Non-recourse
Forum Cambridge LLP	**	United Kingdom	50%	Non-recourse
Gdansk Transport Company SA	**	Poland	29.69%	Non-recourse
HWF 1 Pty Limited	**	Australia	30%	Non-recourse
I-4 Mobility Partners Op Co LLC	**	United States	50%	Non-recourse
I-77 Mobility Partners LLC	**	United States	10%	Non-recourse
INEOS Runcorn (TPS) Limited	**	United Kingdom	37.43%	Non-recourse
Laing/Gladedale (Hastings) Limited	**	United Kingdom	50%	Non-recourse
Laing/Gladedale (St Saviours) Limited	**	United Kingdom	50%	Non-recourse
MAK Mecsek Autopalya Koncesszios Zrt.	**	Hungary	30%	Non-recourse
New Forum Cambridge LLP	**	United Kingdom	50%	Non-recourse
NGR Project Company Pty Limited	**	Australia	40%	Non-recourse
Regenter Myatts Field North Limited	**	United Kingdom	50%	Non-recourse
SA Health Partnership Nominees Pty Limited	**	Australia	17.26%	Non-recourse
Securefuture Wiri Limited	**	New Zealand	30%	Non-recourse
Services Support (BTP) Limited	**	United Kingdom	54.17%	Non-recourse
Severn River Crossing Plc	**	United Kingdom	35%	Non-recourse
SPC Management Services BV	**	Netherlands	33.3%	Non-recourse
Speyside Renewable Energy Partnership Limited	**	United Kingdom	43.35%	Non-recourse
Transcend Property Limited	**	United Kingdom	50%	Non-recourse
Viridor Laing (Greater Manchester) Limited	**	United Kingdom	50%	Non-recourse
Westadium Project Co Pty Limited	**	Australia	50%	Non-recourse
Wimpey Laing Iran Limited	**	United Kingdom	50%	Non-recourse
Other investments				
City Greenwich Lewisham Rail Link plc	**	United Kingdom	5%	Non-recourse
John Laing Environmental Assets Group Limited	**	Guernsey	7%	Non-recourse

* Entities owned directly by the Company

** Entities owned indirectly by the Company

COMPANY BALANCE SHEET

as at 31 December 2015

	Notes	**At 31 December 2015 £ million**	At 31 December 2014 £ million
Non-current assets			
Investments	4	**816.1**	–
Total non-current assets		**816.1**	–
Current assets			
Trade and other receivables	5	**130.4**	–
Total current assets		**130.4**	–
Total assets		**946.5**	–
Current liabilities			
Borrowings	6	**(14.9)**	–
Trade and other payables	7	**(11.4)**	–
Total current liabilities		**(26.3)**	–
Total liabilities		**(26.3)**	–
Net assets		**920.2**	–
Equity			
Share capital	8	**36.7**	–
Share premium	9	**218.0**	–
Other reserves		**0.7**	–
Retained earnings	10	**664.8**	–
Total equity		**920.2**	–

The net assets of the Company at 31 December 2014 were £77. Comprising total assets of £1,077 and total liabilities of £1,000.

The financial statements of John Laing Group plc, registered number 5975300, were approved by the Board of Directors and authorised for issue on 7 March 2016. They were signed on its behalf by:

Patrick O'D Bourke
DIRECTOR
7 March 2016

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

	Share capital £ million	Share premium £ million	Other reserves £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2015	–	–	–	–	–
Profit for the year	–	–	–	170.7	170.7
Shares issued in the period	36.7	723.8	–	–	760.5
Costs associated with the issue of shares	–	(5.8)	–	–	(5.8)
Reduction of share premium account	–	(500.0)	–	500.0	–
Share-based incentives	–	–	0.7	–	0.7
Dividends paid	–	–	–	(5.9)	(5.9)
Total comprehensive income for the year	36.7	218.0	0.7	664.8	920.2
Balance at 31 December 2015	36.7	218.0	0.7	664.8	920.2

	Share capital £ million	Share premium £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2014	–	–	–	–
Profit for the year	–	–	–	–
Balance at 31 December 2014	–	–	–	–

COMPANY CASH FLOW STATEMENT

for the year ended 31 December 2015

	Year ended 31 December 2015 £ million	Year ended 31 December 2014 £ million
Profit before tax	170.7	–
Unrealised profit on changes in fair value of investments held at FVTPL	(171.1)	–
Increase in trade and other receivables	(0.3)	–
Increase in trade and other payables	0.7	–
Net cash flow from operating activities	–	–
Investing activities		
Acquisition of subsidiaries	(15.0)	–
Net cash outflow from investing activities	(15.0)	–
Financing activities		
Interest paid	(6.3)	–
Dividends paid	(5.9)	–
Proceeds on issue of shares	124.7	–
Net proceeds from borrowings	19.0	–
Increase in intercompany loans	(116.5)	–
Net cash inflow from financing activities	15.0	–
Net increase in cash and cash equivalents	–	–
Cash and cash equivalents at beginning of the year	–	–
Cash and cash equivalents at end of year	–	–

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to fair value.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2015

1 GENERAL INFORMATION

John Laing Group plc (the "Company") (formerly Henderson Infrastructure Holdco (UK) Limited) is a public limited company incorporated and domiciled in the United Kingdom. The Company's ordinary shares are listed on the London Stock Exchange. The principal activity of the Company is that of an investment holding company.

As permitted by Section 408(2) of the Companies Act 2006, the Company's profit and loss account and statement of total recognised gains and losses are not presented in these financial statements. The amount of profit for the financial year of the company after tax is £170.7 million (2014 – loss £25). The remuneration of the Directors of the Company is shown in the Directors' Remuneration Report on page 50 to 62.

2 ACCOUNTING POLICIES

a) Basis of accounting

These financial statements have been prepared in accordance with IFRS as adopted by the EU and Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) as endorsed by the EU.

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006, except for investments at fair value through profit or loss (FVTPL) which are stated at fair value.

For the reasons set out on page 31, the Company's financial statements are prepared on a going concern basis.

A summary of the principal accounting policies adopted by the Directors, which have been applied consistently throughout the current and preceding years, is shown below.

b) Investments

The Company meets the definition of an Investment Entity under IFRS 10 and as such it has adopted Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27). In accordance with IAS 27 and the Investment Entities standard, the Company has accounted for its investments as follows:

Investments at fair value through profit or loss

The Company has accounted for its investment in John Laing Holdco Limited (formerly Henderson Infrastructure Holdco Limited) at FVTPL, consistent with the Group financial statements. At 31 December 2014 the Company owned 22.46% of John Laing Holdco Limited. The remaining 77.54% was owned by Henderson Infrastructure Holdco (Jersey) Limited (HIHJ), which at 31 December 2014 was the immediate and ultimate parent of John Laing Group plc. During the year ended 31 December 2015, as a result of the restructuring related to the IPO, the Company acquired the remaining share of 77.74% of John Laing Holdco Limited from HIHJ.

Investments at cost

During the year ended 31 December 2015, as a result of the restructuring pre-IPO the Company became the direct shareholder in subsidiary companies which provide services in relation to the Company's investment activities or hold the Group's retirement benefit obligations (Service Companies). These subsidiaries include the investments in Laing Investments Management Services Limited, Laing Investments Management Services (Australia) Limited, Laing Investments Management Services (Canada) Limited, Laing Investments Management Services (Netherlands) Limited, Laing Investments Management Services (New Zealand) Limited, Laing Investments Management Services (Singapore) Limited, John Laing (USA) Limited, John Laing Projects & Developments Limited, John Laing Services Limited and John Laing Capital Management Limited.

Under IAS 27, the Company has elected to account for its interest in these subsidiary companies at cost less any amounts written-off for any permanent diminution in value. These investments are consolidated in the Group financial statements.

c) Taxation

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

Current tax payable is based on taxable profit for the year. Taxable profit differs from net profit because it excludes both items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted, or substantively enacted, by the balance sheet date.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2015

2 ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments

Financial assets and financial liabilities are recognised on the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the instrument expire or the asset is transferred and the transfer qualifies for derecognition in accordance with IAS 39 Financial Instruments: Recognition and Measurement and IFRS 13 Fair Value Measurement.

i) Financial assets

The Company classifies its financial assets in the following categories: investments at fair value through profit or loss and loans and receivables and investments at cost. The classification depends on the purpose for which the financial assets were acquired. The Company determines the classification of its financial assets at initial recognition.

a) Investments at fair value through profit or loss

The Company's accounting policy in respect of investments at fair value through profit or loss is set out in section 2(b) above.

The value of the Company's investment in John Laing Holdco Limited is measured as the fair value of the assets and liabilities of that company. John Laing Holdco Limited is also an investment entity and fair values its investment in John Laing Limited, which is an intermediary holding company for the Group's investments in project subsidiaries and joint ventures. The fair value in John Laing Holdco Limited is determined by the fair value of the investment in those project subsidiaries and joint ventures, as disclosed in note 12 of the Group Financial Statements, and by its other assets and liabilities which are accounted for at cost. The other assets and liabilities of John Laing Holdco Limited include amounts due from/to subsidiaries and the Directors consider their cost to approximates to their fair value.

At 31 December 2014, the Company's investment was valued at nil as a result of the fair value of the loan from John Laing Holdco Limited's ultimate parent undertaking being in excess of the fair value of its assets.

b) Loans and receivables

The Company's loans and receivables comprise cash and cash equivalents and amounts owed by subsidiary undertakings and are recorded at amortised cost.

c) Investments at cost

The Company's investments at cost comprise its investments in Service Companies (see note 2 b for further details) which are held at cost less impairments.

ii) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

a) Equity instruments – share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or associated with the establishment of the Company that would otherwise have been avoided are written off against the balance of the share premium account.

b) Financial liabilities

Financial liabilities are classified as other financial liabilities, comprising loans and borrowings which are initially recognised at the fair value of the consideration received and subsequently at amortised cost using the effective interest rate method.

e) Dividend payments

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2015

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The key area of the financial statements where the Company is required to make critical judgements and material accounting estimates is in respect of the fair value of investments held by the Company. The methodology for determining the fair value of investments is set out in note 2 of the Group Financial Statements.

