

# **JOHN LAING SERVICES LIMITED**

**ANNUAL REPORT  
AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2016**



**Registered Number 1363079 (England and Wales)**

## JOHN LAING SERVICES LIMITED

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### COMPANY INFORMATION

<b>Directors</b>	P O'D Bourke T G Foster
<b>Secretary</b>	P Naylor
<b>Company number</b>	1363079
<b>Registered office</b>	1 Kingsway London WC2B 6AN
<b>Auditor</b>	Deloitte LLP Statutory Auditor 2 New Street Square London EC4A 3BZ
<b>Banker</b>	Barclays Bank plc One Churchill Place London E14 5HP

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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## STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 December 2016.

### Business review and principal activities

The principal activity of the Company is the management of retained construction liabilities and of the two defined benefit pension schemes and medical retirement scheme of the John Laing group (the 'Group').

There has not been any significant change in the Company's principal activity in the year under review.

The Company is a wholly owned subsidiary of John Laing Group plc.

The results for the year are set out on page 5.

### Principal risks and uncertainties

The Company's main defined benefit pension scheme (the 'John Laing Pension Fund') has a deficit. The amount of the deficit 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 Company is exposed to the risk of increases in cash contributions payable, volatility in the deficit reported in the Company's Balance Sheet, and gains/losses recorded in the Statement of Comprehensive Income. During the year, John Laing Group plc, through its wholly owned subsidiary John Laing Limited, made contributions to the John Laing Pension Fund of £18.4 million.

### Future developments

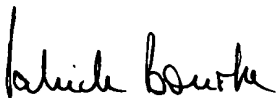
The Directors are not aware, at the date of this report, of any major changes in the Company's activities in the next year. The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of current market conditions and concluded that it is appropriate. In reaching this conclusion, the Directors have specifically considered the Company's relationship with its immediate parent company. More information is provided in note 2 to the financial statements.

### Key performance indicators

The Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or financial position of the business. The performance of John Laing Group plc, incorporating the performance of this Company, is discussed in the strategic report of the John Laing Group plc Annual Report and Financial statements.

The Strategic report was approved by the Board on 20 July 2017.

On behalf of the Board.



P O'D Bourke  
Director  
20 July 2017

## DIRECTORS' REPORT

The Directors submit their annual report together with the financial statements for the year ended 31 December 2016.

### Directors

The Directors who served throughout the year were as follows:

P O'D Bourke  
T G Foster

### Dividends

No dividend was declared and paid in the current and prior year.

### 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 concluded that it is appropriate. More information is provided in note 2 to the financial statements.

### Directors' insurance

The Group has made qualifying third party indemnity provisions for the benefit of its Directors during the year. These provisions remain in force at the reporting date.

### Statement of disclosure to auditor

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 ought to have taken as a Director in order to make himself 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 provision of section 418 of the Companies Act 2006.

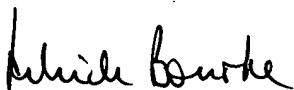
### Employees

Details of the number of employees and related costs can be found in note 6 to the financial statements on page 10.

### Auditor

Deloitte LLP have indicated their willingness to be reappointed as auditor and appropriate arrangements have been put in place for them to be deemed appointed as auditor in the absence of an Annual General Meeting.

On behalf of the Board



P O'D Bourke  
Director  
20 July 2017

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

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 in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. 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 year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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.

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

We have audited the financial statements of John Laing Services Limited for the year ended 31 December 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the related notes 1 to 16 and the list of subsidiaries and joint ventures. 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 101 'Reduced Disclosure Framework'.

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 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 Company's affairs as at 31 December 2016 and of its loss 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, based on the work undertaken in the course of the audit:

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

### 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 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.



Claire Faulkner FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
20 July 2017

**INCOME STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	<b>2016</b> £'000	<b>2015</b> £'000
<b>Continuing operations</b>			
Turnover	3	225	1,320
Cost of sales		(41)	(46)
<b>Gross profit</b>		<b>184</b>	<b>1,274</b>
Administrative expenses		(2,152)	4,293
Other operating income		2	4
<b>Operating (loss)/profit</b>	4	<b>(1,966)</b>	<b>5,571</b>
Net interest payable and similar charges	7	(851)	(2,230)
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(2,817)</b>	<b>3,341</b>
Tax credit/(charge) on (loss)/profit on ordinary activities	8	141	(231)
<b>(Loss)/profit for the financial year attributable to owner of the Company</b>		<b>(2,676)</b>	<b>3,110</b>

All items in the income statement relate to continuing operations.



