Company Registration No. 03600959 (England and Wales)

LAING INVESTMENTS MANAGEMENT SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

LAINING INVESTMENTS MANAGEMENT SERVICES LIMITED

COMPANY INFORMATION

Directors	S Colvin	
	C Underwood	
	Luciana Germinario	(Appointed 9 May 2019)
Secretary	E Martin	
Company number	03600959	
Registered office	1 Kingsway London United Kingdom WC2B 6AN	
Auditor	Deloitte LLP Statutory Auditor London United Kingdom	

LAINGINVESTMENTS MANAGEMENT SERVICES LIMITED

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LAING INVESTMENTS MANAGEMENT SERVICES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present the strategic report for the year ended 31 December 2019.

Business Review

During the year, the Company was successful in securing one new investment for the John Laing group, an 85% interest in the University of Brighton Student Accommodation project, and consequently earned a development fee of £500,000 from the project.

The John Laing group ceased its fund management activities in June 2019 in relation to which the Company provided services to a fellow group undertaking. Primarily as a result of the cessation of these activities, the level of service fee revenue for 2019 was lower than for 2018. This revenue is expected to be lower again in 2020. Following the cessation of these activities, 22 employees left the Company. This was the principal reason for the reduction in administrative costs.

The management recharges earned in 2019, which the Company earns from a fellow group undertaking in the John Laing group for the provision of bidding and investing services and asset management services, increased last year. This was primarily as a result of an increase in the value of the investment portfolio held by the John Laing Group from £1,560 million at 31 December 2018 to £1,768 million at 31 December 2019.

For an assessment of the impact of Covid-19 on the Company's operations and on the Company as a going concern, see the Directors' Report.

Principal risks and uncertainties

The principal risks to the Company are delays in reaching financial close on investments being bid for and/or a reduced number of new bidding opportunities due to competitive market conditions. A further risk is reductions in the value of the John Laing group portfolio. The Covid-19 update in the Directors' Report provides details of the impact of Covid-19 in these areas. Further details of the principal risks and uncertainties impacting the John Laing group are set out in the John Laing Group plc 2019 Annual Report and Accounts. For details of the financial management risks faced by the Company, see the Directors' Report.

Key performance indicators

The key performance indicators for the Company are the level of profit and the value of the John Laing group investment portfolio. A key driver of the Company's revenue and profit is the size of the investment portfolio, for which the Company provides asset management services.

Profit before tax was £3.2 million (2018: loss of £7.3 million). The increase in profit is primarily due to the higher management recharges as explained in the Business Review above. The Company continues to bid for investment opportunities in 2020 from which it hopes to receive cost recoveries and success fees, as well as to earn increased group management recharges as the John Laing group's investment portfolio grows.

The value of the John Laing group investment portfolio increased from £1,560 million at 31 December 2018 to £1,768 million at 31 December 2019.

LAING INVESTMENTS MANAGEMENT SERVICES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

s172(1) statement

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

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

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

The Company's key stakeholders are its employees and its shareholder, John Laing Group plc. The views of and the impact of the Company's activities on those stakeholders are an important consideration for the directors when making relevant decisions. While there are cases where the board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of John Laing Group plc's operations and stakeholders means that generally our stakeholder engagement best takes place at the John Laing Group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details on the engagement which takes place with the Company's stakeholders so as to encourage the directors to understand the issues to which they must have regard, please see pages 46 and 47 of the John Laing Group plc 31 December 2019 Annual Report & Accounts.

There have been no material decisions made during the year under review which have impacted the long-term sustainable success of the Company or its stakeholders.

On behalf of the board

S Colvin
Director
30 July 2020

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their annual report and audited financial statements for the year ended 31 December 2019.

Going concern and Covid-19 impact
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, John Laing Group plc and a fellow group subsidiary, John Laing Investments Limited, who hold the John Laing Group’s investment portfolio.

The Directors have assessed the impact of Covid-19 and the resulting lock down on the Company post the balance sheet date. Its principal activities, as described below, are reliant upon the performance of its parent undertaking, John Laing Group plc, and its investing subsidiaries. The Company earns revenues from its asset management activities based on the value of the investment portfolio of the John Laing group in the region in which the Company operates. The Company can also earn revenue from the recovery of costs on successful bids for new PPP projects.