4 INVESTMENTS

	31 December 2015 £ million	31 December 2014 £ million
At 1 January 2015	**–**	–
Acquisition of investments at cost less impairment	**15.0**	–
Acquisition of investments at FVTPL	**630.0**	–
Fair value movement	**171.1**	–
	816.1	–
Investments at FVTPL*	**801.1**	–
Investments at cost less impairment	**15.0**	–
	816.1	–

* Net gain on investments at fair value through profit or loss for the year ended 31 December 2015 is £171.1 million (2014 – £nil).

Details of investments recognised at fair value through profit or loss are as follows:

Investments	Treatment	**2015 Equity**	2014 Equity
John Laing Holdco Limited	Fair valued	**100.0%**	22.46%
John Laing (USA) Limited	Cost less impairment	**100.0%**	–
John Laing Capital Management Limited	Cost less impairment	**100.0%**	–
John Laing Projects & Developments Limited	Cost less impairment	**100.0%**	–
John Laing Services Limited	Cost less impairment	**100.0%**	–
Laing Investments Management Services (Australia) Limited	Cost less impairment	**100.0%**	–
Laing Investments Management Services (Canada) Limited	Cost less impairment	**100.0%**	–
Laing Investments Management Services (Netherlands) Limited	Cost less impairment	**100.0%**	–
Laing Investments Management Services (New Zealand) Limited	Cost less impairment	**100.0%**	–
Laing Investments Management Services (Singapore) Limited	Cost less impairment	**100.0%**	–
Laing Investments Management Services Limited	Cost less impairment	**100.0%**	–

All entities are incorporated in the United Kingdom.

5 TRADE AND OTHER RECEIVABLES

	31 December 2015 £ million	31 December 2014 £ million
Due within one year:		
Amounts owed by subsidiary undertakings	**130.4**	–
	130.4	–

The amounts owed by subsidiary undertakings in the current and year are repayable on demand and interest is charged at arm's length interest rates.

6 BORROWINGS

	31 December 2015 £ million	31 December 2014 £ million
Interest bearing loans and borrowings net of unamortised financing costs	**(14.9)**	–
	(14.9)	–

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2015

7 TRADE AND OTHER PAYABLES

	31 December 2015 £ million	31 December 2014 £ million
Amounts owed to subsidiary undertakings	**(10.9)**	–
Accruals and deferred income	**(0.5)**	–
	(11.4)	–

At 31 December 2014, the Company had a loan of £1,000 from the Company's then parent undertaking, Henderson Infrastructure Holdco (Jersey) Limited. The loan was interest-free and repayable on demand.

8 SHARE CAPITAL

	31 December 2015 No.	31 December 2014 No.
Authorised:		
Ordinary shares of £0.00000001 each	**–**	100,000,000
Ordinary shares of £0.10 each	**366,923,076**	–
	366,923,076	100,000,000

	£ million	£ million
Alloted, called up and fully paid:		
366,923,976 ordinary shares (31 December 2014 – 100,000,000) of £0.10 (31 December 2014 – £0.00000001) each	**36.7**	–
	36.7	–

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

	31 December 2015 No.	31 December 2015 £ million	31 December 2014 No.	31 December 2014 £ million
Allotted, called up and fully paid:				
At 1 January – 100,000,000 ordinary shares of £0.00000001 each	**100,000,000**	**–**	100,000,000	–
Issue of 100,000,000 ordinary shares of £0.00000001 each	**100,000,000**	**–**	–	–
Conversion of 200,000,000 ordinary shares of £0.00000001 each to 20 ordinary shares of £0.10 each	**(199,999,980)**	**–**	–	–
Issue of 299,999,980 ordinary shares of £0.10 each	**299,999,980**	**30.0**	–	–
Issue of 66,923,076 ordinary shares of £0.10 each	**66,923,076**	**6.7**	–	–
At 31 December	**366,923,076**	**36.7**	100,000,000	–

9 SHARE PREMIUM

On 26 January 2015 the Company allotted to its shareholder 100,000,000 ordinary shares of £0.00000001 each credited as fully paid to rank pari passu with the existing ordinary shares. On 27 January 2015 all the ordinary shares were consolidated into 20 ordinary shares of £0.10 each, each share having the same rights and being subject to the same restrictions (except as to nominal value) as the existing ordinary shares of £0.00000001 each in the Company as set out in its Articles. On the same day the Company allotted and issued to its shareholder a further 299,999,980 ordinary shares of £0.10 each at a premium of £2.00 per share, each to rank pari passu with the existing ordinary shares of £0.10 each in the capital of the Company. In addition, the Company undertook a reduction of its share premium account by £500 million.

On 17 February 2015, the Company issued 66,923,076 new ordinary shares of £0.10 each at a premium of £1.85 per share in connection with admission of its shares to listing.

	2015 £ million	2014 £ million
Opening balance	**–**	–
Premium arising on issue of equity shares	**723.8**	–
Reduction of share premium account	**(500.0)**	–
Costs associated with the issue of equity shares	**(5.8)**	–
Closing balance	**218.0**	–

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2015

10 RETAINED EARNINGS

	2015 £ million	2014 £ million
Opening balance	**–**	–
Net profit for the year	**170.7**	–
Transfer from share premium account	**500.0**	–
Dividend paid	**(5.9)**	–
Closing balance	**664.8**	–

11 FINANCIAL INSTRUMENTS

Financial risk exposure is addressed on a Group basis rather than a company only basis. The Company's risk management programme is disclosed in detail in the Group accounts in note 17 and in the Financial Review section.

	Loans and receivables £ million	**Assets at FVTPL £ million**	**Investments at cost less impairments £ million**	**Financial liabilities at amortised cost £ million**	**Total £ million**
Fair value measurement method	n/a	Level 3	n/a	n/a	
31 December 2015					
Non-current assets					
Investments	–	801.1	15.0	–	816.1
Current assets					
Trade and other receivables	130.4	–	–	–	130.4
Total financial assets	130.4	801.1	15.0	–	946.5
Current liabilities					
Interest-bearing loans and borrowings	–	–	–	(14.9)	(14.9)
Trade and other payables	–	–	–	(11.4)	(11.4)
Total financial liabilities	–	–	–	(26.3)	(26.3)
Net financial instruments	**130.4**	**801.1**	**15.0**	**(26.3)**	**920.2**

	Loans and receivables £ million	Assets at FVTPL £ million	Investments at cost less impairments £ million	Financial liabilities at amortised cost £ million	Total £ million
Fair value measurement method	n/a	Level 3	n/a	n/a	
31 December 2014					
Non-current assets					
Investments	–	–	–	–	–
Current assets					
Trade and other receivables	–	–	–	–	–
Total financial assets	–	–	–	–	–
Current liabilities					
Trade and other payables	–	–	–	–	–
Total financial liabilities	–	–	–	–	–
Net financial instruments	–	–	–	–	–

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2015

12 TRANSACTIONS WITH RELATED PARTIES

Trading transactions

The Company has entered into loans with its subsidiaries, with interest being charged at arms length rates. Hence, the Company incurs interest expense and earns interest income on these loans.

	Year ended 31 December 2015 £ million	Year ended 31 December 2014 £ million
Amounts owed by subsidiary undertakings	**130.4**	–
Amounts owed to subsidiary undertakings	**(10.9)**	–
Interest income received	**3.6**	–
Interest paid	**(0.6)**	–

13 GUARANTEES AND OTHER COMMITMENTS

As at 31 December 2015 the Company was a guarantor under the Group's £350.0 million corporate banking facility and associated ancillary facilities. At 31 December 2015, the total amount utilised under these facilities, and hence guaranteed by the Company, was £174.3 million (31 December 2014 – the Company was not a guarantor).

NOTICE OF ANNUAL GENERAL MEETING

to be held at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS on 12 May 2016 at 11.00 am

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from an independent stockbroker, solicitor, accountant, or other professional adviser.

If you have sold or otherwise transferred all of your ordinary shares in John Laing Group plc, please pass this document together with the accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, so they can pass these documents to the person who now holds the shares.

A form of proxy for the annual general meeting (AGM) is enclosed and should be completed and returned as soon as possible in accordance with the instructions printed on the form of proxy. To be valid, it must reach the Company's registrar, Equiniti, no later than 48 hours before the time of the AGM. Alternatively, you may register your vote online by visiting the registrar's website at www.sharevote.co.uk or, if you already have a portfolio registered with Equiniti, by logging onto www.shareview.co.uk.

In order to register your vote online you will need to enter the Voting I.D., Task I.D. and Shareholder Reference Number which are on the enclosed form of proxy. If you are a member of CREST, the electronic settlement system for UK securities, you may register the appointment of a proxy by using the CREST electronic proxy appointment service. Further details are contained in the notes to the notice of AGM (see pages 127 and 128 of this document) and in the form of proxy. Electronic and CREST proxy voting instructions should also be submitted no later than 11.00am on 10 May 2016. Completion of a form of proxy or the appointment of a proxy electronically will not stop you from attending the meeting and voting in person should you so wish.

CHAIRMAN'S LETTER

NOTICE OF ANNUAL GENERAL MEETING

Dear Shareholder,

I am writing to you with details of the annual general meeting (AGM) of John Laing Group plc (John Laing or the Company) which we are holding at 65 Fleet Street, London EC4Y 1HS on 12 May 2016 at 11.00am. As this will be our first AGM following the Company's listing on the London Stock Exchange (IPO) in February 2015, we very much hope that as many shareholders as possible will be able to attend.