**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016 £'000	2015 £'000
<b>(Loss)/profit for the financial year</b>	<b>(2,676)</b>	<b>3,110</b>
Actuarial (loss)/gain on post retirement obligations - pension	<b>(38,294)</b>	14,997
Actuarial (loss)/gain on post retirement obligations - medical benefits	<b>(1,061)</b>	740
Other comprehensive (loss)/income for the year	<b>(39,355)</b>	15,737
<b>Total comprehensive (loss)/income for the year attributable to owner of the Company</b>	<b>(42,031)</b>	<b>18,847</b>

None of the items above will be prospectively reclassified to the income statement.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital £'000	Retained losses £'000	Total equity £'000
<b>Balance at 1 January 2016</b>	<b>81,000</b>	<b>(116,732)</b>	<b>(35,732)</b>
Loss for the financial year	-	<b>(2,676)</b>	<b>(2,676)</b>
Other comprehensive loss for the year	-	<b>(39,355)</b>	<b>(39,355)</b>
<b>Total comprehensive loss for the year</b>	-	<b>(42,031)</b>	<b>(42,031)</b>
Contribution to pension fund from other John Laing Group companies	-	<b>18,401</b>	<b>18,401</b>
<b>Balance at 31 December 2016</b>	<b>81,000</b>	<b>(140,362)</b>	<b>(59,362)</b>

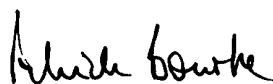
	Called up share capital £'000	Retained losses £'000	Total equity £'000
<b>Balance at 1 January 2015</b>	<b>81,000</b>	<b>(262,906)</b>	<b>(181,906)</b>
Profit for the financial year	-	3,110	3,110
Other comprehensive income for the year	-	15,737	15,737
<b>Total comprehensive income for the year</b>	-	<b>18,847</b>	<b>18,847</b>
Contribution to pension fund from other John Laing Group companies	-	127,327	127,327
<b>Balance at 31 December 2015</b>	<b>81,000</b>	<b>(116,732)</b>	<b>(35,732)</b>

**JOHN LAING SERVICES LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 2016**

	Notes	<u>2016</u> £'000	<u>2015</u> £'000
<b>Fixed assets</b>			
Investments	10	2,451	2,451
<b>Current assets</b>			
Trade and other receivables	11	12,160	14,498
Deferred tax assets	12	9	12
Cash at bank and in hand		27	4
		<u>12,196</u>	<u>14,514</u>
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	13	(3,138)	(2,154)
<b>Net current assets</b>		<u>9,058</u>	<u>12,360</u>
<b>Total assets less current liabilities</b>		<u>11,509</u>	<u>14,811</u>
Provisions for liabilities	14	(1,500)	(4,305)
Pension and other post retirement liabilities	9	(69,371)	(46,238)
<b>Net liabilities</b>		<u>(59,362)</u>	<u>(35,732)</u>
<b>Capital and reserves</b>			
Called up share capital	15	81,000	81,000
Retained losses		(140,362)	(116,732)
<b>Shareholder's deficit</b>		<u>(59,362)</u>	<u>(35,732)</u>

The financial statements of John Laing Services Limited, registered number 1363079, were approved by the Board of Directors and authorised for issue on 20 July 2017. They were signed on its behalf by:



P O'D Bourke  
Director  
20 July 2017

## Notes to the financial statements for the year ended 31 December 2016

**1 General information**

John Laing Services Limited (the 'Company') is a company limited by shares and incorporated in the United Kingdom. The registered office of the Company is 1 Kingsway, London, WC2B 6AN. The nature of the Company's operations and its principal activities are set out in the strategic report. These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The company is a qualifying entity under FRS 101 as it is consolidated into the IFRS financial statements of John Laing Group plc which are publicly available. As a qualifying entity, the Company has taken the exemptions from preparing a cash flow statement, from disclosing related party transactions with other members of John Laing Group, from using standards not yet effective and from disclosures in respect of financial instruments and financial risk management. The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of John Laing Group plc.

