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annual report 2011

John Laing Infrastructure Fund
Actively generating long-term sustainable income

Cautionary Statement

Pages 2 to 39 of this report (including but not limited to the Chairman's Statement, Risks and Risk Management and the Investment Adviser Report, the "Review Section") have been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. These should not be relied on by any other party or for any other purpose.

The Review Section may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology.

These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Directors and the Investment Adviser concerning, amongst other things, the investment objectives and Investment Policy, financing strategies, investment performance, results of operations, financial condition, liquidity, prospects, and distribution policy of the Company and the markets in which it invests.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company's actual investment performance, results of operations, financial condition, liquidity, distribution policy and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this document.

Subject to their legal and regulatory obligations, the Directors and the Investment Adviser expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

In addition, the Review Section may include target figures for future financial periods. Any such figures are targets only and are not forecasts.

This Annual Report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant in respect of John Laing Infrastructure Fund Limited and its subsidiary undertakings when viewed as a whole.

Contents

Introduction

→ John Laing Infrastructure Fund Limited is a Guernsey registered closed-end investment company with a Primary Listing on the London Stock Exchange. The Company listed in November 2010, raising the full target of £270 million and acquired a Seed Portfolio of 19 assets within 22 days. In 2011 the Company raised a further £158 million, used to acquire a mixture of new PPP investments and additional shareholdings in existing assets; entering the FTSE 250 in December 2011. The Company has a Portfolio of 30[1] low risk operational, availability based, PPP global infrastructure assets primarily sourced from the John Laing Group, with a growing number of investments acquired from third parties in the broader secondary market[1].

The Company at a Glance

- **No of Shares in Issue: 422.2 million at 31 December 2011** (270.0 million at 31 December 2010)
- **Share Price/Market Capitalisation: 108.5 pence/£458.1 million at 31 December 2011** (106.5 pence/£287.6 million at 31 December 2010)
- **NAV per share[2]/Total net assets: 104.6 pence/£441.6 million at 31 December 2011** (100.8 pence/£272.2 million at 31 December 2010)
- **IFRS NAV per share/IFRS Net Assets: 105.8 pence/£446.5 million at 31 December 2011** (100.0 pence/£270.7 million at 31 December 2010)
- **IFRS Profit Before Tax: £35.0 million at 31 December 2011** (£4.2 million at 31 December 2010)
- **Management Fees: 1.1% on Adjusted Portfolio Value <= £500 million; 1% on Adjusted Portfolio Value > £500 million to £1 billion; 0.9% on Adjusted Portfolio Value > £1 billion.**
- **Target Dividend yield for 2012: Minimum of 6.0p per share per annum.**
- **Target IRR: 7% to 8% over the long term**
- **Net Cash[2]: £48.6 million at 31 December 2011** (£7.6 million at 31 December 2010)
- **Board: Five independent Directors chaired by Paul Lester, CBE**

1 30 assets acquired prior to December 2011 with an additional three assets acquired from the secondary market in January 2012.
2 On an Investment basis.

2. Company Investment Policy

The Company's Investment Policy is to invest in equity and subordinated debt issued in respect of infrastructure PPP projects. The Company will predominantly invest in projects that have completed construction and that are in their operational phase.

- All current projects are operational, and at all times Investment Capital in projects that are under construction will be limited to 15 % of the Total Assets of the Company (calculated at the time of investment).
- The Company will hold a minimum of 50% in the UK.
- The Company considers diversification carefully and no single asset shall be greater than 25% of the Total Assets of the Company.

/ Avon & Somerset Courts

/ M40 Motorway (UK)

Supplementary

- John Laing Infrastructure Fund Limited is a LSE-listed company with a Portfolio of 30[1] assets across eight sectors; health, roads, defence, education, regeneration and social housing, street lighting, justice and emergency services, and utilities, geographically diversified across the UK, Canada and Europe. Steady growth in underlying Portfolio Value and stable yield delivered Total Shareholder Return, including dividends, from launch to the end of 2011 of 12.1%. JLIF invests in assets that are predominantly:
  - in their operational phase, having completed construction
  - backed by public sector or Government revenue streams
  - "availability" based (where the payments from the concession do not generally depend on the level of use of the project asset)
  - within the UK and in countries that are regarded as fiscally strong

1 30 assets acquired prior to December 2011 with an additional three assets acquired from the secondary market in January 2012.

2011 Financial and Operational Highlights

2011

March

- Entry to FTSE SmallCap Index March 2011
- Executed £25 million Revolving Credit Facility with RBS March 2011

April

- First dividend paid April 2011
- Successful tap issue of £27.4 million April 2011
- Acquired two new assets and increased stake in Queen Elizabeth Hospital from John Laing

September

- Increased Revolving Credit Facility with RBS to £60 million September 2011
- Completed first third party acquisition of Forth Valley Royal Hospital for £22.8 million September 2011

October

- Successfully raised £130.7 million through New Issue of Shares October 2011; acquiring 8 new assets and increased stake in Abbotsford Hospital from John Laing

October

- Repaid credit facility October 2011
- Interim Dividend paid October 2011

December

- Entry to FTSE 250 Index status December 2011
- Completed third party acquisitions of two assets (Newham and Enfield schools) December 2011
- Portfolio Value increased by 43.7% since 31 December 2010

2012

January

- Successfully completed third party acquisitions of three social housing assets and the remaining shareholding in North East Fire and Rescue for £31.7 million January 2012

Chairman's Statement

Paul Lester Chairman

Introduction

I would like to take this opportunity to thank our shareholders for their continuing support and involvement in growing our business; and to welcome the new shareholders that invested in John Laing Infrastructure Fund ("JLIF" or the "Company") towards the end of 2011 as part of a successful capital raise of £130.7 million.

This is the second annual report for JLIF and its subsidiaries (the "Group"), covering the period from 1 January 2011 to the period end 31 December 2011.

Last year I anticipated a year of growth and value delivery to our shareholders, which I believe JLIF has achieved. JLIF has experienced a successful first full year of trading with notable key highlights being:

- Delivery of a 9.2%[2] growth in the Portfolio over 2011 paying dividends in line with the IPO Prospectus
- Acquisition of JLIF's first asset not acquired under the First Offer Agreement with John Laing[4], being a 50% stake in Forth Valley Royal Hospital, from Commonwealth Bank of Australia
- Acquisition of seven third party stakes in assets during September 2011 and January 2012
- Acquisition of twelve assets from John Laing during 2011
- £158 million capital raised during 2011 and acquisition of £141 million of assets[1]
- Increased bank facility of £60 million providing flexibility to react to attractive investment opportunities
- Entry to the FTSE 250 index on 19 December 2011

Acquisition of Portfolio

JLIF made 19 acquisitions (in 16 assets[3]) during the period 1 January 2011 to 17 January 2012. These assets represent £141 million of the £158 million raised during 2011. The remaining £16 million, plus a small borrowing on JLIF's facility, is intended to be used to acquire Roseberry Park and Newcastle Hospital from John Laing during 2012; these future acquisitions are awaiting the usual client consents.

The majority of the assets acquired were from John Laing as vendor; however, in September 2011, JLIF completed its first third party acquisition. This was a pivotal moment for JLIF to demonstrate its credentials in the market to competitively tender for, and complete, an acquisition from a vendor other than John Laing; since which time, it has acquired a total of seven third party investments.

JLIF continued its acquisition of third party assets, and in January 2012, acquired three social housing assets from United House, through a competitive tender process.

1 Including acquisitions in January 2012
2 On a rebased Portfolio Value
3 Three acquisitions were additional third party co-shareholder stakes in projects
4 Here on in these will be referred to as third party acquisitions

> JLIF acquired its first third party asset outside of the John Laing Group in September and subsequently acquired a further six stakes from third party vendors.

JLIF has also acquired the minority shareholdings in three assets from third parties: Newham Schools and Enfield Schools from Wates and the North East Fire and Rescue project from Shepherd Construction.

Throughout 2012, JLIF intends to further diversify its supplier base for assets and is actively seeking new opportunities in the market.

Shareholder Returns and Investment Performance

I am pleased to report that JLIF was promoted from the FTSE Small Cap to the FTSE 250 Index in December 2011. JLIF has grown significantly over the last 12 months through the acquisition of mature operational PPP assets that meet JLIF's Investment Policy. This growth, coupled with the demand for the stock and its liquidity ensured JLIF met, and exceeded, the required criteria as a FTSE 250 company.

JLIF's stock performed solidly throughout 2011, experiencing less volatility than the FTSE Small Cap, the index JLIF was in for the majority of the year. JLIF's opening share price in 2011 was 106.75 pence per share, and closed 2011 at 108.5 pence per share. The share price has consistently traded at a premium to Net Asset Value indicating the strong demand in the market for this asset class.

JLIF paid dividends in April and October 2011, the last one being for 3.0 pence per share. These dividend payments were in line with the expectations of the Company, and as outlined in the Prospectuses in October 2010 and September 2011.

Investment Adviser

I remain of the same opinion as last year, that an investment in JLIF offers a differentiated and diversified Portfolio with strong yield characteristics and the potential for ongoing capital growth. The yield from the underlying assets is positively correlated to inflation, and because inflation is currently running above the assumed level in the current assets, this is expected to deliver a positive impact on the yield received from those assets over time. During 2011, the Portfolio Value benefited from inflationary effects, generating additional growth in value of 0.8%, with a total Portfolio growth of 9.2% overall.

JLIF benefits from access to two experienced fund managers, David Marshall and Andrew Charlesworth, who have significant knowledge and expertise in infrastructure projects. David and Andrew are Directors of John Laing Capital Management Limited ("JLCM") which is the appointed Investment Adviser to JLIF. JLCM is using its extensive PPP knowledge to manage the existing Portfolio effectively and to identify and manage the acquisition of suitable assets for the Company. Value enhancements accounted for 2.2% of Portfolio growth over 2011 and JLCM will continue to seek further value growth from the Portfolio through proactive management in the coming years.

Corporate Governance

JLIF maintains its Premium Listing on the London Stock Exchange and therefore follows the UK Corporate Governance Code. The Board has put in place a framework enabling the Company to comply with the relevant provisions of the Code. The Company also remains a member of the Association of Investment Companies ("AIC") in order to provide Shareholders with an additional level of confidence in relation to corporate governance. The Board considers it appropriate to report against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code).

In addition to the UK Corporate Governance Code and the AIC code above, we are anticipating the introduction of the Alternative Investment Fund Management Directive ("AIFMD") to be launched in July 2014. JLIF is preparing for this new regulation and, albeit this is currently still in consultation, anticipate being fully compliant within the timeframe stated by the Directive.

Outlook

Last year I reported the impact of the austerity measures in the UK and the likely impact on the PPP market through the Comprehensive Spending Review. As we predicted last year, JLIF is relatively unaffected in the short term and the growth over the last year supports that view.

During 2011, the UK Government produced its National Infrastructure Plan. The plan outlined where government spending will be focussed to improve infrastructure in the UK: rail, roads, energy and broadband. Although the route for procurement and delivery of these projects is yet to be finalised, the plan is a positive step in boosting investment in infrastructure in the UK.

To complement this infrastructure plan, the Government needs to find alternative sources of finance to deliver these new projects. There is limited availability in the traditional banking sector to provide long term finance, and the Government is looking towards pension funds to supply the necessary liquidity. At the time of writing, there has been no significant development in the engagement of pension funds to the primary infrastructure market. We are keen to observe the further integration of pension funds into the market, which we hope will allow access to their capital for increased investment in infrastructure.

I look forward to another exciting year with JLIF as we expand and continue to deliver value to our shareholders.

Paul Lester CBE, Chairman

15 March 2012

6. → The Fund Managers have contributed 2.2% of Portfolio Value growth through enhancing the assets

The Fund Managers

David Marshall

David Marshall has 11 years of infrastructure investment experience with John Laing. Before assuming his position as dedicated Fund Manager he was Chairman of the John Laing Investment Committee and sat on its project review committee for 10 years. David also held the position of John Laing Group Treasurer for seven years and has substantial M&A experience including, during the course of his career with John Laing, the acquisition and disposal of PPP assets both on an individual and Portfolios basis.

David is a Fellow of the Institute of Chartered Accountants in England and Wales and a Fellow of the Association of Corporate Treasurers. Prior to joining John Laing, he was Group Treasurer of two FTSE 100 listed companies.

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The JLIF Portfolio comprises a diversified balance of stable, low risk operational projects requiring proactive management, and we benefit from access to a large team of highly experienced PPP professionals with an in depth knowledge of our projects and the industry as a whole.

2011 has been a landmark year for the Company, with an expansion and pleasing level of growth in the value of our assets. We look forward to sustained growth and the continued delivery of value to our shareholders in 2012.

Andrew Charlesworth

Andrew Charlesworth has over 13 years of experience in infrastructure investments. He has a multi-faceted experience in the PPP market, having been Adviser to authorities in procuring PFI projects and to senior lenders in funding them prior to becoming an equity sponsor. In the last 10 years Andrew has led the equity investment in a number of PFI projects across most sectors, delivering investment of over £600 million of shareholder contributions into projects and having raised over £1.5 billion in funding.

Prior to moving into JLCM Andrew led significant parts of the primary investment business within John Laing, initially as CEO of Regenter (John Laing's Social Housing PFI JV), then as Local Authority PFI Director and ultimately as the Financial and Commercial Director for the global John Laing Investments business.

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JLIF has had an eventful year, raising an additional £158 million and acquiring 15[1] new or additional stakes in projects, launching it into the FTSE 250 index in December. We are particularly pleased to have sourced seven investments from three third party vendors post year end whilst driving steady growth in underlying Portfolio Value and stable yield, delivering Total Shareholder Return from launch to the end of 2011 of 12.0%.

1 30 assets acquired prior to December 2011 with an additional three assets acquired from secondary market January 2012.

Joanne Gibbins ACSI

Joanne is the Senior Analyst to JLCM, providing fund management services to JLIF to deliver value to investors. Joanne is primarily responsible for managing acquisitions, reporting, research, and finance on behalf of JLIF. Joanne also holds a directorship on one of JLIF's assets.

Joanne has over eight years experience in infrastructure investments, contributing to 31 projects and raising £2 billion of funding in the primary market. Prior to August 2010, Joanne led the finance and commercial elements of multiple PPP projects across most sectors of the infrastructure market, both in the UK and internationally, and raised and invested project finance of approximately €500 million. Previously, Joanne worked at a FTSE 250 construction-to-services company and gained significant experience in financial modelling for bidding and advising consortia on their investments.

Joanne is regulated by the FSA, holds the ACSI designation and is currently a CFA candidate, having passed both level 1 and level 2 exams.

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JLIF's Portfolio has experienced 9.2% growth on a rebased value since 31 December 2011. Nearly a quarter of this growth was due to value added by the Investment Adviser through our vast experience and understanding of JLIF's assets. These skills have afforded JLIF seven successes in third party acquisitions in recent months and have anchored JLIF's credibility in the infrastructure space.

→ JLIF has invested its capital in the acquisition of 30 infrastructure assets across a diversified Portfolio in fiscally strong countries

Group Investment Portfolio

- Fully-operational, mature assets with an average remaining concession length of 19.4 years. No assets are defined as being in construction.
- Predominantly UK-based (75%), but with international diversification via three international assets, two in Canada and one in Finland.
- Concessions with availability-based and inflation linked revenues.
- Well diversified by sector but with an emphasis on Health, Roads and Transport/Street Lighting.

The three largest assets represent 39% of the Portfolio:

- Abbotsford Hospital in Canada
- The MoD Main Building
- LUL Connect (CityLink)

Name: Forth Valley Royal Hospital

Location: Scotland

Description: Forth Health Limited ("FHL"), the project company, has contracted with NHS Forth Valley Health Board to design, build, finance and maintain a new, 800-bed, acute hospital in the Forth Valley, Scotland, under a 35 year concession which expires in March 2042.

The new £293 million hospital centralises acute Healthcare and mental health services on one site and the two hospitals, in Stirling and Falkirk, which it replaces, will become Community Hospitals as part of the Board's new integrated model of care.

The design & build contractor was Laing O'Rourke. All three phases of the hospital were completed on time with Phase 1, achieving construction completion in August 2010. Phase 2, also completed in 2010, provides a mental health unit. The final phase, comprising health services for women and children, accident and emergency and acute services, completed in April 2011, following an official opening by Her Majesty the Queen on July 6, 2011.

Name: South Lanarkshire Schools

Location: Scotland

Description: InspirED Education, the project company, has contracted with South Lanarkshire Council to design, build, finance and maintain 17 new and two refurbished schools under a 33 year concession which expires in March 2039.

Financial close was achieved in June 2006 and construction of school buildings was completed in December 2009. The contractor is SPIE Matthew Hall Limited. The development cost is £320 million. InspirED sublets Hard FM services to SPIE Matthew Hall Limited. InspirED retains major maintenance risk. Soft FM services are retained by the Council.

Name: LUL Connect (CityLink)

Location: London

Description: CityLink Telecommunications Limited ("CityLink"), the project company, has a 20 year concession which expires in November 2019 to upgrade existing radio and telecommunications systems and implement and operate a new system for London Underground Limited.

Fluor Enterprises is subcontracted to provide the engineering, procurement, design and construction for installation of the new transmission network and radio systems. Thales Transport and Security Limited is subcontracted to operate the existing and new systems for the life of the project under an operations and maintenance contract.

CityLink is managed by staff on secondment to the project company from Thales.

10. → JLIF acquired 15 stakes in 11 assets during the year including three third party acquisitions

Sector					
Health		Kingston Hospital 60%	Newham Hospital 50%	Forth Valley Royal Hospital 50%	
		Queen Elizabeth Hospital 27.50%	Abbotsford Hospital (British Columbia) 100%	Vancouver General Hospital 100%	
Schools		Glasgow Schools 20%	South Lanarkshire Schools 15%	Edinburgh Schools 20%	North Swindon Schools 100%
		Highland School, Enfield 100%	Newham Schools 100%	Enfield 100%	
Justice and Emergency services		Greater Manchester Police 27.08%	Met Police-Firearms and Public Order Training 27.08%	North East Fire and Rescue 100%	
		Avon and Somerset Courts 40%	Cleveland Police HQ 42.50%		
Roads & Transport		E18 Finland 41%	Sirhowy Way 100%	LUL Connect 19.5%	
		M40 50%	M6 Scotland 11%		
Regeneration & Social Housing		Brockley Housing 100%	Bentilee Regeneration 100%	Islington I Housing 45%	
		Canning Town 100%	Camden Social Housing 50%	Islington II Housing 45%	
Defence		MOD Main Building 26%			
Street Lighting		Manchester Street Lighting 50%	Wakefield Street Lighting 50%		
		Walsall Street Lighting 100%			

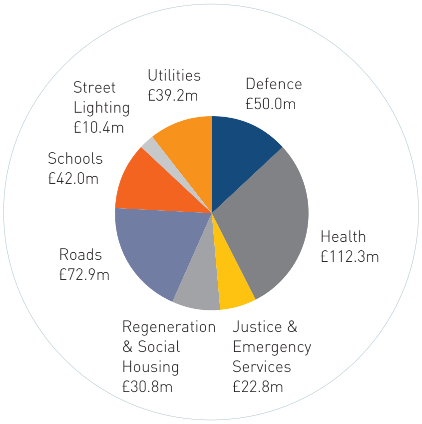
Key

- Existing Assets
- Increased Stake
- New JL Assets
- New Third Party Assets
- Assets acquired after the year end

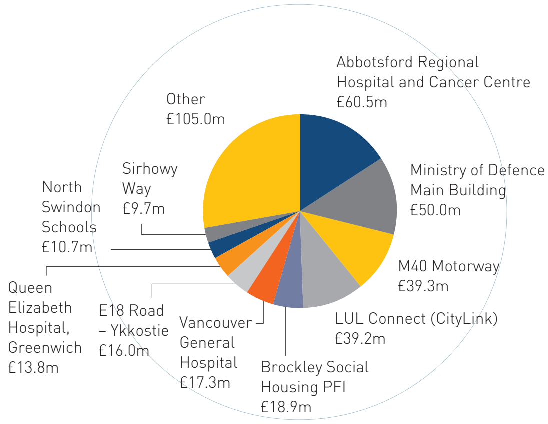
Portfolio Value Breakdown

at 31 December 2011

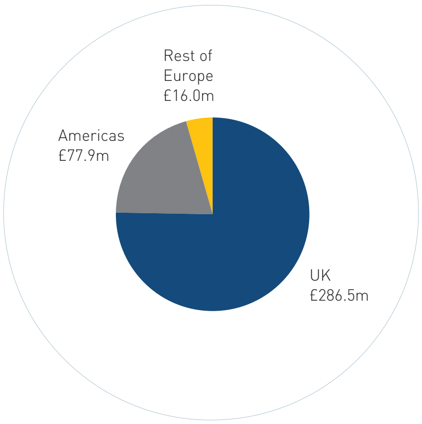
SECTOR BREAKDOWN



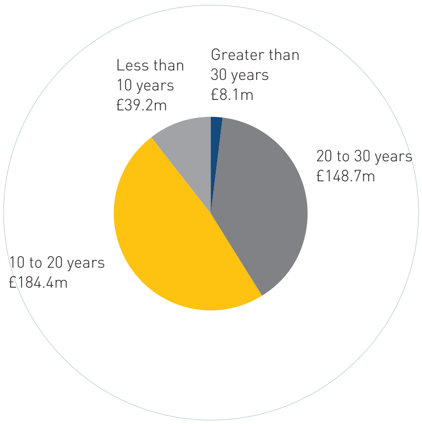
ASSET BREAKDOWN



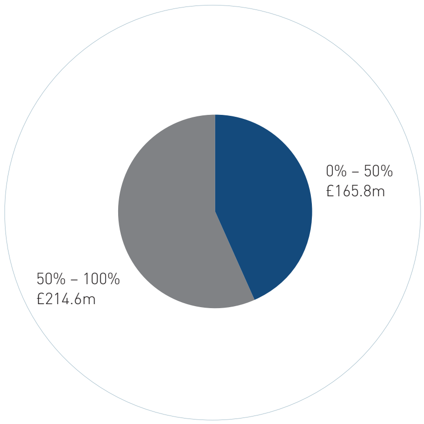
GEOGRAPHICAL ANALYSIS



REMAINING CONCESSION LENGTH



% SHAREHOLDING



12. → JLIF's Portfolio is diversified across eight sectors and three geographical areas

Abbotsford Hospital (British Columbia, Canada)

Access Health Abbotsford Ltd ("AHA"), the project company, has contracted with Abbotsford Regional Hospital and Cancer Care Inc. to design, build, finance, maintain and operate a 300 bed facility in the primary acute care hospital to serve the Abbotsford area under a 33-year concession which expires in 2038.

Avon and Somerset Courts

Services Support (Avon & Somerset) Ltd, the project company, has contracted with the Ministry of Justice to design, build, finance, maintain and operate 11 magistrates' courts in Bristol, five magistrates' courts in Worle, Somerset, and a regional administration facility at Worle for the Probation Service under a 30-year concession which expires in 2034.

Bentilee Hub Community Centre

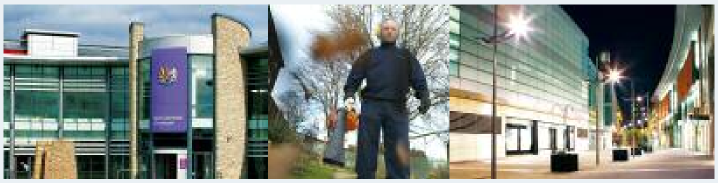
Regenter Bentilee District Centre Limited, the project company, has contracted with Stoke on Trent City Council to design, build, finance and operate the new £8 million Bentilee Hub joint service centre under a 27-year concession which expires in 2032.

Brockley Social Housing PPP

Regenter B3 Ltd, the project company, has contracted with London Borough of Lewisham for the renovation, maintenance and management of 1,336 rented properties and 502 leasehold properties in Brockley under a 20-year concession which expires in 2027.

Camden Social Housing – Acquired post year end 31 December 2011

Partners for Improvement in Camden ("PFIC"), the project company has contracted with the London Borough of Camden to refurbish and maintain five tower blocks under a 20-year concession which expires in March 2021.



Canning Town Social Housing PPP (Newham Housing)

Regenter LCEP Ltd, the project company, has contracted with London Borough of Newham for the renovation, maintenance and management of over 1,200 local authority homes in Canning Town under a 30-year concession which expires in 2035.

Cleveland Police Station and Headquarters

Cleveland FM Services Limited, the project company, has contracted with Cleveland Police Authority to design, build, finance and operate two district headquarters and two town centre police stations under a 27-year concession which expires in 2032.

E18 Road (Finland)

Tiehytio Ykkostie Oy, the project company, has contracted with FINNRA (the Finnish Roads Authority) to design, build, finance and operate a 51km stretch of the E18 road under a 24-year concession which expires in 2029.

Edinburgh Schools

The Edinburgh Schools Partnership Ltd ("ESP"), the project company, has contracted with the City of Edinburgh Council to design, build, refurbish, finance and operate 18 schools (including 10 primary, five secondary and two special schools) and one community centre under a 32-year concession which expires in 2033.

Enfield Schools

Education Support (Enfield2) Limited, the project company, has contracted with the London Borough of Enfield to design, build, finance, refurbish and operate three schools under a 25 year concession, which expires in August 2029.

Forth Valley Royal Hospital

Forth Valley Health (FHL), the project company, has contracted with NHS Forth Valley Health Board to design, build, finance and maintain a new, 800-bed, acute hospital in Larbert, Forth Valley, Scotland under a 35-year concession which expires in August 2042.

Glasgow Schools

3ED Glasgow Ltd, the project company, has contracted with Glasgow City Council to design, build/refurbish, finance and operate the entire secondary school estate of 29 schools under a 30-year concession which expires in 2030.

Greater Manchester Police Stations ("GMPA")

Services Support (Manchester) Ltd, the project company, has contracted with the Greater Manchester Police Authority to design, build, finance and operate 16 police stations and a traffic headquarters under a 25-year concession which expires in 2030.

Highlands School, Enfield

Education Support (Enfield) Ltd ("ESEL"), the project company, has contracted with the London Borough of Enfield to design, build, finance and operate Highlands Secondary School under a 25-year concession which expires in August 2025.

Islington I Housing – Acquired post year end 31 December 2011

Partners for Improvement 1 ("PFI1"), the project company has contracted with the London Borough of Islington to refurbish and maintain 2348 properties under a 30-year concession which expires in 2033.

Islington II Housing – Acquired post year end 31 December 2011

Partners for Improvement 2 ("PFI2"), the project company, has contracted with the London Borough of Islington to refurbish and maintain 4124 properties under a 16-year concession which expires in 2022.

Kingston Hospital

Prime Care Solutions (Kingston) Ltd, the project company, has contracted with Kingston Hospital NHS Trust to design, build, finance and operate a new clinical building on the hospital site under a 32-year concession which expires in 2036.

LUL Connect (CityLink)

CityLink Telecommunications ("CityLink"), the project company, has contracted with London Underground Limited ("LUL") to operate and maintain radio communication for the London Underground following an upgrade completed at the end of 2008, under a 20-year concession which expires in 2019.

M40 Motorway (UK)

UK Highways (M40) Ltd ("UKH"), the project company, has contracted with the Department for Transport (Highways Agency) to design, build, finance and operate 123km of the M40 motorway (from Junction 1a to Junction 15) under a 30-year concession which expires in 2026.

M6 Motorway (Scotland)

Autolink Concessionaires (M6) PLC ("Autolink"), the project company, has contracted with The Scottish Executive to design, build, finance and operate approximately 92km of the route from Gretna on the Scottish border to Millbank, 30 miles south of Glasgow under a concession which expires in 2027.

Manchester Street Lighting

Amey Highways Lighting (Manchester) Ltd, the project company, has contracted with Manchester City Council to finance, manage and maintain its stock of lighting columns and lit signs throughout its 1,444km road network, including the replacement of 41,698 columns within the first five years, under a 25-year concession which expires in 2029.