Voting on all the proposed resolutions at the AGM will be conducted on a poll rather than on a show of hands. Voting on a poll is more transparent and equitable because it includes the votes of all shareholders, including those cast by proxies, rather than just the votes of those shareholders who attend the meeting.

Shareholders of the Company will be asked to consider and, if thought fit, approve resolutions in respect of the following matters:

Ordinary business

The Company's accounts and the reports of the Directors of the Company (the Directors) and the auditor of the Company (the external auditor);

The final dividend for the year ended 31 December 2015;

Re-election of Directors;

Approval of the remuneration report for the year ended 31 December 2015;

Reappointment of Deloitte LLP as auditor for the ensuing year;

Authority to determine the remuneration of the auditor;

Authority to allot shares; and

Authority to make political donations.

Special business

Waiver of pre-emption rights in certain circumstances;

Authority for the Company to purchase its own shares; and

Approval to reduce the notice period for a general meeting, other than an annual general meeting.

A brief description of these matters is set out below.

Notice of AGM

The formal notice of the AGM is set out on pages 125 to 128 of this document.

Report and accounts and final dividend
(resolutions 1 and 2)

The first resolution at the AGM relates to the receipt and consideration of the Company's accounts and the reports of the Directors and the external auditor for the financial year ended 31 December 2015.

Separately, shareholders will also be asked to approve the payment of a final dividend of 5.3 pence per ordinary share in respect of the year ended 31 December 2015, as recommended by the Directors.

If the recommended final dividend is approved, it is proposed that the dividend will be paid on 20 May 2016 to shareholders on the Company's register of members at the close of business on 22 April 2016 (the record date).

Re-election of directors
(resolutions 3 to 9)

In accordance with the UK Corporate Governance Code (the Code), all the Directors of the Company being eligible will offer themselves for re-election at the AGM. The re-election of directors will take effect from the conclusion of the meeting.

Following the evaluation exercise conducted in early 2016, as Chairman, I believe that the contribution and performance of each of the Directors continues to be valuable and effective and that it is appropriate for them to continue to serve as Directors of the Company.

In accordance with the Code, the Board has reviewed the independence of its non-executive Directors and has determined that they remain fully independent of management and that there are no relationships or circumstances likely to affect their character or judgement.

Biographical details for each of the Directors offering themselves for re-election are set out in pages 40 to 41.

CHAIRMAN'S LETTER (CONTINUED)

Directors' remuneration report
(resolution 10)

The Company believes that the Directors' remuneration report, which may be found on pages 50 to 62 of the annual report and accounts, demonstrates the link between our remuneration policy and practice, and the Company's strategy and performance.

The Directors' remuneration policy, a summary of which may be found on pages 52 to 57 of the annual report and accounts, sets out the Company's forward-looking policy on directors' remuneration and describes the components of the executive and non-executive Directors' remuneration.

The Board considers that appropriate executive remuneration plays a vital part in helping to achieve the Company's overall objectives and, accordingly, and in compliance with the legislation, shareholders will be invited to approve the Directors' remuneration report and separately the Directors' remuneration policy.

The annual report on remuneration is included in the Directors' remuneration report and provides details of the remuneration paid to the Directors during the year ended 31 December 2015, including share awards. Shareholders are invited to approve the annual report on remuneration under resolution 10. This vote is advisory in nature in that payments made or promised to Directors will not have to be repaid, reduced or withheld in the event that the resolution is not passed. This vote will be in respect of the content of the annual report on remuneration and not specific to any Director's level or terms of remuneration.

External Auditor
(resolutions 11 and 12)

Resolutions will be proposed to reappoint Deloitte LLP as external auditor until the conclusion of the AGM in 2017 and to authorise the Directors to determine their remuneration.

Directors' authority to allot shares
(resolution 13)

Further to the provisions of section 551 of the Companies Act 2006 (the Act), shareholders will be asked to grant the Board of Directors the authority to allot shares, grant rights to subscribe for shares, or convert any security into shares in the Company (the new authority). The new authority would be valid until the close of the AGM in 2017.

If passed, the new authority would be limited to up to 122,307,692 ordinary shares (representing approximately 33.3% of the Company's issued ordinary share capital as at 7 March 2016 being the latest practicable date prior to the publication of this notice) save that, if the new authority were used in connection with a rights issue, it would be limited to up to 244,615,384 ordinary shares (representing approximately 66.6% of the company's issued share capital as at 7 March 2016).

In each case the number of shares to which the new authority applies is in addition to those committed to the various employee share plans. At the date this document was approved by the Board, the Directors had no intention to exercise this authority, although they considered its grant to be appropriate in order to preserve maximum flexibility for the future. The Directors intend to seek the approval of shareholders to renew this authority annually.

Political donations
(resolution 14)

The Act restricts companies from making donations to political parties, other political organisations or independent election candidates and from incurring political expenditure, in each case without shareholders' consent. It is not proposed or intended to alter the Company's policy of not making such donations or incurring such expenditure. However, the Act contains some potentially broad definitions and it may be that some of the activities of the Company and its subsidiaries fall within these definitions and, without the necessary authorisation, this could inhibit the Company's ability to communicate its views effectively to political audiences and to relevant interest groups. Accordingly, the Company believes that the authority contained in this resolution is necessary to allow it and its subsidiaries to fund activities which it is in the interests of shareholders that the John Laing group of companies should support. Such authority will enable the Company and its subsidiaries to be sure that they do not unintentionally commit a technical breach of the Act. Any expenditure which may be incurred under authority of this resolution will be disclosed in next year's annual report and accounts. It is the Company's intention to seek renewal of this resolution on an annual basis.

Waiver of pre-emption rights
(resolution 15)

Under section 561(1) of the Act, if the Directors wish to allot ordinary shares, or grant rights to subscribe for, or convert securities into, ordinary shares, or sell treasury shares for cash (other than pursuant to an employee share scheme) they must in the first instance offer them to existing shareholders in proportion to their holdings. There may be occasions, however, when the Directors need the flexibility to finance business opportunities by the issue of shares without a pre-emptive offer to existing shareholders. This cannot be done under the Act unless the shareholders have first waived their pre-emption rights, so a resolution will be proposed to waive these statutory pre-emption provisions for a period ending at the close of the AGM in 2017.

Accordingly, this resolution proposes that authority is granted to the Board to issue equity securities for cash consideration either (i) by way of a rights or other pre-emptive issue or (ii) by way of a non-pre-emptive issue, in the latter case limited to a total of 36,692,307 ordinary shares, representing approximately 10% of the Company's issued ordinary share capital as at 7 March 2016. This resolution is conditional on resolution 13 being passed.

At the date this document was approved by the Board, the Directors had no intention to exercise this authority, although they considered its grant to be appropriate in order to preserve maximum flexibility for the future. The Directors intend to comply with the Pre-Emption Group's Statement of Principles and not to allot shares for cash on a non pre-emptive basis (i) in excess of an amount equal to 5 per cent of the total issued ordinary share capital of the Company excluding treasury shares; or (ii) in excess of an amount equal to 7.5 per cent of the total issued ordinary share capital of the Company excluding treasury shares within a rolling three-year period, without prior consultation with shareholders, in each case other than in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment. The Directors intend to seek the approval of shareholders to renew this authority annually.

Authority to purchase own shares
(resolution 16)

Shareholders will be asked to authorise the market purchase by John Laing of a proportion of its issued ordinary share capital, subject to the limits referred to below.

The Directors consider it prudent to be able to act at short notice if circumstances warrant. In considering the purchase of ordinary shares, the Directors will follow the procedures laid down in the Act and will take into account cash resources, capital requirements and the effect of any purchase on gearing levels and on NAV and earnings per share. They will only consider exercising the authority when satisfied that it would be in the best interests of the Company and its shareholders as a whole to do so, having first considered any other investment opportunities open to the Company.

Any purchase by the Company of its own shares pursuant to this authority will be paid for out of distributable profits. Any shares which are repurchased will be dealt with in accordance with section 724 of the Act. The Company is entitled to hold the shares as treasury shares, sell them for cash, cancel them or transfer them pursuant to an employee share plan. The authority, which will expire at the close of the AGM in 2017, will be limited to the purchase of 36,692,307 ordinary shares, representing approximately 10% of John Laing's issued ordinary share capital as at 7 March 2016. The maximum price (excluding expenses) to be paid per ordinary share on any occasion will be restricted to the higher of (i) 105% of the average of the middle market quotations of an ordinary share of the Company derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased and (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current bid for an ordinary share as derived from the London Stock Exchange Trading System. The minimum price will be 10p per ordinary share which is the nominal value of the shares.

Shareholders should understand that the maximum number of shares and the price range are stated merely for the purposes of compliance with statutory and Financial Conduct Authority (FCA) requirements in seeking this authority and should not be taken as any indication of the terms upon which the Company intends to make such purchases. At the date this document was approved by the Board, the Directors had no intention to exercise this authority.

Any purchases of ordinary shares would be by means of market purchases through the London Stock Exchange. Any shares purchased under this authority may either be cancelled or held as treasury shares. Treasury shares may subsequently be cancelled, sold for cash or used to satisfy options issued to employees pursuant to the Company's employees' share schemes.

The Company's issued share capital as at 7 March 2016 (the latest practicable date prior to the publication of this document) was 366,923,076 ordinary shares of 10p each. The total number of awards over ordinary shares which were outstanding as at 7 March 2016 was approximately 1,763,030 which represents approximately 0.48% of the issued share capital of the Company at that date. If the maximum number of 36,692,307 shares were to be purchased by the Company (under resolution 16), the adjusted issued share capital would be 330,230,769 and the awards outstanding would represent approximately 0.53% of the adjusted issued share capital.