The directors of John Laing Group plc and its investing subsidiaries have undertaken their own review of the impact of Covid-19. The value of the John Laing group’s investment portfolio comprises investments in PPP and renewable energy assets, a large proportion of which have revenue and returns not at a material risk of reduction as a result of Covid-19. While the John Laing group is seeing an adverse impact on the value of its investments from macroeconomic factors as well as a slow-down in its value enhancements programme, these are not significant in the context of the overall investment portfolio valuation which at 31 December 2019 stood at £1,768 million. Delays are arising in the procurement of new PPP projects by public bodies, which could limit increases in the portfolio in 2020. On the other hand, the current environment also creates scope for late-stage entries and M&A opportunities. Further, delays in procurement could result in lower bid costs being incurred by the Company in 2020, and offsetting the possible adverse impact from a reduction in new investments is delays to divestment processes.

Overall, while certain of the assets in John Laing group’s portfolio have been impacted by the lockdown, the impact is not expected to be significant in the context of the investment valuation at 31 December 2019 and by extension is not expected to materially impact the Company.

The Company had net liabilities at 31 December 2019 and is reliant on the support of its parent company to be able to meet its liabilities as they fall due. The Directors have concluded that this support is still present, as evidenced by the letter of support from John Laing Investments Limited, which states it will 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. The Directors have made enquiries of the directors of John Laing Investments Limited on the ability of John Laing Investments Limited to provide support to the Company. John Laing Investments Limited is a co-borrower under the John Laing Group’s £650m corporate banking facilities of which £150 million expires in January 2022 and £500 million in July 2023. The total amount available on this facility at December 2019 was £307 million. Following investment disposals in the first half 2020 the amount available has not significantly changed. Following these enquiries and understanding the financial position of John Laing Investments Limited, the Directors have reached the conclusion that John Laing Investments Limited has the ability to continue to support the Company. These financial statements have therefore been prepared on a going concern basis.

Principal activities
The principal activities of the Company continued to be the provision of bidding and investing services for the John Laing Group in the UK, Ireland, Scandinavia and certain other parts of Continental Europe, and the provision of asset management services to John Laing Group's investment portfolio in the UK and certain parts of Europe. The Company also provides support for the provision of these services in other countries in the Europe and Middle East region and in other regions. The provision of services to two external infrastructure funds under an agreement with John Laing Capital Management Limited ceased during the year.

Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

P O'D Bourke	(Resigned 9 May 2019)
S Colvin	
R Dawson-Hall	(Resigned 17 June 2019)
T Foster	(Resigned 17 January 2019)
C Underwood	
C Waples	(Resigned 31 January 2019)
Luciana Germinario	(Appointed 9 May 2019)

Results and dividends

The results for the year are set out on page 10.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Qualifying third party indemnity provisions

The Directors of the Company benefit from qualifying third party indemnity provisions provided by the Company’s parent undertaking.

Directors' insurance

The Company’s Directors are covered by insurance policies entered into by its ultimate parent undertaking, John Laing Group plc, that insure them against liability arising from negligence, breach of duty and breach of trust in relation to the Company.

Post reporting date events

The COVID-19 outbreak is a non-adjusting event after the balance sheet date in respect of the Company's financial statements for the year ended 31 December 2019. For an assessment of the impact from COVID-19 in 2020, including an assessment of its impact on the Company as a going concern, see above.

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.

Auditor

The auditor, Deloitte LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

Each of the Directors in office at the date of approval of this annual report confirms that:

- so 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 the provisions of section 418 of the Companies Act 2006.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk.

The various types of financial risk and how they are managed are described below:

Cash flow risk

The Company’s activities expose it primarily to the financial risks of changes in interest rates. The Company’s exposure to changes in interest rates is limited to loans due to and from group undertakings within the John Laing group, on which interest is charged at variable rates of interest. This risk is managed on a group basis.

Credit risk

The Company’s principal financial assets are bank balances, trade debtors and amounts due from fellow group undertakings.

The Company’s credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The credit risk on amounts due from fellow group undertakings is limited because the counterparties are core companies in the John Laing group with significant net assets and financial resources. As explained in the above section ‘Going concern and Covid-19 impact’, these fellow group undertakings have not experienced a significant adverse impact on its available financial resources.