Metropolitan Specialist Police Training Centre (Gravesend)

Services Support (Gravesend) Ltd, the project company, has contracted with the London Metropolitan Police Authority to design, build, finance and operate the centre for firearms and public order training under a 27-year concession which expires in 2028.

Ministry of Defence Main Building

Modus Services Ltd ("MSL"), the project company, has contracted with the Ministry of Defence to refurbish, finance and maintain its Whitehall headquarters and the Old War Office building under a 30-year concession which expires in 2030.

Newham Hospital

Healthcare Support (Newham) Ltd, the project company, has contracted with Newham Healthcare NHS Trust to design, build, finance and operate new premises and clinical facilities at Newham General Hospital under a 35-year concession which expires in 2039.

Newham Schools

Education Support (Newham) Limited ("ESNL"), the project company, has contracted with the London Borough of Newham to design, build, refurbish, finance and maintain a secondary school (Cumberland Specialist Sports College) on the Woodside site in the London Borough of Enfield under a 26-year concession which expires in August 2029.

North East Fire and Rescue

Collaborative Services Support NE Ltd, the project company, has contracted with North East Fire and Rescue Authorities ("NEFRA"), to design, build, finance and operate five Community Fire Stations in the North East of England for the Tyne and Wear, Durham and Darlington and Northumberland Fire and Rescue Authorities under a 25-year concession, which expires in May 2035.

North Swindon Schools

Education Support (Swindon) Limited ("ESSL"), the project company, has contracted with Swindon Borough Council to design, build, finance and operate seven schools under a 25-year concession which expires in June 2032.

Queen Elizabeth Hospital (Greenwich)

Meridian Hospital Company plc, the project company, has contracted with South London Healthcare NHS Trust to design, build, finance and operate a part-new build, part-refurbished hospital building in Woolwich under a 30-year concession which expires in 2031.

Sirhowy Way (Wales)

Sirhowy Enterprise Way Ltd, the project company, has contracted with Caerphilly County Borough Council ("CCBC") to design, build, finance and operate 4.3km of the A4048/A472 road, including a road bridge, between Blackwood and Pontllanfraith under a 30-year concession which expires in 2034.

South Lanarkshire Schools (Scotland)

InspirED Education (South Lanarkshire) plc, the project company, has contracted with South Lanarkshire Council to design, build, finance and maintain 17 new and two refurbished schools under a 33-year concession which expires in 2039.

Vancouver General Hospital (British Columbia, Canada)

AHV Access Health Vancouver Ltd ("AHV"), the project company, has contracted with Vancouver Coastal Health Authority to design, build, finance and maintain the Gordon & Leslie Diamond Healthcare Centre, part of Vancouver General Hospital, under a 30-year concession which expires in 2036.

Wakefield Street Lighting

Amey Highways Lighting (Wakefield) Ltd, the project company, has contracted with Wakefield Metropolitan District Council to maintain 35,000 street lights in the Wakefield District under a 25-year concession which expires in 2029.

Walsall Street Lighting

Walsall Public Lighting Ltd, the project company, has contracted with Walsall Metropolitan Borough Council to maintain its 24,000 street lights in the Walsall area under a 26-year concession which expires in 2028.

JLIF invests in assets that have predominantly availability based revenue streams and are located in fiscally strong countries

Investment Policy

> The Company's Investment Policy is to invest in equity and subordinated debt issued in respect of infrastructure PPP projects. The Company will predominantly invest in projects that have completed construction and that are in their operational phase. Currently all projects owned are operational – and at all times Investment Capital in projects that are under construction will be limited to 15% of the Total Assets of the Company (calculated at the time of investment).

The Company invests in projects whose revenue streams are:

- public sector or government-backed; and
- predominantly "availability" based (where the payments received by the Assets do not generally depend on the level of use of the project asset); other projects being "demand" based (where the payments received by the Assets depend on the level of use made of the project assets). A project is availability based for these purposes if the Investment Adviser deems that 75% or more of payments from the relevant Project Entity do not generally depend on the level of use of the project asset.

Whilst it is envisaged that further acquisitions will be of operational PPP projects with availability based revenues, it may be possible that a limited number of projects in construction or with "demand" based revenue mechanisms may be acquired.

Investment Capital in projects whose revenue streams are predominantly demand based will be limited to 15% of the Total Assets of the Company, calculated at the time of investment. For the purposes of this investment restriction the shadow toll mechanism for the investments in both the M40 motorway and M6 motorway projects is not regarded as carrying demand risk due to its relative insensitivity to traffic movement.

Geographic focus

The Directors believe that attractive opportunities for the Company to enhance returns for Shareholders are likely to arise in areas of the world where PPP is a practiced route for delivering infrastructure investments. The Company may therefore make investments in the European Union, other European countries, Canada, the United States of America and the Asia Pacific region.

The Company will seek to mitigate country risk by concentrating on investment opportunities in jurisdictions where JLCM advises that contract structures and their enforceability are reliable, where (to the extent applicable) JLCM advises that public sector obligations carry a satisfactory credit rating and where financial markets are relatively mature. The Company will seek to ensure that over 50% of the Company's Total Assets, measured by value, will be in respect of projects that are based in the UK (although this will not require the Company to dispose of Investment Capital in respect of non-UK projects if this limit is breached as a result of changes in value of the Investment Portfolio).

Single investment limit and diversity of clients and suppliers

When any new acquisition is made, the Company will ensure that the investment (or in the event of an acquisition of a Portfolio of investments each investment in the Portfolio) acquired does not have an acquisition value (or, if it is an additional stake in an existing investment, the combined value of both the existing stake and the additional stake acquired is not) greater than 25% of the Total Assets of the Company immediately post acquisition. In selecting new investments to acquire, the Company will seek to ensure that the Portfolio of projects in which the Company invests has a range of public sector clients and supply chain contractors, in order to avoid over-reliance on either a single client or a single contractor.

Gearing

The Company intends to make prudent use of leverage (and leverage in the context of the Company shall exclude senior debt in place at Project Entity level) for financing acquisitions of investments and working capital purposes. Under the Company Articles, and in accordance with the Company's Investment Policy, the Company's outstanding borrowings, excluding intra-group borrowings and the debts of underlying Assets but including any financial guarantees to support subscription obligations, will be limited to 25% of the Total Assets of the Company. The Company may borrow in currencies other than pounds sterling as part of its currency hedging strategy.

Origination of investments

All of the investments in the Portfolio haves similar characteristics to those set out above and further investments will only be acquired if they generally satisfy these criteria. It is expected that further investments will include investments that have been originated and developed by members of the John Laing Group and may be acquired from them.

The Company has established procedures to deal with any potential conflicts of interest that may arise from individuals at John Laing who may either act on the "buy-side" (for the Company) or the "sell-side" (for any member of the John Laing Group) in relation to any acquisition of assets from the John Laing Group. These procedures include:

- The creation of a separate "buy-side" committee (representing the interests of the Company as purchaser) and a separate "sell-side" committee (representing the interests of the relevant John Laing Group company as seller), with each member of the "buy-side" committee having the benefit of a release from his or her duties as a John Laing Group employee to the extent that these duties conflict with their duties to act in the interests of the Company as a member of the "buy-side" committee.
- A requirement for the "buy-side" committee to conduct due diligence on the Investment Capital proposed to be purchased which is separate from and independent of any due diligence conducted for the John Laing Group, and for a report on the Fair Market Value of the Investment Capital to be obtained from an independent expert.
- The establishment of information barriers between members of the "buy-side" and "sell-side" committees to ensure confidentiality and integrity of commercially sensitive information, and for individuals with economic interests in the Investment Capital to abstain from participating in committee discussions and votes on the relevant assets.

The Company will seek to acquire further investments going forward both from the John Laing Group and from the wider market. In selecting the assets to acquire, JLCM will ensure that these projects have similar characteristics to the projects in the Portfolio and meet the investment criteria of the Company.

Any proposed acquisition of assets by the Company from John Laing Group companies that fall within the overall investment parameters set by the Company, including in relation to funding, will be subject to approval by the Directors, who (other than as disclosed in paragraph 7.8 of Part 7 of the October 2010 Prospectus) are independent of John Laing. In view of the procedures above and the fact that it is a key part of the Company's Investment Policy to acquire assets that have been originated by and from the John Laing Group, the Company will not seek the approval of Shareholders to acquisitions of assets from the John Laing Group in the ordinary course of the Company's Investment Policy.

The Rules, as defined in the Prospectus, require that any arrangements between a relevant person (as defined in the Rules) and the Company are at least as favourable to the Company as would be any comparable arrangement effected on normal commercial terms negotiated at arms' length between the relevant person and an independent party.

The Company has the contractual right of first offer for relevant Investment Capital in UK, European and Canadian accommodation and roads and UK waste projects of which the John Laing Group companies wish to dispose and that are consistent with the Company's investment policies. It is envisaged that the John Laing Group companies will periodically make available for sale further Portfolios of Investment Capital in infrastructure PPP projects that have completed construction (although there is no guarantee that this will be the case). Subject to due diligence and agreement on price, the Company will seek to acquire those projects that fit the investment objectives of the Company.

The Company will also seek out and review acquisition opportunities from outside the John Laing Group that arise and will, where appropriate, carry out the necessary due diligence. If, in the opinion of JLCM (as Operator of the Partnership) the risk characteristics, valuation and price of the Investment Capital in the project or projects for sale is acceptable and is consistent with the Company's investment policies, then (subject to the Company having funds) an offer will be made (without seeking the prior approval of the Board) and, if successful, the Investment Capital in the relevant project or projects will be acquired by the Company, following approval by the Board.

Potential disposals of investments

Whilst the Directors may elect to retain Investment Capital in the Portfolio projects which the Company acquires and any other further investments made by the Company over the long-term, JLCM will regularly monitor the valuations of such projects and any secondary market opportunities to dispose of Investment Capital and report to the Directors accordingly. The Directors only intend to dispose of Investments where (upon the advice of JLCM) they consider that appropriate value can be realised for the Company or where they otherwise believe that it is appropriate to do so. Proceeds from the disposal of investments may be reinvested or distributed at the discretion of the Directors.

Currency and hedging policy

A portion of the Company's underlying investments may be denominated in currencies other than Sterling. For example, currently some of the Portfolio is denominated in Canadian Dollars and Euros. However, any dividends or distributions in respect of the Ordinary Shares will be made in Sterling and the market prices and Net Asset Value of the Ordinary Shares will be reported in Sterling. Currency hedging will only be carried out to seek to provide protection to the level of Sterling dividends and other distributions that the Company aims to pay on the Ordinary Shares, and in order to reduce the risk of currency fluctuations and the volatility of returns that may result from such currency exposure. This may involve the use of foreign currency borrowings to finance foreign currency assets, or forward foreign exchange contracts for up to three years to hedge the income from assets that are exposed to exchange rate risk against Sterling.

Interest rate hedging may also be carried out to seek to provide protection against increasing costs of servicing any debt drawn down by the Company to finance investments. This may involve the use of interest rate derivatives and similar derivative instruments.

Currency and interest rate hedging transactions will only be undertaken for the purpose of efficient Portfolio management and these transactions will not be undertaken for speculative purposes.

Amendments to and compliance with the Investment Policy

Material changes to the Investment Policy of the Company may only be made in accordance with the approval of the Shareholders by way of ordinary resolution and (for so long as the Ordinary Shares are listed on the Official List) in accordance with the Listing Rules.

The investment restrictions detailed above apply at the time of the acquisition of Investment Capital. In the ordinary course of business, the Company will not be required to dispose of Investment Capital and to rebalance its investment Portfolio as a result of a change in the respective valuations of Investment Capital. Minor changes to the Investment Policy must be approved by the Board of the Company, taking into account advice from the Investment Adviser where appropriate.

Investment Adviser and Operator

Under the Investment Advisory Agreement, JLCM, an investment manager authorised and regulated in the UK by the FSA, has been appointed by the Company as Investment Adviser. JLCM has also been appointed as Operator of the Partnership through which the Company conducts its investment activities and in its capacity as Operator of the Partnership acts as discretionary investment manager of the Company's investments within the strategic guidelines set out in the Partnership Agreement.

David Marshall and Andrew Charlesworth, both of whom are Directors of JLCM and lead its management team, are dedicated to advising the Company and the management of the Company.

Relationship with John Laing

John Laing is a leading sponsor of privately financed investment in infrastructure. Its business is based primarily on long-term concessions to design, build, operate and finance infrastructure projects. Further details in relation to John Laing were set out in Part 4 of the 2010 Prospectus.

The Company has now acquired 31 stakes in projects from John Laing, the Seed Portfolio of 19 projects, and 12 in 2012. All of these projects have either been originated and developed or acquired in the secondary market, by John Laing plc. For originated projects John Laing has been involved throughout the original competitive bidding process for each project. For those projects acquired in the secondary market John Laing was responsible for due diligence prior to completion of the relevant acquisitions and for the integration of such projects into the John Laing Portfolio.

John Laing provides day to day management services directly to 24 of the projects in the Portfolio under management services agreements. The remaining six projects are managed by associated companies of co-shareholders. For all of these projects which the Company acquired, JLCM, as Operator, has been fortunate to be able to retain experienced John Laing project directors, who will continue to take an active role in managing and reviewing these projects.

John Laing now owns 18.2% of the Ordinary shares in JLIF. It subscribed for 23.1% of the Ordinary Shares that were issued at IPO, and only partially took part in the two capital raisings in 2011. John Laing is no longer the subject of a lock-in agreement.

Company structure

The Company has invested in its current Portfolio and will continue to invest in further infrastructure investments indirectly via a series of holding entities, as follows:

- The Company invests in equity and profit participation instruments of JLIF Luxco 1 Sàrl ('Luxco 1'), a société á responsabilité limitée ('Sàrl') established in Luxembourg, which in turn invests in equity and debt of a similar entity, JLIF Luxco 2 Sàrl ('Luxco 2'). Both Luxco 1 and Luxco 2 (together the Luxcos') are wholly owned subsidiaries of the Company (direct and indirect respectively, with Luxco 2 being wholly owned by Luxco 1).
- Luxco 2 is the sole limited partner in the Partnership, an English limited partnership which has a special purpose vehicle as its general partner (the 'General Partner'). The General Partner is a wholly owned indirect subsidiary of John Laing plc. The General Partner, on behalf of the Partnership, has appointed JLCM as Operator of the Partnership.
- Luxco 2 primarily invests the contributions it receives from Luxco 1 in capital contributions and partner loans to the Partnership, which acquired and holds infrastructure investments directly or indirectly through intermediate wholly owned companies and/or other entities.

The Company's infrastructure investments are registered in the name of the General Partner, the Partnership, subsidiaries of the Partnership or their respective nominees.

A representative diagram of the Company structure is set out on page 83.

→ Portfolio Value increased by £116 million during 2011, and have completed seven third party acquisitions to date

Investment Adviser Report

> JLIF has had a very successful year for capital raising, acquisitions and increasing its debt facility. Income generating funds, such as JLIF, are proving a real and popular alternative to the capital appreciation based investments. JLIF has delivered a 6% return to shareholders for 2011 as anticipated, while the share price experienced a gradual upward trend over the period.

1. ABOUT THE INVESTMENT ADVISER

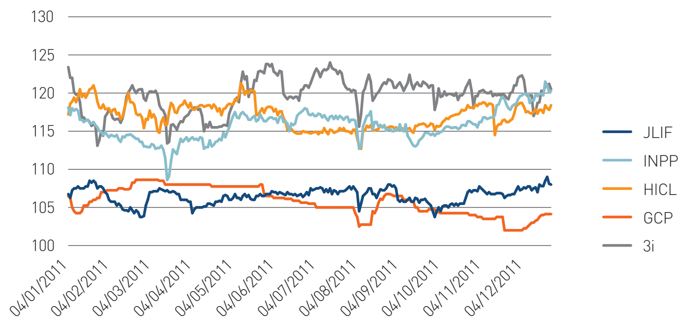
John Laing Capital Management Limited ("JLCM"), a wholly owned subsidiary of John Laing, acts as the Investment Adviser to the Company and as the Operator of the Partnership. JLCM was incorporated in England and Wales on 19 May 2004 under the Companies Act 1985 (registered number 5132286) and has been authorised and regulated in the UK by the FSA since December 2004. JLCM has the ability to call on and utilise the substantial experience of the John Laing Group in the management of the Portfolio projects and future acquisitions.

John Laing provides day to day management services directly to 24 of the Portfolio projects under management services agreements. The remaining six projects are managed by associated companies of the co-shareholders in the asset. For all of the Portfolio projects which the Company acquired from John Laing, JLCM, as Operator, has been fortunate to be able to retain the current John Laing project directors, who will continue to take an active role in managing and reviewing such projects.

2. INVESTMENT PERFORMANCE

Since listing, John Laing Infrastructure Fund's ("JLIF") share price has consistently traded at a small premium and has remained relatively stable with limited volatility. The graph below shows JLIF's performance throughout 2011 compared with its peer group[1]. JLIF had a stable year with an upward trend. The drops in April and October reflect dividend payments to shareholders.

Share Price Analysis during 2011

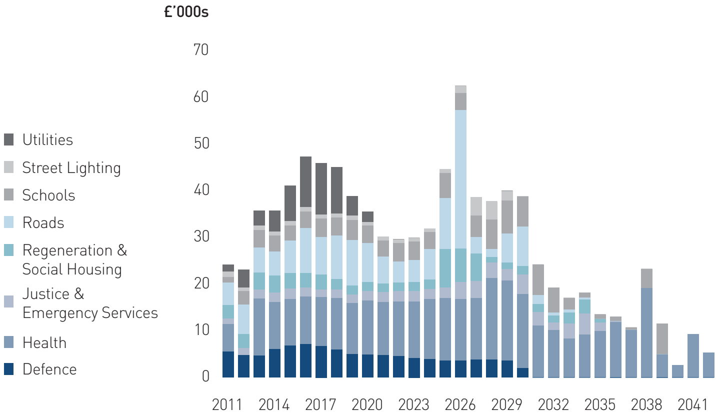


Source: Proquote

JLIF was approved to enter the FTSE 250 index on 8 December 2011, and was subsequently included in the index on the 19 December 2011.

1 Excludes Bilfinger Berger Global Infrastructure SICAV SA as admission to the London Stock Exchange occurred 21 December 2011.

Cashflow over remaining life



JLIF listed with a Net Asset Value ("NAV") of 98.2 pence per share, which increased to 100.8p by 31 December 2010, and subsequently to 104.6p by 31 December 2011, less dividends paid to shareholders. The increase can be attributed to the growth in the Portfolio Value. The net increase in the Portfolio Value is described in section 3 below but can largely be explained by three factors:

(i) Growth in value of the underlying assets, offset by;

(ii) Distributions; and

(iii) Exchange Rate Movements

JLIF aims to deliver a stable long term yield to its investors. It is able to do this due to the underlying cash flows that it receives from its diverse Portfolio of stable operational Public Private Partnership ("PPP") projects. The returns that it earns from projects are positively correlated with inflation, which means that enhanced returns will be earned when the actual inflation index is above the assumed long term rate.

In the UK for example, the relevant index is the Retail Price Index ("RPI") and the assumed long-term level is 2.75%. As RPI is currently above this level this will feed through to higher returns for JLIF, and has contributed to 0.8% of the Portfolio growth during 2011. Income received from the Client and the costs paid to operate the assets are linked to inflation. In an inflationary environment, distributions to shareholders increase when the proportion of income linked to inflation is greater than the proportion linked to costs. The opposite happens in a deflationary environment. JLIF's Portfolio offers mitigation of inflation volatility.

JLIF has announced its final dividend of 3.0 pence per share in respect of the period July to December 2011. Dividend expectations continue to be in line with the Prospectus and have sufficient cash cover in the short term. JLIF offers a scrip dividend alternative that is the subject of a separate shareholder communication. The dividend is payable or scrip shares are issued on 11 May 2012.

The graph illustrates the cash flow over the next 30 years that JLIF anticipate receiving from its Portfolio. The graph demonstrates a robust cash flow peaking in 2026. This is consistent with the average maturity of assets, 19.4 years; at the end of an asset's life, following the repayment of senior debt, there are substantial cash flows that are due to shareholders indicated by these peaks. JLIF has a Total Expense Ratio ("TER") of 1.10% for 2011[2]. This is calculated as the ratio of, total operating costs, including manager fees, to average total assets over the year.

3. VALUATION

a. Portfolio

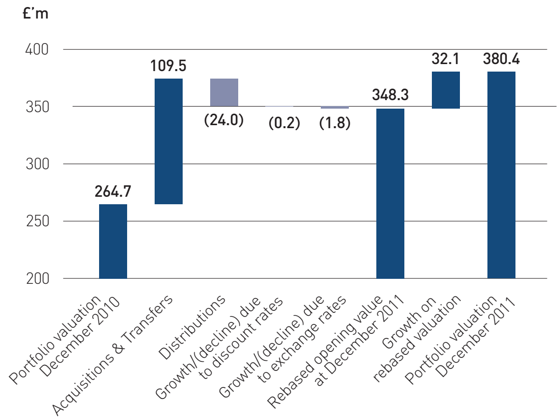
The Portfolio has been valued by JLCM and separately verified by independent valuers. The JLIF Portfolio has grown both in terms of number of assets and value over the 12 month period to 31 December 2011. JLIF has acquired 11 assets including its first third party asset, Forth Valley Royal Hospital, for nearly £110 million. During January 2012, JLIF also completed two third party acquisitions: three social housing assets from United House, and the remaining shareholding in North East Fire and Rescue project from Shepherd Construction[1].

The tables below and graph show the growth of the Portfolio over 2011.

	£000s	% change
Value at 31 December 2010	**264,735**	
Acquisitions	109,518	
Distributions	(23,977)	(9.06%)
Discount Rate Movements	(174)	(0.00%)
Exchange rate movements	(1,767)	(0.67%)
Rebased value 2010	**348,334**	
Underlying growth in value	32,104	9.22%
Value at 31 December 2011	**380,439**	

	£000s	% change
Value at November 2010	258,966	
Distributions	(2,072)	(0.80)%
Exchange Rate Movements	3,634	1.40%
Discount Rate Movements	nil	
Rebased value	260,527	
Underlying growth in value	4,208	1.62%
Value at 31 December 2010	264,735	

Portfolio Value Movements



1 JLIF acquired 80% of NEFRA in November 2011 from John Laing.

2 This calculation represents 10 months of 2011. To reflect 12 months, if a forecast is taken for the first quarter of 2012 the ratio increases to 1.24%.

JLIF has received distributions from the underlying assets totalling £24.0 million as at 31 December 2011.

These distributions reduce the Portfolio Value as they have been realised and are no longer contained within the assets' future cash flows. Exchange rates have moved against JLIF's favour and this has reduced the Portfolio Value by £1.8 million. This value is likely to fluctuate in the future as the foreign exchange market moves. JLCM will monitor foreign exchange movements and advise JLIF to implement hedging should they deem it appropriate.

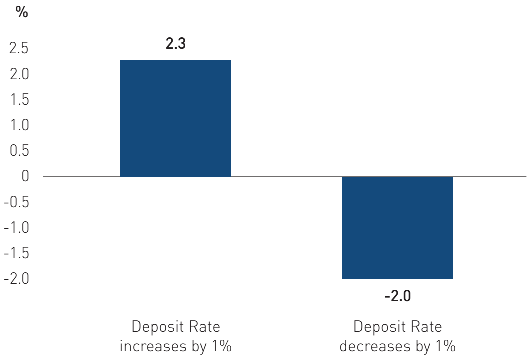
For clarity, JLIF has presented its Net Asset Value ("NAV") per share both with and without exchange rate movements. NAV is not the same as the Portfolio Value. Portfolio Value is the total discounted value of each of the underlying assets. NAV is equal to JLIF's assets less its liabilities, and this is used to calculate the net asset value per share. NAV is also not the same as IFRS Net Assets, which is further explained in section 6 of this Investment Adviser Report.

Date	As at 31 December 2011		As at 31 December 2010		On listing at 29th November 2010
	Net Asset Value per share	Uplift in NAV from 31 December 2010	Net Asset Value per share	Uplift in NAV from listing	
Including exchange variations	104.6p	3.77%	100.8p	2.65%	98.2p
Excluding exchange variations	103.7p	4.25%	99.5p	1.32%	98.2p

The rebased acquisition Portfolio Value taking into account distributions and exchange rate movements, is £348.3 million as at 31 December. The majority of the £32.1 million increase to £380.4 million demonstrates the effect of the unwinding of the discount rates due to the passage of time throughout the year. This represents growth of 6.7% on the rebased Portfolio Value, which represents a time weighted unwind of the discount rates. Macro economic factors produced 0.3% growth of which inflation represented 0.8% of growth, which was offset by reducing deposit rates.

JLCM monitors deposit rates closely. Some of the assets have cash balances in reserve accounts for future expenditure which are required in the project contracts. As a result, changes in the deposit rate available can impact the performance and thus distributions from these assets. JLCM predicts that deposit rates are not likely to increase to the degree previously thought given a recent statement from the Bank of England advising the base rate is expected to remain at 0.5% until 2014 and so JLCM has advised the Company to revise its assumptions as to interest income to a more conservative position, that current LIBOR rates will remain for the next two years. Should deposit rates rise this will impact the Portfolio positively and JLCM has performed the sensitivity below to illustrate the potential impact on the Company Portfolio Value.

Portfolio Value Impact (2011)



The remaining 2.2% was due to value enhancements in the Portfolio which are explained in the following section.

A summary of the Portfolio growth on the rebased value at 31 December 2010 is below.

Passage of time, discount rate unwind	6.7%
Inflation, net of deposit rates & discount rate changes	0.3%
Value enhancements	2.2%
Total	9.2%

Portfolio Performance

Overall the performance of JLIF's assets has exceeded expectations. As with any Portfolio, there has been variability of performance across the Portfolio with some assets delivering greater than forecast value and others less.

Projects that have exceeded expectations are Brockley and Canning Town social housing assets, Avon and Somerset Courts, Glasgow Schools, Manchester and Walsall Street Lighting.

At Queen Elizabeth Hospital (Greenwich), in which JLIF holds 27.5% of the shares, a claim was initiated in January 2012 by the Healthcare Trust in connection with the performance of the hard facilities management provider. JLIF has prudently allowed a contingency for legal costs in connection with this claim, which JLCM believes will have an immaterial impact on the JLIF Portfolio Value and that the mitigation measures will be sufficient. Otherwise, the health sector portion of the JLIF Portfolio has performed very well.

The education portfolio generally performed in line with expectations, however, earlier in the year, JLIF reported that South Lanarkshire Schools had marginally underperformed as expected insurance cost savings were lower than anticipated.

Defence, justice & emergency services, regeneration and social housing and street lighting all exceeded expected performance. Brockley Housing and the MoD Main Building were noted in particular in the Interim Report as having achieved notable performance due to insurance cost savings, and with respect to the MoD Main Building, treasury management and improved efficiency of lifecycle replacement. LUL Connect performed in line with expectations.

b. Discount Rate

The discount rates used to value the JLIF Portfolio are specific to each asset, albeit with a consistent methodology. The asset discount rates are based on historical five year rolling average gilt rates with a maturity matching the remaining concession length. Added to that are various premia and discounts to reflect the risk profile of each asset.

The valuation methodology has not changed since JLIF launched and the valuation is therefore comparable through to December 2011.

The weighted average discount rate ("WADR") used to value the Portfolio at 31 December 2011 is 8.36%. This has been verified by independent valuers. During 2011, JLIF's acquisitions have been aligned with the risk profile of the Portfolio such that the range and sensitivity of the discount rate is not materially different to 2010. The table below illustrates the key characteristics of the WADR compared with 2010.