CHAIRMAN'S LETTER (CONTINUED)

Notice of general meetings
(resolution 17)

The Act sets the notice period required for general meetings of the Company at 21 days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. This resolution seeks such approval. It is intended that the shorter notice period would not be used as a matter of routine for such meetings but only where the flexibility is merited by the business of the meeting and is thought to be in the interests of shareholders as a whole. The Company undertakes to meet the requirements for electronic voting in the Act before calling a general meeting on 14 clear days' notice. If given, the approval will be effective until the Company's next AGM, when it is intended that a renewal of the approval will be proposed.

Annual General Meeting

The resolutions referred to in this letter are included in the notice of AGM set out on pages 125 to 128 of this document. The AGM is to be held at 65 Fleet Street, London EC4Y 1HS at 11.00am on 12 May 2016. If you are unable to attend the AGM, please complete and return the enclosed form of proxy in the prepaid envelope provided so as to reach the Company's registrar, Equiniti, not less than 48 hours before the time of the AGM. Alternatively, you may register your vote online by visiting the registrar's website at www.sharevote.co.uk or, if you already have a portfolio registered with Equiniti, by logging onto www.shareview.co.uk. In order to register your vote online you will need to enter the Voting I.D., Task I.D. and Shareholder Reference Number which are on the enclosed form of proxy. If you are a member of CREST, you may register the appointment of a proxy by using the CREST electronic proxy appointment service.

Further details are contained in the notes to the notice of AGM and in the form of proxy.

Completion of a form of proxy or the appointment of a proxy electronically, will not stop you from attending the AGM and voting in person should you so wish. If you are unable to attend the AGM but would like to ask a question, please e-mail carolyn.cattermole@laing.com.

Recommendation

The Directors consider that all the resolutions to be put to the AGM are in the best interests of the Company and its shareholders as a whole and are most likely to promote the success of the Company. Your Board will be voting in favour of all the proposed resolutions and unanimously recommends that you do so as well.

Yours sincerely,

Phil Nolan
CHAIRMAN

Registered Office:
1 Kingsway
London WC2B 6AN
United Kingdom

John Laing Group plc
Registered in England and Wales No. 5975300

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS on 12 May 2016 at 11.00am. You will be asked to consider and vote on the resolutions below. Resolutions 14 to 16 (inclusive) will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions.

ORDINARY RESOLUTIONS

1. To receive and consider the audited accounts of the Company for the year ended 31 December 2015 and the report of the Directors and auditor thereon.
2. To declare a final dividend of 5.3 pence per ordinary share for the year ended 31 December 2015 as recommended by the Directors.
3. To re-elect Phil Nolan as Director of the Company with effect from the end of the meeting.
4. To re-elect Olivier Brousse as Director of the Company with effect from the end of the meeting.
5. To re-elect Patrick O'Donnell Bourke as Director of the Company with effect from the end of the meeting.
6. To re-elect David Rough as Director of the Company with effect from the end of the meeting.
7. To re-elect Jeremy Beeton as Director of the Company with effect from the end of the meeting.
8. To re-elect Toby Hiscock as Director of the Company with effect from the end of the meeting.
9. To re-elect Anne Wade as Director of the Company with effect from the end of the meeting.
10. To receive and approve the Directors' Remuneration Report contained within the annual report and accounts for the financial year ended 31 December 2015.
11. To re-appoint Deloitte LLP as the Company's auditor to hold office until the conclusion of the next general meeting of the company at which accounts are laid.
12. To authorise the Directors to agree the auditors' remuneration.
13. To consider and, if thought fit, to pass the following resolution which will be proposed as an ordinary resolution:

    (a) THAT, pursuant to section 551 of the Companies Act 2006 (the Act), the Board be authorised to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company:

    (i) up to an aggregate nominal amount of £12,230,769.20; and

    (ii) comprising equity securities, as defined in the Act, up to an aggregate nominal amount of £24,461,538.40 (including within such limit any shares or rights issued or granted under (i) above) in connection with an offer by way of a rights issue:

    (A) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

    (B) to people who are holders of other equity securities if this is required by the rights of those securities or, if the Board considers it necessary, as permitted by the rights of those securities;

    and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authorities to expire (unless previously reviewed, varied or revoked by the Company in general meeting) at the close of the AGM in 2017 provided that, in each case, the Company may make offers and enter into agreements during the relevant period which would, or might, require shares in the Company to be allotted or rights to subscribe for, or convert any security into, shares to be granted, after the authority expires and the Board may allot shares in the Company and grant rights under any such offer or agreement as if the authority had not expired.
14. To consider and, if thought fit, to pass the following resolution which will be proposed as an ordinary resolution:

    (a) THAT the Company and all companies that are its subsidiaries, at any time up to the end of the AGM in 2017, be authorised, in aggregate, to:

    (i) make political donations to political parties and/or independent election candidates not exceeding £50,000 in total;

    (ii) make political donations to political organisations other than political parties not exceeding £100,000 in total; and

    (iii) incur political expenditure not exceeding £50,000 in total.

    For the purposes of this authority the terms "political donation", "political parties", "independent election candidates", "political organisation" and "political expenditure" have the meanings given by sections 363 to 365 of the Act.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

SPECIAL RESOLUTIONS

15. To consider and, if thought fit, to pass the following resolution which will be proposed as a special resolution:

(a) THAT, subject to resolution 13 being passed, the Board be given authority to allot equity securities for cash under the authority given by that resolution, free of the restriction in section 561(1) of the Act, such authority to be limited:

(i) to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under resolution 13(a)(ii), by way of a rights issue only):

(A) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(B) to people who are holders of other equity securities, if this is required by the rights of those securities or, if the Board considers it necessary, as permitted by the rights of those securities;

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

(ii) in the case of the authority granted under resolution 13(a)(i), to the allotment (otherwise than under 15(a)(i) above) of equity securities with an aggregate nominal value of up to £3,669,230.70,

such authority to expire (unless previously reviewed, varied or revoked by the Company in general meeting) at the close of the AGM in 2017 provided that during the relevant period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted after the authority expires and the Board may allot equity securities under any such offer or agreement as if the authority had not expired.

16. To consider and, if thought fit, to pass the following resolution which will be proposed as a special resolution:

(a) THAT, the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 10p each in the capital of the Company provided that: (i) the maximum number of ordinary shares hereby authorised to be purchased is 36,692,307; (ii) the minimum price (exclusive of expenses) which may be paid for an ordinary share is 10p per share; (iii) the maximum price (exclusive of expenses) which may be paid for an ordinary share is, in respect of an ordinary share contracted to be purchased on any day, the higher of (a) an amount equal to 105% of the average of the middle market quotations of an ordinary share of the Company derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased and (b) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System; (iv) the authority hereby conferred shall expire at the close of the AGM in 2017; and (v) during the relevant period the Company may make a contract to purchase ordinary shares under this authority prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract as if the authority had not expired.

17. That a general meeting of the Company, other than an annual general meeting, may be called on not less than 14 clear days' notice.

By order of the Board

Carolyn Cattermole
COMPANY SECRETARY
7 March 2016

Registered Office:
1 Kingsway
London WC2B 6AN
United Kingdom

John Laing Group plc
Registered in England and Wales No. 5975300

Notes

1. The right to attend and vote at the meeting is determined by reference to the Company's register of members. Only a member entered in the register of members at 6:00 p.m. on 10 May 2016 (or, if this meeting is adjourned, in the register of members at 6.00p.m. two days before the time of any adjourned meeting) is entitled to attend and vote at the meeting and a member may vote in respect of the number of ordinary shares registered in the member's name at that time. Changes to the entries in the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
2. Any shareholder or nominee shareholder may appoint one or more persons (whether shareholders of the Company or not) to act as his/her proxy or proxies to attend, speak and vote instead of him/her. The form of proxy for use at the meeting must be deposited, together with any power of attorney or authority under which it is signed, at Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, not less than 48 hours before the time appointed for the AGM or any adjournment thereof. An appropriate form of proxy is enclosed. Alternatively, you may register your vote online by visiting www.sharevote.co.uk or, if you already have a portfolio registered with Equiniti, by logging onto www.shareview.co.uk. In order to register your vote online you will need to enter the Voting I.D., Task I.D. and Shareholder Reference Number which are on the enclosed form of proxy.
3. CREST members who wish to appoint a proxy or proxies, or amend an instruction to a previously appointed proxy, through the CREST electronic proxy appointment service may do so for the AGM to be held at 11.00am on 12 May 2016 and any adjournment(s) thereof, by using the procedures described in the CREST manual (available via www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual. The message, regardless of whether it relates to the appointment of a proxy or to an instruction to a previously appointed proxy, must be transmitted so as to be received by the issuer's agent (ID: RA19) by no later than 11.00am on 10 May 2016. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

   CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) is/are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
4. Completion of a form of proxy, or the appointment of a proxy electronically, will not stop you from attending the meeting and voting in person should you so wish.

   Shareholders may change proxy instructions by submitting a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

   Shareholders may revoke a proxy instruction delivered pursuant to note 2, but to do so must inform the Company in writing by sending a signed hard copy notice clearly stating their intention to revoke the proxy appointment to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the Company no later than the cut-off time (48 hours before the time appointed for the AGM) set out above. If a shareholder attempts to revoke their proxy appointment but the revocation is received after the time specified, such shareholder's original proxy appointment will remain valid unless the shareholder attends the AGM and votes in person.

   The 2016 AGM will be held at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS on 12 May 2016 at 11.00am.

   In the case of joint holders, where more than one of the joint holders completes a proxy appointment, only the appointment submitted by the most senior holder will be accepted. For this purpose seniority is determined by the order in which the names of the joint holders appear in the Company's register of members (the first-named being the most senior).