Liquidity risk

The Company is reliant on the support of its immediate parent company to be able to meet its liabilities as they fall due. Further details regarding liquidity risk can be found in the Going Concern section of the accounting policies in the financial statements.

On behalf of the board

S Colvin
Director

30 July 2020

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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 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 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 LAING INVESTMENTS MANAGEMENT SERVICES LIMITED

Opinion

In our opinion the financial statements of Laing Investments Management Services Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Report on other legal and regulatory requirements

Opinions on other matters 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 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 or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the company's member 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 it 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, for our audit work, for this report, or for the opinions we have formed.

D.Winstone

Daryl Winstone FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP

30 July 2020

Statutory Auditor

Statutory Auditor
London
United Kingdom

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Turnover	3	38,195	32,930
Administrative expenses		(33,985)	(39,345)
Operating profit/(loss)	4	4,210	(6,415)
Interest receivable and similar income	7	56	64
Interest payable and similar expenses	8	(1,035)	(995)
Profit/(loss) before taxation		3,231	(7,346)
Tax on profit/(loss)	9	(302)	1,485
Profit/(loss) for the financial year		2,929	(5,861)

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

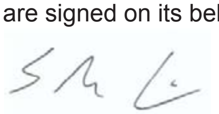
LAING INVESTMENTS MANAGEMENT SERVICES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

		2019		2018	
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Fixed assets					
Tangible assets	**10**		138		52
Current assets					
Debtors	**11**	5,701		25,748	
Cash at bank and in hand		133		9	
		5,834		25,757	
Creditors: amounts falling due within one year	**12**	(22,585)		(11,250)	
Net current (liabilities)/assets			(16,751)		14,507
Total assets less current liabilities			(16,613)		14,559
Creditors: amounts falling due after more than one year	**13**		-		(34,988)
Provisions for liabilities	**14**		(670)		(550)
Net liabilities			(17,283)		(20,979)
Capital and reserves					
Called up share capital	**17**		23,400		23,400
Other reserves			3,785		3,018
Profit and loss account			(44,468)		(47,397)
Total equity			(17,283)		(20,979)

The financial statements were approved by the board of directors and authorised for issue on 30 July 2020 and are signed on its behalf by:



S Colvin
Director

Company Registration No. 03600959

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Other reserves	Profit and loss account	Total
	£'000	£'000	£'000	£'000
Balance at 1 January 2018	23,400	2,430	(41,536)	(15,706)
Year ended 31 December 2018:				
Loss and total comprehensive income for the year	-	-	(5,861)	(5,861)
Share based payments	-	588	-	588
Balance at 31 December 2018	23,400	3,018	(47,397)	(20,979)
Year ended 31 December 2019:				
Profit and total comprehensive income for the year	-	-	2,929	2,929
Share based payments	-	767	-	767
Balance at 31 December 2019	23,400	3,785	(44,468)	(17,283)

1 Accounting policies

Company information

Laing Investments Management Services Limited is a private company limited by shares domiciled in the United Kingdom, incorporated in Great Britain and registered in England and Wales. The registered office is 1 Kingsway, London, United Kingdom, WC2B 6AN.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”) and the requirements of the Companies Act 2006.

The financial statements are prepared in pound sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 ‘Statement of Cash Flows’: Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 ‘Basic Financial Instruments’ and Section 12 ‘Other Financial Instrument Issues’: Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 ‘Share based Payment’: Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 ‘Related Party Disclosures’: Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of John Laing Group plc. These consolidated financial statements are available from its registered office, 1 Kingsway, London, United Kingdom, WC2B 6AN.

1 Accounting policies **(Continued)**

1.2 Going concern

The Company has net liabilities as at 31 December 2019 and is reliant on the support of its immediate parent company to be able to meet its liabilities as they fall due. However, the Directors consider that the Company is an integral part of the John Laing group's structure and strategy and this is evidenced by a letter of support from John Laing Investments Limited, which states its intention 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.

The Directors have assessed the impact of COVID-19 on the Company post the balance sheet date and determined there to be no material impact on the Company and its operations. The Directors have arrived at this conclusion on the basis that its principal activities are reliant upon the performance of John Laing Group plc and its group, whom, having undertaken its own review of the impact of COVID-19, does not currently foresee any material impact on its own performance. There has also been no material impact on the ability of John Laing Investments Limited to provide financial support to the Company.