**2 Accounting policies****a) Basis of preparation**

The financial statements are prepared in accordance with FRS 101 and the Companies Act 2006. The principal accounting policies adopted are set out below.

**b) Going concern**

The Company had net liabilities as at 31 December 2016 and is reliant on the support of its immediate parent company, John Laing Group plc, to be able to meet its liabilities as they fall due. Together with John Laing Limited the Company is a participating employer of the John Laing Pension Fund (JLPF). John Laing Limited, a fellow subsidiary of John Laing Group plc acting as the sponsoring employer, has committed to make additional annual deficit repair contributions extending for several years into the future which will go towards funding the deficit in JLPF. These contributions were agreed as part of the actuarial valuation of JLPF as at 31 March 2016. These arrangements are expected to continue unless varied by agreement between John Laing Limited and the Trustee of JLPF.

The Directors accordingly consider that the Company is an integral part of John Laing Group plc's structure and strategy and this is evidenced by a letter of support from John Laing Group plc, which states its intent to provide the necessary financial support to ensure that the Company is a going concern for at least twelve months from the date of signing of these financial statements. After making enquiries and taking account of the factors noted above, the Directors 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.

**c) Turnover**

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

**d) Interest income**

Interest income is recognised when it is probable that 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.

**e) 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 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 Company's liability for current tax is calculated using tax rates that have been enacted, or substantively enacted, by the balance sheet date.

**Deferred tax**

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

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

## Notes to the financial statements for the year ended 31 December 2016

**2 Accounting policies (continued)****f) Investments**

Investments in subsidiaries and joint ventures are held at cost less accumulated impairment losses.

**g) Financial instruments**

Financial assets and financial liabilities are recognised in the Balance Sheet when the Company becomes a party to the contractual provisions of the financial instrument.

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

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

**h) Cash and cash equivalents**

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and short-term deposits with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities.

**i) Retirement benefit costs**

The Company 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 (the Plan), which are both closed to future accrual. The Company 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 Statement of Comprehensive Income. Curtailment gains arising from changes to members' benefits are recognised in full in the Income Statement.

The retirement benefit obligations recognised in the 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.

**j) Provisions**

Provisions are recognised when:

- the Company 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.

**Critical accounting judgements and key sources of estimation uncertainty**

The combined accounting deficit in the Company's defined benefit pension and post-retirement medical schemes at 31 December 2016 was £69,371,000 (31 December 2015 - £46,238,000). 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 9.

In determining the Company'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 Company 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.

**JOHN LAING SERVICES LIMITED**

**Notes to the financial statements for the year ended 31 December 2016 (continued)**

**3 TURNOVER**

Turnover in the year is analysed as follows:  
Service fee revenue

2016	2015
£'000	£'000
225	1,320
225	1,320

**4 OPERATING (LOSS)/PROFIT**

Operating (loss)/profit is stated after charging:  
Fees payable to the Company's auditor for the audit of the Company  
Net (charge)/credit on provisions

2016	2015
£'000	£'000
(11)	(11)
(551)	2,171

Administrative expenses for 2015 also included £3.5 million on a liquidation claim from a previous subcontractor in relation to disposed businesses.

**5 DIRECTORS REMUNERATION**

No Directors received any remuneration for services to the Company during the current or prior year. The Company is managed by secondees from shareholders.