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

Notes (continued)

5. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all of its powers as a shareholder, provided that no more than one corporate representative exercises powers over the same share.

6. Any person to whom this notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

   The statement of the rights of shareholders in relation to the appointment of proxies in paragraph 2 above does not apply to Nominated Persons. The rights described in that paragraph can only be exercised by shareholders of the Company.

7. As at 7 March 2016 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital consisted of 366,923,076 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 7 March 2016 are 366,923,076 votes.

8. Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish a statement on a website setting out any matter relating to:

   - the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or
   - any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid.

   The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Act to publish on a website.

9. Any shareholder, proxy or corporate representative attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if:

   - to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
   - the answer has already been given on a website in the form of an answer to a question; or
   - it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

10. The following documents will be available for inspection during normal business hours on any business day at the Company's registered office and will also be available during the AGM and for 15 minutes beforehand:

    - copies of the Directors' service contracts with, or letters of appointment by, the Company; and
    - the articles of association of the Company.

11. A copy of this notice, and other information required by section 311A of the Act, can be found at www.laing.com.

12. You may not use any electronic address provided either in this notice or any related documents (including the form of proxy) to communicate with the Company for any purpose other than those expressly stated.

13. The results of the voting at the AGM will be announced through a Regulatory Information Service and will appear on the Company's website (www.laing.com/investor-relations/regulatory-news.html) as soon as possible following the AGM.

SHAREHOLDER INFORMATION

FINANCIAL DIARY

21 April 2016	Ex-dividend date for final dividend
22 April 2016	Record date for final dividend
12 May 2016	Annual General Meeting
20 May 2016	Payment of final dividend
August 2016	Announcement of half year results
October 2016	Interim dividend expected to be paid

REGISTERED OFFICE AND ADVISERS

Secretary and Registered Office
C Cattermole
John Laing Group plc
1 Kingsway
London WC2B 6AN
Registered No: 5975300

AUDITOR

Deloitte LLP
2 New Street Square
London EC4A 3BZ

SOLICITORS

Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HS

PRINCIPAL GROUP BANKS

Barclays Bank PLC
1 Churchill Place
London E14 5HP

HSBC Bank plc
60 Queen Victoria Street
London EC4N 4TR

Australia and New Zealand Banking Group Limited
40 Bank Street
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

Crédit Agricole Corporate and Investment Bank
Broadwalk House
5 Appold Street
London EC2A 2DA

JOINT STOCKBROKERS

Barclays Bank PLC
5 The North Colonnade
London E14 4BB

HSBC Bank plc
8 Canada Square
London E14 5HQ

INDEPENDENT VALUERS

KPMG LLP
15 Canada Square
London E14 5GL

REGISTRARS

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Please contact the Registrars at the address above to advise of a change of address or for any enquiries relating to dividend payments, lost share certificates or other share registration matters. The Registrars provide on-line facilities at www.shareview.co.uk. Once you have registered you will be able to access information on your John Laing Group plc shareholding, update your personal details and amend your dividend payment instructions on-line without having to call or write to the Registrars.

REGISTRARS QUERIES

Information on how to manage your shareholdings can be found at https://help.shareview.co.uk. The pages at this web address provide answers to commonly asked questions regarding shareholder registration, links to downloadable forms and guidance notes.

If your question is not answered by the information provided, you can send your enquiry via secure email from the pages at https://help.shareview.co.uk. You will be asked to complete a structured form and to provide your Shareholder Reference, name and address. You will also need to provide your email address if this is how you would like to receive your response.

Alternatively you can telephone: 0371 384 2030. Lines are open 8.30am to 5.30pm Monday to Friday.

Calls from overseas: +44 121 415 7047.

COMPANY WEBSITE

The Company's website at www.laing.com contains the latest information for shareholders, including press releases and an updated financial diary. Email alerts of the latest news, press releases and financial reports about John Laing Group plc may be obtained by registering for the email news alert service on the website.

SHARE PRICE INFORMATION

The latest price of the Company's ordinary shares is available on www.laing.com. Alternatively click on www.londonstockexchange.com. John Laing's ticker symbol is JLG. John Laing is classified in the Speciality Finance Sector of Financial Services on The London Stock Exchange. It is recommended that you consult your financial adviser and verify information obtained from these services before making any investment decision.

DIVIDENDS

Shareholders who wish to have their dividends paid directly into a bank or building society account should contact the Registrars.

SHARE DEALING SERVICES

The Registrars offer a real-time telephone and internet dealing service for the UK. Further details including terms and rates can be obtained by logging on to the website at www.shareview.co.uk/dealing or by calling 03846 037 037. Lines are open between 8.00.00am and 4.30pm, Monday to Friday.

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MIX
Paper from responsible sources
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Further copies of this Annual Report & Accounts
are available by visiting the Company's
website or at the address below

www.laing.com

email: marketing@laing.com

John Laing Group plc

Registered Office:
1 Kingsway
London
WC2B 6AN
United Kingdom

Registered No. 5975300

Tel: +44 (0)20 7901 3200
Fax: +44 (0)20 7901 3520

3.2 Material Changes in Financial Condition

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

3.2 Material Changes in Financial Condition

John laing
making infrastructure happen

Form G-1: Material Changes

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222

Attn: Keith Stefanik, Procuring Authorities’ Contact Person

June 1, 2017

Re. Material Changes Letter
in connection with the Instruction to Proposers for the Central 70 Project (“ITP”)

I, Patrick O’D Bourke, in my capacity as Group Finance Director of John Laing Group plc (the “Company”), a Financially Responsible Party in Front Range Mobility Group, and not in my personal capacity, deliver this letter pursuant to Section 3.2 of the Administrative and Technical Proposal Submission Requirements and hereby confirm as follows.

There have been no material changes in the Company’s financial capacity since Proposer submitted its SOQ and no material changes are anticipated to occur during the remainder of the Company’s current fiscal year.

Unless defined herein, capitalized terms used in this letter have the meanings given to them in the ITP.

Yours,

Patrick O’D Bourke

3.3 Off Balance Sheet Liabilities

Front Range
Mobility Group

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Colorado Blvd
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CONNECTING COMMUNITIES

3.3 Off Balance Sheet Liabilities

John laing
making infrastructure happen

Form G-2: Off Balance Sheet Liabilities

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222

Attn: Keith Stefanik, Procuring Authorities' Contact Person

June 1, 2017

Re. Off Balance Sheet Liabilities Letter
in connection with the Instruction to Proposers for the Central 70 Project ("ITP")

I, Patrick O'D Bourke, in my capacity as Group Finance Director of John Laing Group plc (the "Company"), a Financially Responsible Party in Front Range Mobility Group, and not in my personal capacity, deliver this letter pursuant to Section 3.3 of the Administrative and Technical Proposal Submission Requirements set out in the ITP and hereby confirm as follows.

Except as set forth in the Exhibit attached hereto, there are no off balance sheet liabilities for any fiscal year of the Company in respect of which financial statements have been submitted in accordance with Section 3.1 of the Administrative and Technical Proposal Submission Requirements that exceed $25 million in aggregate in such fiscal year.

Yours,

Patrick O'D Bourke

EXHIBIT

In accordance with Section 3.3 of the Administrative and Technical Proposal Submission Requirements, the following sets out a description of off balance sheet liabilities:

2015 Fiscal year for which there are off balance sheet liabilities in excess of $25m in aggregate:

	Number of Items	31 Dec 2015 USD millions	31 Dec 2015 £ millions
Operating Leases	17	12.2	8.2
Letters of Credit, Performance Bonds and Guarantees	9	236.0	159.1
Total Off Balance Sheet Liabilities at 31 Dec 2015	26	248.2	167.3

FX Rate at 31 Dec 2015 1.4833

2016 Fiscal year for which there are off balance sheet liabilities in excess of $25m in aggregate:

	Number of Items	31 Dec 2016 USD millions	31 Dec 2016 £ millions
Operating Leases	15	8.4	6.8
Letters of Credit, Performance Bonds and Guarantees	11	208.3	168.9
Total Off Balance Sheet Liabilities at 31 Dec 2016	26	216.6	175.7

FX Rate at 31 Dec 2015 1.2329

3.4 Credit Ratings

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Mobility Group

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Form G-3: Credit Ratings

Proposer Name: Front Range Mobility Group

Credit Ratings

Role	Entity Name	Fitch	Moody's	S&P	DBRS	Change(s) in any credit ratings since SOQ?	Describe Change(s)
EM, LO	HOCHTIEF PPP Solutions North America, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	ACS Infrastructure Development, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	AECOM Capital, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM	John Laing Investments Limited	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Flatiron Constructors, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Dragados USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	AECOM Energy & Construction, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	CH2M HILL Engineers, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	AECOM Technical Services, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF Aktiengesellschaft	Not rated	Not rated	**BBB**	Not rated	☒ Yes ☐ No	Now rated by S&P
FRP	HOCHTIEF PPP Solutions GmbH	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	ACS Servicios y Concesiones, S.L.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	AECOM	Not rated	**Ba2**	**BB**	Not rated	☒ Yes ☐ No	Now rated by S&P in addition to Moody's; Moody's rating has not changed since the SOQ
FRP	Dragados, S.A.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	John Laing Group plc	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	CH2M HILL Companies, Ltd	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	

Dragados, S.A.

Front Range
Mobility Group

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Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL

THE EXTRA MILE

CONNECTING COMMUNITIES

Dragados, S.A.