Year	2011	2010
WADR at 31 December	8.36%	8.35%
Range of asset discount rates	7.99% – 8.99%	8.00% – 9.00%
Number of assets	30	19
Sensitivity of the Portfolio Valuation to movements in the discount rate		
+ 1% (9.36%) for 2011	Decreases by 7.41%	Decreases by 7.75%
- 1% (7.36%) for 2011	Increases by 8.70%	Increases by 8.88%

c. Foreign Exchange

The Portfolio currently contains three assets that are exposed to foreign exchange movements: Abbotsford Hospital and Vancouver Hospital in Canada and the E18 road in Finland. At 31 December 2011, these assets represented 24.7% of the Portfolio compared to 31.2% at 31 December 2010. The reduced exposure to foreign exchange assets is attributable to UK acquisitions during 2011, with the one non-UK acquisition in the year being the remaining shareholding in Abbotsford during November 2011.

To illustrate, the impact on the sterling value of the Portfolio for a move of the Euro and Canadian Dollar exchange rates of 5%, JLCM has performed two sensitivities to increase and decrease both of the exchange rates in the Portfolio by 5%.

	Portfolio Value Impact (2011)	Portfolio Value Impact (2010)
EUR and CAD increase by 5%	Decreases by 1.1%	Decreases by 1.5%
EUR and CAD decrease by 5%	Increases by 1.4%	Increases by 1.7%

In the event both the Euro and Canadian Dollar exchange rates increase by 5%, the Portfolio Value decreases by 1.1%. Conversely, if exchange rates decrease by 5%, the Portfolio Value increases by 1.4%. The fluctuations in value are relatively small and driven by the proportion of cash flow in the Portfolio subject to foreign exchange, relative to those that are not. JLCM will seek to minimise the impact of exchange rate volatility to preserve the Portfolio Value, and therefore shareholder value.

JLCM recommends that JLIF continues to pursue a multi currency Portfolio strategy which provides investors with a level of exposure as described in the Prospectus to the extent that exchange rate volatility is managed within the Portfolio. This can be achieved by managing the foreign exchange weighting in the Portfolio or by adopting a hedging strategy with respect to exchange rates.

JLCM will advise JLIF if it believes a hedging instrument would add value to the Portfolio and therefore shareholders.

Given the current uncertainty in the Euro region, JLCM is monitoring its sole Euro denominated asset such that movements in exchange rates due to political and economic pressures within the Eurozone do not adversely impact the Portfolio Value. In the extreme case that the Euro becomes defunct, the underlying Finnish currency, the Markka, is perceived as being relatively strong compared to the other underlying European currencies and therefore should not pose a material risk to the JLIF Portfolio.

4. INFLATION

The Portfolio Value is positively correlated with inflation. The approximate correlation to inflation is around 0.5[1], compared to 0.6 for 2010. The table below demonstrates the Portfolio effect of each assets inflation impact. The reason for the slight fall in the Portfolio sensitivity from 2010 to 2011, is attributable to two reasons. First, 64% of the assets acquired during 2011 had a positive but weak, zero, or negative correlation[2] to inflation. Second, the 2010 Portfolio was updated for actual revenues and costs during the year which has dampened some of the impact of sensitising inflation[3]. The table below depicts the Portfolio's sensitivity to adding and subtracting 1% from the inflation rate assumed in the Portfolio.

	Portfolio Value Impact 2011	Portfolio Value Impact 2010
Increase by 1% (Inflation = 3.75%)	Increases by 4.7%	Increases by 6.4%
Decrease by 1% (Inflation = 1.75%)	Decreases by 3.8%	Decreases by 5.3%

It is still considered the Portfolio offers reasonable inflation protection.

The underlying assets in the Portfolio have some exposure to inflation. Each asset receives a Unitary Payment ("UP") from a public sector client.

This UP is paid from the commencement of operations until the Contract expires, which is typically around 25 years. The UP is calculated to cover the costs of financing the Project (loans are borrowed to finance construction and are then repaid over the contract period) and the operational costs of maintaining and operating the asset. The UP flows in a waterfall through the project to pay for operational costs first, then senior debt and finally equity.

Debt costs on the underlying assets are fixed when the contract is signed; therefore, it is normal to 'fix', i.e. not apply inflation to the portion of the UP related to these fixed costs. The operational costs are indexed by inflation and this is reflected in the revenue from the Client. A proportionate amount of the UP corresponding to those costs that are affected by inflation is, therefore, indexed and this rises or falls with inflation. This creates a 'natural hedge', meaning a derivative does not need to be entered in to in order to mitigate the effect of inflation.

Inflation will fluctuate over the life of the assets and the current assumption made by JLIF for long term RPI is 2.75% (RPI is currently at 4.8%[4] (December 2011). JLCM believe JLIF has conservative inflation assumptions in its underlying assets. This is supported by the independent valuation carried out on the 31 December 2011 Portfolio. The upside in the higher actual inflation rate to that assumed for the underlying cash flows will be reflected over time in the valuation as opposed to a one off increase or decrease in value. JLIF does not have a different short term forecast to its long term forecast even when current inflation suggests this might be appropriate. This assumption is deemed to be prudent.

Inflation contributed to 0.8% of the £32.1million valuation growth for the year ended 31 December 2011. This compares to 1.6% for period ended 2010.

5. GEARING

JLIF had no recourse debt (excluding non recourse debt within investments) at launch. As stated in the IPO prospectus, and subsequent prospectus of September 2011, JLIF has the ability to raise debt up to 25% of the Total Assets of the Company. As from September 2011, JLIF has the availability of a three year £60 million Revolving Credit Facility with National Westminster Bank plc. The facility comprises two tranches: the core tranche of £40 million expiring September 2014 and a bridge tranche of £20 million expiring September 2012. The margin on the facility is 2% over LIBOR and subject to variation should the loan to value change significantly. The facility will be used primarily to fund third party acquisitions in between capital raisings.

The facility was undrawn at 31 December 2011 and remains undrawn at the time of writing this report.

6. FINANCIAL RESULTS

The financial statements of John Laing Infrastructure Fund Limited ("JLIF" or "the Company") for the year ended 31 December 2011 are on pages 42 to 81.

The financial highlights for the financial year are;

	31 December 2011	31 December 2010
IFRS net assets of	£446.5 million	£270.7 million
Net Asset Value[i]	£441.6 million	£272.3 million
IFRS profit before tax	£35.0 million	£4.2 million
Investment basis[ii] profit before tax	£23.3 million	£5.5 million

- Interim dividend declared in August 2011 and paid in October 2011 as targeted; 3.0 pence per share for the period ended 30 June 2011
- 9.2% increase to £380.4 million of rebased Portfolio Value[iii] since 1 January 2011 (2010 – 1.62% increase to £264.7 million)

i. Net Asset Value is the net assets for the Investment Group on the Investment basis (see note 2 below) as set out in the first column of the consolidated balance sheet in the Financial Statements.

This differs from the basis of recording net assets under International Financial Reporting Standards as set out in the third column (Total Group) of the consolidated balance sheet. See note 2 (a) to the financial statements for details of the basis of accounting and the key differences between the results in the two columns.

ii. Investment basis is the basis used for reporting the results of the Group as an Investment Group, under which investments in all 30 (2010 – 19) projects are accounted for in the same way. This differs from the results of the Group under the Total Group basis, in accordance with IFRS, where the accounting treatment for the 12 (2010 – five) project subsidiaries is different than that for the 18 (2010 – 14) projects which are joint ventures of the group. See note 2 (a) to the financial statements for details of the basis of accounting and key differences.

iii. Portfolio Value is the fair value of all 30 (2010 – 19) projects calculated using the discounted cash flow method.

The Portfolio Value is rebased for this purpose to reflect any amounts received from the projects in the year.

1 The IRR of the underlying assets in the Portfolio increases by approximately 0.5 percentage point for each percentage point increase in inflation above assumed level. The effect is broadly symmetrical therefore a fall in inflation would produce the opposite effect.

2 11% of assets were negatively correlated, 3% had zero correlation and the remainder had positive but weak correlation to inflation.

3 Inflation has been updated as well as some indexation mechanisms and costs; therefore, the impact of inflation on the Portfolio has dampened slightly.

4 Source: Office of National Statistics.

Basis of accounting

During the year, the Company acquired 11 new PPP assets and increased its shareholding in four other PPP assets with the investments in these companies comprised of a combination of equity investments in shares and subordinated loans.

The Group has both recourse and non-recourse parts. The Investment Group, that comprises the Company, its two wholly owned Luxembourg subsidiaries (JLIF Luxco 1 Sàrl and JLIF Luxco 2 Sàrl), the English Limited Partnership (JLIF Limited Partnership) and the 12 (2010 – five) wholly owned subsidiaries of the English Limited Partnership that together hold the investments in the 30 (2010 – 19) assets, forms the recourse part of the Group, whilst the 30 (2010 – 19) assets themselves comprise the non-recourse part of the Group. The effect of this is that any cash held by or debt in the 30 assets is without recourse to the Investment Group. The cash in the underlying assets only becomes recourse to the Investment Group when the assets make distributions to their shareholders. These distributions are comprised of returns on investments (interest on subordinated loans and dividends on equity), which are reported in the Income Statement, together with repayments of investments (subordinated loan repayments and equity redemptions).

At 31 December 2011, the Group controlled 12 (2010 – five) of these assets by virtue of having the power, directly or indirectly, to govern the financial and operating policies of the projects. Under International Financial Reporting Standards ("IFRS"), the results of these entities are required to be consolidated as subsidiaries in the Group's financial statements on a line-by-line basis.

The Group does not control the other 18 (2010 – 14) projects but has significant influence over the financial and operating policies of these projects and along with other shareholders jointly controls these entities. Accordingly, the Group would usually account for these investments in accordance with IAS 31 "Interests in Joint Ventures". However, the Group has taken the exemption from IAS 31 available to venture capital organisations and similar entities and these 18 (2010 – 14) investments are designated upon initial recognition to be accounted for at fair value through profit or loss.

Whilst the two groups of investments described are treated differently under IFRS they together form part of a Portfolio of similar investments which are held for investment purposes and managed as a whole and there is no distinction made between those investments classified as subsidiaries and those which are not.

In order to provide shareholders with relevant and useful information regarding the Investment Group's performance, its ability to make distributions to its shareholders and its capacity for further investments, the financial results in the Financial Statements have been presented to show the results for the recourse group on an Investment basis (presented as "Investment Group" in the financial statements), before showing those adjustments (presented as "Non-investment adjustments" in the financial statements) required to arrive at the financial results on a consolidated basis ("Total Group"), which incorporate the results of the non-recourse group under IFRS.

The financial results under the Investment basis reflect the Group's activity as an investment company, incorporating the returns from and fair value movements of the entire Portfolio regardless of the extent of control or influence the Group can exercise. The financial results under the IFRS consolidated basis replace the Investment basis results of the 12 (2010 – five) project subsidiaries with the underlying operating results of each of these subsidiaries on a line-by-line basis. They also incorporate other IFRS adjustments for fair valuing of the acquired subsidiaries' assets and liabilities as business combinations and on-going fair value movements of derivatives and financial assets both of which do not reflect the Group's investment performance or its ability to pay dividends to shareholders.

Period under review

The key financial results for the year ended 31 December 2011 are;

	Investment basis	Consolidated IFRS basis
Profit before tax (£'000s)	23,345	35,015
Gain on Portfolio valuation (£'000s)	11,597	4,377
Net Asset Value (£'000s)	441,571	446,526
Net Asset Value per Share (pence)	104.6	105.8
Portfolio valuation (£'000s)	380,439	232,345

The key financial results for the period ended 31 December 2010;

	Investment basis	Consolidated IFRS basis
Profit before tax (£'000s)	5,464	4,170
Gain on Portfolio valuation (£'000s)	4,461	3,104
Net Asset Value (£'000s)	272,260	270,738
Net Asset Value per Share (pence)	100.8	100.3
Portfolio valuation (£'000s)	264,735	208,907

As explained in the basis of accounting section above, the Group views its results and financial position from an Investment as well as consolidated IFRS basis. On an Investment basis, all assets and liabilities are held at fair value. On a consolidated IFRS basis, some of the underlying assets and liabilities of the subsidiary entities are held at fair value (including PPP financial assets and financial derivatives) whereas others such as intangible assets and bank debt are recorded at fair value on acquisition and are subsequently held at amortised cost. Recording debt in project subsidiaries at fair value would lead to a higher liability than that currently recorded at amortised cost whilst recording the intangible assets at fair value would lead to a higher asset being recorded as compared to the current amortised cost carrying value. This, together with the associated deferred tax, explains the majority of the difference between the IFRS basis and the Investment basis.

The key metrics on both an Investment and IFRS basis and their differences are explained below (note these explanations relate to the current year only).

(i) Under the Investment basis, profit before tax ("PBT") excluding the gain on the Portfolio Valuation of £11.6 million (see (iii) below) was £11.7 million. This comprised returns from investments in projects of £18.9 million offset by recourse costs of the Investment Group of £7.2 million which includes acquisition costs of £2.0 million.

(ii) Under the IFRS consolidated basis, profit before tax excluding the gain on the Portfolio Valuation of investments in joint ventures only of £4.4 million was £30.6 million.

This is different to the results under the Investment basis due to the results of the 12 project subsidiaries under the Investment basis being accounted for on a different basis to the results under IFRS. Again the difference between the two bases is driven by certain items being accounted for at amortised cost (debt and intangible assets) under the IFRS basis as opposed to all balances at fair value under the Investment basis. If intangible assets and debt were carried at fair value then the movement on these fair values for the year would be recorded in the income statement and would reconcile the Investment basis profit to the IFRS profit.

The key components of the IFRS PBT for the year arising from project subsidiaries includes aggregate fair value gains on financial instruments of £38.5m, amortisation of intangible asset of £2.9m, gross profit from project subsidiaries of £2.3m and £14.8m of finance costs payable on non–recourse project company loans.

(iii) The gain on Portfolio Value on an Investment basis in the year was £11.6 million. This includes a foreign exchange loss of £1.2 million on the overseas investments as a result of the weakening of both the Euro and the Canadian Dollar against Sterling in the year.

(iv) The Portfolio Value has increased from £264.7 million to £380.4 million at 31 December 2011 (or £232.3 million for the investments in joint ventures alone). The increase in Portfolio Value of £115.7 million includes acquisitions in the year of £109.5 million, the gain of £11.6 million in (iii) above, less the payments of accrued interest on subordinated loans at 31 December 2011 of £1.0 million and the repayments on these loans of £4.4 million in the year. These movements differ from the Portfolio Valuations provided in section 3 of this Investment Adviser Report where distributions of £24 million are based on the total amount of cash received whereas on an IFRS accounting basis, £18.9 million of these distributions (dividend and interest received) are recorded in the Income Statement as Investment Income (see note 6). The impact of this difference in treatment will be a reduction of £18.9 million in the underlying growth in portfolio value of £32.1 million.

(v) Net Asset Value ("NAV") on the Consolidated basis has increased from £270.7 million to £446.5 million at 31 December 2011, primarily as a result of the capital raised and acquisitions during the year as well as the increase in the Portfolio Value.

The Group has a total cash balance on an Investment basis of £48.6 million and currently no debt. The breakdown of the movements in cash is shown below:

Cash flows of the Investment Group for the year/ period ended:

Year	2011 £m	2010 £m
Cash balance as at 1 January 2011	7.6	nil
Capital raising	158.0	270.0
Listing and acquisition costs	(2.4)	(5.1)
Acquisition of projects	(109.5)	(259.0)
Cash held as collateral for payment committed obligation	(14.8)	nil
Distributions received from projects	24.6	1.7
Operating and administrative expenses	(4.7)	nil
Financing costs	(1.1)	nil
Dividends paid to shareholders	(9.1)	nil
Cash balance at 31 December	**48.6**	**7.6**

During the year, the Group received £24.6 million of distributions from its investments which includes £0.6 million of distributions relating to period ended 31 December 2010. This is consistent with distributions expected by the Group as forecast during the portfolio valuation process for the prior period end. The distributions in the year more than sufficiently cover the operating and administrative expenses, financing costs as well as the dividends paid to its shareholders. The Group believes that future distributions will continue to be in line with expectations and therefore will continue to fully cover future costs as well as planned dividends payable to its shareholders.

The Company has declared a total dividend of £12.7 million (3.0 pence per share) which is payable on 11 May 2012. The remaining cash balance is available to partially fund further acquisitions of projects that the Company is currently pursuing.

The cash balance at 31 December 2011 for the Total Group under the IFRS basis of £76.7 million (2010 – £14.7 million) includes £28.1 million (2010 – £7.1 million) of cash held in project subsidiaries.

JLIF offers a scrip dividend alternative that is the subject of a separate shareholder communication.

7. ACQUISITIONS

JLIF made 15 new or additional stakes during the period to 31 December 2011 for a total of £110 million:

Asset	Shareholding
Abbotsford Hospital	20%[1]
Bentilee Hub Community Centre	100%
Cleveland Police Station and HQ	42.5%
Edinburgh Schools	20%[2]
Enfield Schools	100%[3]
Forth Valley Royal Hospital	50%
Highland School	100%
LUL Connect (CityLink)	19.5%
M6 (Scotland)	11%
NEFRA	100%[4]
Newham Schools	100%[5]
North Swindon Schools	100%
Queen Elizabeth Hospital (Greenwich)	27.5%[6]

JLIF funded these acquisitions primarily through the capital raisings undertaken during 2011. Forth Valley Royal Hospital was acquired using JLIF's debt facility, which was subsequently repaid using proceeds from capital raised in October 2011.

In January 2012, JLIF completed two third party acquisitions: three social housing assets from United House for £30.5 million, and the remaining shareholding in North East Fire and Rescue project from Shepherd Construction for £1.15 million.

JLIF has completed seven third party transactions since launch to January 2012 and plans to continue this trajectory through 2012. In addition, JLIF has a pipeline of £355 million of assets from John Laing over the next three years.

8. OUTLOOK

To follow on from 2010's incentive to reduce the costs of procuring under the PPP model, the UK has developed the National Infrastructure Plan (NIP), which is in its second, and believed to be, final version. The NIP outlines the key areas for Government spending of £2.7 billion in infrastructure: energy, transport, accommodation and broadband; and improvements for the speed and cost reductions of the procurement process. The first three sectors listed above assume the vast majority of the allocated budget.

The Government has recognised that private sector involvement is crucial to the delivery of this infrastructure plan and has asked the pension funds to step in to the market in a primary capacity to alleviate the current funding constraints in the credit markets. The current direct impact for the secondary PPP market is minimal. There is sufficient deal flow in the market to sustain the infrastructure fund sector for the short term. There could be an influx of assets being disposed in the market as primary participants look to recycle their existing equity stakes to afford the opportunity to bid for the new pipeline of infrastructure projects.

In the medium to long term, the impact on the secondary market is difficult to determine. There is a growing number of assets overseas which are procured in a similar way to that in the UK and therefore lends itself to allow UK dominated infrastructure funds a natural diversification by investing overseas. On the other hand, the NIP is likely to outline projects that require participation from the private sector, which would not be dissimilar to the principles of project finance that the market is very comfortable with. In either scenario JLCM anticipates the pipeline for the secondary market would continue to be buoyant.

1 Acquisition of remaining 20% share from John Laing October 2011 increased total shareholding to 100%.

2 Completed in two transactions: 10% of Edinburgh Schools October 2011 from John Laing and 10% from JLPTL.

3 Completed in two transactions: 80% of Enfield December 2011 from John Laing and 20% from Wates Construction.

4 Completed in two transactions: 80% of NEFRA November 2011 from John Laing and 20% January 2012 from Shepherd Construction (post year end 31 December 2011).

5 Completed in two transactions: 80% of Newham Schools December 2011 from John Laing and 20% from Wates Construction.

6 Acquired an additional 12.5% of this asset.

Risks and Risk Management

"JLIF has a Comprehensive Risk Management Framework to identify risks in advance to create opportunities or prepare for mitigation.

Risk is the potential for events and consequences to occur that can create either threats to success or opportunities for benefit.

Threats to the success of the business could include impairment to the Group's business model, reputation or financial condition. Alternatively, under a well-formed risk management framework, potential risks can be identified in advance and converted into opportunities.

The Prospectus details all the potential risks that could occur in a PPP project. In the normal course of business, each asset will have a rigorous risk management framework with a comprehensive risk register that is reviewed and updated regularly and approved by its Board.

The purpose of JLIF's risk management policies and procedures is not to completely eliminate risk, as this is not possible; rather it is to ensure that JLIF is adequately prepared to deal with risks should they crystallise and reduce the likelihood of them occurring.

Risk identification and monitoring

JLIF has a comprehensive risk management framework and Risk Register that assesses a) the probability of each identified risk being realised; and b) the impact it may have on JLIF. This is captured in a rating system assigning a 1, 2 or 3 to the probability and to the magnitude of the impact (1 being the least probable, smallest impact and 3 being most probable, maximum impact).

These values are then multiplied together and the risk register is calibrated to determine the severity of the risk. The following red-amber-green system below is used:

- Red (score >=6) very likely to occur or has occurred in the recent past; significant potential impact on the firm's stakeholders, reputation and/or profits if risk occurred.
- Amber (score 3-5) likely to occur, with a medium reputational and/or impact on profits if the risk did occur.
- Green (score 1-2) very unlikely to occur, minor impact if risk did crystallise.

Against each risk is identified any mitigating control or managing factors which can be applied to reduce the likelihood and/or severity of that risk. The risks are then each re-evaluated against that mitigation to review their severity and actions are put into place to enact the actions identified.

The Risk Register is a live document which is updated frequently as new risks emerge and existing risks either increase or decrease in potential probability and impact. The Risk Register is presented to the JLIF Board at each Board meeting for consideration and approval.

The SPVs have very experienced general managers who report to their individual Boards. The general managers are based on site and maintain relationships between the SPV, clients, sub-contractors and other partners. This ensures effective management of potential risks, such that the SPVs can reasonably foresee risks and implement a mitigation strategy, which maintain a robust investment.

JLIF's Risk Register covers four main areas of risk:

1. Strategic, Economic and External
2. Operational, Business, Processes and Resourcing
3. Financial
4. Compliance/Law

Each aspect of the Risk Register is explained in detail below.

Strategic, Economic and External

Currency Risk

The Portfolio currently contains three assets that are exposed to foreign exchange movements: Abbotsford Hospital and Vancouver Hospital in Canada and the E18 road in Finland. As at 31 December 2011 these assets represented 24.7% of the Portfolio Value and individually:

- 15.9% Abbotsford Hospital
- 4.6% Vancouver Hospital
- 4.2% E18

This mix of currencies provides the Group with an element of diversification across countries and currencies. However, the net asset value of these three projects will vary in Sterling terms due to currency movements. Over the longer term, this exposure is not intended to be hedged. Over the shorter term, cash distributions arising from these projects will be monitored and hedged if appropriate. Furthermore, should the Group enter into borrowings; these may be in foreign currency as a partial hedge.

Inflation Risk

The underlying assets in the Portfolio have some exposure to inflation. Each asset receives a Unitary Payment ("UP") from a public sector client. This UP is paid every year from the end of construction until the contract expires, which is typically around 25 years.

The UP is calculated to cover the costs of financing the project (loans are borrowed to finance construction and are then repaid over the contract period) and the operational costs of maintaining the asset. Operational costs include soft services, for example, cleaning and catering; and hard services, replacing roofs, lifts, glazing etc. The UP flows in a waterfall through the project to pay for operational costs first, then senior debt and finally equity.

Debt costs in the underlying assets are fixed (through the use of interest rate swaps or fixed rate loans) when the contract is signed; therefore, interest rates do not affect the loan exposure on the project. In each project company, the forthcoming principle repayments and interest costs on the loan are, therefore, fixed and visible from the beginning of the contract. Therefore, it is normal to "fix", that is, not apply inflation to the portion of the UP related to these fixed costs.

The operational costs are affected by inflation and this needs to be reflected in the revenue from the client. A proportionate amount of the UP corresponding to those costs that are affected by inflation is, therefore, indexed and this rises or falls with inflation. This creates a "natural hedge", meaning a derivative does not need to be entered into in order to mitigate the effect of inflation.

By proportionately exposing income to inflation to match the underlying cost base, this occurs naturally.

In some cases, the public sector client wishes the whole UP to be indexed. In these cases the project company typically uses an index swap to fix the fixed costs and leaves a proportion of the income free of the swap so that it moves with inflation to match the service cost inflation liabilities.

The outturn position of fixed versus inflation-hedged costs is not usually perfectly correlated and a small amount of flexibility is allowed within the projects to ensure robustness. In the Portfolio, the approximate correlation to inflation is 0.5; therefore, for every percentage point increase in inflation above the assumed level, returns increase by approximately 0.5%. The effect is broadly symmetrical and so a fall in inflation would produce a similar but opposite effect.

For the UK projects which are linked to RPI or RPIX, the assumed level of inflation is 2.75%. This affords the Company relative protection to inflation, because current inflation is running at a higher rate than assumed in the underlying assets.

Acquisitions and Pipeline

JLIF has the objective to grow by acquisition of further assets from John Laing and from third parties. There is the risk that these acquisitions may not materialise. However, JLIF is protected by the first offer agreement which it has with John Laing which gives it access to a significant pipeline of infrastructure projects, valued at around £355 million for the next three years. These are assets that have already reached financial close and are either in their construction period currently or are already in their operational period.

JLIF has invested £110 million in new assets during 2011. These assets compliment the Company's Investment Policy. For details of how these funds have been invested and continue to diversify the Portfolio please refer to the Investor Adviser Report and the Portfolio Value Breakdown contained within this Annual report.

JLIF is actively defining its acquisition strategy and is keen to engage in acquisitions of third party assets, as opposed to solely John Laing assets. Third party acquisitions allow JLIF the opportunity to expand its diversification to co-shareholders, contractors, clients, sectors and countries and add shareholder value through opportunistic acquisitions that will enhance the Portfolio. It is JLIF's experience that the secondary market for PPP assets is currently quite active.

Funding of Acquisitions and Future Equity Raising

To achieve JLIF's stated ambition to acquire assets there is the risk that these cannot be funded. In March 2011, JLIF procured a £25 million multi currency acquisition facility to enable it to make acquisitions in between equity raisings. This facility, increased to £60 million in September 2011, affords JLIF the flexibility to capitalise on opportunities as and when they arise outside of capital raising periods.

The success of JLIF through the IPO to the date of writing leads us to believe that its strategy of raising equity capital to match an acquisition programme is attractive to investors. Market intelligence researched by the Company supports the appeal of infrastructure funds, particularly those that are fully seeded, and, as such, anticipate a successful capital raise and/or tap issue during 2012 to match suitable acquisitions.

Competitors

JLIF differentiates itself from its peer group through many factors, including its competitive costs of operation, diversification of assets across sectors and countries, its access to the pipeline from John Laing and the experience in managing and operating PPP assets. As at December 2011 JLIF does not hold any assets under construction. JLIF believes there are sufficient investor preference, market depth and liquidity for all funds to operate successfully.

UK Future of Capital Spending

The risk of future UK spending in infrastructure is a risk to JLIF in the event that it is stopped or the procurement model offers such a risk allocation that it would not be possible for JLIF to invest under its current investment policy.

The immediate direct impact for the secondary PPP market is minimal. There is sufficient deal flow in the market to sustain the infrastructure fund sector in the short term, although there could be an influx of assets being disposed of in the market as primary participants look to recycle their existing equity stakes to create opportunity for bids in the new pipeline of infrastructure projects.

The medium to long term impact on the secondary market is difficult to determine. There are a growing number of assets overseas which are procured in a similar way to those in the UK, thereby lending themselves to natural diversification by UK dominated infrastructure funds. On the other hand, the NIP is likely to outline projects that require participation from the private sector, which would not be dissimilar to the principles of project finance that the market is very comfortable with. In this scenario, the pipeline for the secondary market would continue to be buoyant.

Operational, Business, Processing and Resourcing

JLIF invests in low-risk operational projects; however, there are still some operational risks. These risks are identified in the Propectus. The majority of underlying assets are managed by John Laing under Services Agreements. This provides JLIF with a management team of experienced professionals who, in most cases, have worked on the project for many years and in others for periods prior to achievement of financial close. Such professionals have excellent relationships with client and co-shareholders; and a detailed understanding of the project, particularly as project managers are often based on site. This day-to-day project involvement provides a foresight rarely afforded by remote management. Potential issues can be mitigated such that the projects are minimally affected, if at all.