1.3 Turnover

Turnover represents income receivable in the ordinary course of business for services provided and excludes value added tax. Fees receivable in respect of MSAs with project companies are recognised evenly over the period of the agreement; and income arising in respect of recoveries of bid costs from the financial close of investments in project companies is recognised when recovery is virtually certain.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives using the straight-line method:

Leasehold improvements	- Lower of lease term or 50 years
Computers	- 3 to 5 years
Computer software	- 5 years
Office equipment	- 3 to 5 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting end date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1 Accounting policies **(Continued)**

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Cash and cash equivalents

Cash at bank and in hand is a basic financial asset and includes cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 Financial instruments

The Company has elected to apply the provisions of Section 11 ‘Basic Financial Instruments’ and Section 12 ‘Other Financial Instruments Issues’ of FRS 102 to all its financial instruments.

Financial assets are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

1 Accounting policies (Continued)

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1 Accounting policies **(Continued)**

Other financial liabilities

Derivatives, including interest rate swaps, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

1.8 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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 in the 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 the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1 Accounting policies **(Continued)**

1.10 Provisions

Provisions are recognised when the Company has a legal or constructive present obligation as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Share-based payments

The Company has certain employees who are eligible for awards under John Laing Group plc's share based incentive arrangements. John Laing Group plc operates share-based incentive arrangements for Executive Directors, senior executives and other eligible employees under which awards are granted over John Laing Group plc'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.

In addition, the John Laing Group operated a Deferred Share Bonus Plan in 2018 under which executive directors and certain senior executives, including employees of the Company, were awarded shares in John Laing Group plc in relation to that part of their annual bonus 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.

The cost of the two share based incentive arrangements described above is calculated for each individual eligible employee and then aggregated to arrive at the total Group cost. The Company recognises an expense through its statement of comprehensive income in relation to its own employees and also recognises a capital contribution through other reserves to reflect that the cost will ultimately be borne by John Laing Group plc through the issue or purchase of ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies **(Continued)**

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under both the original terms and conditions and under the modified terms and conditions is determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern over which economic benefits from the lease asset are consumed.

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

Given the nature of the Company's assets and liabilities, the Directors are of the opinion that there are no critical accounting judgements or key sources of estimation uncertainty.

3 Turnover and other revenue

An analysis of the Company's turnover is as follows:

	2019 £'000	2018 £'000
Turnover analysed by class of business		
Service fee revenue	12,236	15,934
Management recharges	24,808	17,529
Recoveries of bid costs	1,151	(533)
	38,195	32,930

	2019 £'000	2018 £'000
Other significant revenue		
Interest income	56	64

3 Turnover and other revenue (Continued)

	2019 £'000	2018 £'000
Turnover analysed by geographical market		
United Kingdom	38,195	32,435
Europe	-	480
United States	-	15
	38,195	32,930

4 Operating profit/(loss)

Operating profit/(loss) for the year is stated after charging/(crediting):	2019 £'000	2018 £'000
Exchange (gains)/losses	(115)	395
Fees payable to the company's auditor for the audit of the company's financial statements	23	22
Depreciation of owned tangible fixed assets	33	37
Share-based incentives	767	588
Operating lease charges	651	1,601

During the year ended 31 December 2018, there was a change in the basis for recognising rental charges payable under operating leases from a prior systematic basis to a straight-line basis that resulted in a one-off increase in operating lease charges in the year of £898,000.

5 Employees

The average monthly number of persons (including directors) employed by the Company during the year was 74 (2018: 91).