3.1 Financial Statements

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

3.1 Financial Statements

2016

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT 213

Front Range
Mobility Group

2016

2015

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT 213

Front Range
Mobility Group

2015

3.2 Material Changes in Financial Condition

Front Range
Mobility Group

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3.2 Material Changes in Financial Condition

3.3 Off Balance Sheet Liabilities

Front Range
Mobility Group

Steele St
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CONNECTING COMMUNITIES

3.3 Off Balance Sheet Liabilities

3.4 Credit Ratings

Front Range Mobility Group

THE EXTRA MILE
CONNECTING COMMUNITIES

Form G-3: Credit Ratings

Proposer Name: Front Range Mobility Group

Credit Ratings

Role	Entity Name	Fitch	Moody's	S&P	DBRS	Change(s) in any credit ratings since SOQ?	Describe Change(s)
EM, LO	HOCHTIEF PPP Solutions North America, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	ACS Infrastructure Development, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	AECOM Capital, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM	John Laing Investments Limited	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Flatiron Constructors, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Dragados USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	AECOM Energy & Construction, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	CH2M HILL Engineers, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	AECOM Technical Services, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF Aktiengesellschaft	Not rated	Not rated	**BBB**	Not rated	☒ Yes ☐ No	Now rated by S&P
FRP	HOCHTIEF PPP Solutions GmbH	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	ACS Servicios y Concesiones, S.L.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	AECOM	Not rated	**Ba2**	**BB**	Not rated	☒ Yes ☐ No	Now rated by S&P in addition to Moody's; Moody's rating has not changed since the SOQ
FRP	Dragados, S.A.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	John Laing Group plc	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	CH2M HILL Companies, Ltd	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	

CH2M HILL Companies, Ltd

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Mobility Group

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Colorado Blvd
ELEMENTARY SCHOOL

THE EXTRA MILE

CONNECTING COMMUNITIES

CH2M HILL Companies, Ltd

3.1 Financial Statements

Front Range
Mobility Group

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A ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

2016

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT 213

Front Range
Mobility Group

2016

2015

2015

SWANSEA ELEMENTARY SCHOOL
EXIT 213
38th Ave
Park Ave
Downtown
EXIT 213

Front Range
Mobility Group

3.2 Material Changes in Financial Condition

Front Range
Mobility Group

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THE EXTRA MILE
CONNECTING COMMUNITIES

3.2 Material Changes in Financial Condition

ch2m:

CH2M
9191 South Jamaica Street
Englewood, CO 80112-5946
O 303.771.0900
F 720.286.9250
www.ch2m.com

June 1, 2017

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222
Attn: Keith Stefanik, Procuring Authorities' Contact Person

Re. Material Changes Letter
in connection with the Instruction to Proposers for the Central 70 Project ("ITP")

I, Steven Mathews, in my capacity as Treasurer of CH2M HILL Companies, Ltd. (the "Company"), a Financially Responsible Party for CH2M HILL Engineers, Inc. in Front Range Mobility Group, and not in my personal capacity, deliver this letter pursuant to Section 3.2 of the Administrative and Technical Proposal Submission Requirements and hereby confirm as follows.

Except as set forth in the Exhibits A, B, C, D, E and F attached hereto, there have been no material changes in the Company's financial capacity since Proposer submitted its SOQ.

Unless defined herein, capitalized terms used in this letter have the meanings given to them in the ITP.

Respectfully submitted,

Name: Steven Mathews
Title: Treasurer
CH2M HILL Companies, Ltd.

EXHIBIT A

Part I. In accordance with Section 3.1.2.a of the Financial Proposal Instructions, the following sets out a description of an actual or anticipated material change:

i. such change;

1. ***Material Project Losses:*** *Reference Exhibit A-1.*

ii. actual and anticipated changes or disruptions in executive management relating to such change;

No changes or disruptions realized or anticipated.

iii. the likelihood that such change will continue during the proposed period of Project construction;

It is anticipated that the aforementioned material changes will have minimal to no future impact on operations including the delivery of the Project.

iv. the projected full extent, nature and impact, positive and negative, of such change experienced and anticipated to be experienced in the proposed period of Project construction;

It is anticipated that the aforementioned material changes will have minimal to no future impact on operations including the delivery of the Project.

v. how such change is anticipated to affect the organizational and financial capacity and ability of the relevant entity to remain engaged in the procurement described in the RFP and to ultimately participate in the Project as anticipated by the relevant Proposal.

It is anticipated that the aforementioned material changes will have minimal to no future impact on operations including the delivery of the Project.

Part II. In accordance with Section 3.1.2.b of the Financial Proposal Instructions, set out below are estimates of the impact of the material change on:

i. revenues;

It is anticipated that the aforementioned material changes will have minimal to no future impact on operations including the Project.

ii. expenses;

It is anticipated that the aforementioned material changes will have minimal to no future impact on operations including the delivery of the Project.

iii. change in equity availability.

It is anticipated that the aforementioned material changes will have minimal to no future impact on operations including the delivery of the Project.

Part III. In accordance with Section 3.1.2.c of the Financial Proposal Instructions, if the material change will have a negative financial impact, an explanation of measures that have been taken, are currently in progress or would be reasonably anticipated to be taken to insulate the Project from any such material change:

It is anticipated that the aforementioned material changes will have minimal to no future impact on operations including the delivery of the Project.

EXHIBIT A-1

Material Project Losses: *We (CH2M) have a fixed-price Transportation contract to design and construct roadway improvements on an expressway in the southwestern United States. The project is approximately 75% complete as of December 30, 2016. In 2014, we experienced unforeseen and unexpected cost growth resulting in charges to operations totaling $38.7 million for the year ended December 31, 2014, which included both the reversal of previously recognized profits as well as the recording of the estimated total loss on the project at completion. In 2015, additional increases to the cost estimates were identified primarily caused by design changes for a water main relocation, the discovery of extremely hard and abrasive rock during construction, differing site conditions, unidentified and mismarked utilities, client requested changes, labor supply challenges in the construction market, lower than expected labor productivity, and severe adverse weather delays. These increased cost growth resulted in the recording of additional project losses of $93.6 million in the year ended December 25, 2015.*

During the first half of 2016, we estimated further cost growth in the amount of $60.0 million as a result of a review of the covered scope of contracts, survey engineering and design challenges, rework of previously installed work and client-caused delays, including limited daytime access to portions of the site, the sum of which resulted in increased material quantities and work and schedule extensions. We also had severe weather including record rainfall, and production shortfalls resulting from differing site conditions and engineering rework. Additionally, during the second half of 2016, we estimated additional cost growth of $61.3 million due to continued survey engineering and design challenges, additional rework, greater than expected subcontractor costs, subcontracting work previously planned to be self-performed, delivery schedule extensions (which increased the overall estimated costs for labor and expenses), greater than expected construction material expenditures, and additional weather delays.

In the quarter ended March 31, 2017, the project team increased the overall estimated costs for labor and materials by a total of $23.5 million. The cost growth was predominately related to unanticipated field conditions and labor resource restraints, some of which costs are being included in claims submitted to the client. While the project team believes that the increase in costs is sufficient to cover known issues, additional design, fabrication, construction or labor resource issues could be encountered resulting in further cost growth. Certain of these additional costs are believed to be the result of construction errors incurred by a subcontractor as well as specifications provided by the client that were determined to be incorrect.

We expect to seek resolution of these first quarter 2017 issues from the subcontractor in addition to seeking resolution of the outstanding change orders and claims through a combination of submissions to the Disputes Board under the terms of the contract and direct negotiations with the client. Change orders and claims totaling approximately $100.0 million have been submitted to the client. We have received favorable, non-binding recommendations from the Disputes Board on some of the claims. We have not been able to reach a mutual resolution with the client on these claims or the other change orders submitted. CH2M will continue to aggressively pursue its entitlements based on claims and change orders, including litigation if it cannot reach resolution with the client. Accordingly, we cannot currently estimate the timing or amounts of recoveries or costs that may be achieved or incurred through these resolution processes, and as such, we have not included any recoveries from these change orders and claims in our current estimated project loss.

Within our Power EPC segment, we were involved in a fixed-price EPC project in Australia through a consolidated joint venture partnership with an Australian construction contractor and a major U.S.-based gas power technology manufacturer (the "Consortium") to engineer, procure, construct and start-up a combined cycle power plant that will supply power to a large liquefied natural gas facility in Australia. As of December 30, 2016, the total contract value of the joint venture project was approximately $520.0 million, and the project was approximately 85% complete. Due to a variety of issues, the joint experienced project losses of $280.0 million in 2014, of which our portion of the loss was $140.0 million. During the second quarter of 2016, the client advised it was unable to meet various obligations in line with the program schedule as required under the terms of the contract. Subsequently in 2016, the client *was unable to confirm the timing of its deliverables under the terms of the contract including the supply of feed gas, plant utilities and electrical power loads. As a result, the anticipated project completion date was expected to be delayed into 2018, thus significantly increasing the joint venture's costs estimated to complete the project. Additionally, forecasted productivity levels that were assumed for construction completion had not been achieved, including as a result of client delays and disruptions, also increasing the joint venture's total estimated costs to complete. As a result of these factors, as well as others, and inclusive of estimated anticipated further disruptions and inefficiencies, the joint venture recognized additional costs totaling $301.5 million in 2016, of which our portion was $154.1 million.*

On January 24, 2017, the Consortium terminated its contract with its client the general contractor, JKC Australia LNG Pty (the "Contractor") on the grounds that the Contractor had by its actions repudiated the contract. The Contractor has claimed that the Consortium's termination was not valid. The Consortium, which includes the consolidated Australian joint venture partnership, expects to file arbitration claims against the Contractor during the first half of 2017, and anticipates that the Contractor will file counter claims. We expect a lengthy, multi-year arbitration process and at this time we are unable to predict the timing of resolution or the outcome of disputes. While we continue to assess the possible impacts to our financial statements, the ultimate outcome of the dispute will depend upon contested issues of fact and law.