**6 STAFF NUMBERS**

The average number of persons employed by the Company during the year, including Directors, was as follows:

2016	2015
No.	No.
9	9

The aggregate payroll costs of these persons were as follows:

Salaries  
Social security costs  
Pension costs

2016	2015
£'000	£'000
212	216
20	20
77	79
309	315

**7 NET INTEREST PAYABLE AND SIMILAR CHARGES**

**Interest receivable and similar income**

Interest receivable on amounts owed by group undertakings

2016	2015
£'000	£'000
351	498
351	498

**Interest payable and similar charges**

Pension finance cost  
Post retirement medical finance cost

2016	2015
£'000	£'000
(938)	(2,442)
(264)	(286)
(1,202)	(2,728)
(851)	(2,230)

Net interest payable and similar charges

**8 TAX CREDIT/(CHARGE) ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES**

Analysis of tax credit/(charge) for the year

**Current tax**

Group relief receivable  
Adjustments in respect of previous periods

**Total current tax credit**

2016	2015
£'000	£'000
144	(35)
-	(192)
144	(227)

**Deferred tax**

Accelerated capital allowances  
Changes to tax rates and laws

**Total deferred tax charge**

2016	2015
£'000	£'000
(2)	(3)
(1)	(1)
(3)	(4)

**Total tax credit/(charge) on (loss)/profit on ordinary activities**

2016	2015
£'000	£'000
141	(231)

## Notes to the financial statements for the year ended 31 December 2016 (continued)

**8 TAX (CHARGE)/CREDIT ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (continued)***Factors affecting tax credit for the current year*

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit/(loss) before tax are as follows:

	2016	2015
	£'000	£'000
(Loss)/profit on ordinary activities before taxation	(2,817)	3,341
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	563	(677)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	138	1,437
Non taxable UK dividend income	-	1
Adjustments in respect of previous years	-	(192)
Effect of change in tax rate	(1)	(1)
Adjustment for pension items in the profit and loss account	(559)	(799)
<b>Total tax credit/(charge) for the year</b>	<b>141</b>	<b>(231)</b>

As at 31 December 2016, there are no unrecognised deferred tax assets in respect of excess losses (2015 - Enil).

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.

**9 PENSION AND POST RETIREMENT LIABILITIES**

	2016	2015
	£'000	£'000
Pension schemes	(61,346)	(38,919)
Post retirement medical benefits	(8,025)	(7,319)
<b>Post retirement benefit obligations</b>	<b>(69,371)</b>	<b>(46,238)</b>

**a) Pension schemes**

The Company 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 by the John Laing Group since 1 January 2002, who are entitled to retirement benefits, can choose to be members of a defined contribution stakeholder scheme sponsored by the Company in conjunction with Legal and General Assurance Society Limited.

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. Under an agreed schedule of contributions, John Laing deficit reduction contribution for 2017, £24.5 million was paid in March 2017. The next triennial actuarial valuation of JLPF is due as at 31 March 2019.

During the year ended 31 December 2016, John Laing Limited made deficit reduction contributions of £18.4 million to JLPF in cash (2015 - £127.4 million mixture of cash and shares and PPP investments). These contributions are treated as capital contributions in the accounts of the Company and added to reserves. At 31 December 2016, JLPF's assets included two PPP investments valued at £37.8 million (31 December 2015 - £41.4 million). John Laing Limited has guaranteed to fund any cumulative shortfall in forecast project yield payments for one of the 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).

## Notes to the financial statements for the year ended 31 December 2016 (continued)

## 9 PENSION AND POST RETIREMENT LIABILITIES (continued)

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 is shown below:

<b>31 December 2016</b>	<b>Deferred</b>	<b>Pensioners</b>	<b>Total</b>
JLPF	<b>4,385</b>	<b>3,883</b>	<b>8,268</b>
The Plan	<b>109</b>	<b>328</b>	<b>437</b>
<b>31 December 2015</b>	<b>Deferred</b>	<b>Pensioners</b>	<b>Total</b>
JLPF	<b>4,569</b>	<b>3,787</b>	<b>8,356</b>
The Plan	<b>114</b>	<b>334</b>	<b>448</b>

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

	<b>2016</b>	<b>2015</b>
	<b>%</b>	<b>%</b>
Discount rate	<b>2.80</b>	3.75
Rate of increase in non-GMP pensions in payment	<b>3.10</b>	2.90
Rate of increase in non-GMP pensions in deferment	<b>2.10</b>	2.00
Inflation - RPI	<b>3.20</b>	3.00
Inflation - CPI	<b>2.10</b>	2.00

The major categories and fair value of assets held by the Schemes were as follows:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Bonds and other debt instruments	<b>415,159</b>	364,236
Equity instruments	<b>374,659</b>	337,045
Aviva bulk annuity buy in agreement	<b>234,140</b>	214,233
Property	<b>1,760</b>	2,300
Derivatives	<b>(6,093)</b>	(8,332)
Cash and cash equivalents	<b>52,457</b>	5,811
UK PPP investments	<b>37,800</b>	41,432
<b>Total market value of assets</b>	<b>1,109,882</b>	956,725

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 Company's actuarial adviser.