In the event that a project should sustain a material issue that affects its cash flows, the diversity of the JLIF Portfolio would enable it to absorb such a downside without materially impacting the overall Portfolio.

As stated in the Prospectus, JLIF will focus on projects that have completed construction and are in operation, providing yield. Acquiring assets that are still in their construction period would be likely to deliver no yield until the project enters its operational period. This is because the senior lenders to the projects to finance the construction of the asset do not allow distributions to be made to shareholders until the asset has been completed and the debt has begun to be repaid, although there are some exceptions.

JLIF analyses each potential acquisition on a long-term, holistic basis to ensure it fits with the existing Portfolio and the growth that JLIF would like to achieve.

Financial

The financial position of JLIF is robust and the Company remains optimistic for the year ahead and is keen to participate in acquisitions from both John Laing and third party vendors. The bank facility affords JLIF further flexibility to grow the Portfolio as and when opportunities arise.

The yield being delivered by the underlying projects is in line with expectation and the Company's intention with regard to dividend payments remains the same as in the Prospectus.

Compliance and Legal

JLIF is required to comply with certain London Stock Exchange and Guernsey regulatory requirements. John Laing Capital Management ("JLCM"), as Investment Adviser to JLIF, is regulated by the FSA and it is necessary to ensure that both JLIF and JLCM comply with the necessary regulations.

JLIF is well informed as to relevant legislation and guidance that has the potential to impact the Company directly or the underlying assets. Changes in law that affect funds will generally be foreseeable and JLIF will have the opportunity to reflect this in its business plan and accommodate any negative changes as well as designing potential upside from any advantageous movements in law.

The most recent developments in the regulatory environment are the Bribery Act, the Alternative Investment Fund Manager Directive ("AIFMD") and the Solvency II directive. The Company's Investment Adviser, ("JLCM") has gained the most current training available to ensure compliance with the Bribery Act. AIFMD is also on the horizon and JLIF has representation in the current discussions. Solvency II is not deemed to affect JLIF at this time as the directive is aimed at the insurance industry. JLIF seeks regular advice on potential new legislation and guidance to be best prepared.

JLIF supports regulation in the financial services industry and takes compliance issues in earnest. It is a member of the Association of Investment Companies ("AIC") and the Company Investment Adviser ("JLCM") is regulated by the Financial Services Authority ("FSA").

→ JLIF has a board of five independent non-executive Directors who are responsible for the overall management of the Company

Board of Directors

Paul Lester, CBE, Chairman

62 years old

Paul Lester, a resident of the United Kingdom, has been appointed as Chairman of three organisations: Greenergy International Ltd in October 2010, Survitec Group in August 2011 and Norland Managed Services in September 2011. Mr Lester was Chief Executive of VT Group plc, the support services company, from July 2002 to July 2010. Mr Lester was group managing Director of Balfour Beatty plc, the international engineering, construction and services group, from 1997 to 2002, and Chief Executive of Graseby plc from 1990 to 1997. Mr Lester has also held senior management positions at Schlumberger and the Dowty Group plc. He is an ex-president of the Society of Maritime Industries.

Mr Lester is a non-executive Director of Invensys plc and is a visiting professor at Nottingham Trent University.

David MacLellan, Deputy Chairman

52 years old

David MacLellan, a resident of the United Kingdom, is the founder and currently Chairman of RJD Partners, a midmarket private-equity business focussed on the services and leisure sectors. Previously, Mr MacLellan was an Executive Director of Aberdeen Asset Managers plc following its acquisition in 2000 of Murray Johnstone where he was latterly Chief Executive having joined the company in 1984. Mr MacLellan has served on the boards of a number of companies and is currently a non-executive Director of Havelock Europa plc and Maven Income and Growth VCT 2 plc. He is a past council member of the British Venture Capital Association and is a member of the Institute of Chartered Accountants of Scotland.

Christopher Spencer

61 years old

Christopher Spencer, a resident of Guernsey, qualified as a chartered accountant in London in 1975. Following two years in Bermuda, he moved to Guernsey. Mr Spencer, who specialised in audit and fiduciary work, was Managing Partner/Director of Pannell Kerr Forster (Guernsey) Limited from 1990 until his retirement in May 2000. Mr Spencer is a member of the AIC Offshore Committee, a past President of the Guernsey Society of Chartered and Certified Accountants and a past Chairman of the Guernsey Branch of the Institute of Directors. Mr Spencer sits on the board of Directors of Real Estate Credit Investments Limited, IRP Property Investments Limited, Tamar European Industrial Fund Limited, JP Morgan Private Equity Limited, Dexion Trading Limited and Ruffer Investment Company Limited, each of which is listed on the London Stock Exchange, and Low Carbon Accelerator Limited, which is listed on the London Stock Exchange's Alternative Investment Market. Mr Spencer also sits on the board of Directors of Thames River Longstone Limited and Thames River ISIS Fund Limited, each of which is listed on the Irish Stock Exchange, and Thames River Property and Growth Fund Limited, which is listed on the Channel Islands Stock Exchange.

Talmai Morgan

59 years old

Talmai Morgan, a resident of Guernsey, qualified as a barrister in the United Kingdom in 1976. He moved to Guernsey in 1988 where he worked for Barings as general counsel and then for the Bank of Bermuda as Managing Director of Bermuda Trust (Guernsey) Limited. From January 1999 to June 2004, Mr Morgan was Director of Fiduciary Services and Enforcement at the Guernsey Financial Services Commission (Guernsey's financial regulatory agency) where he was responsible for the design and subsequent implementation of Guernsey's law relating to the regulation of fiduciaries, administration businesses and company Directors. Mr Morgan was also involved in working groups of the Financial Action Task Force and the Offshore Group of Banking Supervisors. From July 2004 to May 2005, Mr Morgan served as Chief Executive of Guernsey Finance, which is the official body for the promotion of the Guernsey finance industry. Mr Morgan is now the Chairman or a non-executive Director of a number of investment companies including companies listed on the London Stock Exchange's main market for listed securities. He holds an M.A. in economics and law from the University of Cambridge.

Guido Van Berkel

61 years old

Guido Van Berkel, a resident of Luxembourg, is an Associate of The Directors' Office, the leading practice of independent Directors in Luxembourg. Mr Van Berkel started his career in the financial industry nearly 40 years ago and has held various senior positions with Bank Sarasin, Rabobank, Robeco Group and Citibank. Over the course of his career, he has worked in the Netherlands, Jersey, Switzerland and Scandinavia.

From 2000 until 2007 Mr Van Berkel was active on the Executive Board of Bank Sarasin in Switzerland and as such he acted as chairman of various Sarasin entities across Europe and Asia. Currently Mr Van Berkel is independent Director in a number of Luxembourg and Dutch investment fund ranges and from the beginning of 2012 he is chairman of BlackRock Luxembourg SA and BlackRock Fundmanagement Sarl in Luxembourg.

Report of the Directors

The Directors have pleasure in submitting their report and the Audited Financial Statements of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

John Laing Infrastructure Fund Limited ("JLIF" or the "Company") is a company incorporated and registered in Guernsey under the Companies (Guernsey) Law, 2008. The Company was incorporated on 6 August 2010 with the Company register number 52256.

The Company is a Guernsey-incorporated closed-ended investment fund traded on the London Stock Exchange (the 'LSE'). On 29 November 2010 the Company issued 270 million Ordinary Shares with a nominal value of 0.01 pence each. The Ordinary Shares of the Company were admitted to trading on the London Stock Exchange Main Market on the same date.

The number of Ordinary Shares raised was increased by 26.7 million in April 2011 following a Tap Issue and by a further 124.5 million on 7 October 2011. As at 31 December 2011 the total number of Ordinary Shares of the Company in issue was 422.23 million.

The Company is a registered fund under the Registered Collective Investment Scheme Rules 2008 and is regulated by the Guernsey Financial Services Commission and, during the period, its principal activity was as an investor in PPP projects in the UK, Europe and Canada.

BUSINESS REVIEW

We are required to present a fair review of our business during the year ended 31 December 2011, our position at period end and a description of the principal risks and uncertainties that we face.

The information regarding the business review can be found in the Chairman's statement on pages 4 to 5, the Investment Adviser Report on pages 19 to 26, and the Risks and Risk Management section on pages 27 to 29.

RESULTS AND DIVIDENDS

The results for the period are set out in the Financial Statements on pages 42 to 81. The Directors on 15 March 2012 declared a dividend in respect of the period 1 July 2011 to 31 December 2011 of 3.0 pence per Ordinary Share to shareholders on the register as at the close of business on 23 March 2012, to be paid on 11 May 2012.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Investment Adviser Report. The financial position of the Group, its cash flows and its liquidity position are described in the Investment Adviser Report. In particular, the current economic conditions have created a number of risks and uncertainties for the Group and these are set out in the Risks and Risk Management section on pages 27 to 29. The financial risk management objectives and policies of the Group and the exposure of the Group to credit risk, market risk and liquidity risk are discussed in note 29 of the Financial Statements.

The Group continues to meet Group and individual entity requirements and day-to-day liquidity needs through the Group's cash resources. The Group has secured a Revolving Credit Facility of £60 million on 23 September 2011 of which £2 million can be used for working capital requirements.

As at 31 December 2011 the Group had net current assets of £39.4 million. Since then, the Group has completed two third party acquisitions for £31.7 million. However, the Revolving Credit Facility remains available to the Group for future acquisitions and has sufficient cash balances to meet other current obligations as they fall due. In addition, all key financial covenants are forecast to continue to be complied with.

The Directors have reviewed Group forecasts and projections which cover a period of not less than 12 months from the date of the report, taking into account reasonably-possible changes in investment and trading performance, which show that the Group has sufficient financial resources. The Group has sufficient financial resources together with long-term contracts with various public sector customers and suppliers across a range of infrastructure projects. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

On the basis of this review, and after making due enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going-concern basis in preparing the Financial Statements.

SHARE CAPITAL

The issued Ordinary Share capital of the Company was increased through an open offer and placing of shares announced in October 2010, a subsequent tap issue in April 2011 and a further open offer and placing of shares in October 2011. Further details can be found in note 22 to the financial statements.

The Company has one class of Ordinary Shares which carries no rights to fixed income. On a show of hands, each member present in person or by proxy has the right to one vote at our general meetings. On a poll, each member is entitled to one vote for every share held.

The issued nominal value of the Ordinary Shares represents 100% of the total issued nominal value of all share capital. There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the

Report of the Directors (CONTINUED)

SHARE CAPITAL (CONTINUED)

Articles of Incorporation and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

The Company's Memorandum and Articles of Incorporation contain details relating to the rules that the Company has about the appointment and removal of Directors or amendment to the Company's Articles of Incorporation which are incorporated into this report by reference.

AUTHORITY TO PURCHASE OWN SHARES

A resolution to provide the Company with authority to purchase its own shares will be tabled at the AGM on 4 May 2012. This shareholder authority was renewed at the 2011 AGM.

MAJOR INTERESTS IN SHARES AND VOTING RIGHTS

As at 31 December 2011, a total of four shareholders held more than 35% together of the issued Ordinary Shares of the Company, accounting for a total amount of 172,564,434 shares or 40.87% of the issued share capital.

Shareholder	Holding as at 28 March 2011	Percentage holding
John Laing Investments Limited	76,774,903	18.18
Schroder Investment Management Limited	50,291,193	11.91
Tredje AP Fonden	28,571,429	6.77
Investec Wealth & Investment	16,926,909	4.01

On 7 April 2011, Schroder Investment Management Limited, a related party to the Company pursuant to Chapter 11 of the UK Listing Rules, subscribed for 3,060,489 Shares at a price of 102.5 pence per share with total consideration of GBP 3,137,000 in the Company's Placing.

On 25 October 2011, John Laing Investments Limited, a related party to the Company pursuant to Chapter 11 of the UK Listing Rules, subscribed for 14,285,714 shares at a price of 105 pence per share with total consideration of GBP 15,000,000 in the Company's Placing. On 25 October 2011, Schroder Investment Management Limited, a related party to the Company pursuant to Chapter 11 of the UK Listing Rules, subscribed for 8,973,286 Shares at a price of 105 pence per share with total consideration of GBP 9,421,950 in the Company's Placing.

BOARD OF DIRECTORS

The Board members that served during the year and up until the date of this Report, all of whom are non-executive Directors and independent of the Investment Adviser, are listed below. Their biographical details are shown on pages 30 and 31.

Name	Function
Paul Lester	Chairman
David MacLellan	Deputy Chairman
Talmai Morgan	Director
Christopher Spencer	Director
Guido Van Berkel	Director

RE-ELECTION OF DIRECTORS

All Directors are standing for election or re-election on an annual basis and each has letters of appointment rather than service contracts.

DIRECTORS' INTERESTS

Directors who held office during the period and had interests in the shares of the Company as at 31 December 2011 were:

	Ordinary shares of 0.01p each held at 31 December 2011	Ordinary shares of 0.01p each held at 31 December 2010
Paul Lester*	100,000	100,000
David MacLellan**	25,000	25,000
Talmai Morgan	25,000	15,000
Christopher Spencer	5,000	5,000
Guido Van Berkel	–	–

There have been no changes in the Directors' interests from 31 December 2011 to the date of this report.

* 100,000 of which is held by his spouse
** 25,000 of which is held by his spouse

Report of the Directors (CONTINUED)

DIRECTORS' REMUNERATION

During the year, the Directors received the following emoluments in the form of Directors' fees from the Company:

	Annual Directors' fee[1]	Paid from appointment to 31 December 2010[2]
Paul Lester	£45,000	£15,657.53
David MacLellan	£35,000	£12,178.08
Talmai Morgan	£30,000[3]	£10,438.36
Christopher Spencer	£30,000[4]	£10,438.36
Guido Van Berkel	€22,500	€5,625.00

[1] A portion of this amount was paid in quarter 1 2012.
[2] This represents a part period.
[3] Talmai Morgan received supplementary remuneration of £10,000 during 2011, which was approved by the Board, for additional functions performed out of scope of current mandate for JLIF acquisitions.
[4] Christopher Spencer received supplementary remuneration of £10,000 during 2011, which was approved by the Board, for additional functions performed out of scope of current mandate for JLIF acquisitions.

ANNUAL GENERAL MEETING

Our AGM will be held at 10.30 am London time on 4 May 2012 at Lefebvre Place, Lefebvre, St Peter Port, Guernsey, Channel Islands. Details of the business to be conducted are contained in the Notice of AGM.

APPOINTMENT OF INVESTMENT ADVISER AND OPERATOR

John Laing Capital Management ("JLCM") acts as the Investment Adviser to the Company and acts as Operator of the Limited Partnership which holds and manages the Group's investments. A summary of the contract between the Company, its group companies and JLCM in respect of services provided is set out in note 26 to the financial statements. It is in the Directors' opinion, based upon the performance in the period to 31 December 2011 that the continuing appointment of JLCM on the agreed terms is in the best interests of the shareholders as a whole.

EVENTS AFTER BALANCE SHEET DATE

On 18 January 2012, the Group completed the acquisition of interests in three social housing PPP projects from United House Group, the social housing specialist, for a consideration of £30.5 million.

On 26 January 2012, the Group completed a further third party acquisition being the remaining 19.9% interest in the PPP infrastructure asset North East Fire and Rescue ("NEFRA") for a total consideration of £1.15 million. This takes the Group's total holding in NEFRA to 100% following the acquisition of the 80.1% stake from the John Laing Group in November 2011.

AUDITOR

The Audit Committee reviews the appointment of the external auditor, its effectiveness and its relationship with the Group, which includes monitoring our use of the Auditor for non-audit services and the balance of audit and non-audit fees paid. Following a review of the independence and effectiveness of our external auditor, a resolution will be proposed at the 2012 AGM to reappoint Deloitte LLP.

Each Director believes that there is no relevant information of which our auditor is unaware. Each has taken all steps necessary, as a Director, to be aware of any relevant audit information and to establish that Deloitte LLP is made aware of any pertinent information. This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of the Companies (Guernsey) Law 2008.

By order of the Board

Paul Lester CBE
Chairman
15 March 2012

Corporate Governance

The Board of JLIF has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to JLIF.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code, except as set out below.

The Combined Code includes provisions relating to:
- the role of the Chief Executive
- executive Directors' remuneration
- the need for an internal audit function

For the reasons set out in the AIC Guide, and in the preamble to the Combined Code, the Board considers these provisions are not relevant to the position of JLIF, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

THE BOARD

The Board consists of five non-executive Directors, all of whom are independent of the Company's Investment Manager/Adviser. As the Company has no Executive Directors, the provision of the UK Corporate Governance Code relating to the combining of the roles of Chairman and Chief Executive Officer does not apply to the Company. Directors' details are contained in pages 30 and 31 which set out the range of investment, financial and business skills and experience represented. The Chairman is an independent non-executive Director and, as all other Directors are similarly independent and non-executive, the Board considers it unnecessary to appoint such a senior independent Director.

The Company intends for all Directors to be subject to annual re-election at the Annual General Meeting of the Company.

The Board will meet at least four times a year and, should the nature of the activity of the Company require it, additional meetings may be scheduled, some at short notice. Between meetings there is regular contact with the Investment Adviser and the Administrator and the Board requires to be supplied in a timely manner with information by the Investment Adviser, the Company Secretary and other Advisers in a form and of a quality appropriate to enable it to discharge its duties.

The Company intends for all Directors to be subject to annual re-election at the Annual General Meeting of the Company. The Board intends to consider the tenure of Directors after six years. The tenure of Directors is expected to be between six and nine years to allow for phased board appointments and retirements. This process will take account of any changes to the Board's composition arising from the need to fill a casual vacancy.

The terms and conditions of appointment of non-executive Directors are available for inspection from the Company's registered office.

Performance and Evaluation

The Board has adopted a process to formally review its performance on a regular basis and such review is expected to be carried out internally on an annual basis and through external facilitation every three years. The Board is due to complete its first evaluation in May 2012. It is expected that the annual evaluation of the Board, the Audit Committees and individual Directors would take the form of questionnaires and discussion to determine the effectiveness and performance in various areas.

New Directors will receive an induction from the Investment Adviser as part of the vetting process of candidates. All Directors will receive other relevant training as necessary.

Duties and Responsibilities

The Board is responsible to shareholders for the overall management of the Company. The Board has adopted a set of reserved powers which set out the particular duties of the Board. Such reserved powers include decisions relating to the determination of Investment Policy and approval of investments, strategy, capital raising, statutory obligations and public disclosure, financial reporting and entering into any material contracts by the Company.

The Directors have access to the advice and services of the Company Secretary and Administrator, who is responsible to the Board for ensuring that Board procedures are followed and that it complies with Guernsey Law and applicable rules and regulations of the Guernsey Financial Services Commission and the London Stock Exchange. Where necessary, in carrying out their duties, the Directors may seek independent professional advice at the expense of the Company. The Company maintains appropriate Directors' and Officers' liability insurance in respect of legal action against its Directors on an ongoing basis.

The Board has responsibility for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable it to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008 as amended. It is the Board's responsibility to present a balanced and understandable assessment, which extends to interim and other price-sensitive public reports.

Corporate Governance (CONTINUED)

Committees of the Board

The Board has not deemed it necessary to appoint a nomination or remuneration committee as, being comprised of five non-executive Directors; it considers that such matters may be considered by the whole Board.

The Company has established an Audit Committee, chaired by Mr C Spencer which operates within clearly-defined terms of reference and comprises three non-executive Directors: Mr Spencer, Mr MacLellan and Mr Morgan, whose qualifications and experience are noted on pages 30 and 31. The Audit Committee meets at least three times a year at times appropriate to the financial reporting calendar.

The duties of the Audit Committee in discharging its responsibilities include reviewing the Annual Report and Financial Statements; the Interim Report and Financial Statements; the system of internal controls; and the terms of appointment of the Auditor, together with their remuneration. It is also the forum through which the Auditor reports to the Board. The Audit Committee also reviews the objectivity of the auditor along with the terms under which the external auditor is engaged to perform non-audit services. Notwithstanding such services the Audit Committee considers Deloitte LLP to be independent of the Company and that the provision of such non-audit service is not a threat to the objectivity and independence of the conduct of the audit.

The Audit Committee, having reviewed the performance of the Auditor, has recommended to the Board that the Auditor be offered for re-appointment at the Annual General meeting of the Company.

Meeting attendance	Board Meeting	Scheduled Audit Committee
	max 5	max 5
Paul Lester	5	n/a
David MacLellan	5	4
Guido Van Berkel	5	n/a
Talmai Morgan	5	5
Christopher Spencer	5	5

A total of 10 other unscheduled Board meetings and three other unscheduled Committee meetings were held during the year for specific purposes which were attended by some but not all of the Directors.

INTERNAL CONTROL AND FINANCIAL REPORTING

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness, and the Board is, therefore, established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed. These processes have been in place for the year ended 31 December 2011 and up until the date of this Report.

The process is based on a risk-based approach to internal control through a matrix which identifies the key functions carried out by the Investment Adviser and other key service providers, the various activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. A residual risk rating is then applied. A regular report is provided to the Board highlighting material changes to risk ratings and then a formal review of these procedures is carried out by the Audit Committee on an annual basis. By their nature these, procedures will provide a reasonable, but not absolute, assurance against material misstatement or loss.

At each Board meeting, the Board also monitors the Group's investment performance and activities since the last Board meeting to ensure that the Investment Adviser and Operator adhere to the agreed Investment Policy and approved investment guidelines. Further, at each Board meeting, the Board receives reports from the Company Secretary and Administrator in respect of compliance matters and duties performed by them on behalf of the Company.

The Board considers that an internal audit function specific to the Company is unnecessary and that the systems and procedures employed by the Investment Adviser and Operator, including their own internal audit functions, provide sufficient assurance that a sound system of internal control, which safeguards the Company's assets, is maintained.

Investment Advisory services are provided to the Company by John Laing Capital Management Limited. The Board is responsible for setting the overall Investment Policy and monitors the action of the Investment Adviser and Operator at regular Board meetings. The Board has also delegated administration and company secretarial services to Heritage International Fund Managers Limited but retains accountability for all functions it delegates.

RELATIONS WITH SHAREHOLDERS

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. Senior members of the Investment Adviser make themselves available at all reasonable times to meet with principal shareholders and key sector analysts. The Chairman and other Directors are also available to meet with shareholders if required.

Reports on the views of shareholders are provided to the Board on a regular basis. The Board is also kept fully informed of all relevant market commentary on the Company by the Investment Adviser.

All shareholders can address their individual concerns to the Company in writing at its registered address. The Annual General Meeting of the Company provides a forum for shareholders to meet and discuss issues with the Directors and the Investment Adviser.

Audit Committee Report

SUMMARY OF THE ROLE OF THE AUDIT COMMITTEE

The Audit Committee is appointed by the Board from the non-executive Directors of the Company. The Audit Committee's terms of reference include all matters indicated by Disclosure and Transparency Rule 7.1 and the UK Corporate Governance Code. The terms of reference are considered annually by the Audit Committee and are then referred to the Board for approval.

The Audit Committee is responsible for:

- monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained therein;
- reviewing the Group's internal financial controls and unless expressly addressed by the Board itself, the Group's internal control and risk management systems;
- monitoring and reviewing the effectiveness of the Group's internal audit function;
- making recommendations to the Board, for a resolution to be put to the shareholders for their approval in general meeting, on the appointment of the external auditor and the approval of the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and
- developing and implementing a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm.

The Audit Committee is required to report its findings to the Board, identifying any matters on which it considers that action or improvement is needed, and make recommendations on the steps to be taken.

COMPOSITION OF THE AUDIT COMMITTEE

The members of the Audit Committee are:
Christopher Spencer (Chairman)
David MacLellan
Talmai Morgan

See pages 30 to 31 for biographical details of the current Audit Committee members.

MEETINGS

The Audit Committee shall meet not less than three times a year and at such other times as the Audit Committee Chairman shall require.

Any member of the Audit Committee may request that a meeting be convened by the Secretary of the Audit Committee. The external auditor may request that a meeting be convened if they deem it necessary.

Other Directors and third parties may be invited by the Audit Committee to attend meetings as and when appropriate.

ANNUAL GENERAL MEETING

The Audit Committee Chairman shall attend each Annual General Meeting of the Company, prepared to respond to any shareholder questions on the Audit Committee's activities.

INTERNAL AUDIT

The Audit Committee shall consider at least once a year whether or not there is a need for an internal audit function. Currently, the Audit Committee does not consider there to be a need for an internal audit function at the Investment Group level. However, internal audits of the underlying PPP projects are performed periodically by the Investment Adviser who will report findings to the Audit Committee.

Audit Committee Report (CONTINUED)

OVERVIEW

The Audit Committee has met on five occasions during the period 1 January 2011 to 31 December 2011. Matters considered at these meetings included but were not limited to:

- consideration and agreement of the terms of reference of the Audit Committee for approval by the Board;
- review of the proposed accounting policies and format of the Financial Statements;
- review of the audit plan and timetable for the preparation of the Report and Financial Statements;
- review of the 2011 Annual Accounts Report and Financial Statements.

As a result of its work during the period, the Audit Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditor. The Audit Committee has recommended to the Board that the external auditor is re-appointed.

APPROVAL

On behalf of the Audit Committee

Christopher Spencer
Chairman of the Audit Committee
15 March 2012

Corporate Social Responsibility

The Investment Adviser, John Laing Capital Management Limited (JLCM) is committed to socially-responsible investing, which includes financial sustainability through to promoting social and environmental benefits. The JLIF Board is wholly supportive of this philosophy.

The commitment to corporate social responsibility is largely delivered through JLCM. JLIF benefits from John Laing's high standards of CSR that permeates through the continued management services provided to the Portfolio assets. It is the engagement of teams that manage the assets on the ground and support the communities in which they operate that makes the difference.

John Laing's commitment to CSR received Gold status in the 2011 Business in the Community (BITC) Corporate Responsibility Index and it maintains a close working relationship with BITC to enhance corporate responsibility performance.

John Laing continues to achieve high levels of recognition for its CSR activities. In 2011 for the third year in succession the Community Mark and RoSPA Gold certificate were awarded. Only 38 UK companies hold the Community Mark and together with the RoSPA award it is a reflection of John Laing's continued CSR commitment, safety performance and the systems it operates in the control and mitigation of risks.

COMMUNITY ENGAGEMENT

John Laing works closely with a number of Charitable and Community organisations to support and deliver their objectives:

John Laing has been a patron of The Prince's Trust's Construction and Business Services Leadership Group since 2006 to help support disadvantaged young people across the UK via the 'Get into Construction' programme, a skills development scheme that helps young people find a way into the industry. Through ongoing employee's engagement in 2011 and participation in the adventure challenge to the Sahara, John Laing has continued to support the lives of young people.

John Laing works closely with Victim Support to provide funding in areas of need identified by the UK national youth crime strategy. During 2011 Kingston Hospital benefitted from a grant from the John Laing Charitable Trust of £25,000 which will enable an Independent Sexual Violence Adviser to be recruited to join the service at the Hospital.

In 2011 John Laing has continued to participate in the BITC Education campaign including the 'What Works in Schools' programme as part of the Prince's 'Seeing is Believing' visits to various educational establishments. John Laing has forged an innovative partnership at North Swindon Schools providing direct engagement in the day to day classroom work through a three year programme being delivered by the Prince's Teaching Institute.

The work supports the development of staff through a comprehensive and holistic programme to promote interesting teaching and challenging lessons. Research has shown that a positive learning experience results in improvements in learning outcomes, which ultimately improves opportunity in employment and further education.

John Laing continues to work in partnership with the British Trust for Conservation Volunteers (BTCV) to increase awareness of the local environment, bring people together and enjoy structured teamwork for those members of the community who may be unemployed or suffering from mental or physical health problems. John Laing has helped fund the BTCV innovative Green Gym programme that operates across the UK to facilitate practical conservation or gardening work. This has included projects close to assets such as Glasgow Schools, Newham Hospital and Sirhowy Way.