5 Employees (Continued)

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	10,099	13,394
Social security costs	2,095	1,848
Pension costs	420	526
Share-based incentives	767	588
	13,381	16,356

6 Directors' remuneration

	2019 £'000	2018 £'000
Remuneration for qualifying services	604	1,125
Share-based incentives	96	352
Company pension contributions to defined contribution schemes	52	75
	752	1,200

The number of Directors who participated in share schemes during the year was 5 (2018:4). Remuneration disclosed above include the following amounts paid to the highest director:

	2019 £'000	2018 £'000
Remuneration for qualifying services	280	424
Share-based incentives	33	197
Company pension contributions to defined contribution schemes	8	32
	321	654

6 Directors' remuneration **(Continued)**

7 Interest receivable and similar income

	2019	2018
	£'000	£'000
Interest income		
Interest receivable from group companies	56	64

8 Interest payable and similar expenses

	2019	2018
	£'000	£'000
Interest payable to group undertakings	1,035	995

9 Taxation

	2019	2018
	£'000	£'000
Current tax		
UK corporation tax on profits for the current period	(225)	(1,537)
Adjustments in respect of prior periods	11	10
Total current tax	(214)	(1,527)
Deferred tax		
Origination and reversal of timing differences	401	(34)
Changes in tax rates	(60)	(6)
Adjustment in respect of prior periods	3	(11)
Deferred tax on share-based payments charge	93	-
Other adjustments	79	93
Total deferred tax	516	42
Total tax charge/(credit)	302	(1,485)

For the year ended 31 December 2019, a tax rate of 19% has been applied (2018 – 19%).

The Company has measured its deferred tax asset at 31 December 2019 at 17% because it expects the majority of the deferred tax asset will be realised after 1 April 2020. The UK Government had previously announced its intention to keep the tax rate at 19% rather than reduce it to 17% from 1 April 2020 but at 31 December 2019, the change to increase the tax rate to 19% from 1 April 2020 was not substantively enacted. The impact were the deferred tax asset to be recognised at 19% is £71,000.

9 Taxation (Continued)

The actual expense/(credit) for the year can be reconciled to the expected expense/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £'000	2018 £'000
Profit/(loss) before taxation	3,231	(7,346)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	614	(1,396)
Tax effect of expenses that are not deductible in determining taxable profit	40	65
Adjustments in respect of prior years	11	10
Effect of change in corporation tax rate	(60)	(6)
Depreciation on assets not qualifying for tax allowances	3	-
Share based payment charge	(309)	(147)
Deferred tax adjustments in respect of prior years	3	(11)
Taxation charge/(credit) for the year	302	(1,485)

10 Tangible fixed assets

	Leasehold improvements £'000	Computers £'000	Computer software £'000	Office equipment £'000	Total £'000
Cost					
At 1 January 2019	34	2,793	4,985	2,667	10,479
Additions	52	34	-	33	119
Transfers	-	(38)	14	23	(1)
At 31 December 2019	86	2,789	4,999	2,723	10,597
Depreciation and impairment					
At 1 January 2019	34	2,793	4,985	2,615	10,427
Depreciation charged in the year	1	-	-	32	33
Transfers	-	(38)	14	23	(1)
At 31 December 2019	35	2,755	4,999	2,670	10,459
Carrying amount					
At 31 December 2019	51	34	-	53	138
At 31 December 2018	-	-	-	52	52

11 Debtors

Amounts falling due within one year:	**2019 £'000**	**2018 £'000**
Trade debtors	342	1,077
Corporation tax recoverable	225	-
Amounts owed by group undertakings	2,134	22,541
Other debtors	489	301
Prepayments and accrued income	1,910	712
	5,100	24,631
Deferred tax asset (note 15)	601	1,117
	5,701	25,748

Included within amounts owed by group undertakings are loans to group companies amounting to £1,981,000 (2018 - £2,141,000) together with interest on the loans of £ 56,000 (2018 - £64,000). These loans are repayable on demand and interest on the loans was charged at 2% above base rates throughout 2019 (2018 – 2.5% above base rates from 1 January 2018 to 21 April 2018, 3% above base rates from 22 April 2018 to 24 July 2018 and 2% above base rates from 25 July 2018 to 31 December 2018).

Amounts owed by group undertakings in 2018 also included a trading balance of £17,529,000 in respect of the 2018 group management recharges. This amount was repayable in line with invoice terms with interest charged at agreed arms' length interest rates. In the current year, the group management recharges for 2019 were settled immediately to the loan from the same group undertaking (see note 12).

12 Creditors: amounts falling due within one year

	2019 £'000	**2018 £'000**
Trade creditors	448	331
Amounts owed to group undertakings	17,161	1,158
Taxation and social security	364	393
Other creditors	15	3
Accruals and deferred income	4,597	9,365
	22,585	11,250

13 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Amounts due to fellow group undertakings	-	34,998

The amounts due to group undertakings in notes 12 and 13 include a loan from a fellow group undertaking of £16,126,000 (2018 - £34,988 ,000) and interest payable on the loan of £1,035,000 (2018 - £995,000). The loan is repayable on demand in the current and prior year. However, for the 2018 financial statements, it had been agreed with the group undertaking that the loan payable to this undertaking would not be recalled within 12 months of the balance sheet date and therefore this amount was shown as falling due after more than one year. No such agreement has been reached for the 2019 financial statements and therefore the loan is shown as falling due within one year.

Interest on the loan was charged at 2% above base rates throughout 2019 (2018 – 2.5% above base rates from 1 January 2018 to 21 April 2018, 3% above base rates from 22 April 2018 to 24 July 2018 and 2% above base rates from 25 July 2018 to 31 December 2018).

14 Provisions for liabilities

	2019 £'000	2018 £'000
Service concession contract claims	250	250
Irrecoverable VAT	420	300
	670	550

Movements on provisions:

	Service concession contract claims £'000	Irrecoverable VAT £'000	Total £'000
At 1 January 2019	250	300	550
Additional provisions in the year	-	120	120
At 31 December 2019	250	420	670

The provision brought forward at 1 January 2019 of £250,000 in relation to potential third party claims on service concession contracts with project companies remains unchanged.

14 Provisions for liabilities **(Continued)**

The irrecoverable VAT provision was created in 2014 in relation to estimated future irrecoverable amounts of VAT previously reclaimed under the partial exemption scheme. At 31 December 2019, this provision stood at £420,000. This is expected to be utilised during the year beginning 1 January 2020.

15 Deferred taxation

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Balances:	Assets 2019 £'000	Assets 2018 £'000
Accelerated capital allowances	331	406
Other timing differences	270	711
	601	1,117

Movements in the year:	2019 £'000
Asset at 1 January 2019	(1,117)
Charge to profit or loss	516
Asset at 31 December 2019	(601)

Accelerated capital allowances and any payments under long term incentive plans will reduce future taxable profits or, to the extent that they create current year losses, will be surrendered for consideration at the prevailing corporation tax rate. It is therefore appropriate to recognise a deferred tax asset on these amounts.

16 Retirement benefit schemes

Defined contribution schemes	2019 £'000	2018 £'000
Charge to profit or loss in respect of defined contribution schemes	420	526

17 Share capital

	2019 £'000	2018 £'000
Ordinary share capital		
Issued and fully paid		
23,400,001 ordinary shares of £1 each	23,400	23,400

The other reserves represent the capital contribution to the equity based share incentive scheme.

18 Operating lease commitments

Lessee
The Company operates a leasing arrangement at No. 1 Kingsway, London, WC2B 6AN.

There are no remaining rent free periods in operation on this lease.

The next rent review is scheduled for 4 November 2021. The lease runs to 3 November 2026.

At the reporting end date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019	**2018**
	£'000	**£'000**
Within one year	691	691
Between one and five years	2,762	2,762
In over five years	1,266	1,957
	4,719	5,410

19 Events after the reporting date

The COVID-19 outbreak is a non-adjusting event after the balance sheet date in respect of the Company's financial statements for the year ended 31 December 2019. For an assessment of the impact from COVID-19 in 2020, including an assessment of its impact on the Company as a going concern, please refer to the Directors' Report.

20 Related party transactions

As a wholly owned subsidiary of John Laing Group plc, the Company has taken advantage of the exemption under FRS 102 Section 33 not to provide information on related party transactions with other undertakings in the John Laing Group. A copy of the published financial statements of John Laing Group plc can be obtained at www.laing.com.

21 Ultimate controlling party

The Company's immediate parent company is John Laing Group plc, a listed Company incorporated in the United Kingdom and registered in England and Wales. The smallest and largest group in which its results are consolidated is John Laing Group plc, whose registered address is 1 Kingsway, London, United Kingdom, WC2B 5AN. Copies of its accounts are available at www.laing.com.

The Company's ultimate parent and controlling entity is John Laing Group plc.