	<b>(Increase)/decrease in pension liabilities at 31 December 2016 before deferred tax</b>	
	<b>Increase in assumption</b>	<b>Decrease in assumption</b>
	<b>£'000</b>	<b>£'000</b>
0.25% on discount rate	<b>45,828</b>	<b>(48,873)</b>
0.25% on inflation rate	<b>(34,058)</b>	<b>33,210</b>
1 year post retirement longevity	<b>(43,656)</b>	<b>38,445</b>

## Notes to the financial statements for the year ended 31 December 2016 (continued)

## 9 PENSION AND POST RETIREMENT LIABILITIES (continued)

**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.

	2016		2015	
	Male	Female	Male	Female
	Years	Years	Years	Years
Life expectancy - of member reaching age 65 in 2016	22.4	24.5	22.3	24.4
Life expectancy - of member aged 65 in 2031	23.6	25.9	23.4	25.5

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

	2016		2015	
	£'000	%	£'000	%
<b>Bond and other debt instruments</b>				
UK corporate bonds	80,871		113,978	
UK government gilts	141,619		104,723	
UK government gilts - index linked	192,669		145,535	
	<b>415,159</b>	<b>37.3</b>	<b>364,236</b>	<b>43.0</b>
<b>Equity instruments</b>				
UK listed equities	152,009		147,502	
European listed equities	34,250		28,680	
US listed equities	73,800		80,700	
Other international listed equities	114,600		80,163	
	<b>374,659</b>	<b>33.8</b>	<b>337,045</b>	<b>28.2</b>
<b>Bulk annuity buy-in agreement</b>	<b>234,140</b>	<b>21.1</b>	<b>214,233</b>	<b>26.1</b>
<b>Property</b>				
Industrial property	1,760		2,300	
	<b>1,760</b>	<b>0.2</b>	<b>2,300</b>	<b>1.0</b>
<b>Cash and equivalents</b>	<b>52,457</b>	<b>4.7</b>	<b>5,811</b>	<b>1.5</b>
<b>UK PPP assets</b>	<b>37,800</b>	<b>3.4</b>	<b>41,432</b>	<b>0.8</b>
<b>Derivatives</b>				
Inflation swaps	(6,093)	(0.5)	(8,332)	(0.6)
<b>Total market value of Scheme assets</b>	<b>1,109,882</b>	<b>100.0</b>	<b>956,725</b>	<b>100.0</b>
<b>Present value of Schemes' liabilities</b>	<b>(1,171,228)</b>		<b>(992,970)</b>	
<b>Deficit in the Schemes</b>	<b>(61,346)</b>		<b>(36,245)</b>	
<b>Less unrecoverable surplus in Plan*</b>	<b>-</b>		<b>(2,674)</b>	
<b>Net pension liability</b>	<b>(61,346)</b>		<b>(38,919)</b>	

\* The surplus in the Plan which as at 31 December 2016 was £2,884,000 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.