PROJECT AWARDS

In October 2011 two JLIF projects were awarded accolades at the British Institute of Facilities Management (BIFM) Awards. Modus Services, the project company responsible for the modernisation and rationalisation of the Ministry of Defence's Whitehall Headquarters was named winner of the Sustainability Award. This is a fantastic recognition of the team work that the client (MoD), partners and suppliers have put into the project and the sheer hard work as well as innovation and thought.

The Forth Valley Royal Hospital project was successful in two categories at the BIFM Awards. The ceremony saw the new hospital received highly commended in the "Innovation in Technology and Systems" category and "Outright Winner" in the category of "FM Excellence in a Major Project". The awards are recognition of the truly collaborative partnership achieved over the last five years between all the project parties.

In January 2012 the Abbotsford Regional Hospital and Cancer Centre (ARHCC) in Canada received a First Place Technology Award from ASHRAE (American Society of Heating, Refrigeration, and Air-conditioning Engineers). The Technology Awards recognise outstanding achievements in successfully applied innovative building design incorporating ASHRAE standards for effective energy management and indoor air quality. This ASHRAE Award further recognises the effectiveness of the energy solutions put in place at ARHCC since it was the first Canadian acute care hospital to be awarded LEED Gold (Leadership in Energy and Environmental Design).

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable laws and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. Under Company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Company's website is the responsibility of the Directors. The work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in Guernsey and the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

All companies with a Premium Listing of equity shares in the UK are required under the Listing Rules to report on how they have applied the Code in their annual report and accounts.

The Directors confirm that, so far as they are aware, there is no information relevant to the audit of which the Group's auditor is unaware.

The Directors also confirm that, they have taken all steps they ought to have taken as Directors to make themselves aware of any information relevant to the audit and to establish that the Group's auditor is aware of that information.

Each of the Directors, whose names are set out on pages 30 and 31 of the Annual Report, confirm that, to the best of their knowledge and belief:

- The financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- The Directors' report contained in the Annual Report includes a fair review of the development and performance of the Group and of the position of the Company and the Group as a whole, together with a description of the principal risks and uncertainties they face.

Independent Auditor's Report to the Members of John Laing Infrastructure Fund Limited

We have audited the consolidated financial statements of John Laing Infrastructure Fund Limited for the year ended 31 December 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008.

Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2011 and of its profit for the year ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Matters where the Companies (Guernsey) Law, 2008 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
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Richard Anthony Garrard FCA
For and on behalf of Deloitte LLP
Chartered Accountants and Recognised Auditor
Guernsey
Channel Islands

15 March 2012

Consolidated Income Statement

for the year ended 31 December 2011

	Notes	Year ended 31 December 2011 Investment Group £'000s	Non-Investment adjustments £'000s	Total Group £'000s	Period from 6 August 2010 to 31 December 2010 Investment Group £'000s	Non-Investment adjustments £'000s	Total Group £'000s
Service revenue	4	–	18,221	18,221	–	1,429	1,429
Cost of sales		–	(18,900)	(18,900)	–	(1,591)	(1,591)
Gross loss		**–**	**(679)**	**(679)**	–	(162)	(162)
Administrative expenses		(6,677)	(1)	(6,678)	(2,457)	–	(2,457)
Loss from operations	5	**(6,677)**	**(680)**	**(7,357)**	(2,457)	(162)	(2,619)
Investment income	6	30,586	(11,325)	19,261	7,901	(2,362)	5,539
Other gains/(losses)	7	(76)	38,454	38,378	20	2,245	2,265
Finance costs	8	(488)	(14,779)	(15,267)	–	(1,015)	(1,015)
Profit/(loss) before tax		**23,345**	**11,670**	**35,015**	5,464	(1,294)	4,170
Tax	9	(531)	(4,441)	(4,972)	(116)	(224)	(340)
Profit/(loss) for the year/period		**22,814**	**7,229**	**30,043**	5,348	(1,518)	3,830
Attributable to:							
Owners of the Company				30,038			3,830
Non-controlling interests				5			–
				30,043			3,830
Earnings per share							
From continuing operations							
Basic and diluted (pence)	10			9.64			1.42

All results are derived from continuing operations.

Supplementary information has been provided analysing the income statement between results on an Investment basis ('Investment Group') and results on an IFRS consolidated basis ('Total Group'). See note 2 (a) for further details.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

	Year ended 31 December 2011			Period from 6 August 2010 to 31 December 2010		
	Investment Group £'000s	**Non-Investment adjustments £'000s**	**Total Group £'000s**	Investment Group £'000s	Non-Investment adjustments £'000s	Total Group £'000s
Profit for the year/period	22,814	7,229	30,043	5,348	(1,518)	3,830
Exchange difference on translation of overseas operations	–	(1,275)	(1,275)	–	(4)	(4)
Total recognised income and expenditure attributable to equity shareholders	22,814	5,954	28,768	5,348	(1,522)	3,826
Attributable to:						
Owners of the Company			28,763			3,826
Non-controlling interests			5			–
			28,768			3,826

Supplementary information has been provided analysing the income statement between results on an Investment basis ('Investment Group') and results on an IFRS consolidated basis ('Total Group'). See note 2 (a) for further details.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

	Year ended 31 December 2011						
	Share capital £'000s	**Share premium account £'000s**	**Retained reserves £'000s**	**Translation reserve £'000s**	**Total £'000s**	**Non-controlling interest £'000s**	**Total equity £'000s**
Balance at 1 January 2011	27	266,884	3,830	(4)	270,737	–	270,737
Profit for the year	–	–	30,038	–	30,038	5	30,043
Other comprehensive income/(loss) for the year	–	–	–	(1,275)	(1,275)	–	(1,275)
Total comprehensive income/(loss) for the year	**27**	**266,884**	**33,868**	**(1,279)**	**299,500**	**5**	**299,505**
Ordinary shares issued	15	159,169	–	–	159,184	–	159,184
Costs of shares issued	–	(2,435)	–	–	(2,435)	–	(2,435)
Dividend paid	–	–	(10,251)	–	(10,251)	–	(10,251)
Non-controlling interest arising on acquisition	–	–	–	–	–	523	523
Balance at 31 December 2011	**42**	**423,618**	**23,617**	**(1,279)**	**445,998**	**528**	**446,526**

	Period from 6 August 2010 to 31 December 2010						
	Share capital £'000s	Share premium account £'000s	Retained reserves £'000s	Translation reserve £'000s	Total £'000s	Non-controlling interest £'000s	Total equity £'000s
Profit for the period	–	–	3,830	–	3,830	–	3,830
Other comprehensive income/(loss) for the period	–	–	–	(4)	(4)	–	(4)
Total comprehensive income/(loss) for the period	–	–	3,830	(4)	3,826	–	3,826
Ordinary shares issued	27	269,973	–	–	270,000	–	270,000
Costs of shares issue	–	(3,089)	–	–	(3,089)	–	(3,089)
Balance at 31 December 2010	27	266,884	3,830	(4)	270,737	–	270,737

Supplementary information has been provided analysing the income statement between results on an Investment basis ('Investment Group') and results on an IFRS consolidated basis ('Total Group'). See note 2 (a) for further details.

Consolidated Balance Sheet

as at 31 December 2011

	Notes	31 December 2011 Investment Group £'000s	31 December 2011 Non-Investment adjustments £'000s	31 December 2011 Total Group £'000s	31 December 2010* Investment Group £'000s	31 December 2010* Non-Investment adjustments £'000s	31 December 2010* Total Group £'000s
Non-current assets							
Intangible assets	12	–	115,110	115,110	–	53,490	53,490
Property, plant and equipment	13	–	1,191	1,191	–	–	–
Investments at fair value through profit or loss	14	380,439	(148,094)	232,345	264,735	(55,828)	208,907
Finance receivables at fair value through profit or loss	16	–	681,069	681,069	–	199,402	199,402
Total non-current assets		**380,439**	**649,276**	**1,029,715**	264,735	197,064	461,799
Current assets							
Trade and other receivables	17	767	8,468	9,235	2,395	3,730	6,125
Finance receivables at fair value through profit or loss	16	–	14,660	14,660	–	4,547	4,547
Cash and cash equivalents		48,641	28,108	76,749	7,567	7,177	14,744
Other financial assets	18	14,775	15,400	30,175	–	5,571	5,571
Total current assets		**64,183**	**66,636**	**130,819**	9,962	21,025	30,987
Total assets		**444,622**	**715,912**	**1,160,534**	274,697	218,089	492,786
Current liabilities							
Trade and other payables	19	(2,752)	(57,273)	(60,025)	(2,371)	(23,125)	(25,496)
Current tax liabilities		(299)	(691)	(990)	(67)	(261)	(328)
Loans and borrowings	20	–	(30,401)	(30,401)	–	(11,877)	(11,877)
Total current liabilities		**(3,051)**	**(88,365)**	**(91,416)**	(2,438)	(35,263)	(37,701)
Non-current liabilities							
Loans and borrowings	20	–	(529,290)	(529,290)	–	(155,496)	(155,496)
Derivative financial instruments	21	–	(60,171)	(60,171)	–	(17,166)	(17,166)
Deferred tax liabilities	9	–	(33,131)	(33,131)	–	(11,686)	(11,686)
Total non-current liabilities		**–**	**(622,592)**	**(622,592)**	–	(184,348)	(184,348)
Total liabilities		**(3,051)**	**(710,957)**	**(714,008)**	(2,438)	(219,611)	(222,049)
Net assets		**441,571**	**4,955**	**446,526**	272,259	(1,522)	270,737
Equity							
Share capital	22	42	–	42	27	–	27
Share premium account	23	423,618	–	423,618	266,884	–	266,884
Translation reserves	24	–	(1,279)	(1,279)	–	(4)	(4)
Retained earnings	25	17,911	5,706	23,617	5,348	(1,518)	3,830
Equity attributable to owners of the Company		**441,571**	**4,427**	**445,998**	272,259	(1,522)	270,737
Non-controlling interest		–	528	528	–	–	–
Total equity		**441,571**	**4,955**	**446,526**	272,259	(1,522)	270,737

Supplementary information has been provided analysing the Income Statement between results on an Investment basis ('Investment group') and results on an IFRS consolidated basis ('Total Group'). See note 2(a) for further details.

*Restated for the reclassification of certain cash balances to other financial assets (note 18).

The financial statements were approved by the Board of Directors and authorised for issue on 15 March 2012. They were signed on its behalf by:

P Lester
Chairman

C Spencer
Director

Consolidated Cash Flow Statement

for the year ended 31 December 2011

	Notes	31 December 2011 Investment Group £'000s	31 December 2011 Non-Investment adjustments £'000s	31 December 2011 Total Group £'000s	31 December 2010* Investment Group £'000s	31 December 2010* Non-Investment adjustments £'000s	31 December 2010* Total Group £'000s
Loss from operations		**(6,677)**	**(680)**	**(7,357)**	(2,457)	(162)	(2,619)
Adjustments for:							
Amortisation of intangible assets	12	–	2,952	2,952	–	220	220
Depreciation of PPE	13	–	36	36	–	–	–
Operating cash flows before movements in working capital		**(6,677)**	**2,308**	**(4,369)**	**(2,457)**	**58**	**(2,399)**
Decrease/(increase) in receivables		2,180	21,329	23,509	(2,481)	898	(1,583)
Increase/(decrease) in payables		240	1,941	2,181	2,913	(1,745)	1,168
Cash (outflow)/inflow from operations		**(4,257)**	**25,578**	**21,321**	(2,025)	(789)	(2,814)
Interest received		–	–	–	–	–	–
Overseas tax paid		(297)	(137)	(434)	(50)	(17)	(67)
Net cash (outflow)/inflow from operating activities		**(4,554)**	**25,441**	**20,887**	(2,075)	(806)	(2,881)
Investing activities							
Interest received		10,944	(3,328)	7,616	860	(121)	739
Dividends received from investments		9,240	(1,146)	8,094	476	(146)	330
Loan stock and equity repayments received	14	4,346	(2,022)	2,324	342	(47)	295
Acquisition of joint ventures,associates and investments	14	(69,524)	–	(69,524)	(204,741)	–	(204,741)
Acquisition of subsidiaries (net of cash acquired)	15	(39,960)	20,823	(19,137)	(54,226)	14,965	(39,261)
Movement in other financial assets	18	(14,775)	(9,829)	(24,604)	–	(5,571)	(5,571)
Net cash (used in)/received from investing activities		**(99,729)**	**4,498**	**(95,231)**	(257,289)	9,080	(248,209)
Financing activities							
Dividends paid – equity shareholders		(9,133)	–	(9,133)	–	–	–
Dividends paid – minority shareholders		–	–	–	–	–	–
Interest paid		(1,063)	(14,666)	(15,729)	–	(758)	(758)
Other interest paid		–	–	–	–	–	–
Proceeds from borrowings		8,439	12,733	21,172	–	–	–
Repayments of borrowings		(8,439)	(7,254)	(15,693)	–	(415)	(415)
Proceeds on issue of share capital (net of costs)		155,630	–	155,630	266,911	–	266,911
Net cash from/(used in) financing activities		**145,434**	**(9,187)**	**136,247**	266,911	(1,173)	265,738
Net increase in cash and cash equivalents		**41,151**	**20,752**	**61,903**	7,547	7,101	14,648
Cash and cash equivalents at beginning of the year*		**7,567**	**7,177**	**14,744**	–	–	–
Effect of foreign exchange rate changes		(77)	179	102	20	76	96
Cash and cash equivalents at end of year/period		**48,641**	**28,108**	**76,749**	7,567	7,177	14,744

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to fair value.

Supplementary information has been provided analysing the income statement between results on an Investment basis ('Investment Group') and results on an IFRS consolidated basis ('Total Group'). See note 2 (a) for further details.

*Restated for the reclassification of certain cash balances to other financial assets (note 18).

Notes to the Consolidated Financial Statements

for the year ended 31 December 2011

1. GENERAL INFORMATION

John Laing Infrastructure Fund Limited (the 'Company') is a company domiciled and incorporated in Guernsey, Channel Islands, whose shares are publicly traded on the London Stock Exchange under a Premium Listing. The consolidated financial statements of the Company as at and for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the 'Consolidated Group'). The Consolidated Group invests in PPP infrastructure projects in the UK, Europe and North America.

Of the Consolidated Group's portfolio of 30 (2010 – 19) interests at 31 December 2011, 18 (2010 – 14) have been accounted for as investments (the 'Entity Investments'). The 12 (2010 – 5) remaining investments are deemed to be subsidiaries of the Company (the 'Operating Subsidiaries') and the acquisition is treated as a business combination. Certain aspects of the accounting policies apply only to the Operating Subsidiaries. Where applicable, this is noted in the relevant accounting policy.

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2.

In accordance with section 244(5) of the Company (Guernsey) Law, 2008, as the Directors have prepared consolidated accounts for the year, they have not prepared individual accounts for the Company in accordance with section 243 for the year.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements for the year ended 31 December 2011 include the results of the existing and 7 (2010 – 5) newly acquired Operating Subsidiaries from the date of acquisition as disclosed in note 15.

The financial statements have been prepared in accordance with the Companies (Guernsey) Law 2008 and in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except that the assets and liabilities are stated at their fair values: derivative financial instruments and financial assets classified at their fair value through profit or loss. The principal accounting policies are set below.

The adoption of the following new and revised interpretations and amendments has not led to any changes in the Group's accounting policies or had any material impact on these financial statements:

IAS 24 (2009): Related Party Disclosures

IFRIC19: Extinguishing Financial Liabilities with Equity Instruments

Improvements to IFRS (May 2010)

No new standards were adopted early by the Consolidated Group during the current year or previous period.

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

IFRS 9 (November 2009, revised October 2010): Financial Instruments: Classification and Measurement

IFRS 10 (May 2011): Consolidated Financial Statements

IFRS 11 (May 2011): Joint Arrangements

IFRS 12 (May 2011): Disclosures of Interests in Other Entities

IFRS 13 (May 2011): Fair Value Measurement

IAS 27 (May 2011): Separate Financial Statements

IAS 28 (May 2011): Investments in Associates and Joint Ventures

Amendments to IFRS 7 (October 2010): Transfer of financial assets

Amendments to IAS 12 (December 2010): Deferred tax: recovery of underlying assets

Amendments to IFRS 1 (December 2010): Severe Hyperinflation and Removal of Fixed Dates for First=Time Adopters

Amendments to IAS 1 (June 2011): Presentation of Items of Other Comprehensive Income

Amendments to IAS 19 (June 2011): Employee Benefits

The Directors anticipate that the adoption of the other standards or interpretations in future periods will have no material impact on the financial statements of the Group when the relevant standards come into effect for periods commencing on or after 1 January 2012.

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of accounting (continued)

Supplementary information has been provided analysing the income statement, statement of comprehensive income, balance sheet, cash flow statement and selected notes between results on an Investment basis ('Investment Group') and results on an IFRS consolidated basis ('Total Group'). The results shown as Investment Group are the results arising from the investments made by the Group in the 30 PPP projects that reflect the Group's activity as an investment company, incorporating the returns from and fair value movements of the entire portfolio regardless of the extent of control or influence the Group can exercise. Under the Investment basis, the investments in the 12 Operating Subsidiaries are treated in the same way as the investments in the 18 Entity Investments whereas under the IFRS consolidated basis the results of subsidiaries are required to be consolidated in the Group's financial statements on a line-by-line basis in accordance with IAS 27 (revised 2008) Consolidated and Separate Financial Statements ('IAS 27'). There is no distinction made by the Directors as to whether the investment is accounted for as a subsidiary or an investment when assessing the performance of the Company's investment portfolio. The adjustments required to be made to the results under Investment Group to reflect the results of the Total Group in accordance with IFRS are shown as 'Non-Investment Adjustments'. The Non-Investment Adjustments include adjustments to account for the 12 Operating Subsidiaries in accordance with IAS 27 together with other IFRS adjustments for fair valuing financial assets and liabilities. Therefore, on a consolidated IFRS basis, some of the underlying assets and liabilities of the subsidiary entities are held at fair value (including PPP financial assets and financial derivatives) whereas others such as intangible assets and bank debt are recorded at fair value on acquisition and are subsequently held at amortised cost. The recording of debt in project subsidiaries at fair value would lead to a higher liability than that currently recorded at amortised cost whilst recording the intangible assets at fair value would lead to a higher asset being recorded as compared to the current amortised cost carrying value. This, together with the associated deferred tax, explains the majority of the difference between the IFRS basis and the Investment basis.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Where a subsidiary has a different statutory financial reporting date to the Company, its results are included by reference to management accounts. As of December 2011, one of the 12 subsidiaries has a different statutory financial reporting date, being 31 March.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Going concern

The Group has sufficient financial resources together with long-term contracts with various public sector customers and suppliers across a range of infrastructure projects. The Group secured a Revolving Credit Facility of £25 million on 21 March 2011 which was increased to £60 million on 22 September 2011, £20 million of which, if drawn, will become repayable in September 2012 and the rest will be repaid when the facility expires in March 2014. The facility allows for £2 million to be used for working capital requirements. As at 31 December 2011, there were no drawings against the facility. The Group had net current assets as at 31 December 2011 of £39.4 million. Since then, the Group has completed two third party acquisitions for £31.7 million. However, the Revolving Credit Facility remains available to the Group for future acquisitions and has sufficient cash balances to meet other current obligations as they fall due. In addition, all key financial covenants are forecast to continue to be complied with.

The Company completed a series of capital raisings in the year:

- in April 2011, additional equity of £27.4 million was raised following a successful tap issue of 26.7 million shares
- in October 2011, additional equity of £1.1 million was raised through Offer of a Scrip Dividend alternative to the Proposed dividend for the period 1 January 2011 to 30 June 2011; additionally
- in October 2011, the Company raised £130.7 million of equity through an Open Offer

The Group has invested in 30 operational non-recourse PPP Project Companies which yield annual interest, dividends and repayments. The cash flow from the project yield reasonably covers the Group's expected cash flow requirements for overheads and targeted dividend distribution policy.

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Going concern (continued)

The Group has reasonable financial resources together with public sector long-term contracts across a range of Infrastructure projects. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

Note 28 of the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Directors, at the time of approving the financial statements, are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(d) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRS. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

An intangible arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately as a profit.

(e) Service concessions

The Group invests in 30 PPP Project Companies and, of these, there are 12 subsidiary Project Companies (Operating Subsidiaries) that are consolidated and apply the following accounting policies. Project Companies which are joint ventures or associates are accounted for at fair value through profit or loss.

In accordance with IFRIC 12 and the various provisions of IFRS, the Consolidated Group has determined the appropriate treatment of the principal assets of, and income streams from, PPP and similar contracts within the Operating Subsidiaries. Results of all service concessions which fall within the scope of IFRIC 12 conform to the following policies depending on the rights to consideration under the service concession.

The Group restates, where applicable, the results of subsidiary PPP Project Companies to reflect consistent accounting policies across the Group.

(i) Service concessions treated as financial assets

Where the Consolidated Group, as Operator, has an unconditional right to receive cash or another financial asset from or at the direction of the grantor the asset created and/or provided under the contract is accounted for as a finance receivable.

Revenue is recognised by allocating a proportion of total cash receivable to construction income and services income. The consideration received will be allocated by reference to the relative fair value of the services delivered, when the amounts are separately identifiable.

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Service concessions (continued)

(i) Service concessions treated as financial assets (continued)

During the construction phase, revenue is recognised at cost, plus attributable profit to the extent that this is reasonably certain, in accordance with IAS 11. Costs for this purpose includes valuation of all work done by subcontractors whether certified or not, and all overheads other than those relating to the general administration of the relevant companies.

During the operational stage, cash received in respect of the service concession is allocated to services revenue (see part g(i) of this note) based on its fair value, with the remainder being allocated between capital repayment and interest income using the effective interest method (see part g(ii) of this note).

The financial assets are designated as at fair value through profit or loss in accordance with part n of this note. The fair values of the financial assets are determined in a similar manner to that described in part n(i)(a) of this note, with changes recognised in the income statement.

Interest payable

Project specific interest costs are expensed as incurred using the effective interest rate method.

Major maintenance

For financial asset accounted projects, the cost of major maintenance is recorded in cost of sales and an appropriate amount of revenue that would otherwise have been available to amortise the financial asset is transferred to revenue. This has the effect of increasing the financial asset by the cost of major maintenance. No profit margin is likely to be recognised on major maintenance since the principal profit recognition on PPP projects is derived from the provision of routine services.

Debt

Debt in each Operating Subsidiary, which is non-recourse to the rest of the Group, is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

For all 12 subsidiary Project Companies, the service concession is treated as a financial asset.

(ii) Service concessions treated as intangible assets

Where the Consolidated Group, as Operator, has a contractual right to charge users of the public services the asset created and/or provided under the contract is accounted for as an intangible asset. The intangible asset represents the construction cost of assets which give rise to the contractual right of charge. The intangible asset is amortised to estimated residual value over the remaining life of the service concession on a straight line basis and tested each year for impairment.

Revenue arising in respect of these service concessions is recognised when the services are delivered.

(f) Investment in joint ventures and associates

The Company meets the definition in IAS31(1) and IAS28(1) of a venture capital organisation or similar entity and upon initial recognition has designated its investment in joint ventures and associates at fair value through the Income Statement. The Company therefore measures its interest in joint ventures and associates at fair value in accordance with IAS39, with changes in fair value recognised in profit or loss in the period of the change. The fair value estimation of investments in joint ventures and associates are described in note 2 (n) v) i) b. Refer to note 3 (i) for details of the areas of estimation in the calculation of the fair value.

(g) Revenue recognition

(i) Services revenue

Services revenue (in accordance with IFRIC 12), which relates to Operating Subsidiaries, is comprised of the following components:

- revenues from the provision of services to PPP projects calculated as the fair value of services provided (see part e(i) of this note);
- the fair value of consideration receivable on construction and upgrade services (see part e(i) of this note); and
- third party revenues arising on PPP projects are recognised in accordance with the contractual terms as services are performed.

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Revenue recognition (continued)

(ii) Gains on financial assets

Gains on financial assets relate solely to the Operating Subsidiaries and comprise of the following:

- interest income arising on financial assets is recognised in the income statement as it accrues using the effective interest rate of the instrument concerned as calculated at the acquisition or origination date; and
- gains or losses on financial assets that arise from the movement in the fair value of the financial asset.

Gains on the financial assets are recorded in the Income Statement as other gains/losses within the sub-heading Movement in the fair value of finance receivables designated at fair value through profit or loss.

(iii) Gains on investments

Gains on investments relate solely to the Entity Investments and comprise of the following:

- dividend income from Entity Investments is recognised when the Consolidated Group's rights to receive payment have been established as Investment income within the sub-heading Dividend income from investments.
- interest income arising on Entity Investments is recognised in the income statement as it accrues, using the effective interest rate of the instrument concerned as calculated at the acquisition or origination date.
- gains or losses that arise from the movement in the fair value of the Entity Investments excluding the movements shown as dividends and interest above.

The components of Gains on investments as described above are recorded in Investment income.

Revenue excludes the value of intra-group transactions and VAT.

(h) Intangible assets

Intangible assets are recognised as part of a business combination (see 2(d)). If they are reliably measurable and separable from the acquired entity or give rise to other contractual/legal rights. Only one category of intangible asset has been recognised as part of a business combination to date, being the fair value of the future service concession profits in Operating Subsidiaries as at the date of acquisition. These assets are being amortised over the life of the concessions concerned on a straight line basis.

For the purposes of impairment testing the present value of the future cash flows of the service concession are calculated having regard to any events which may have had an adverse effect on the estimated future cash flows of the service concession including factors from which cash flows may be sensitive to such as inflation rate, interest rate assumptions or variations to agreement terms. If the present value is lower than the carrying value of the PPP Project Company then there is an indication that the intangible asset has been impaired and a full impairment review is prepared. Any impairment charges are recognised in the Income Statement.

(i) Property, plant and equipment

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

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

Fixtures and Fittings 10 years

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, deposits held at call with banks and other short-term highly liquid deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand are included as component of cash and cash equivalents for the purpose of the cash flow statements. Deposits held with original maturities of greater than three months are included in other financial assets.

(k) Foreign currencies

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

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Foreign currencies (continued)

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising in the ordinary course of trading are reflected in the Income Statement; those arising on translation of net equity are transferred to the Group's translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed of.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

(l) Borrowing costs

The accounting policy for borrowing costs incurred by Operating Subsidiaries is included in part (e) of this note.

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

(m) Taxation

Under the current system of taxation in Guernsey, the Company itself is exempt from paying taxes on income, profits or capital gains. Dividend income and interest income received by the Consolidated Group may be subject to withholding tax imposed in the country of origin of such income.

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the Income Statement except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

(n) Financial instruments

Financial assets and financial liabilities are recognised on the Consolidated Group's balance sheet when the group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the instrument expire or the asset is transferred and the transfer qualifies for derecognition in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'.

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial instruments (continued)

i) Financial assets

The Group classifies its financial assets in the following categories: fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

The Group has two types of financial assets at fair value through profit or loss.

- PPP financial assets (finance receivables) in Operating Subsidiaries are recognised initially at fair value. Subsequent to initial recognition, the finance receivables are measured at fair value using the discounted cash flows methodology, with changes recognised within other gains/losses in the income statement. Designating finance receivables at fair value through profit or loss eliminates or significantly reduces the accounting mismatch that would result from fair value movements in the related interest rate swaps. See part e(i) of this note.
- Investments in joint ventures and associates are designated upon initial recognition as financial assets at fair value through profit or loss. The Group's policy is to fair value both the equity and subordinated debt investments in joint venture and associates together. Subsequent to initial recognition, the investments are measured on a combined basis at fair value using the discounted cash flows methodology, with changes recognised within investment income in the Income Statement.

b) Loans and receivables

Trade receivables, loans and other receivables that are non-derivative financial assets and that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and other receivables'. Loans and other receivables are measured at amortised cost using the effective interest method, less any impairment. They are included in current assets, except where maturities are in greater than 12 months after the Balance Sheet date which are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the Balance Sheet.