As a result of the contract termination, we evaluated the potential future costs as of December 30, 2016 in accordance with the accounting standards applicable to contingent liabilities. The joint venture has incurred costs totaling approximately $20.0 million in 2017 to demobilize from the site and expects to continue to incur significant legal and other costs until the dispute is resolved. The Consortium is also in the process of determining the required costs to close out and terminate its current subcontractor obligations. These costs, which we expect will be incurred in 2017, have been accrued within our provision for loss accrual in our consolidated financial statements as of December 30, 2016 based upon our best estimate from the information currently available. It is possible that certain subcontractors could f ile claims against the Consortium as a result of our termination of their subcontract which could be material to our consolidated financial statements. Additionally, the joint venture's performance on the project is secured by certain bonds totaling approximately $50.0 million which could potentially be called by our client at some time in the future. If we are ultimately unsuccessful in our claim that the contract was repudiated by our client, the Consortium could be liable for the completion of the project by a separate contractor and other related damages. These additional costs could be materially adverse to our results of operations, cash flow and financial condition in the future.

EXHIBIT B

Part I. In accordance with Section 3.1.2.a of the Financial Proposal Instructions, the following sets out a description of an actual or anticipated material change:

i. such change;

*1. **Preferred Stock Issuance:** Reference Exhibit B-1.*

ii. actual and anticipated changes or disruptions in executive management relating to such change;

Reference response in Exhibit A.

iii. the likelihood that such change will continue during the proposed period of Project construction;

Reference response in Exhibit A.

iv. the projected full extent, nature and impact, positive and negative, of such change experienced and anticipated to be experienced in the proposed period of Project construction;

Reference response in Exhibit A.

v. how such change is anticipated to affect the organizational and financial capacity and ability of the relevant entity to remain engaged in the procurement described in the RFP and to ultimately participate in the Project as anticipated by the relevant Proposal.

Reference response in Exhibit A.

Part II. In accordance with Section 3.1.2.b of the Financial Proposal Instructions, set out below are estimates of the impact of the material change on:

i. revenues;

Reference response in Exhibit A.

ii. expenses;

Reference response in Exhibit A.

iii. change in equity availability.

Reference response in Exhibit A.

Part III. In accordance with Section 3.1.2.c of the Financial Proposal Instructions, if the material change will have a negative financial impact, an explanation of measures that have been taken, are currently in progress or would be reasonably anticipated to be taken to insulate the Project from any such material change:

Reference response in Exhibit A.

EXHIBIT B-1

Preferred Stock Issuance: *As of March 31, 2017, the Company (CH2M) had 50,000,000 shares of preferred stock, $0.01 par value, authorized. On June 22, 2015, the Company designated 10,000,000 shares as Series A Preferred Stock with an original issue price of $62.22 under the Certificate of Designation. On June 24, 2015, the Company sold and issued an aggregate of 3,214,400 shares of Series A Preferred Stock for an aggregate purchase price of $200.0 million in a private placement to a subsidiary owned by investment funds affiliated with Apollo Global Management, LLC (together with its subsidiaries, "Apollo"). Total proceeds from the preferred stock offering were $191.7 million, net of issuance costs of $8.3 million. The sale occurred in connection with the initial closing pursuant to the Subscription Agreement entered into by the Company and Apollo on May 27, 2015 ("Subscription Agreement"). On April 11, 2016, Apollo purchased an additional 1,607,200 shares of Series A Preferred Stock for an aggregate purchase price of approximately $100.0 million in a second closing subject to the conditions within the Subscription Agreement. Total proceeds from the preferred stock offering were $99.8 million, net of issuance costs of $0.2 million.*

EXHIBIT C

Part I. In accordance with Section 3.1.2.a of the Financial Proposal Instructions, the following sets out a description of an actual or anticipated material change:

i. such change;

*1. **Restructuring and Related Charges:** Reference Exhibit C-1.*

ii. actual and anticipated changes or disruptions in executive management relating to such change;

Reference response in Exhibit A.

iii. the likelihood that such change will continue during the proposed period of Project construction;

Reference response in Exhibit A.

iv. the projected full extent, nature and impact, positive and negative, of such change experienced and anticipated to be experienced in the proposed period of Project construction;

Reference response in Exhibit A.

v. how such change is anticipated to affect the organizational and financial capacity and ability of the relevant entity to remain engaged in the procurement described in the RFP and to ultimately participate in the Project as anticipated by the relevant Proposal.

Reference response in Exhibit A.

Part II. In accordance with Section 3.1.2.b of the Financial Proposal Instructions, set out below are estimates of the impact of the material change on:

i. revenues;

Reference response in Exhibit A.

ii. expenses;

Reference response in Exhibit A.

iii. change in equity availability.

Reference response in Exhibit A.

Part III. In accordance with Section 3.1.2.c of the Financial Proposal Instructions, if the material change will have a negative financial impact, an explanation of measures that have been taken, are currently in progress or would be reasonably anticipated to be taken to insulate the Project from any such material change:

Reference response in Exhibit A.

EXHIBIT C-1

Restructuring and Related Charges: *During the third quarter of 2016, the Company (CH2M) began a process to review the structure and resources within its business segments and formulate a restructuring plan to more fully align global operations with the Company's client-centric strategy, including a simplified organization structure and streamlined delivery model to achieve higher levels of profitable growth ("2016 Restructuring Plan"). The restructuring activities primarily include workforce reductions and facilities consolidations. During the three months ended March 31, 2017, we incurred $13.1 million of costs for these restructuring activities related to the 2016 Restructuring Plan, which have been included in selling, general and administrative expense on the consolidated statements of operations. Overall, as of March 31, 2017, we have incurred aggregate costs of $55.3 million in total restructuring charges under the 2016 Restructuring Plan. We completed the 2016 Restructuring Plan in the first quarter of 2017, and we expect aggregate annual cost savings of approximately $100.0 million.*

EXHIBIT D

Part I. In accordance with Section 3.1.2.a of the Financial Proposal Instructions, the following sets out a description of an actual or anticipated material change:

i. such change;

1. ***Changes in Defined Benefit Plans:*** *Reference Exhibit D-1.*

ii. actual and anticipated changes or disruptions in executive management relating to such change;

Reference response in Exhibit A.

iii. the likelihood that such change will continue during the proposed period of Project construction;

Reference response in Exhibit A.

iv. the projected full extent, nature and impact, positive and negative, of such change experienced and anticipated to be experienced in the proposed period of Project construction;

Reference response in Exhibit A.

v. how such change is anticipated to affect the organizational and financial capacity and ability of the relevant entity to remain engaged in the procurement described in the RFP and to ultimately participate in the Project as anticipated by the relevant Proposal.

Reference response in Exhibit A.

Part II. In accordance with Section 3.1.2.b of the Financial Proposal Instructions, set out below are estimates of the impact of the material change on:

i. revenues;

Reference response in Exhibit A.

ii. expenses;

Reference response in Exhibit A.

iii. change in equity availability.

Reference response in Exhibit A.

Part III. In accordance with Section 3.1.2.c of the Financial Proposal Instructions, if the material change will have a negative financial impact, an explanation of measures that have been taken, are currently in progress or would be reasonably anticipated to be taken to insulate the Project from any such material change:

Reference response in Exhibit A.

EXHIBIT D-1

Changes in Defined Benefit Plans: *During the year ended December 30, 2016, the Company (CH2M) adopted an amendment for one of our United States defined benefit plans, the OMI Plan, to freeze future pay and benefit service accruals beginning in 2017 for non-union participants, resulting a gain on curtailment of $4.6 million in our net periodic pension expense and a $3.0 million reduction in our projected benefit obligation. There was also an additional gain of $1.2 million due to settlements within several small end-of-service benefit plans in the Middle East during the year ended December 30, 2016, which resulted in a $6.1 million reduction to our projected benefit obligation.*

On October 4, 2016, Halcrow Group Limited ("HGL"), a subsidiary of CH2M, effected a transaction to restructure the benefits provided to members of the Halcrow Pension Scheme ("HPS"), a defined benefit plan sponsored by HGL, by providing each member with the option to transfer his or her benefits in the HPS to a new pension scheme, which is also sponsored by HGL ("HPS2"). Alternatively, members had the option to remain in the HPS which will enter the Pension Protection Fund ("PPF") under a regulated apportionment arrangement. The new scheme, HPS2, provides benefits that are better than the compensation that would otherwise be paid by the PPF if a member chose to join the PPF rather than HPS2. The PPF was created by the United Kingdom Pensions Act 2004 to provide compensation to members of eligible defined benefit pension schemes when an employer of the scheme can no longer support the pension scheme. A member that transferred to HPS2 will receive substantially similar benefits to those in the HPS, except that annual increases and revaluation of benefits are reduced to statutory levels. A pension scheme member of the HPS that elected to transfer to the new scheme also received a one-time uplift to benefits of either 1.0% or 2.5%. The Pension Regulator, which is the United Kingdom's executive body that regulates work-based pension schemes, and the PPF provided necessary regulatory approvals for the transaction to restructure the HPS benefits.

As a result of the transaction described above, HGL ceased to have any further obligations to the HPS on October 4, 2016. All members who consented to transfer to HPS2 were transferred on October 5, 2016. Members who agreed to transfer to the new scheme account for 96.6% of the HPS' liabilities and a broadly equivalent proportion of the HPS' assets have transferred to the new scheme, as well as 20% of HGL's equity issued as part of the transaction. As a result of the restructured benefits for those members transferring to HPS2, the projected benefit obligation was reduced by $362.3 million. Those members who remained in the HPS began the process of transferring to the PPF during the fourth quarter of 2016 along with the assets that remain in the HPS, as well as 5% of HGL's equity issued as part of the transaction, resulting in a settlement of $28.4 million and an actuarial gain of $16.2 million within the projected benefit obligation. We did not incur a gain or loss on settlement as a result of the transaction as the settlement cost related to the members who remained in HPS was less than the service and interest cost components of net periodic pension expense for 2016.