## Notes to the financial statements for the year ended 31 December 2016 (continued)

## 9 PENSION AND POST RETIREMENT LIABILITIES (continued)

*Analysis of amounts charged to operating profit*

	2016	2015
	£'000	£'000
Current service cost*	(1,613)	(1,339)

\* 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*

	2016	2015
	£'000	£'000
Interest on Schemes' assets	35,359	34,203
Interest on Schemes' liabilities	(36,297)	(36,645)
<b>Net charge to finance costs</b>	<b>(938)</b>	<b>(2,442)</b>

*Analysis of amounts recognised in Statement of Comprehensive Income*

	2016	2015
	£'000	£'000
Return on Schemes' assets (excluding amounts included in interest on Schemes' assets above)	151,443	(22,962)
Experience (loss)/gain arising on Schemes' liabilities	(5,715)	15,597
Changes in demographic assumptions underlying the present value of the Schemes' liabilities	(1,109)	-
Changes in financial assumptions underlying the present value of the Schemes' liabilities	(185,587)	22,051
Recognition of surplus in Plan at 31 December 2015	2,674	-
Decrease in unrecoverable surplus	-	311
<b>Actuarial (loss)/gain recognised in the Statement of Comprehensive Income</b>	<b>(38,294)</b>	<b>14,997</b>

The cumulative amount of losses recognised in the Statement of comprehensive Income is £385,965,000 (2015 - £347,671,000).

*Changes in present value of defined benefit obligations*

	2016	2015
	£'000	£'000
Opening defined benefit obligation	(992,970)	(1,040,974)
Current service cost	(1,613)	(1,339)
Interest cost	(36,297)	(36,645)
Experience (loss)/gain arising on Schemes' liabilities	(5,715)	15,597
Changes in financial assumptions underlying the present value of Schemes' liabilities	(185,587)	22,051
Changes in demographic assumptions underlying the present value of Schemes' liabilities	(1,109)	-
Benefits paid (including administrative costs paid)	52,063	48,340
<b>Closing defined benefit obligation</b>	<b>(1,171,228)</b>	<b>(992,970)</b>

The weighted average life of JLPF liabilities at 31 December 2016 is 16.8 years (31 December 2015 - 15.3 years).

*Changes in the fair value of Schemes' assets*

	2016	2015
	£'000	£'000
Opening fair value of the Schemes' assets	956,725	866,415
Interest on Schemes' assets	35,359	34,203
Return on Schemes' assets (excluding amounts included in interest on Schemes' assets above)	151,443	(22,962)
Contributions by employer	18,418	127,409
Benefits paid (including administrative costs paid)	(52,063)	(48,340)
<b>Closing fair value of Schemes' assets</b>	<b>1,109,882</b>	<b>956,725</b>

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

	2016	2015
	£'000	£'000
Deficit at beginning of year	(36,245)	(174,559)
Current service cost	(1,613)	(1,339)
Other finance cost	(938)	(2,442)
Contributions by employer	18,418	127,409
Actuarial (loss)/gain*	(40,968)	14,686
<b>Deficit in Schemes at 31 December</b>	<b>(61,346)</b>	<b>(36,245)</b>
Less unrecoverable surplus in Plan	-	(2,674)
<b>Pension deficit at 31 December</b>	<b>(61,346)</b>	<b>(38,919)</b>

\* excluding the decrease in unrecoverable surplus in the Plan and recognition of surplus in 2015.

## Notes to the financial statements for the year ended 31 December 2016 (continued)

## 9 PENSION AND POST RETIREMENT LIABILITIES (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 Balance Sheet under retirement benefit obligations as follows:

	2016	2015
	£'000	£'000
Post retirement medical liability - opening	(7,319)	(8,156)
Contributions	554	383
Other finance costs	(264)	(286)
Experience (loss)/gain*	(219)	359
Changes in financial assumptions underlying the present value of scheme's liabilities*	(903)	381
Changes in demographic assumptions underlying the present value of liabilities*	61	-
Curtailment and settlements	65	-
<b>Post retirement medical liability - closing</b>	<b>(8,025)</b>	<b>(7,319)</b>

\* These amounts are actuarial (losses)/gains that go through the 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	1% decrease
	£'000	£'000
Post retirement medical liability	(8,921)	(7,251)

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	1% decrease
	£'000	£'000
Life expectancy	(8,654)	(7,427)

## 10 INVESTMENTS

	Subsidiary undertakings	Joint ventures	Total
	Equity	Equity	
	£'000	£'000	£'000
<b>Cost</b>			
At 1 January 2016	26,402	261	26,663
At 31 December 2016	26,402	261	26,663
<b>Provisions for impairment</b>			
At 1 January 2016	(24,212)	-	(24,212)
At 31 December 2016	(24,212)	-	(24,212)
<b>Net book value</b>			
At 31 December 2016	2,190	261	2,451
At 31 December 2015	2,190	261	2,451

The Company's subsidiary undertakings and joint ventures are listed on page 18.