Impairment of financial assets

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

ii) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

a) Equity instruments – share capital and share premium

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or associated with the establishment of the Company that would otherwise have been avoided are written off against the balance of the share premium account.

b) Financial liabilities

Financial liabilities are classified as other financial liabilities, comprising of:

- Loans and borrowings are recognised initially at fair value of the consideration received, less transaction costs. Subsequent to initial recognition, loan and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.
- Other non-derivative financial instruments are measured at amortised cost using the effective interest method less any impairment losses.

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial instruments (continued)

iii) Effective interest method

The effective interest rate is that rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the relevant asset's carrying amount.

iv) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into or the date of acquisition by the Group and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately. The Consolidated Group does not apply hedge accounting.

a) Group and recourse subsidiaries

The Group operates a recourse treasury function. There is a Board approved policy for borrowing, investing surplus funds and hedging foreign exchange and interest rate risks.

b) Non-recourse subsidiaries (Operating Subsidiaries)

Due to the nature of PPP projects, it is important that all financial risks are hedged at the inception of the project, and indeed the funders of projects insist on this. Therefore each PPP project fixes the interest rate on its debt. This will either be done by issuing a fixed rate bond or if the project is bank financed, with fixed rate bank debt or variable rate debt which will be swapped into fixed rate by the use of interest rate swaps at the inception of the project. In addition, and where appropriate, inflation risk is hedged by the use of inflation swaps.

v) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the Balance Sheet date.

The fair value of financial instruments that are not traded in active markets is derived in one of four ways:

i) Financial assets at fair value through profit and loss

a) Finance receivables under service concessions of Operating Subsidiaries

The discount rates used to fair value financial assets under service concessions are calculated by adding an appropriate premium, consistent in proportion to the premium established at the inception of the service concession, to the weighted average cost of the underlying project debt. The discount rates that have been applied to the financial assets at 31 December 2011 were in the range of 4.91% to 6.91% (2010 – 6.02% to 8.47%).

b) Investments in joint ventures and associates

Fair value is calculated by discounting future cash flows, from investments in both equity (dividends and equity redemptions) and subordinated loans (interest and repayments), to the Group at an appropriate discount rate. The basis of discount rates are long run average government bond rates adjusted for an appropriate premium to reflect PPP specific risk. Risk premia are then added to this adjusted base gilt rate depending on the phase of the project. The discount rates that have been applied to the financial assets at 31 December 2011 were in the range of 7.99% to 8.99% (2010 – 8.00% to 8.95%).

ii) Derivatives

The fair values of derivatives as at the Balance Sheet date are obtained from the banks or financial institutions with which the derivatives have been transacted.

iii) Loans and receivables, borrowings and payables

Loans and borrowings are held at amortised cost.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group 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 balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(p) Segmental reporting

Information reported to the Group's Board of Directors for the purposes of resource allocation and assessment of segment performance is focused on the geographical risk associated within the Group. This information is centred on the risk free rates and the maturity of the PPP industry together with foreign exchange and political risk within each country. Currently the projects that the Group has investments in are in the UK, Europe and North America and therefore these form the Group's reportable segments under IFRS 8.

The financial information used by the Board of Directors to allocate resources and manage the group is prepared on an Investment basis. The Investment basis deconsolidates the subsidiary investments. See note 2 (a) for details concerning supplementary information provided in the financial statements that is consistent with this financial information.

(q) Statement of compliance

Pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987 the Company is an Authorised Closed-Ended Investment Scheme. As an authorised scheme, the Company is subject to certain ongoing obligations.

3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that affect reported amounts. Actual results may differ from these estimates.

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

(i) Investments at fair value through profit or loss

By virtue of the Company's status as an investment fund and the exemption provided by IAS 28.1 and IAS 31.1, investments in associates and joint ventures are designated upon initial recognition to be accounted for at fair value through profit or loss.

Fair values for those investments for which a market quote is not available are determined using the income approach which discounts the expected cash flows at the appropriate rate. In determining the discount rate, regard is had to risk free rates, specific risks and the evidence of recent transactions. The Directors have satisfied themselves that the PPP investments share the same investment characteristics and as such constitute a single asset class for IFRS 7 disclosure purposes.

The carrying amount of the PPP investments would be an estimated £19.4 million higher or £17.1 million lower (2010 – estimated £18.6 million higher or £16.3 million lower) if the discount rate used in the discounted cash flow analysis were to differ by 1% from that used in the fair value calculation. The weighted average discount rate for the PPP portfolio as at 31 December 2011 was 8.36%. (2010 – 8.34%)

The carrying amount of the PPP investments would be an estimated £11.9 million higher or £11.0 million lower (2010 – estimated £15.3 million higher or £12.4 million lower) if the inflation rate used in the discounted cash flow analysis were to differ by an absolute 1% from that used in the fair value calculation. The inflation rate assumed for all future periods from 31 December 2011 was 2.75% (2010 – 2.75%) for all UK projects, 2.1% (2010 – 2.1%) for Canadian projects and for the Finnish project a rate of 3% (2010 – 3%) was assumed for the MAKU index (Finnish construction price index) and a rate of 2.5% (2010 – 2.5%) was assumed for the Elspot index (Finnish utilities price index).

The carrying amount of the PPP investments would be an estimated £0.8 million higher or £0.8 million lower (2010 – estimated £3.4 million higher or £3.1 million lower) if the exchange rates used in the discounted cash flow analysis were to differ by 5% from that used in the fair value calculation.

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(ii) Finance receivables at fair value through profit or loss

Fair values are determined using the income approach which discounts the expected cash flows at the appropriate rate. In determining the discount rate, regard is had to risk free rates, specific risks and the evidence of recent transactions.

The carrying amount of the finance receivables would be an estimated £80.4 million higher or £67.3 million lower (2010 – estimated £17.5 million higher or £15.4 million lower) if the discount rate used in the discounted cash flow analysis were to differ by 100 basis points from that used in the fair value calculation. The discount rates at 31 December 2011 were between 4.91% and 6.91% (2010 – 6.02% and 8.47%).

(iii) IFRIC 12

Service concessions fall within the scope of IFRIC 12 where the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and the price; and the grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the service agreement. Each subsidiary has been assessed to determine whether they fall within the scope of IFRIC 12. Following this review it was determined that all 12 subsidiaries controlled at the year end, fall within this scope. Service concessions are determined to be finance receivables where the operator has a contractual right to receive cash or another financial asset from or at the direction of the grantor. Alternatively, service concessions are determined to be intangible assets to the extent the operator has a contractual right to charge users of the public services.

(iv) Intangible assets

Intangible assets represent fair value of customer contracts for operating subsidiary projects recognised on acquisition, which are primarily attributable to the service portion of the project contracts, and intangible assets recognised under IFRIC 12. Fair values are determined using the income approach which discounts the expected cash flows attributable to the services portion of the service concessions acquired at an appropriate rate to arrive at fair values. In determining the appropriate discount rate, regard is had to risk free rates and the specific risks of each project.

4. OPERATING SEGMENTS

Information reported to the Group's Board of Directors for the purposes of resource allocation and assessment of segment performance is focused on the geographical risk associated within the Group. This information is centred on the risk free rates and the maturity of the PPP industry together with foreign exchange and political risk within each country. Currently the projects that the Group has investments in are in the following geographical areas and therefore these form the Group's reportable segments under IFRS 8:

UK

Europe (non-UK)

North America

For the purposes of any amounts derived directly from the Company in Guernsey that are included in the amounts analysed below, Guernsey is included in the UK segment.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment in 2011.

	For the year ended 31 December 2011 UK £'000s	 Europe £'000s	 North America £'000s	 Total Group £'000s
Revenue from external customers	**13,547**	**–**	**4,674**	**18,221**
Interest revenue	4,337	673	1,780	**6,790**
Interest expenses	(8,060)	–	(5,729)	**(13,789)**
Net interest (expense)/revenue	**(3,723)**	**673**	**(3,949)**	**(6,999)**
Profit before tax	**15,146**	**2,458**	**17,411**	**35,015**
Tax	(1,079)	–	(3,893)	(4,972)
Reportable segment profit	**14,067**	**2,458**	**13,518**	**30,043**

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

4. OPERATING SEGMENTS (CONTINUED)

Segment revenues and results (continued)

	Period from 6 August 2010 to 31 December 2010			
	UK £'000s	Europe £'000s	North America £'000s	Total Group £'000s
Revenue from external customers	1,132	–	297	1,429
Interest revenue	930	501	674	2,105
Interest expenses	(704)	–	(305)	(1,009)
Net interest revenue	226	501	369	1,096
Profit before tax	714	549	2,907	4,170
Tax	(192)	(6)	(142)	(340)
Reportable segment profit	522	543	2,765	3,830

No inter-segment sales were made for the current year or previous period.

Information about major customers

The Group has four (period ended 31 December 2010 – four) customers which each represent more than 10 per cent. of Group revenue. The customers' revenues were respectively £13.5 million (period ended 31 December 2010 – £1.1 million) reported across the UK segment and £4.7 million (period ended 31 December 2010 – £0.3 million) reported across the North America segment. The Group has treated each Government entity and/or department as a separate customer.

Segment assets

Information concerning the Group's net assets reported to the Group's Board of Directors for the purposes of resource allocation and assessment of segment performance is primarily focused on the fair value of the investments in the underlying PPP projects. This is reported for the Investment group on an Investment basis whereby this information is provided on all 30 projects irrespective of whether the project is treated as an Operating Subsidiary or as an Entity Investment.

	As at 31 December 2011			
	UK £'000s	**Europe £'000s**	**North America £'000s**	**Total Group £'000s**
Investments at fair value through profit or loss:				
Investment group	286,542	16,035	77,862	380,439
Non-investment adjustments				(148,094)
Total Group segment assets				**232,345**
Unallocated assets				928,189
Consolidated total assets				**1,160,534**

	As at 31 December 2010			
	UK £'000s	Europe £'000s	North America £'000s	Total Group £'000s
Investments at fair value through profit or loss:				
Investment group	181,991	16,902	65,842	264,735
Non-investment adjustments				(55,828)
Total Group segment assets				208,907
Unallocated assets				283,879
Consolidated total assets				492,786

The non-investment adjustment represents the fair value of the investments in the Operating Subsidiaries which for Total Group purposes are consolidated in accordance with IAS 27.

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

5. LOSS FROM OPERATIONS

	Year ended 31 December 2011		Period from 6 August 2010 to 31 December 2010	
		Total Group		Total Group
	£'000s	£'000s	£'000s	£'000s
Loss from operations has been arrived at after charging:				
Fees payable to the Company's auditor for the audit of the Company's annual accounts		87		100
Fees payable to the Company's auditors and their associates for other services to the Group:				
– the audit of the Company's subsidiaries pursuant to legislation				
– total fees payable by the Company's subsidiaries for the year	190		50	
– of which amount included in the consolidated results of the Company		129		4
Total audit fees		**216**		104
– for work pertaining to the auditor's role as reporting accountants*		130		80
Total non-audit fees		**130**		80
Amortisation of intangible asset		2,952		220
Acquisition costs		1,961		1,872
Investment Adviser and Operator fee (see note 26)		3,698		249

The Group had no employees other than Directors for the current year or preceding period. There was no Directors' remuneration for the year or preceding period other than Directors' fees as detailed in note 26.

* An amount of £130,000 (period ended 31 December 2010 – £80,000) was paid to Deloitte LLP by the Company in respect of non-audit services for the year ended 31 December 2011 for the work pertaining to their role as reporting accountants for the capital raising in the year. These fees were included in the issue fees applied to the share premium account.

6. INVESTMENT INCOME

	Year ended 31 December 2011			Period from 6 August 2010 to 31 December 2010		
	Investment group £'000s	Non-investment adjustments £'000s	Total Group £'000s	Investment group £'000s	Non-investment adjustments £'000s	Total Group £'000s
Interest revenue:						
Interest on bank deposits	127	119	246	2	1	3
Interest from investments	9,622	(3,078)	6,544	2,962	(860)	2,102
Total interest revenue	9,749	(2,959)	6,790	2,964	(859)	2,105
Dividend income from investments	9,240	(1,146)	8,094	476	(146)	330
Movement in the fair value of investments[1]	11,597	(7,220)	4,377	4,461	(1,357)	3,104
Total investment income	**30,586**	**(11,325)**	**19,261**	7,901	(2,362)	5,539

[1] On an Investment basis, this represents the fair value movement on all investments (subsidiaries, joint ventures and associates). On a total group basis, this represents the fair value movements on joint ventures and associates.

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

7. OTHER GAINS/(LOSSES)

	Year ended 31 December 2011 Investment group £'000s	Non-investment adjustments £'000s	Total Group £'000s	Period from 6 August 2010 to 31 December 2010 Investment group £'000s	Non-investment adjustments £'000s	Total Group £'000s
Movement in the fair value of finance receivables designated at fair value through profit or loss	–	50,435	50,435	–	1,520	1,520
Change in the fair value of derivative liabilities designated at fair value through profit or loss	–	(11,981)	(11,981)	–	722	722
Foreign exchange movements on monetary assets	(76)	–	(76)	20	3	23
Total other gains and losses	**(76)**	**38,454**	**38,378**	20	2,245	2,265

8. FINANCE COSTS

	Year ended 31 December 2011 Investment group £'000s	Non-investment adjustments £'000s	Total Group £'000s	Period from 6 August 2010 to 31 December 2010 Investment group £'000s	Non-investment adjustments £'000s	Total Group £'000s
Interest on bank overdrafts and loans						
– recourse	25	–	25	–	–	–
– non-recourse	–	13,764	13,764	–	1,009	1,009
Other finance costs	463	1,015	1,478	–	6	6
Total finance costs	**488**	**14,779**	**15,267**	–	1,015	1,015

9. TAX

(a) Income tax expense

The Company has obtained exempt status from income tax in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989.

The income from its investments is therefore not subject to any further tax in Guernsey, although the underlying investments provide for taxation at the appropriate rates in the countries in which they operate. An overseas current tax charge of £985,000 arose in the year (period ended 31 December 2010 – £133,000).

A deferred tax charge of £4.0 million (period ended 31 December 2010 – £0.2 million) is also recognised in the income statement. This relates to the movement in the fair value of the Group's financial assets, financial liabilities and intangible assets.

In addition, a deferred tax liability of £17.5 million (period ended 31 December 2010 – £11.5 million) has arisen on the acquisition of the fair value of assets and liabilities of subsidiaries.

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

9. TAX (CONTINUED)

(b) Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements therein.

	For the year ended 31 December 2011						
	Accelerated tax deductions of PPP projects £'000s	**Tax losses of PPP projects**	**Fair value of financial assets £'000s**	**Fair value of bank loans £'000s**	**Fair value of interest rate swaps £'000s**	**Intangible assets £'000s**	**Total £'000s**
As at 1 January 2011	(1,043)	–	577	(1,647)	4,635	(14,208)	**(11,686)**
Recognised on acquisition of subsidiaries	(2,512)	74	(14,656)	8,053	7,756	(16,175)	**(17,460)**
Credit/(charge) to income	(312)	–	(8,398)	467	2,652	1,606	**(3,985)**
As at 31 December 2011	(3,867)	74	(22,477)	6,873	15,043	(28,777)	**(33,131)**

	Period from 6 August 2010 to 31 December 2010						
	Accelerated tax deductions of PPP projects £'000s	Tax losses of PPP projects	Fair value of financial assets £'000s	Fair value of bank loans £'000s	Fair value of interest rate swaps £'000s	Intangible assets £'000s	Total £'000s
As at 6 August 2010	–	–	–	–	–	–	–
Recognised on acquisition of subsidiaries	(1,043)	–	668	(1,668)	4,830	(14,266)	(11,479)
Credit/(charge) to income	–	–	(91)	21	(195)	58	(207)
As at 31 December 2010	(1,043)	–	577	(1,647)	4,635	(14,208)	(11,686)

The Finance (No.3) Act 2011, which provides for a reduction in the main rate of UK corporation tax to 25% effective from 1 April 2012, was enacted on 19 July 2011. This reduced rate has been reflected in the calculation of the deferred tax. The impact of this change in rate is £0.6 million.

Government has also indicated that it intends to introduce further reductions in the main tax rate, with the rate falling by 1% each year down to 23% by 1 April 2014. These further reductions to the tax rates have not been substantively enacted at the Balance Sheet date and are therefore not reflected in these financial statements.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 31 December 2011 £'000s	Period from 6 August 2010 to 31 December 2010 £'000s
Earnings		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to owners of the Company	**30,038**	3,830
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**311,675,803**	270,000,000

The denominator for the purposes of calculating both basic and diluted earnings per share are the same as the Company had not issued any share options or other instruments that would cause dilution.

	Pence	Pence
Basic and diluted earnings per share	**9.64**	1.42

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

11. DIVIDENDS

	Year ended 31 December 2011 £'000s	Period from 6 August 2010 to 31 December 2010 £'000s
Amounts recognised as distributions to equity holders during the year/period:		
Interim and final dividend for the period ended 31 December 2010 of 0.5 pence per share	1,350	–
Interim dividend for the six months ended 30 June 2011 of 3.0 pence per share	8,901	–
	10,251	–
Proposed final dividend for the year ended 31 December 2011 of 3.0 pence (period ended 31 December 2010 – 0.5 pence) per share	**12,667**	1,350

The proposed final dividend for the year ended 31 December 2011 is 3.0 pence per share, amounting to £12.7 million. The final dividend was approved by the Board in March 2012 and is payable in May 2012. The dividend has not been included as a liability at 31 December 2011.

12. INTANGIBLE ASSETS

	2011 £'000s
Cost	
Opening balance	53,710
Recognised on acquisition of subsidiaries	64,572
Balance at 31 December	**118,282**
Amortisation	
Opening balance	(220)
Amortisation for the period	(2,952)
Balance at 31 December	**(3,172)**
Carrying amount	
At 31 December 2011	**115,110**
At 31 December 2010	53,490

Intangible assets represent the fair value of customer contracts for operating subsidiary projects recognised on acquisition, which are primarily attributable to the service portion of the project contracts. See note 3 (iv) for the methods and assumptions used in determining the fair values. Intangibles are being amortised on a straight line basis over the remaining life of the concessions concerned on acquisition of the subsidiaries (remaining lives range from between 14 years and 26 years) (2010 – remaining lives range from between 16 years and 26 years). Amortisation of £2,952,000 (period ended 31 December 2010 – £220,000) is included within cost of sales in the consolidated income statement.

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

13. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and equipment 2011 £'000s
Cost	
Recognised on acquisition of subsidiaries	1,177
Exchange differences	50
Balance at 31 December	**1,227**
Accumulated depreciation	
Depreciation for the period	(36)
Balance at 31 December	**(36)**
Carrying amount	
At 31 December 2011	**1,191**
At 31 December 2010	–

14. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2011			31 December 2010		
	Investment group £'000s	**Non-investment adjustments £'000s**	**Total Group £'000s**	Investment group £'000s	Non-investment adjustments £'000s	Total Group £'000s
Opening balance	**264,735**	**(55,828)**	**208,907**	–	–	–
Acquisition of the initial portfolio	**–**	**–**	**–**	258,966	(54,225)	204,741
Acquisitions	**109,484**	**(39,960)**	**69,524**	–	–	–
Accrued interest	**(1,031)**	**(73)**	**(1,104)**	1,859	(497)	1,362
Loan stock and equity repayments	**(4,346)**	**2,022**	**(2,324)**	(551)	251	(300)
Reclassification of investments becoming a subsidiary undertaking	**–**	**(47,035)**	**(47,035)**	–	–	–
Fair value movement (including exchange movements)	**11,597**	**(7,220)**	**4,377**	4,461	(1,357)	3,104
As at 31 December	**380,439**	**(148,094)**	**232,345**	264,735	(55,828)	208,907

The Investment Adviser has carried out fair market valuations of the investments as at 31 December 2011. The Directors have satisfied themselves as to the methodology used, the discount rates applied and the valuation. The Directors have also obtained an independent opinion from a third party, with considerable expertise in valuing these type of investments, supporting the reasonableness of the valuation. Investments are all investments in PPP projects and are valued using a discounted cash flow methodology. The valuation techniques and methodologies have been applied consistently with the valuation performed for the purposes of the prospectus for the initial capital raising. Discount rates applied range from 7.99% to 8.99% (weighted average 8.36%) (2010 – 8.00% to 8.95% (weighted average 8.34%)).

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

14. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Details of investments recognised at fair value through profit or loss under Total Group were as follows:

Investments (project name – see note 32 for further details)	% holding 31 December 2011 Equity	% holding 31 December 2011 Subordinated loan stock	% holding 31 December 2010 Equity	% holding 31 December 2010 Subordinated loan stock
Newham Hospital	**50.0%**	**50.0%**	50.0%	50.0%
Queen Elizabeth Hospital, Greenwich	**27.5%**	**27.5%**	15.0%	15.0%
Kingston Hospital	**60.0%**	**60.0%**	60.0%	60.0%
Abbotsford Regional Hospital and Cancer Centre *	**–**	**–**	80.0%	80.0%
Forth Valley Royal Hospital	**50.0%**	**50.0%**	–	–
Glasgow Schools	**20.0%**	**20.0%**	20.0%	20.0%
South Lanarkshire Schools	**15.0%**	**15.0%**	15.0%	15.0%
Edinburgh Schools	**20.0%**	**20.0%**	–	–
Avon & Somerset Courts	**40.0%**	**40.0%**	40.0%	40.0%
Metropolitan Specialist Police Training Centre	**27.08%**	**27.08%**	27.08%	27.08%
Greater Manchester Police Stations	**27.08%**	**27.08%**	27.08%	27.08%
Cleveland Police Station & Headquarters	**42.5%**	**42.5%**	–	–
MOD Main Building	**26.0%**	**26.0%**	26.0%	26.0%
E18 Road	**41.0%**	**41.0%**	41.0%	41.0%
M40 Motorway	**50.0%**	**50.0%**	50.0%	50.0%
M6 Motorway	**11.0%**	**11.0%**	–	–
Manchester Street Lighting	**50.0%**	**50.0%**	50.0%	50.0%
Wakefield Street Lighting	**50.0%**	**50.0%**	50.0%	50.0%
LUL Connect (CityLink)	**19.5%**	**19.5%**	–	–

Investments in the 11 wholly owned subsidiaries and one 80.1% owned subsidiary (see note 15) (2010 – 5 wholly owned subsidiaries) are included in the amounts above under Investment Group.

*The acquisition of the remaining 20% interest during the year has resulted in this investment being wholly owned and controlled by the Group and is therefore being consolidated as a subsidiary (see note 15).

There are no future loan stock or capital commitments on investments held at fair value through profit or loss other than the amount payable for participation in the loan notes of £14,757,000 which it to be invested in the Forth Valley Hospital as subordinated debt on 3 July 2012.

15. ACQUISITIONS OF SUBSIDIARIES

For each acquisition, fair values were determined using the income approach which discounts the expected cash flows attributable to each asset at an appropriate rate to arrive at fair values.

Intangible assets represent the fair value of customer contracts for operating subsidiary projects recognised on acquisition, which are primarily attributable to the future profits of the service portion of the project contracts. Intangible assets are amortised on a straight line basis over the remaining life of the concessions concerned.

On 13 April 2011 the Group acquired the 100% interest in the equity and subordinated loan stock of Regenter Bentilee Centre Limited ("Bentilee Hub") The total consideration paid in cash for this interest was £2.9 million (£1.7 million net of cash acquired). The total transaction cost for the acquisition was £0.1 million which has been recognised in administrative expenses in the income statement. The project is a concession to design, build, finance and operate a joint services community facility.

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

15. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

	Book value at acquisition £'000s	Fair value adjustments £'000s	Fair value acquired £'000s
Intangible assets	–	3,187	3,187
Finance receivables at fair value through profit or loss account*	10,675	(847)	9,828
Cash and cash equivalents	1,206	–	1,206
Other current assets	90	–	90
Current liabilities	(2,592)	–	(2,592)
Deferred tax liabilities	–	(682)	(682)
Other non-current liabilities	(9,340)	283	(9,057)
Net assets acquired	**39**	**1,941**	**1,980**
Fair value of consideration for equity			1,980
Fair value of consideration for loan stock			918
Total consideration, satisfied in cash			**2,898**
Cash acquired			(1,206)
Net cash outflow			**1,692**

On 11 November 2011 the Group acquired the 100% interest in the equity and subordinated loan stock of Education Support (Enfield) Holdings Limited (''Highlands School'') and 20% interest in the equity and subordinated loan stock of AHA Access Health Abbotsford (Holdings) Limited (''Abbotsford'') which brings the Company's total interest in the project to 100%. On 21 November 2011, the Group acquired an 80.1% interest in the equity and subordinated loan stock of Collaborative Services Support (NE) Holdings Limited (''NEFRA''). On 9 December 2011, the Group acquired an 80% interest in the equity and subordinated loan stock of Education Support (Enfield 2) Holdings Limited (''Enfield Schools'') and Education Support (Newham) Holdings Limited (''Newham Schools''). On the same day, the Group completed its acquisition of the rest of the 20% interest in these projects from another third party under a separate sale and purchase agreement. For the purpose of the consolidated accounts, these separate acquisitions are being treated as a single transaction as they occur on the same day. On 16 December 2011, the Group acquired the 100% interest in the equity and subordinated loan stock of Education Support (Swindon) Holdings Ltd (''Swindon Schools'').

The combined total cash consideration paid for the interests in these projects was £37.1 million (£17.4 million net of cash acquired). The total transaction cost for the acquisition attributed to the purchase of subsidiaries was £0.5 million which has been recognised in administrative expenses in the Income Statement.

The amounts shown below are the aggregate amounts of the acquisition of the six subsidiaries.

	Book value at acquisition £'000s	Fair value adjustments £'000s	Fair value acquired £'000s
Intangible assets	–	61,385	61,385
Property, plant and equipment	1,177	–	1,177
Finance receivables at fair value through profit or loss account*	386,732	59,506	446,238
Deferred tax asset	74	–	74
Cash and cash equivalents	19,617	–	19,617
Other current assets	339	–	339
Current liabilities	(26,552)	–	(26,552)
Deferred tax liabilities	(2,512)	(14,340)	(16,852)
Other non-current liabilities	(368,918)	(63,530)	(432,448)
Non-controlling interests	–	(523)	(523)
Net assets acquired	**9,957**	**42,498**	**52,455**
Fair value of consideration for equity			52,455
Fair value of consideration for accrued interest			250
Fair value of consideration for loan stock			11,282
Total consideration			63,987
Satisfied by cash			37,062
Satisfied by discharge of fair value of joint venture interest			26,925
Total consideration transferred			**63,987**
Cash acquired			(19,617)
Net cash outflow			**17,445**

*The finance receivable in the book value at acquisition under IFRS is valued at amortised cost rather than at fair value through profit or loss and therefore there is a fair value adjustment to reflect the fair value acquired.

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

15. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

The subsidiaries contributed £2,444,000 to the Group's revenue and £743,000 to the Group's profit for the period from acquisition to 31 December 2011. Had the subsidiaries been owned from 1 January 2011, the contribution to revenue and profit for the period would have been £37,467,000 and £6,955,000 respectively.

Brief details regarding the project are provided below:

Abbotsford Regional Hospital & Cancer Care

On 11 November 2011 the Group acquired a further 20% of the equity and subordinated loan stock in the project bringing the total of the equity and subordinated loan stock interests to 100%. The project is a concession to design, build, finance and operate a new hospital in Abbotsford, British Columbia, Canada.

Highlands School, Enfield

On 11 November 2011 the Group acquired 100% of the equity in the project. The project is a concession to refurbish, finance and operate a secondary school in Enfield.

North East Fire and Rescue

On 21 November 2011 the Group acquired 80.1% of the equity and subordinated loan stock in the project. The project is a concession to design, construction, finance and operation of five community fire stations in North East England.

Newham Schools

On 9 December 2011 the Group acquired 80% of the equity and subordinated loan stock in the project. On the same day, the Group acquired the remaining 20% interest in the project. The project is a concession to design, build, finance and operate a secondary school in Newham.

Enfield Schools

On 9 December 2011 the Group acquired 80% of the equity and subordinated loan stock in the project. On the same day, the Group acquired the remaining 20% interest in the project. The project is a concession to design, build, finance and operate three schools in Enfield, two primary and one secondary.

Swindon Schools

On 16 December 2011 the Group acquired 100% of the equity and subordinated loan stock in the project. The project is a concession to design, build, finance and operate seven new schools in Swindon.

16. FINANCE RECEIVABLES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2011 £'000s	31 December 2010 £'000s
Opening balance	203,949	–
Acquisition of subsidiaries	456,066	199,343
Repayments in the year/period	(20,293)	(482)
Gain on valuation	50,435	1,520
Exchange gain in the year/period	5,572	3,568
Balance at 31 December	**695,729**	203,949
This is represented by:		
Less than one year	14,660	4,547
Greater than one year	681,069	199,402
Balance at 31 December	**695,729**	203,949

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

16. FINANCE RECEIVABLES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The operating subsidiaries' concession contracts with public sector bodies are considered as financial assets. Gain in fair values of financial assets of £50.4 million for the year ended 31 December 2011 (period ended 31 December 2010 – £1.5 million) are included within other gains and losses in the consolidated income statement. See note 3 (ii) for the methods and assumptions used in determining the fair values. The maximum exposure to credit risk at the reporting date is the fair value of the financial assets in the balance sheet.

17. TRADE AND OTHER RECEIVABLES

	31 December 2011			31 December 2010		
	Investment group £'000s	**Non-investment adjustments £'000s**	**Total Group £'000s**	Investment group £'000s	Non-investment adjustments £'000s	Total Group £'000s
Trade receivables	–	5,511	5,511	–	2,218	2,218
Other debtors	736	321	1,057	2,375	412	2,787
Prepayments and accrued income	31	2,636	2,667	20	1,100	1,120
Balance at 31 December	**767**	**8,468**	**9,235**	2,395	3,730	6,125

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

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

	31 December 2011 £'000s	31 December 2010 £'000s
Sterling	8,377	5,158
Canadian Dollar	858	967
	9,235	6,125

There were no overdue amounts included in trade receivables.

18. OTHER FINANCIAL ASSETS

	31 December 2011			31 December 2010		
	Investment group £'000s	**Non-investment adjustments £'000s**	**Total Group £'000s**	Investment group £'000s	Non-investment adjustments £'000s	Total Group £'000s
Cash held as collateral for payment of committed obligation	14,775	–	14,775	–	–	–
Money market deposits	–	15,400	15,400	–	5,571	5,571
Balance at 31 December	**14,775**	**15,400**	**30,175**	–	5,571	5,571

On 21 September 2011, the Company signed a sale and purchase agreement to acquire 50% interest in Forth Valley Hospital held by Forth Valley Investment Company Ltd. On the same date the amount payable for participation of the loan notes of £14,757,000 was deposited into a collateral account and will be invested in the Project as subordinated debt on 3 July 2012. Interest is earned on the deposit at an effective interest rate of 0.44%. The accrued interest included in cash held as collateral as at 31 December 2011 was £18,000 (2010 – nil).

The Company's Other financial assets also include cash invested in money market deposits for longer than three months. Such investments do not meet the definition of cash and cash equivalents. Other financial assets as at 31 December 2010 have been restated following the reclassification of cash invested in money market deposits for longer than three months from cash and cash equivalents.

The effective interest rate on money market deposits of the Total Group was between 0.42% and 2.05% (2010 – between 0.16% and 0.72%). The deposits had a remaining maturity of between 9 days and 137 days (2010 – between 4 days and 89 days).

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

19. TRADE AND OTHER PAYABLES

	31 December 2011 Investment group £'000s	Non-investment adjustments £'000s	Total Group £'000s	31 December 2010 Investment group £'000s	Non-investment adjustments £'000s	Total Group £'000s
Trade payables	–	3,247	3,247	–	1,788	1,788
Accruals and deferred income	2,607	52,403	55,010	2,355	21,017	23,372
Other payables	145	1,623	1,768	16	320	336
Balance at 31 December	**2,752**	**57,273**	**60,025**	2,371	23,125	25,496

20. LOANS AND BORROWINGS

	31 December 2011 Investment group £'000s	Non-investment adjustments £'000s	Total Group £'000s	31 December 2010 Investment group £'000s	Non-investment adjustments £'000s	Total Group £'000s
Current liabilities						
Bank borrowings	–	11,129	11,129	–	5,479	5,479
Fixed rate bonds	–	19,272	19,272	–	6,398	6,398
Balance at 31 December	**–**	**30,401**	**30,401**	–	11,877	11,877
Non-current liabilities						
Bank borrowings	–	230,913	230,913	–	89,795	89,795
Fixed rate bonds	–	298,377	298,377	–	65,701	65,701
Balance at 31 December	**–**	**529,290**	**529,290**	–	155,496	155,496

The Group, with JLIF Limited Partnership as Borrower and the Company as Guarantor, secured a Revolving Credit Facility of £25 million with Royal Bank of Scotland plc on 21 March 2011, which was extended on 22 September 2011 to £60 million. The Group incurred an arrangement fee of £925,000 during the year. The Group will incur commitment fees on the undrawn down amount from 21 March 2011 and interest of 2% on any drawn down amount. The repayment of the facility is in two components, £20 million which is repayable when it expires in September 2012 and the remaining £40 million is repayable when it expires in March 2014. It is intended that the facility will be used to provide bridging funding of acquisitions before being repaid from future capital raisings.

The Group's loans and borrowings at 31 December 2011 were £559.7 million (2010 – £167.4 million), of which £559.7 million (2010 – £167.4 million) were within the Operating Subsidiaries and as such are non-recourse to the Investment Group. The terms of the loans and borrowings and details of key bank covenants are detailed in note 29 c).

There were no recourse borrowings as at 31 December 2011 (2010 – £nil million).

21. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2011 Investment group £'000s	Non-investment adjustments £'000s	Total Group £'000s	31 December 2010 Investment group £'000s	Non-investment adjustments £'000s	Total Group £'000s
Non-current liabilities						
Interest rate swaps	–	60,171	60,171	–	17,166	17,166
Balance at 31 December	**–**	**60,171**	**60,171**	–	17,166	17,166

Derivative financial instruments are held at fair values in accordance with note 2(n).

In order to manage exposure to movements in interest rates, project companies financed by floating rate debt swap their floating rate exposure for fixed rates using interest rate swaps. The notional amounts of the outstanding interest rate swap contracts at 31 December 2011 were £251.9 million (2010 – £115.8 million). As at 31 December 2011, the fixed interest rates on the swaps range from 4.53% to 6.51% (2010 – from 4.7% to 5.7%).

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

22. SHARE CAPITAL

Issued and fully paid	**31 December 2011 £'000s**	31 December 2010 £'000s
422,232,698 (2010 – 270,000,000) ordinary shares of 0.01 pence each	**42**	27

The Company is authorised to issue an unlimited number of shares.

On 4 April 2011, 26,730,000 new ordinary shares of 0.01 pence each were issued and fully paid up at an Issue Price of 102.5 pence.

In October 2011, 1,057,020 new ordinary shares of 0.01 pence each were issued and fully paid at an issue price of 105.85 as a scrip dividend alternative in lieu of cash for the interim dividend in respect of the six months ending 30 June 2011.

In October 2011, 124,445,678 new ordinary shares of 0.01 pence each were issued and fully paid up at an Issue Price of 105 pence.

All new shares issued rank pari passu with the original ordinary shares of 0.01 pence each in the capital of the Company including the right to receive all future dividends and distributions declared, made or paid.

At present, the Company has one class of ordinary shares which carry no right to fixed income.

23. SHARE PREMIUM ACCOUNT

	31 December 2011 £'000s	31 December 2010 £'000s
Opening balance	266,884	–
Premium arising on issue of equity shares	159,169	269,973
Cost of shares issued	(2,435)	(3,089)
Balance at 31 December	**423,618**	266,884

24. TRANSLATION RESERVES

	31 December 2011 £'000s	31 December 2010 £'000s
Opening balance	(4)	–
Exchange differences on translating the net assets of foreign operations	(1,275)	(4)
At 31 December	**(1,279)**	(4)

25. RETAINED EARNINGS

	31 December 2011 £'000s	31 December 2010 £'000s
Opening balance	3,830	–
Net profit for the year	30,038	3,830
Dividends paid (note 11)	(10,251)	–
Balance at 31 December	**23,617**	3,830

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

26. TRANSACTIONS WITH INVESTMENT ADVISER AND RELATED PARTIES

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below. This note also details the terms of engagement by the Company of John Laing Capital Management Limited ("JLCM") as Investment Adviser and Operator of the Limited Partnership together with the details of further investment acquisitions from John Laing plc, of which JLCM is a wholly owned subsidiary.

John Laing Capital Management Limited ("JLCM") is the Company's Investment Adviser. JLCM's appointment as Investment Adviser is governed by an Investment Advisory Agreement which may be terminated after an initial four year term, starting 27 October 2010, by either party giving one year's written notice. The appointment may also be terminated if JLCM's appointment as Operator is terminated.

JLCM is also the Operator of JLIF Limited Partnership, the limited partnership through which the Group holds its investments, by the General Partner of the partnership, JLIF GP Limited, a sister subsidiary of JLCM. The Operator and the General Partner may each terminate the appointment of the Operator after an initial four year term, starting on 27 October 2010, by either party giving one year's written notice. Either the Operator or the General Partner may terminate the appointment of the Operator by written notice if the Investment Advisory Agreement is terminated in accordance with its terms. The General Partner's appointment does not have a fixed term, however if JLCM ceases to be the Operator, the Company has the option to buy the entire share capital of the General Partner and the John Laing Group has the option to sell the entire share capital of the General Partner to the Company. In both cases for nominal consideration. The Directors consider the value of the option to be insignificant.

In aggregate JLCM and the General Partner are entitled to fees and/or profit share equal to: i) a Base fee of a) 1.1% per annum of the Adjusted Portfolio Value* of the Fund up to and including £500 million; b) 1.0% per annum of the Adjusted Portfolio Value of the Fund in excess of £500 million up to and including £1 billion; c) 0.9% per annum of the Adjusted Portfolio Value of the Fund in excess of £1 billion; and ii) an Asset Origination Fee of 0.75% of the purchase price of new investment capital acquired by the Fund that is not sourced from any of John Laing plc, its subsidiary undertakings, or funds or holdings managed by John Laing plc or any of its subsidiary undertakings.

The total Investment Adviser and Operator fee charged to the Income Statement for the year was £3,698,000 (period ended 31 December 2010 – £249,000) of which £1,102,000 remained payable at year end (period to 31 December 2010 – £249,000).

*Adjusted Portfolio Value is defined in the Investment Advisory Agreement as:

(a) the Fair Value of the Investment Portfolio; plus

(b) any cash owned by or held to the order of the Fund (the Investment Group); plus

(c) the aggregate amount of payments made to Shareholders by way of dividend in the period ending on the relevant Valuation Day, less

(i) any borrowings and any other liabilities of the Fund; and

(ii) any Uninvested Cash.

The Group acquired 10 PPP projects and further interests in two existing projects from John Laing plc, of which John Laing Capital Management Limited is a wholly owned subsidiary, under an arm's length sale and purchase agreement. The Group paid £100.0 million in total to John Laing for these projects, of which £68.2 million related to acquisition of the four joint ventures and associates.

During 2011 the Group received amounts of £1,370,000 of equity redemptions and £954,000 of subordinated loan repayments (period ended 31 December 2010 – £129,000 of equity redemptions and £171,000 of subordinated loan repayments) from joint ventures and associates in addition to the returns in investments detailed in the table below.

Transactions with joint ventures and associates

	31 December 2011			31 December 2010		
	Income statement £'000s	**Cash received £'000s**	**Balance due £'000s**	Income statement £'000s	Cash received £'000s	Balance due £'000s
Subordinated loan interest[1]	6,544	7,616	1,536	2,102	739	1,376
Dividends	8,094	8,094	–	330	330	–
Other accrued income	31	–	–	–	–	–

[1] Interest receivable at 31 December 2011 and 31 December 2010 is included within Investments at fair value through profit or loss (note 14) at the fair value of its future cash flow. The £1,536,000 (2010 – £1,376,000) includes a foreign exchange loss of £17,000 (2010 – gain of £13,000).

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

26. TRANSACTIONS WITH INVESTMENT ADVISER AND RELATED PARTIES (CONTINUED)

The Directors of the Consolidated Group, who are considered to be key management, received fees for their services. Further details are provided in the Report of the Directors on page 32. Total fees for the year were £179,800 (period ended 31 December 2010 – £54,000). The Directors were paid £5,000 of expenses in the year (period ended 31 December 2010 – nil). The interests of the Directors in the shares of the Company as at 31 December 2011 and 31 December 2010 are detailed in the Report of Directors on page 32.

All of the above transactions were undertaken on an arm's length basis.

The Directors were paid dividends in the year of £5,075. As part of the share issue in October 2011, Talmai Morgan subscribed for and was issued with 10,000 ordinary shares.

27. FINANCIAL ASSETS

a) Maturity of financial assets

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

	31 December 2011			31 December 2010*		
	Less than 1 year £'000s	Greater than 1 year £'000s	Total £'000s	Less than 1 year £'000s	Greater than 1 year £'000s	Total £'000s
Investment in joint ventures and associates at fair value through profit and loss	–	232,345	232,345	–	208,907	208,907
Finance receivables at fair value through profit and loss	14,660	681,069	695,729	4,547	199,402	203,949
Trade and other receivables	9,235	–	9,235	6,125	–	6,125
Other financial assets	30,175	–	30,175	5,571	–	5,571
Cash and cash equivalents	76,749	–	76,749	14,744	–	14,744
Total financial assets	**130,819**	**913,414**	**1,044,233**	30,987	408,309	439,296

*Restated for the reclassification of certain cash balances to other financial assets.

b) Interest rate profile of financial assets (excluding investments at fair value through profit and loss):

	Financial assets – 31 December 2011			
Currency	**Floating rate £'000s**	**Fixed rate £'000s**	**Non-interest bearing £'000s**	**Total £'000s**
Sterling	–	47,240	15,872	**63,112**
Euro	–	–	342	**342**
Canadian Dollar	–	729	–	**729**
Recourse	**–**	**47,969**	**16,214**	**64,183**
Sterling	–	334,831	23,677	**358,508**
Canadian Dollar	–	378,437	10,760	**389,197**
Non-recourse	**–**	**713,268**	**34,437**	**747,705**
Total	**–**	**761,237**	**50,651**	**811,888**

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

27. FINANCIAL ASSETS (CONTINUED)

b) Interest rate profile of financial assets (excluding investments at fair value through profit and loss): (continued)

	Financial assets – 31 December 2010			
Currency	Floating rate £'000s	Fixed rate £'000s	Non-interest bearing £'000s	Total £'000s
Sterling	–	5,564	3,440	9,004
Euro	–	–	365	365
Canadian Dollar	–	–	593	593
Recourse	–	5,564	4,398	9,962
Sterling	–	131,044	6,679	137,723
Canadian Dollar	–	78,976	3,728	82,704
Non-recourse	–	210,020	10,407	220,427
Total	–	215,584	14,805	230,389

The non-recourse fixed rate financial assets principally represent PPP finance receivables. The weighted average interest rate of the fixed rate financial assets is 7.35% (2010 – 7.05%) and the weighted average period for which the interest rates are fixed is 22.8 years (2010 – 21.8 years).

The recourse fixed rate financial assets represent deposits placed with banks or highly rated money market funds at rates related to LIBID.

The non-interest bearing assets represent cash in current accounts as well as trade and other receivables.

c) Foreign currency exposure of investments at fair value through profit and loss:

	Financial assets – 31 December 2011			
	Floating rate £'000s	**Fixed rate £'000s**	**Non-interest bearing £'000s**	**Total £'000s**
Sterling	–	–	216,310	**216,310**
Euro	–	–	16,035	**16,035**
Canadian Dollar	–	–	–	**–**
	–	**–**	**232,345**	**232,345**

	Financial assets – 31 December 2010			
	Floating rate £'000s	Fixed rate £'000s	Non-interest bearing £'000s	Total £'000s
Sterling	–	–	143,500	143,500
Euro	–	–	16,902	16,902
Canadian Dollar	–	–	48,505	48,505
	–	–	208,907	208,907

Joint ventures and associates are valued on a discounted cash flow basis. The weighted average discount rate was 8.36% (2010 – 8.34%). An analysis of the valuation's sensitivity to changes in foreign exchange rates and discount rates has been provided in note 3 (i). The movement in fair value would give rise to an equal increase/decrease in profit before tax.

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

28. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange rate risk, interest rate risk and inflation risk), credit risk, liquidity risk, and capital risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

For John Laing Infrastructure Fund Limited and its recourse subsidiaries financial risks are managed by the fund managers who operate within Board approved policies. For the non-recourse subsidiaries, joint ventures and associate, due to the nature of PPP projects, financial risks are hedged at the inception of a project. The various types of financial risk are managed as follows:

Market risk – foreign currency exchange rate risk

As at 31 December 2011 the Group has invested in three (2010 – three) overseas projects two (2010 – one) of which were subsidiaries. The Group's foreign currency exchange rate risk policy is not to automatically hedge on an individual project basis but to determine the total Group exposure to individual currencies.

The Group is mainly exposed to fluctuations in the Euro and Canadian dollar exchange rates. The carrying amount of the Group's foreign currency denominated assets and liabilities at the reporting date was as follows:

	Assets		Liabilities	
	2011 £'000s	2010 £'000s	**2011 £'000s**	2010 £'000s
Canadian Dollar	330,488	83,298	(313,593)	(74,893)
Euro	342	365	–	–
	330,830	83,663	**(313,593)**	(74,893)

The above table does not include investments in joint venture project companies, which account for a significant proportion of the Group's exposure to movements in the Euro (refer to note 27 c).

The following table details the Group's sensitivity to a 5% increase or decrease in Sterling against relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated assets and liabilities and reflects a 5% change in foreign currency exchange rates. A negative number below indicates a decrease in profit from operations where the relevant currency weakens by 5% against Sterling. For a 5% strengthening of the relevant currency against Sterling, there would be an equal and opposite impact on profit from operations, and the negative balances below would be positive.

	31 December 2011		
Effect on profit from operations of relevant currency weakening by 5% against Sterling:	**Profit before tax £'000s**	**Translation reserve £'000s**	**Net assets £'000s**
Canadian Dollar	(36)	(808)	**(844)**
Euro	(17)	–	**(17)**
	(53)	**(808)**	**(861)**

	31 December 2010		
Effect on profit from operations of relevant currency weakening by 5% against Sterling:	Profit before tax £'000s	Translation reserve £'000s	Net assets £'000s
Canadian Dollar	(30)	(391)	(421)
Euro	(18)	–	(18)
	(48)	(391)	(439)

Market risk – interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to variability of interest payment cash flows. Borrowings issued at fixed rates expose the Group to revaluation risk of its borrowings.

Each PPP Project Company hedges its interest rate risk at the inception of a project. This will either be done by issuing a fixed rate bond or, if the project is bank financed, with fixed rate bank debt or variable rate debt which will be swapped into fixed rate by the use of interest rate swaps.

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk – interest rate risk (continued)

John Laing Infrastructure Fund Limited and its subsidiaries were in a net cash position at the balance sheet date. The sensitivity analysis below has been determined based on the interest rates for both derivative and non-derivative instruments as at 31 December. For floating rate assets and liabilities, the analysis has been prepared assuming the amount of an asset or liability outstanding as at 31 December was outstanding for the whole period then ended. A 1% increase or decrease represents Management's assessment of the reasonable possible change in interest rates.

Effect on the consolidated accounts if interest rates had been 1% higher and all other variables were held constant:

	31 December 2011 Profit before tax £'000s	31 December 2011 Net assets £'000s	31 December 2010 Profit before tax £'000s	31 December 2010 Net assets £'000s
Sterling	20,297	20,297	9,308	9,308

The increase in profit before tax is attributable to the Group's exposure to changes in the fair value of its interest rate swaps.

For a 1% reduction in interest rates, there would be an equal and opposite impact on profit before tax.

The impact of a change in interest rates, (which would bring about a 1% change in the discount rate) for investments at fair value through profit or loss and finance receivables at fair value through profit or loss are disclosed in note 3 (i) and note 3 (ii) respectively. This movement in fair value would give rise to an equal increase/decrease in profit before tax.

Market risk – inflation risk

Each PPP Project Company will typically have part of its revenue and some of its costs linked to inflation at the inception of a project. In most cases this results in the project being insensitive to inflation. However, in a minority of cases where the project is sensitive to inflation, this risk will be hedged by entering into RPI inflation swaps. The Group had no open RPI inflation rate swaps at 31 December 2011 (2010 – none).

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers.

The Group mitigates its risk on cash investments and derivative transactions by only transacting with banking counterparties with high credit ratings assigned by international credit rating agencies (a minimum of Standard and Poor's A-1).

The Group's projects receive revenue from government departments, public sector or local authority clients or directly from the public via real tolls. Therefore these projects are not exposed to significant credit risk.

Given the above factors, the Board does not consider it appropriate to present a detailed analysis of credit risk.

Liquidity risk

The Group adopts a prudent approach to liquidity management by maintaining sufficient cash and available committed facilities to meet its obligations. Due to the nature of PPP projects the timing of cash outflows is reasonably predictable and, therefore, is not a major risk to the Group.

The Group's liquidity management policy involves projecting cash flows in major currencies and assuming the level of liquid assets necessary to meet these.

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

31 December 2011	Recourse £'000s	Non-recourse £'000s	Derivatives £'000s	Total £'000s
In one year or less, or on demand	2,752	87,674	9,548	**99,974**
In more than one year but less than two years	–	30,776	8,830	**39,606**
In more than two years but less than five years	–	91,551	21,123	**112,674**
In more than five years	–	406,963	20,670	**427,633**
Total	**2,752**	**616,964**	**60,171**	**679,887**

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

31 December 2010	Recourse £'000s	Non-recourse £'000s	Derivatives £'000s	Total £'000s
In one year or less, or on demand	2,371	35,002	4,841	42,214
In more than one year but less than two years	–	9,571	4,049	13,620
In more than two years but less than five years	–	29,343	5,634	34,977
In more than five years	–	116,582	2,642	119,224
Total	2,371	190,498	17,166	210,035

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

31 December 2011	Weighted average effective interest rate %	In 1 year or less £'000s	In more than 1 year but less than 2 years £'000s	In more than 2 years but less than 5 years £'000s	In more than 5 years £'000s	Total £'000s
Variable interest rate instruments	2.50%	10,636	11,029	32,089	179,810	**233,564**
Fixed interest rate instruments	6.09%	19,765	19,746	59,463	227,153	**326,127**
Non-interest bearing instruments		60,025	–	–	–	**60,025**
		90,426	**30,775**	**91,552**	**406,963**	**619,716**

31 December 2010	Weighted average effective interest rate %	In 1 year or less £'000s	In more than 1 year but less than 2 years £'000s	In more than 2 years but less than 5 years £'000s	In more than 5 years £'000s	Total £'000s
Variable interest rate instruments	1.83%	5,479	5,046	15,165	69,584	95,274
Fixed interest rate instruments	6.11%	6,398	4,525	14,178	46,998	72,099
Non-interest bearing instruments		25,496	–	–	–	25,496
		37,373	9,571	29,343	116,582	192,869

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

31 December 2011	Weighted average effective interest rate %	In 1 year or less £'000s	In more than 1 year but less than 2 years £'000s	In more than 2 years but less than 5 years £'000s	In more than 5 years £'000s	Total £'000s
Net settled interest rate swaps	5.14%	9,711	9,079	22,387	25,642	66,819

31 December 2010	Weighted average effective interest rate %	In 1 year or less £'000s	In more than 1 year but less than 2 years £'000s	In more than 2 years but less than 5 years £'000s	In more than 5 years £'000s	Total £'000s
Net settled interest rate swaps	5.40%	4,863	4,122	6,030	3,583	18,598

Capital risk

The Group has implemented an efficient financing structure that enables it to manage its capital effectively. The Group's capital structure comprises its equity only (refer to the Consolidated Statement of Changes in Equity). As at 31 December 2011 the Group had no recourse debt (2010 – £nil).

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

29. FINANCIAL INSTRUMENTS

a) Financial instruments by category:

31 December 2011	Cash and bank balances £'000s	Loans and receivables £'000s	Financial assets at FVTPL* £'000s	Financial liabilities at FVTPL* £'000s	Financial liabilities at amortised cost £'000s	Total £'000s
Non-current assets						
Investment in joint ventures and associates at fair value through profit and loss	–	–	232,345	–	–	**232,345**
Finance receivables at fair value through profit and loss	–	–	681,069	–	–	**681,069**
Current assets						
Finance receivables at fair value through profit and loss	–	–	14,660	–	–	**14,660**
Trade and other receivables	–	9,235	–	–	–	**9,235**
Other financial assets (note 18)	30,175	–	–	–	–	**30,175**
Cash and cash equivalents	76,749	–	–	–	–	**76,749**
Total financial assets	**106,924**	**9,235**	**928,074**	**–**	**–**	**1,044,233**
Current liabilities						
Current portion of interest bearing loans and borrowings	–	–	–	–	(30,401)	**(30,401)**
Trade and other payables	–	–	–	–	(60,025)	**(60,025)**
Non-current liabilities						
Interest bearing loans and borrowings	–	–	–	–	(529,290)	**(529,290)**
Fair value of derivatives	–	–	–	(60,171)	–	**(60,171)**
Total financial liabilities	**–**	**–**	**–**	**(60,171)**	**(619,716)**	**(679,887)**
Net financial instruments	**106,924**	**9,235**	**928,074**	**(60,171)**	**(619,716)**	**364,346**
Fair value measurement method			**Level 3**	**Level 2**		

31 December 2010	Cash and bank balances £'000s	Loans and receivables £'000s	Financial assets at FVTPL* £'000s	Financial liabilities at FVTPL* £'000s	Financial liabilities at amortised cost £'000s	Total £'000s
Non-current assets						
Investment in joint ventures and associates at fair value through profit and loss	–	–	208,907	–	–	208,907
Finance receivables at fair value through profit and loss	–	–	199,402	–	–	199,402
Current assets						
Finance receivables at fair value through profit and loss	–	–	4,547	–	–	4,547
Trade and other receivables	–	6,125	–	–	–	6,125
Cash and cash equivalents	20,315	–	–	–	–	20,315
Total financial assets	20,315	6,125	412,856	–	–	439,296
Current liabilities						
Current portion of interest bearing loans and borrowings	–	–	–	–	(11,877)	(11,877)
Trade and other payables	–	–	–	–	(25,496)	(25,496)
Non-current liabilities						
Interest bearing loans and borrowings	–	–	–	–	(155,496)	(155,496)
Fair value of derivatives	–	–	–	(17,166)	–	(17,166)
Total financial liabilities	–	–	–	(17,166)	(192,869)	(210,035)
Net financial instruments	20,315	6,125	412,856	(17,166)	(192,869)	229,261
Fair value measurement method			Level 3	Level 2		

*FVTPL = Fair value through profit and loss

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

29. FINANCIAL INSTRUMENTS (CONTINUED)

a) Financial instruments by category: (continued)

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

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

There were no transfers between Level 1 and 2 during the year (period ended 31 December 2010 – none).

Reconciliation of Level 3 fair value measurement of financial assets and liabilities

An analysis of the movement between opening to closing balances of the investments in joint ventures at fair value through profit and loss is given in note 14 and for finance receivables at fair value through profit and loss the analysis is given in note 16. For financial assets at fair value through profit and loss, changing the discount rate used to value the underlying instruments would alter the fair value.

As at 31 December, a 1% increase in the discount rate would have the following effect on profit.

	2011 £'000s	2010 £'000s
Investment in joint ventures and associates at fair value through profit and loss	(21,659)	(16,300)
Finance receivables at fair value through profit and loss	(67,300)	(15,400)
	(88,959)	(31,700)

As at 31 December, a 1% decrease in the discount rate would have the following effect on profit.

	2011 £'000s	2010 £'000s
Investment in joint ventures and associates at fair value through profit and loss	25,680	18,600
Finance receivables at fair value through profit and loss	80,400	17,500
	106,080	36,100

b) Fair value of derivatives

	31 December 2011 £'000s	31 December 2010 £'000s
Derivatives		
Non-current liabilities		
Interest rate swaps	60,171	17,166
Net deferred tax thereon	(15,043)	(4,635)
Total fair value of derivatives post deferred tax	**45,128**	12,531

Financial assets and liabilities have been fair valued in accordance with the Group's accounting policies. The movement in fair value reflects the changes in inflation and interest rates during the period.

Project Companies which are financed by floating rate debt swap their floating rate exposure into fixed rates using interest rate swaps in order to manage their floating rate exposure to movements in interest rates. 9 of the 12 (2010 – 4 of the 5) subsidiary Project Companies are financed by floating rate debt and have transacted swaps.

The fixed interest rates on the swaps range from 4.7% to 5.7% (2010 – 4.7% to 5.7%) and maturities range from 2024 to 2033 (2010 – from 2025 to 2033). The movement in the fair value of the swaps has been recognised in the Income Statement.

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

29. FINANCIAL INSTRUMENTS (CONTINUED)

b) Fair value of derivatives (continued)

	31 December 2011 £'000s	31 December 2010 £'000s
Notional value of interest rate swaps	**251,944**	115,779

c) Foreign currency and interest rate profile of financial liabilities

The Group's financial liabilities at 31 December 2011 were £679.9 million (2010 – £210.0 million), of which £677.1 million (2010 – £207.7 million) were non-recourse liabilities. These principally comprise borrowings of Project Companies which are consolidated in accordance with IAS 27. In these Project Companies the lenders have recourse solely to the Project Company itself and hence there is no recourse to the Group.

			31 December 2011 Financial liabilities		
	Currency	Floating rate £'000s	Fixed rate £'000s	Non-interest bearing £'000s	Total £'000s
Group trade and other payables < 1 year	– Sterling	–	–	2,752	**2,752**
Total recourse		**–**	**–**	**2,752**	**2,752**
Project Companies – borrowings < 1 year	– Sterling	10,636	493	–	**11,129**
	– Canadian Dollar	–	19,272	–	**19,272**
Project Companies – borrowings > 1 year	– Sterling	222,928	7,985	–	**230,913**
	– Canadian Dollar	–	298,377	–	**298,377**
Group trade and other payables < 1 year	– Sterling	–	–	52,851	**52,851**
	– Canadian Dollar	–	–	4,422	**4,422**
Total non-recourse		**233,564**	**326,127**	**57,273**	**616,964**
Total derivative liabilities		–	60,171	–	**60,171**
Total		**233,564**	**386,298**	**60,025**	**679,887**

			31 December 2010 Financial liabilities		
	Currency	Floating rate £'000s	Fixed rate £'000s	Non-interest bearing £'000s	Total £'000s
Group trade and other payables < 1 year	– Sterling	–	–	2,371	2,371
Total recourse		–	–	2,371	2,371
Project Companies – borrowings < 1 year	– Sterling	5,479	–	–	5,479
	– Canadian Dollar	–	6,398	–	6,398
Project Companies – borrowings > 1 year	– Sterling	89,795	–	–	89,795
	– Canadian Dollar	–	65,701	–	65,701
Group trade and other payables < 1 year	– Sterling	–	–	20,995	20,995
	– Canadian Dollar	–	–	2,130	2,130
Total non-recourse		95,274	72,099	23,125	190,498
Total derivative liabilities		–	17,166	–	17,166
Total		95,274	89,265	25,496	210,035

Two subsidiary projects (2010 – one) are funded by bond financing totalling £317.6 million (2010 – £72.1 million). The bonds have fixed interest coupons ranging from 6.0% to 6.2% and mature in 2036 (2010 – from 6.1% to 6.2% and mature in 2036). The interest rates for the remaining projects are fixed using either interest rate swaps or fixed rate debt. The maturities range from 2024 to 2033 (2010 – from 2025 to 2033) and the all-inclusive interest rates vary from 5.6% to 7.2% (2010 – from 5.6% to 6.6%). The weighted average all-inclusive interest rate for these non-recourse fixed rate financial liabilities is 6.21% and the weighted average period for which interest rates are fixed is 21.9 years (2010 – 6.21% and the weighted average period for which interest rates are fixed is 20.3 years).

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

29. FINANCIAL INSTRUMENTS (CONTINUED)

c) Foreign currency and interest rate profile of financial liabilities (continued)

The Operating Subsidiaries are required to meet certain bank covenants on its debt, the most significant of which are maintaining debt service cover ratios (cash flows available for debt service as a ratio of debt servicing amounts) of 1.05 for 9 (2010 – four) and 1.1 for one (2010 – none) of the UK subsidiaries and 1.0 for the two (2010 – one) Canadian subsidiaries and Loan Life Cover Ratio of 1.10 for 9 (2010 – four) and 1.05 for one (2010 – none) of the UK subsidiaries. Loan Life Cover Ratios do not apply for the two (2010 – one) Canadian subsidiaries. There were no material events of non-compliance in the Operating Subsidiaries in the year (period ended 31 December 2010 – none).

The Directors consider that the carrying amounts of financial assets and financial liabilities in the financial statements approximate their fair values.

	Carrying amount		Fair value	
	2011 £'000s	2010 £'000s	**2011 £'000s**	2010 £'000s
Interest bearing loans and borrowings	559,691	167,373	573,638	167,373

30. GUARANTEES AND OTHER COMMITMENTS

As at 31 December 2011 the Group has commitment to invest in Forth Health Holdings Limited £14,757,000 (2010 – £nil) in the form of subordinated loan stock on 3 July 2012. Subject to conditions of the Sales and Purchase Agreement being met, the Group has a commitment to purchase Healthcare Support (Newcastle) Holdings Limited and Three Valleys Healthcare Holdings Limited for a total consideration of £24.3 million.

31. EVENTS AFTER BALANCE SHEET DATE

On 18 January 2012, the Group completed the acquisition of joint venture interests in three social housing PPP projects for a consideration of £30.5 million.

On 26 January 2012, the Group completed a further third party acquisition being the remaining 19.9% interest in the PPP infrastructure asset North East Fire and Rescue (''NEFRA'') for a total consideration of £1.15 million. This takes the Group's total holding in NEFRA to 100% following the acquisition of the 80.1% stake from the John Laing Group in November 2011.

32. DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS

The Group holds investments in 30 service concession arrangements in the Accommodation, Transport, and Utilities sectors. The concessions vary on the obligations required but typically require the construction and operation of an asset during the concession period. The concession may require the acquisition or replacement of an existing asset or the construction of a new asset. The operation of the asset may include the provision of facilities management services like cleaning, catering, caretaking and major maintenance. At the end of the concession period on the majority of the concessions the assets are returned to the concession provider. As at 31 December 2011 and 31 December 2010 all of the service concessions were fully operational.

The rights of both the concession provider and concession operator are stated within the specific project agreement. The standard rights of the provider to terminate the project include poor performance and in the event of force majeure. The operator's rights to terminate include the failure of the provider to make payment under the agreement, a material breach of contract and relevant changes of law which would render it impossible for the service company to fulfil its requirements.

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

32. DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

Sector	Company name	Project name	% owned	Short description of concession arrangement	Period of concession: Start date	Period of concession: End date	Period of concession: No. years	Project capex
Accommodation								
Hospitals	Healthcare Support (Newham) Limited	Newham Hospital	50%	Design, build, finance and operate extensions at Newham General Hospital.	27-Jan-2004	30-Jan-2039	35	Refurbishment and construction of two extensions costing £35 million.
	Meridian Hospital Company Limited	Queen Elizabeth Hospital, Greenwich	27.5%	Design, build, finance and operate new hospital in the Greenwich area of London.	08-Jul-1998	31-Oct-2030	32	Construction of hospital costing £96 million.
	Prime Care Solutions (Kingston) Limited	Kingston Hospital	60%	Design, build, finance and operate extension to Kingston Hospital.	23-Nov-2004	22-Jul-2036	32	Design, build, finance and operate extension to Kingston Hospital.
	AHA Access Health Abbotsford Limited	Abbotsford Regional Hospital and Cancer Centre	100%	Design, build, finance and operate new hospital in Abbotsford, British Columbia, Canada.	07-Dec-2004	06-May-2038	33	Construction of hospital costing CAN$355 million.
	AHV Access Health Vancouver Limited	Vancouver General Hospital	100%	Design, build, finance and operate new outpatient facility in Vancouver, British Columbia, Canada.	02-Sep-2004	18-Aug-2036	32	Construction of outpatient facility costing CAN$95 million.
	Forth Health Limited	Forth Valley Royal Hospital	50%	Design, build, finance and operate new hospital in Lambert.	26-Aug-2008	31-Mar-2042	34	Construction of hospital costing £293 million.
Schools	3ED Glasgow Limited	Glasgow Schools	20%	Design, build, finance and operate 29 secondary schools and one primary school in Glasgow.	26-Jul-2000	30-Jun-2030	30	Major refurbishment and extension of 18 schools – £135 million. Construction of 11 new secondary schools and one new primary school – £90 million.
	InspirED Education (South Lanarkshire) plc	South Lanarkshire Schools	15%	Design, build, finance and operate 15 new secondary schools and two refurbishments in the South Lanarkshire area.	28-Jun-2006	30-Sep-2039	34	New schools construction and refurbishment costing £320 million.
	Education Support (Swindon) Limited	North Swindon Schools	100%	Design, build, finance and operate seven new schools in Swindon.	01-Apr-2005	30-Jun-2032	27	New schools construction costing £70 million.
	Education Support (Enfield) Limited	Highlands School	100%	Design, build, finance and operate one secondary school in Enfield.	01-Sep-2000	30-Sep-2025	27	New school construction costing £17 million.
	Education Support (Newham) Limited	Newham Schools	100%	Design, build, finance and operate one secondary school in Newham.	24-Sep-2003	31-Aug-2029	26	New school construction costing £22 million.
	Education Support (Enfield 2) Limited	Enfield Schools	100%	Design, build, finance and operate three schools in Enfield, two primary and one secondary.	24-Sep-2003	31-Aug-2029	26	New schools construction costing £27 million.
	The Edinburgh School Partnership Limited	Edinburgh Schools	10%	Design, build, finance and operate 17 schools in total, ten new primaries, two new secondary schools, three refurbished secondary schools and two special schools.	15-Nov-2001	30-Sep-2033	32	Refurbishment of three secondary schools and one special school – £25 million. New build of ten primary schools, two secondary and one special school – £82 million.

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

32. DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

					Period of concession			
Sector	Company name	Project name	% owned	Short description of concession arrangement	Start date	End date	No. years	Project capex
Justice and Emergency Services	Service Support (Avon & Somerset) Limited	Avon & Somerset Courts	40%	Design, build, finance and operate two new courts in Worle and Bristol, offices, a podium and a bus station.	23-Aug-2004	26-Oct-2034	30	Construction costing £43 million.
	Services Support (Gravesend) Limited	Metropolitan Specialist Police Training Centre	27.08%	Design, build, finance and operate firearms training facility in Gravesend.	20-Apr-2001	10-Feb-2028	27	New training facility and refurbishment of accommodation blocks construction costing £40 million.
	Services Support (Manchester) Limited	Greater Manchester Police Stations	27.08%	Design, build, finance and operate 16 new police stations in Manchester.	04-Dec-2002	31-Mar-2030	27	Construction costing £82 million.
	Cleveland FM Services Limited	Cleveland Police Station & HQ	42.5%	Design, build, finance and operate five police stations.	01-May-2005	31-Jan-2032	27	Construction costing £26 million.
	Collaborative Services Support NE Limited	North East Fire & Rescue	80.1%	Design, construction, finance and operation of five community fire stations in North East England.	24-May-2010	16-May-2035	26	Construction costing £27 million.
Defence	Modus Services Limited	MOD Main Building	26%	Design, build, finance and operate Ministry of Defence offices in Whitehall.	04-May-2000	03-May-2030	30	Refurbishment of existing buildings costing £416 million.
Regeneration	Regenter LCEP Limited	Canning Town – Social Housing PPP	100%	Refurbish, finance and operate council housing in Newham.	03-Jun-2005	31-May-2035	30	Refurbishment of existing buildings costing £20 million.
	Regenter B3 Limited	Brockley Social Housing PPP	100%	Refurbish, finance and operate council housing in Brockley.	04-Jun-2007	30-Apr-2027	20	Refurbishment of existing buildings costing £74 million.
	Regenter Bentilee District Centre Limited	Bentilee Hub Community Centre	100%	Design, build, finance and operate joint services community facility.	01-Feb-2005	31-Jan-2032	27	Construction costing £8 million.
Transport								
Roads	Sirhowy Enterprise Way Limited	Sirhowy Way	100%	Design, build, finance and operate improvements to the A4048/A472 Strategic Highway Network between the north of Blackwood and the east of Ponllanfraith, South Wales.	21-Jan-2004	20-Jan-2034	30	Upgrade and maintain part of existing road and build new carriageway at a cost of £44 million.
	Tiehytio Ykkostie Oy	E18 Road	41%	Design, build, finance and operate the E18 Muurla–Lohja Motorway Project in Finland.	27-Oct-2005	15-Nov-2029	24	Upgrade and maintain existing road at a cost of €327 million.
	UK Highways M40 Limited	M40 Motorway (UK)	50%	Design, build, finance and operate the M40 Motorway.	08-Oct-1996	07-Dec-2026	30	Upgrade and maintain existing motorway at a cost of £90 million.
	Autolink Concessionaires (M6) plc	M6 Motorway (Scotland)	11%	Design, build, finance and operate project to maintain 90 km of the M6 and M74 (from Gretna, on the Scottish border to Millbank, 30 miles south of Glasgow). Project includes the upgrade of the A74 to a 29 km stretch of dual three lane motorway.	24-April-1997	29-Jul-2027	31	Upgrade and maintain existing motorway costing £95 million.
Environment & Utilities								
Street Lighting	Amey Highways Lighting (Manchester) Limited	Manchester Street Lighting	50%	Installation and maintenance of street lighting.	31-Mar-2004	30-Jun-2029	25	Replacement column programme costing £33 million.
	Amey Highways Lighting (Wakefield) Limited	Wakefield Street Lighting	50%	Installation and maintenance of street lighting.	23-Dec-2003	02-Feb-2029	25	Replacement column programme costing £26 million.
	Walsall Public Lighting Limited	Walsall Street Lighting	100%	Installation and maintenance of street lighting.	30-Apr-2002	30-Apr-2028	26	Replacement column programme costing £16 million.
Utilities	CityLink Telecommunications Limited	LUL Connect (CityLink)	19.5%	Upgrade of London Underground's existing radio and telecommunications systems and implementing and operating a new system.	21-Nov-1999	21-Nov-2019	20	Maintain the existing radio and communications systems and replace at a cost of £198 million.

Notes to the Consolidated Financial Statements (CONTINUED)

for the year ended 31 December 2011

33. PRINCIPAL SUBSIDIARIES

Name	Category	Country	Ownership Interest
JLIF Luxco 1 S.á.r.l.	Investment Group	Luxembourg	100%
JLIF Luxco 2 S.á.r.l.	Investment Group	Luxembourg	100%
JLIF Limited Partnership Limited[1]	Investment Group	United Kingdom	100%
Palio (No 1) Limited	Investment Group	United Kingdom	100%
Palio (No 2) Limited	Investment Group	United Kingdom	100%
Palio (No 3) Limited	Investment Group	United Kingdom	100%
Palio (No 4) Limited	Investment Group	United Kingdom	100%
Palio (No 5) Limited	Investment Group	United Kingdom	100%
Palio (No 6) Limited	Investment Group	United Kingdom	100%
Palio (No 7) Limited	Investment Group	United Kingdom	100%
Palio (No 8) Limited	Investment Group	United Kingdom	100%
Palio (No 9) Limited	Investment Group	United Kingdom	100%
Palio (No 11) Limited	Investment Group	United Kingdom	100%
Palio (No 12) Limited	Investment Group	United Kingdom	100%
Palio (No 13) Limited	Investment Group	United Kingdom	100%
Palio (No 14) Limited	Investment Group	United Kingdom	100%
Palio (No 16) Limited	Investment Group	United Kingdom	100%
Palio (No 17) Limited	Investment Group	United Kingdom	100%
Palio (No 18) Limited	Investment Group	United Kingdom	100%
Palio (No 19) Limited	Investment Group	United Kingdom	100%
Sirhowy Enterprise Way Holdings Limited*	Operating Subsidiary	United Kingdom	100%
Sirhowy Enterprise Way Limited*	Operating Subsidiary	United Kingdom	100%
Regenter LCEP (Holdco) Limited	Operating Subsidiary	United Kingdom	100%
Regenter LCEP Limited	Operating Subsidiary	United Kingdom	100%
Walsall Public Lighting Holdings Limited	Operating Subsidiary	United Kingdom	100%
Walsall Public Lighting Limited	Operating Subsidiary	United Kingdom	100%
Regenter B3 (Holdco) Limited	Operating Subsidiary	United Kingdom	100%
Regenter B3 Limited	Operating Subsidiary	United Kingdom	100%
AHV Holdings Vancouver Limited	Operating Subsidiary	Canada	100%
AHV Access Health Vancouver Limited	Operating Subsidiary	Canada	100%
Regenter Bentilee District Centre Holdings Limited	Operating Subsidiary	United Kingdom	100%
Regenter Bentilee District Centre Limited	Operating Subsidiary	United Kingdom	100%
AHA Holdings Abbotsford Limited	Operating Subsidiary	Canada	100%
AHA Access Health Abbotsford Limited	Operating Subsidiary	Canada	100%
Education Support (Enfield) Holdings Limited	Operating Subsidiary	United Kingdom	100%
Education Support (Enfield) Limited	Operating Subsidiary	United Kingdom	100%
Collaborative Services Support (NE) Holdings Limited	Operating Subsidiary	United Kingdom	80.1%
Collaborative Services Support (NE) Limited	Operating Subsidiary	United Kingdom	80.1%
Education Support (Swindon) Holdings Limited	Operating Subsidiary	United Kingdom	100%
Education Support (Swindon) Limited	Operating Subsidiary	United Kingdom	100%
Education Support (Enfield 2) Holdings Limited	Operating Subsidiary	United Kingdom	100%
Education Support (Enfield 2) Limited	Operating Subsidiary	United Kingdom	100%
Education Support (Newham) Holdings Limited	Operating Subsidiary	United Kingdom	100%
Education Support (Newham) Limited	Operating Subsidiary	United Kingdom	100%

Except where indicated, all companies have 31 December year ends.

* Reporting date 31 March

[1] JLIF Limited Partnership (registered office: Allington House, 150 Victoria Street, London, SW1E 5LB) is a limited partnership formed under the Limited Partnership Act 1907. The results of JLIF Limited Partnership are included in the consolidated results of John Laing Infrastructure Fund Limited and JLIF Limited Partnership has taken advantage of the exemption from audit or filing accounts at Companies House conferred by regulation 7 of the Partnerships (Accounts) Regulations 2008.

Glossary

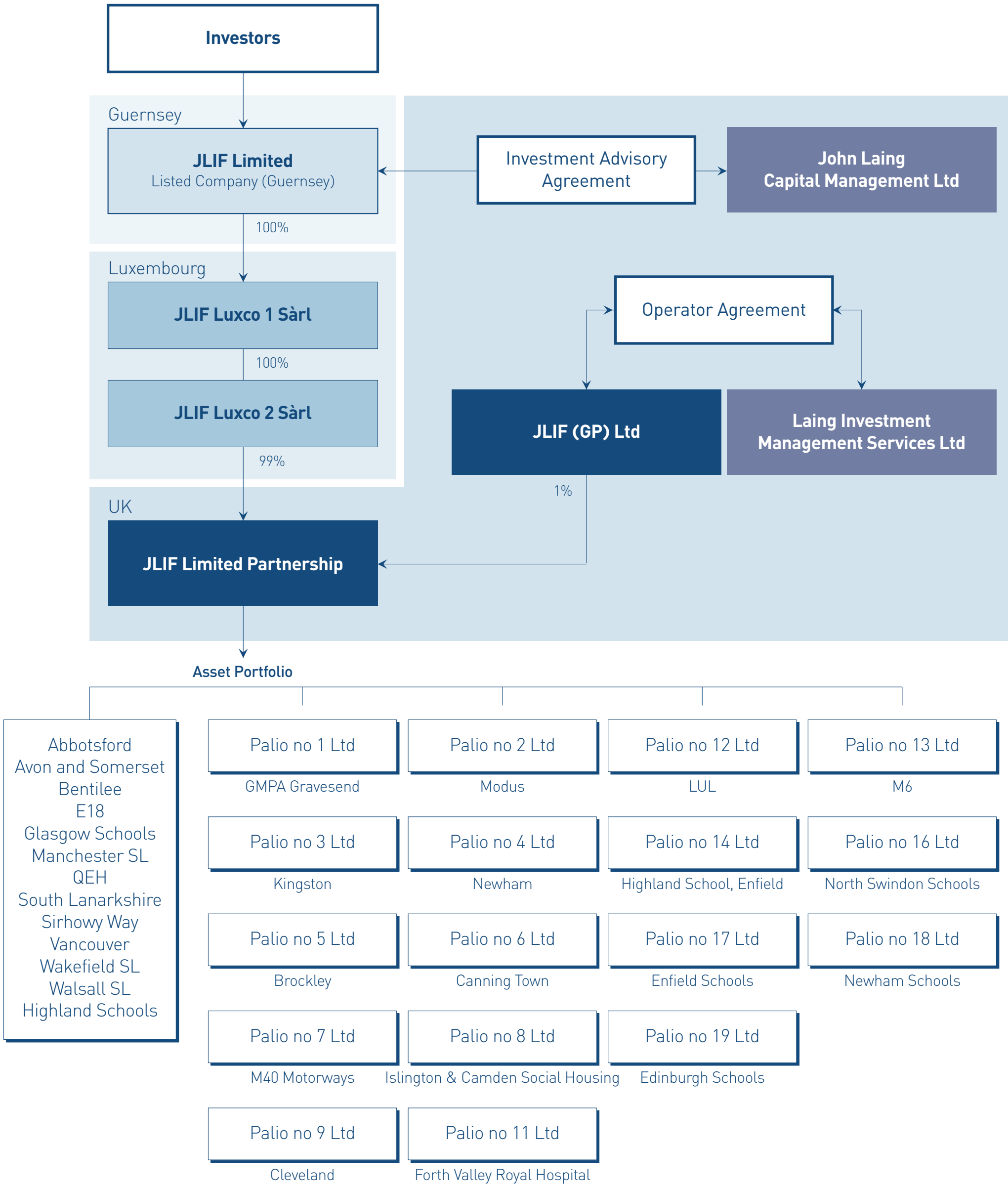
Adjusted Portfolio Value	(a) the Fair Value of the Investment Portfolio (see Portfolio Value); plus (b) any cash owned by or held to the order of the Company (the Investment Group); plus (c) the aggregate amount of payments made to Shareholders by way of dividend in the period ending on the relevant Valuation Day, less (i) any borrowings and any other liabilities of the Company; and (ii) any uninvested Cash.
Availability' Based Payments	Payment for the use of an asset by the public sector that is based upon whether the asset is available to be used or not. This type of payment does not depend on the level of use of the asset.
Demand' Based Payments	Payments for the use of an asset by the public sector that depends on the level of use of that asset.
Government-backed revenue streams	The payment received from the public sector for the use of an asset which is contractually binding subject to performance criteria.
Initial Public Offering (IPO)	JLIF's first sale of stock to the public on 29 November 2010.
Investment Capital	Funds that JLIF invests in to the underlying assets in which it is a shareholder.
Investment Group	The group of companies comprised of the Company, its two wholly owned Luxembourg subsidiaries (JLIF Luxco 1 Sàrl and JLIF Luxco 2 Sàrl), the English Limited Partnership (JLIF Limited Partnership) and the seven wholly owned subsidiaries of the English Limited Partnership that together holds the investments in the 33 Assets[1].
John Laing or John Laing Group John Laing plc	and all of its wholly owned subsidiaries, including John Laing Capital Management Limited.
John Laing Capital Management Limited	Investment Adviser to the John Laing Infrastructure Fund Limited and Operator of JLIF (GP) Limited.
Net Asset Value (NAV)	Total Assets (including Portfolio Value) minus liabilities of the Investment Group.
Net Asset Value (NAV) per share	Net Asset Value (NAV) divided by the total number of ordinary shares issued as at 31 December 2011.
PPP	Public private partnerships ("PPPs") are arrangements typified by joint working between the public and private sector. In the broadest sense, PPPs can cover all types of collaboration across the interface between the public and private sectors to deliver policies, services and infrastructure. Where delivery of public services involves private sector investment in infrastructure, the most common form of PPP is the Private Finance Initiative ("PFI"). Source: http://www.hm-treasury.gov.uk/ppp_index.htm.
Portfolio	The 30 Assets in which JLIF had a shareholding in at 31 December 2011.
Portfolio Value	The sum of all of the individual assets' net present values ("NPV"). Each asset's NPV is calculated by discounting the future cash flows to JLIF, as shareholder to the 31 December 2011.
Prospectus	The Prospectus dated October 2010 issued prior to the IPO. The Prospectus can be found at www.jlif.com.
Seed Portfolio	The 19 assets acquired from John Laing at IPO on 29 November 2010.
Special Purpose Vehicle (SPV)	A company that is used to facilitate a PPP contract between the public and private sector. A company is incorporated and shareholders invest equity capital and a subordinated debt into the Company. The Company enters in to financing arrangements with senior lenders or bond providers to finance the development of the asset. The Company contracts with the public sector to design, build, finance and operate an asset. It enters in to subcontracts with contractors and operating companies to carry out the required works and services.
Total Assets	Sum of the Portfolio Value + cash + debtors + other receivables of the Investment Group.

[1] 30 assets at 31 December 2011

Group Structure

The Company is advised by John Laing Capital Management Limited ("JLCM") in its capacity as Investment Adviser. JLCM reports to the Board of Directors of the Company, who retain overall management responsibility for the Company.

The structure of the Company (including the holding structure of the Portfolio) is shown below.



Heritage International Fund Managers Limited is the Administrator and Company Secretary to JLIF Limited. All other management functions are fulfilled by JLCM.

ATC Corporate Services (Luxembourg) S.A is the Administrator and Company Secretary to the Luxembourg entities.

PricewaterhouseCoopers LLP, in Luxembourg, is supplying the accounting and tax functions for those companies.

JLIF Limited Partnership has an Operator Agreement with JLCM to provide all necessary management functions.

Directors, Agents and Advisers

DIRECTORS (ALL NON EXECUTIVE)

Paul Lester (Chairman)
David MacLellan (Deputy Chairman)
Talmai Morgan
Christopher Spencer
Guido Van Berkel

INVESTMENT ADVISER AND OPERATOR

John Laing Capital Management Limited

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150 Victoria Street
London SW1E 5LB
United Kingdom

ADMINISTRATOR TO COMPANY, COMPANY SECRETARY AND REGISTERED OFFICE

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REGISTRAR

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United Kingdom

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AUDITOR

Richard Anthony Garrard FCA
(for and on behalf of Deloitte LLP,
Chartered Accountants and Recognised Auditor)

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Further copies of this statement are available by visiting the Company's website or at the address above.

www.jlif.com