Additionally, in connection with the transaction, CH2M issued a £50.0 million, approximately $65.0 million, parent company guarantee to support HPS2 and funded £80.0 million, approximately $104.0 million, to be allocated between HPS2 and the PPF based on the proportion of the HPS' members that transferred to HPS2.

EXHIBIT E

Part I. In accordance with Section 3.1.2.a of the Financial Proposal Instructions, the following sets out a description of an actual or anticipated material change:

i. such change;

*1. **Second Lien Indenture:** Reference Exhibit E-1.*

ii. actual and anticipated changes or disruptions in executive management relating to such change;

Reference response in Exhibit A.

iii. the likelihood that such change will continue during the proposed period of Project construction;

Reference response in Exhibit A.

iv. the projected full extent, nature and impact, positive and negative, of such change experienced and anticipated to be experienced in the proposed period of Project construction;

Reference response in Exhibit A.

v. how such change is anticipated to affect the organizational and financial capacity and ability of the relevant entity to remain engaged in the procurement described in the RFP and to ultimately participate in the Project as anticipated by the relevant Proposal.

Reference response in Exhibit A.

Part II. In accordance with Section 3.1.2.b of the Financial Proposal Instructions, set out below are estimates of the impact of the material change on:

i. revenues;

Reference response in Exhibit A.

ii. expenses;

Reference response in Exhibit A.

iii. change in equity availability.

Reference response in Exhibit A.

Part III. In accordance with Section 3.1.2.c of the Financial Proposal Instructions, if the material change will have a negative financial impact, an explanation of measures that have been taken, are currently in progress or would be reasonably anticipated to be taken to insulate the Project from any such material change:

Reference response in Exhibit A.

EXHIBIT E-1

Second Lien Indenture: *On April 28, 2017, we (CH2M) entered into a Second Lien Indenture through which we issued Senior Second Lien Notes with an aggregate principal amount of $200.0 million at an annual interest rate of 10% (the "Second Lien Notes"). The Second Lien Notes mature on April 28, 2020, and interest is payable on May 1 and November 1 of each year, commencing on November 1, 2017. The net proceeds of the Second Lien Notes are to be used to repay a portion of the outstanding revolving credit loans under our Credit Facility. The Second Lien Notes are unsubordinated, senior obligations of CH2M and are secured by second-priority liens on substantially all of CH2M's and certain CH2M subsidiaries' domestic assets.*

EXHIBIT F

Part I. In accordance with Section 3.1.2.a of the Financial Proposal Instructions, the following sets out a description of an actual or anticipated material change:

i. such change;

1. ***Fourth Amendment to Our Credit Agreement:*** *Reference Exhibit F-1.*

ii. actual and anticipated changes or disruptions in executive management relating to such change;

Reference response in Exhibit A.

iii. the likelihood that such change will continue during the proposed period of Project construction;

Reference response in Exhibit A.

iv. the projected full extent, nature and impact, positive and negative, of such change experienced and anticipated to be experienced in the proposed period of Project construction;

Reference response in Exhibit A.

v. how such change is anticipated to affect the organizational and financial capacity and ability of the relevant entity to remain engaged in the procurement described in the RFP and to ultimately participate in the Project as anticipated by the relevant Proposal.

Reference response in Exhibit A.

Part II. In accordance with Section 3.1.2.b of the Financial Proposal Instructions, set out below are estimates of the impact of the material change on:

i. revenues;

Reference response in Exhibit A.

ii. expenses;

Reference response in Exhibit A.

iii. change in equity availability.

Reference response in Exhibit A.

Part III. In accordance with Section 3.1.2.c of the Financial Proposal Instructions, if the material change will have a negative financial impact, an explanation of measures that have been taken, are currently in progress or would be reasonably anticipated to be taken to insulate the Project from any such material change:

Reference response in Exhibit A.

EXHIBIT F-1

Fourth Amendment to Our Credit Agreement:

In connection with the issuance of the Second Lien Notes, on April 28, 2017 we entered into the Fourth Amendment ("Fourth Amendment") to our Credit Agreement. The Fourth Amendment allows for the issuance and sale of the Second Lien Notes, as discussed above, lowers our maximum revolving credit facility to $875.0 million from $925.0 million, increases the maximum consolidated leverage ratio, as defined by the Fourth Amendment, to 4.00x from 3.00x, and modifies the definition of adjusted EBIDTA as used in the financial covenant calculation.

The obligations of CH2M and its subsidiaries that are either borrowers or guarantors under the Fourth Amendment are secured by first-priority security interests in substantially all of the domestic assets of CH2M and such subsidiaries pursuant to Amended Credit Agreement dated as of September 30, 2016. As a result of the Second Lien Notes and the Fourth Amendment, our remaining unused borrowing capacity under the Credit Facility was over $300.0 million as of March 31, 2017.

3.3 Off Balance Sheet Liabilities

Front Range
Mobility Group
Steele St
Vasquez Blvd
Colorado Blvd
ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

CH2M
9191 South Jamaica Street
Englewood, CO 80112-5946
O 303.771.0900
F 720.286.9250
www.ch2m.com

June 1, 2017

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222
Attn: Keith Stefanik, Procuring Authorities' Contact Person

Re. Off Balance Sheet Liabilities Letter
in connection with the Instruction to Proposers for the Central 70 Project ("ITP")

I, Steven Mathews, in my capacity as Treasurer of CH2M HILL Companies, Ltd. (the "Company"), a Financially Responsible Party for CH2M HILL Engineers Inc. in Front Range Mobility Group, and not in my personal capacity, deliver this letter pursuant to Section 3.3 of the Administrative and Technical Proposal Submission Requirements set out in the ITP and hereby confirm as follows.

There are no off balance sheet liabilities for any fiscal year of the Company in respect of which financial statements have been submitted in accordance with Section 3.1 of the Administrative and Technical Proposal Submission Requirements that exceed $25 million in aggregate in such fiscal year.

Respectfully submitted,

Name: Steven Mathews
Title: Treasurer
CH2M HILL Companies, Ltd.

3.4 Credit Ratings

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

Form G-3: Credit Ratings

Proposer Name: Front Range Mobility Group

Credit Ratings

Role	Entity Name	Fitch	Moody's	S&P	DBRS	Change(s) in any credit ratings since SOQ?	Describe Change(s)
EM, LO	HOCHTIEF PPP Solutions North America, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	ACS Infrastructure Development, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	AECOM Capital, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM	John Laing Investments Limited	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Flatiron Constructors, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Dragados USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	AECOM Energy & Construction, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	CH2M HILL Engineers, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	AECOM Technical Services, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF Aktiengesellschaft	Not rated	Not rated	**BBB**	Not rated	☒ Yes ☐ No	Now rated by S&P
FRP	HOCHTIEF PPP Solutions GmbH	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	ACS Servicios y Concesiones, S.L.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	AECOM	Not rated	**Ba2**	**BB**	Not rated	☒ Yes ☐ No	Now rated by S&P in addition to Moody's; Moody's rating has not changed since the SOQ
FRP	Dragados, S.A.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	John Laing Group plc	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	CH2M HILL Companies, Ltd	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	

3.3 Off Balance Sheet Liabilities

Front Range
Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
A ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

CH2M
9191 South Jamaica Street
Englewood, CO 80112-5946
O 303.771.0900
F 720.286.9250
www.ch2m.com

June 1, 2017

High Performance Transportation Enterprise and Colorado Bridge Enterprise
c/o High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222
Attn: Keith Stefanik, Procuring Authorities' Contact Person

Re. Off Balance Sheet Liabilities Letter
in connection with the Instruction to Proposers for the Central 70 Project ("ITP")

I, Steven Mathews, in my capacity as Treasurer of CH2M HILL Companies, Ltd. (the "Company"), a Financially Responsible Party for CH2M HILL Engineers Inc. in Front Range Mobility Group, and not in my personal capacity, deliver this letter pursuant to Section 3.3 of the Administrative and Technical Proposal Submission Requirements set out in the ITP and hereby confirm as follows.

There are no off balance sheet liabilities for any fiscal year of the Company in respect of which financial statements have been submitted in accordance with Section 3.1 of the Administrative and Technical Proposal Submission Requirements that exceed $25 million in aggregate in such fiscal year.

Respectfully submitted,

Steven Mathews

Name: Steven Mathews
Title: Treasurer
CH2M HILL Companies, Ltd.

3.4 Credit Ratings

Front Range Mobility Group

Steele St
Vasquez Blvd
Colorado Blvd
ELEMENTARY SCHOOL
THE EXTRA MILE
CONNECTING COMMUNITIES

Form G-3: Credit Ratings

Proposer Name: Front Range Mobility Group

Credit Ratings

Role	Entity Name	Fitch	Moody's	S&P	DBRS	Change(s) in any credit ratings since SOQ?	Describe Change(s)
EM, LO	HOCHTIEF PPP Solutions North America, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	ACS Infrastructure Development, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM, LO	AECOM Capital, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
EM	John Laing Investments Limited	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Flatiron Constructors, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	Dragados USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LC	AECOM Energy & Construction, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	CH2M HILL Engineers, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
LE	AECOM Technical Services, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF Aktiengesellschaft	Not rated	Not rated	**BBB**	Not rated	☒ Yes ☐ No	Now rated by S&P
FRP	HOCHTIEF PPP Solutions GmbH	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	HOCHTIEF USA, Inc.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	ACS Servicios y Concesiones, S.L.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	AECOM	Not rated	**Ba2**	**BB**	Not rated	☒ Yes ☐ No	Now rated by S&P in addition to Moody's; Moody's rating has not changed since the SOQ
FRP	Dragados, S.A.	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	John Laing Group plc	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	
FRP	CH2M HILL Companies, Ltd	Not rated	Not rated	Not rated	Not rated	☐ Yes ☒ No	