In the opinion of the Directors the aggregate value of the investment in subsidiary undertakings and joint ventures is not less than the amount stated in the Balance Sheet.

## Notes to the financial statements for the year ended 31 December 2016 (continued)

## 11 DEBTORS

	2016 £'000	2015 £'000
<b>Due within one year</b>		
Trade debtors	6	6
Prepayments	9	-
Amounts owed by group undertakings	12,145	14,492
	<b>12,160</b>	<b>14,498</b>

The amounts owed by group undertakings are repayable on demand and interest is charged at 2.5% above base rate (2015 - 3.5% above base rate from January 2015 to February 2015 and 2.75% above base rate from March 2015 to December 2015).

## 12 DEFERRED TAX

The following are the major deferred tax assets and movements therein recognised by the Company for the years ended 31 December 2016 and 31 December 2015:

	Other deductible temporary differences £'000
Opening asset at 1 January 2016	12
Charge to income - current year	(2)
Change in tax rates	(1)
<b>Closing asset at 31 December 2016</b>	<b>9</b>
Opening asset at 1 January 2015	16
Charge to income - current year	(3)
Change in tax rates	(1)
<b>Closing asset at 31 December 2015</b>	<b>12</b>

## 13 CREDITORS

	2016 £'000	2015 £'000
<b>Amounts falling due within one year</b>		
Amounts owed to group undertakings	2,584	1,514
Trade creditors	25	87
Other taxation and social security	2	3
Amounts owed to joint venture	527	527
Accruals and deferred income	-	23
	<b>3,138</b>	<b>2,154</b>

Included in amounts owed to group undertakings are trading balances and a loan of £1.0 million from the Company's dormant subsidiary. These balances are repayable on demand and no interest is charged on these balances.

The amounts owed to joint venture are repayable on demand. There is no interest charged on this balance.

## 14 PROVISIONS FOR LIABILITIES

	Reorganisation costs £'000	Indemnified contract costs to complete £'000	Total £'000
At 1 January 2016	17	4,288	4,305
Net (credit)/charge to the income statement	(17)	558	541
Utilised during year	-	(3,346)	(3,346)
<b>At 31 December 2016</b>	<b>-</b>	<b>1,500</b>	<b>1,500</b>

Indemnified contract costs to complete are assessed regularly on a contract by contract basis and are expected to be utilised over the short to medium term. A net charge to the profit and loss account of £0.6 million increased other provisions before a utilisation during the year of £3.4 million.

**Notes to the financial statements for the year ended 31 December 2016 (continued)**

**15 CALLED UP SHARE CAPITAL**

	2016 £'000	2015 £'000
<b>Allotted, called up and fully paid:</b>		
81,000,000 ordinary shares of £1 each	<b>81,000</b>	<b>81,000</b>

**16 ULTIMATE PARENT UNDERTAKING**

The Company's immediate parent, ultimate parent and controlling entity is John Laing Group plc which is incorporated in the United Kingdom.

The smallest and largest group in which the Company's results are consolidated is John Laing Group plc, a company incorporated in the United Kingdom and registered in England and Wales. Copies of the consolidated accounts of John Laing Group plc are available on [www.laing.com](http://www.laing.com) and from Companies House, Crown Way, Cardiff, CF14 3UZ.

## JOHN LAING SERVICES LIMITED

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### LIST OF SUBSIDIARY UNDERTAKINGS AND JOINT VENTURES

Company name	Ownership interest	Country of incorporation	Principal activity	Registered office
<i>Group companies</i>				
RL Design Solutions Limited	100%	United Kingdom	Dormant	1 Kingsway, London, WC2B 6AN
John Laing & Son BV	100%	Netherlands	Holding company	Schiphol Boulevard 253 D-building, Schiphol, 1118 BH, The Netherlands
Wimpey Laing Limited	50%	United Kingdom	Dormant	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR