John Laing Infrastructure Fund Limited

Jlif

annual report 2010

Cautionary Statement

Pages 2 to 38 of this report (including but not limited to the Chairman's Statement, Risks and Risk Management and the Investment Advisor 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 Advisor 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 Advisor 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.

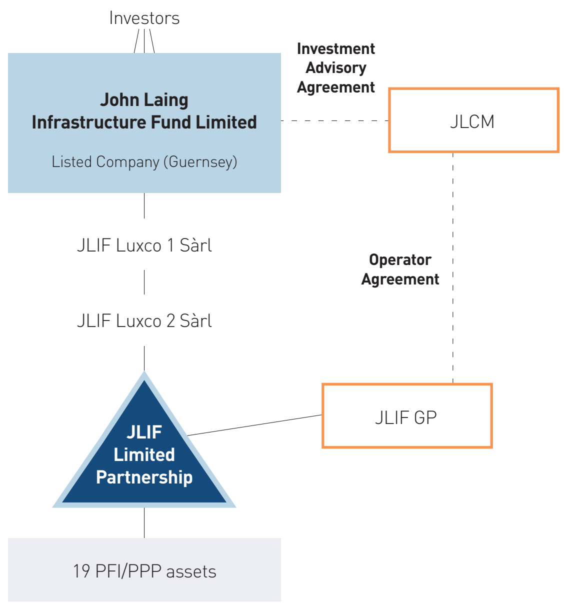
Contents

02. → JOHN LAING INFRASTRUCTURE FUND LIMITED (“JLIF”) LISTED ON THE LONDON STOCK EXCHANGE FOLLOWING A SUCCESSFUL IPO ON 29 NOVEMBER 2010. IN THE PERIOD FROM LISTING TO 31 DECEMBER 2010, JLIF’S PORTFOLIO VALUE INCREASED OVER 2% FROM £259 MILLION TO £265 MILLION

FUND AT A GLANCE

Structure	Guernsey closed-end company, LSE Premium Listed (Chapter 15)
Number of shares in issue	270.0 million
Share Price/Market Capitalisation	106.5p/£287.6 million at 31 December 2010
NAV per share/Total net assets[1]	100.8p/£272.3 million at 31 December 2010
IFRS Net Assets	£270.7 million
IFRS Profit After Tax	£3.8 million
Manager	John Laing Capital Management Limited (FSA approved and regulated)
Management Fees	1.1% of Adjusted Portfolio Value up to £500 million, 1.0% from over £500 million to £1,000 million and 0.9% over £1,000 million. There will also be a 0.75% transaction fee on the purchase price of new investments (excluding those purchased from John Laing)
Restrictions (% of Total Assets)	No single asset >25%, <15% construction, <15% demand-based, >50% in UK assets
Exclusivity provisions	Right of first offer to tender for John Laing’s future assets for sale in certain jurisdictions and sectors until 2014, subject to approval by independent committees on both sides and an independent valuation
Target dividend yield for 2011	6.0% on the issue price of 100p (6.0pps, paid semi-annually in April and October). A dividend of 0.5pps in respect of the one-month period of trading in 2010 has been declared
Target IRR	7.0%-8.0% on IPO price
Gearing	Up to a maximum of 25% of Total Assets, for working capital and to finance acquisitions – ungeared at 31 December 2010
Board	Board of five Directors, fully independent of John Laing, chaired by Paul Lester

The JLIF structure



1 For definitions of NAV please refer to page 22.

Key Investment Highlights

- Strong, predictable dividend yield, with an annual target of 6.0% on the issue price and an IRR target of 7.0% to 8.0%
- Fully invested at launch in PFI/PPP infrastructure projects, with contracted Government-backed revenue streams, inflation-linked returns and long-term contracts
- PFI/PPP experienced management team
- Prospects for capital growth from asset management and strong pipeline of acquisition opportunities
- John Laing Group retains a significant stake in JLIF
- Debt-free at launch, and then limited to a maximum of 25% of Total Asset value


Avon & Somerset Courts

Strategy and Summary Investment Policy

We aim to invest in assets which 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 which are regarded as fiscally strong

We believe that attractive opportunities are likely to arise for JLIF to enhance returns for shareholders in areas of the world where PFI/PPP is a practised route for delivering infrastructure investment. JLIF will continue to make investments in the European Union, other European countries and Canada, and, in the longer run, may consider investments in the United States of America and in the Asia Pacific region.

Full details of the Investment Policy are set out on pages 14 to 17.

→ THE GROUP WILL SEEK TO ENHANCE THE VALUE OF THE ASSETS THAT IT OWNS AND AIMS TO GROW IN SIZE BY ACQUIRING FURTHER PFI/PPP ASSETS BOTH FROM JOHN LAING AND THIRD PARTIES THAT FIT ITS INVESTMENT CRITERIA

CHAIRMAN'S STATEMENT

Paul Lester Chairman

Introduction

I would like to extend a warm welcome to all of our shareholders. This is the first annual report for John Laing Infrastructure Fund Limited ("JLIF" or the "Company") and its subsidiaries (together the "Group") covering the period from date of incorporation on 6 August 2010 to the period end, 31 December 2010.

JLIF successfully listed on the London Stock Exchange ("LSE") on 29 November 2010, raising £270 million. This was the second largest investment fund raising in 2010 on the London Stock Exchange ("LSE") which, given the financial and economic climate, was a considerable achievement. The funds were used shortly thereafter to acquire a portfolio of nineteen low-risk operational assets procured under the Private Finance Initiative ("PFI") or Public Private Partnership model ("PPP"), which will provide JLIF with a stable yield, enabling it to provide distributions to our shareholders.

The Group will seek to enhance the value of the assets that it owns and aims to grow in size by acquiring further PFI/PPP assets both from John Laing and from other sources that fit its investment criteria.

JLIF has made good progress since launch which can be summarised as follows:-

- Launched 29 November 2010 achieving full target capital raise of £270 million
- Proceeds invested shortly afterwards in 19 operational low risk PFI/PPP assets from John Laing
- Portfolio Value increased by £5.8 million to £264.7 million at 31 December 2010
- First dividend announced February 2011
- Entrance into FTSE SmallCap index March 2011
- Bank facility for £25 million signed March 2011
- Announcement of expected acquisition of a further 4 stakes in PFI/PPP assets from John Laing for £26.2 million in April 2011

Acquisition of Portfolio

Following the successful launch, the Group acquired 19 stable, low-risk PFI/PPP assets from John Laing. The Portfolio is diversified across three mature PFI/PPP geographic regions: UK, Canada and Finland, and seven sectors: health, roads, street lighting, justice and emergency services, defence, regeneration and schools. All of the projects comprised in the Seed Portfolio have either been originated or developed, or have been acquired in the secondary market, by John Laing.

Our objective is to provide investors with long-term distributions at levels that are sustainable. The Company will target an initial annualised yield of 6.0% per annum on the Issue Price of its Ordinary Shares in the period from admission to the LSE on 29 November 2010 up to 31 December 2011 and, thereafter, the Company will aim to maintain this distribution. The Company will target an Internal Rate of Return ("IRR") of 7.0% to 8.0% on the Issue Price of its Ordinary Shares to be achieved over the longer term via active management to enhance the value of existing investments, and the acquisition of further investments.

Shareholder Returns and Investment Performance

As of 31 December 2010, JLIF was trading at 106.5 pence which is a 6.5% premium to the Issue Price. I am delighted to confirm that JLIF has been accepted into the FTSE SmallCap Index, a testament to how the market has welcomed the fund into the infrastructure space. The Company announced its first dividend in line with the launch prospectus on 23 February 2011.

Investment Advisor

I believe 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. 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 Advisor to JLIF. JLCM is using its extensive PFI/PPP knowledge to manage the existing portfolio effectively and will seek to deliver further value from the Portfolio by enhancing the value of the assets.

Corporate Governance

Due to JLIF having a Premium Listing on the London Stock Exchange, it is obliged to comply with the new UK Corporate Governance Code. The Board has put in place a framework which will enable the Company to comply with the relevant provisions of the Code. Additionally, I am pleased to confirm the Company has taken up membership of the Association of Investment Companies ("AIC"). The Board considers that it is 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).

"JLIF offers a differentiated and diversified portfolio with strong yield characteristics and the potential for ongoing capital growth."

Outlook

In 2010 the UK is adapting to a Coalition Government as well as adopting the implementation of various austerity measures. These measures have directly impacted the primary PFI/PPP market through the Comprehensive Spending Review and cuts to public sector budgets although they have had little direct impact to date on the secondary market in which we operate. Europe and North America have not suffered the same level of intervention into project finance. However, there is a general tightening of spending and more detailed evaluations of value for money.

In the short to medium term, the Group is relatively unaffected by the changes in the UK PFI/PPP programme. We are, however, very conscious of the potential for us to deliver cost savings and efficiencies to the benefit of both public and private sector spending. We have therefore instigated a programme of engaging and working with our public sector clients to identify and implement cost savings wherever possible.

In the longer term global population growth, the enactment of recent laws and directives concerning climate change and the natural renewal of assets as they come to the end of their useful lives will all increase the need for new infrastructure delivery. Private sector investment is expected to be an increasing feature in this global delivery of infrastructure and I believe that the procurement method for this will not be too dissimilar to the PFI/PPP projects we see today. This will allow the Group to enjoy a healthy pipeline of assets into the future. The Group has a valuable first offer agreement with John Laing for a large and robust pipeline of John Laing assets. This affords the Group significant value in the opportunity to have the first chance to tender for mature de-risked assets. This agreement applies to projects in the accommodation or transportation sectors in the UK, Europe or Canada and waste projects in the UK. Supplementing the John Laing pipeline, JLCM, as Investment Advisor to the Company, is actively pursuing third party opportunities to continue to diversify the Portfolio.

I look forward to an exciting 2011 in which we will strive to grow and deliver further value to our shareholders.

Paul Lester CBE, Chairman

4 April 2011

06. → JLIF BENEFITS FROM EXPERIENCED FUND MANAGERS WHO HAVE SIGNIFICANT KNOWLEDGE AND EXPERTISE IN INFRASTRUCTURE

THE FUND MANAGERS

David Marshall

David Marshall has over 10 years of infrastructure investment experience with John Laing. Before becoming a dedicated fund manager for JLIF, he was Chairman of the Investment Committee of John Laing and sat on their project review committee for 10 years. David was Group Treasurer of the John Laing Group for seven years and has substantial M&A experience which includes, over his career with John Laing, the acquisition and disposal of PFI/PPP assets both on an individual basis and also within portfolios. Prior to joining John Laing, David was Group Treasurer of two FTSE 100 companies and is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of the Association of Corporate Treasurers.

“We believe that attractive opportunities are likely to arise for JLIF to enhance returns for shareholders through improving the value of our existing projects and by acquiring other similar low-risk assets. We benefit from a very experienced team and have access to a large number of PFI/PPP professionals who have an in-depth knowledge of our projects and the industry as a whole. In all, JLIF has started steadily and we look forward to growing the Fund and delivering value to our shareholders in the future.”

"In just over a month since launch the value of the portfolio has grown by 2.2%, generating an uplift in NAV per share from 98.2 pence to 100.8 pence. The strong predictable dividend yield, with a level of protection against a high inflation environment, should continue to be an attractive investment opportunity."

Andrew Charlesworth

Andrew Charlesworth has 12 years of experience in infrastructure investments. He has a multi-faceted experience in the PFI/PPP market, having been advisor 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 bids across many sectors, delivering investment of approximately £200 million of shareholder contributions into projects and has raised over £1.5 billion in funding. Prior to moving to JLCM, Andrew led significant aspects 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 latterly as the Financial and Commercial Director for the global John Laing Investments business.

08. → THE SEED PORTFOLIO WAS BOUGHT FOR £259.0 MILLION USING A WEIGHTED AVERAGE DISCOUNT RATE OF 8.35%. AT 31 DECEMBER 2010 THE PORTFOLIO WAS VALUED AT £264.7 MILLION USING A DISCOUNT RATE OF 8.34%

The initial portfolio comprises the 19 assets with the following characteristics:

- Fully-operational, mature assets with an average remaining concession length of 21.4 years. No assets are in construction.
- Predominantly UK-based (69%), but with international diversification via three international assets, two in Canada (25%) and one in Finland (6%).
- Concessions with availability-based and inflation-linked revenues.
- Well diversified by sector but with an emphasis on Health (32%) and Roads/Street Lighting (29%).
- Three assets represent 51% of the initial portfolio – Abbotsford Hospital in Canada, the Ministry of Defence Main Building and the M40 motorway (Junctions 1a to 15).

GROUP INVESTMENT PORTFOLIO

Name: Abbotsford Hospital

Location: Canada

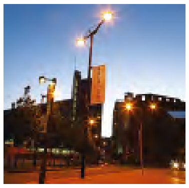
Description: Access Health Abbotsford Ltd ("AHA"), the project company, has contracted with Abbotsford Regional Hospital and Cancer Care Inc. to design, build, finance, maintain and operate a 300 bed facility in the primary acute care hospital to serve the Abbotsford area under a 33 year concession which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

Financial close was achieved in December 2004 and construction completed in May 2008. The development cost was C$ 355 million. 99 per cent. of the revenue is availability based with the remaining 1 per cent. being demand based (0.7 per cent. for the Patient Entertainment System and 0.3 per cent. on third party leases).

AHA subcontracts Soft FM services to Sodexo MS Canada and Hard FM services to Johnson Controls LP. Johnson Controls LP bears the life cycle replacement risk. The project company is managed by John Laing staff.

Sirhowy Enterprise Way

Manchester Street Lighting



Name: M40 Motorway

Location: United Kingdom

Description: 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 runs until 2026.

Financial close was achieved in October 1996 and construction was completed in January 1999. The total capitalised costs were £85 million. The project was refinanced in October 2001. Whilst revenue is demand based, with payments being made on the basis of a shadow tolling system linked to the volume of traffic using the motorway (by vehicle, size and distance travelled), the project operates as if it were availability based due to its relative insensitivity to traffic flows compared to a typical toll PFI Road.

UKH subcontracts maintenance and operations to Carillion Highways Maintenance Ltd. UKH retains life cycle replacement risk. The management team includes John Laing staff.

Name: Ministry of Defence Main Building

Location: United Kingdom

Description: 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 runs until 2030.

Financial close was achieved in May 2000 and refurbishment works were completed in July 2004.

The refurbishment cost was £416 million.

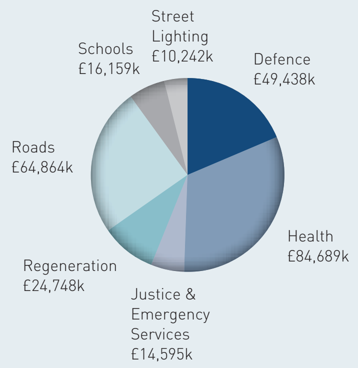
MSL subcontracts Hard FM Services to Skanska Facilities Services Limited and Soft FM Services to Amey Businesses Services Limited. MSL retains the life cycle replacement risk.

10. → FULLY SEEDED FUND WITH 19 MATURE OPERATIONAL PROJECTS

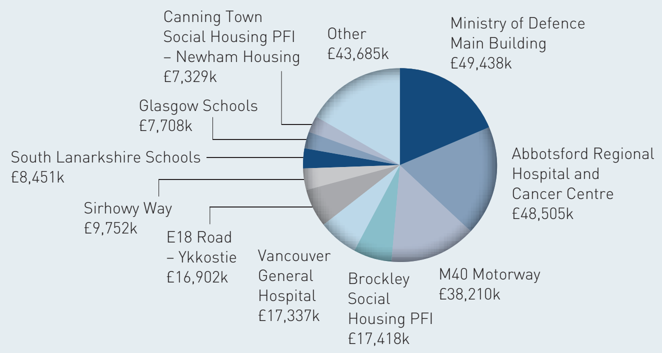
HEALTH	Kingston Hospital **60%**	Newham Hospital **50%**
	Queen Elizabeth Hospital **15%**	Abbotsford Hospital (British Columbia) **80%**
	Vancouver General Hospital **100%**	
SCHOOLS	Glasgow Schools **20%**	
	South Lanarkshire Schools **15%**	
JUSTICE & EMERGENCY SERVICES	Greater Manchester Police **27.08%**	Met Police – Firearms and Public Order Training **27.08%**
	Avon & Somerset Courts **40%**	
ROADS	E18 Finland **41%**	Sirhowy Way **100%**
	M40 **50%**	
REGENERATION	Brockley Housing **100%**	
	Canning Town **100%**	
DEFENCE	MoD Main Building **26%**	
STREET LIGHTING	Manchester Street Lighting **50%**	Wakefield Street Lighting **50%**
	Walsall Street Lighting **100%**	

Portfolio Value Breakdown at 31 December 2010

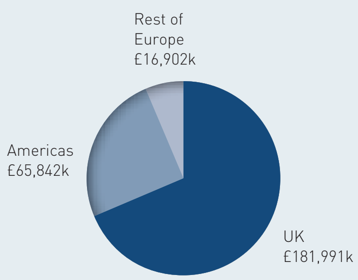
SECTOR BREAKDOWN



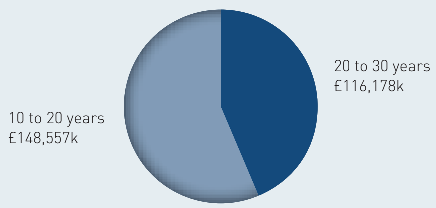
ASSET BREAKDOWN



GEOGRAPHIC BREAKDOWN



REMAINING CONCESSION LENGTH



12. → JLIF'S PORTFOLIO DIVERSIFIED ACROSS SEVEN SECTORS AND THREE GEOGRAPHIC AREAS

Greater Manchester Police Stations

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 runs until 2034.

Brockley Social Housing PFI

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 runs until 2027.

Canning Town Social Housing PFI (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 runs until 2035.

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 runs until 2029.

Glasgow Schools

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

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 runs until 2036.

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 runs until 2029.

Metropolitan Police Training Centre (Gravesend)

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

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 runs until 2039.

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 runs until 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 runs until 2034.

South Lanarkshire Schools

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 runs until 2039.

Vancouver General Hospital (British Columbia, Canada)

AHV Access Health Vancouver Ltd, 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 runs until 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 runs until 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 runs until 2028.

14. → JLIF INVESTS IN ASSETS THAT HAVE PREDOMINANTLY AVAILABILITY BASED REVENUE STREAMS AND ARE LOCATED IN FISCALLY STRONG COUNTRIES

INVESTMENT POLICY

E18, Finland

General

The Company's investment policy is to invest in equity and subordinated debt issued in respect of infrastructure PFI/PPP projects. The Fund will predominantly invest in projects that have completed construction and that are in their operational phase. Investment Capital in projects that are under construction will be limited to 15 per cent. of the Total Assets of the Fund (calculated at the time of investment).

The Fund invests in projects whose revenue streams are:

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

Whilst it is envisaged that further acquisitions will be of operational PFI/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 per cent. of the Total Assets of the Fund, calculated at the time of investment. For the purposes of this investment restriction the shadow toll mechanism for the seed investment in the M40 motorway project 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 Fund to enhance returns for Shareholders are likely to arise in areas of the world where PFI/PPP is a practiced route for delivering infrastructure investments. The Fund may therefore make investments in the European Union, other European countries, Canada, the United States of America and the Asia Pacific region. The Fund 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 Fund will seek to ensure that over 50 per cent. of the Fund's Total Assets, measured by value, will be in respect of projects that are based in the UK (although this will not require the Fund 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 Fund 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 per cent. of the Total Assets of the Fund immediately post-acquisition. In selecting new investments to acquire, the Fund will seek to ensure that the portfolio of projects in which the Fund 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 Fund intends to make prudent use of leverage (and leverage in the context of the Fund shall exclude senior debt in place at Project Entity level) for financing acquisitions of investments and working capital purposes. Under the Company's Articles, and in accordance with the Company's investment policy, the Fund's outstanding borrowings, excluding intra-group borrowings and the debts of underlying Project Entities but including any financial guarantees to support subscription obligations, will be limited to 25 per cent. of the Total Assets of the Fund. The Fund may borrow in currencies other than pounds sterling as part of its currency hedging strategy.

Origination of investments

Each of the investments comprising the Seed Portfolio has 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 Fund) 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 Fund 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 Fund 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 Fund 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 Seed Portfolio and meet the investment criteria of the Fund.

Any proposed acquisition of assets by the Fund 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 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 Fund 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 PFI/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 Fund will seek to acquire those projects that fit the investment objectives of the Company.

The Fund 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 Fund 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 Fund, following approval by the Board.

Potential disposals of investments

Whilst the Directors may elect to retain Investment Capital in the Seed Portfolio projects which the Fund acquires and any other further investments made by the Fund 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 Fund 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 Fund's underlying investments may be denominated in currencies other than Sterling. For example, a portion of the Seed 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 Fund 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 Fund 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 Advisor where appropriate.

Investment Advisor 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 Advisor. 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 Fund'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 who lead its management team, will be dedicated to advising the Company and the management of the Fund.

Summaries of the terms of the Investment Advisory Agreement and the Operator Agreement are provided in note 25 of the financial statements.

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 Prospectus.

The Fund has acquired a Seed Portfolio which consists of 19 projects. With two exceptions, the acquisition represents all of John Laing's shareholdings in these projects. The principal exception is the Abbotsford hospital project where a stake of 80 per cent. was acquired in order to limit the concentration risk caused by the size of the project. John Laing retained the remaining 20 per cent. stake in the project. John Laing has also retained a 12.5 per cent. stake in the Queen Elizabeth hospital project.

All of the projects comprised in the Seed Portfolio have either been originated and developed or have been acquired in the secondary market, by John Laing. 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 15 of the Seed Portfolio projects under management services agreements. The remaining four projects are managed by associated companies of co-shareholders. John Laing provides day to day management services directly to 15 of the Seed Portfolio projects under management services agreements. The remaining four projects are managed by associated companies of co-shareholders. For all of the Seed Portfolio projects which the Fund acquired, 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 these projects.

John Laing subscribed for 23.1 per cent. of the Ordinary Shares that were issued at IPO. John Laing must retain a holding of 20.0 per cent. for a lock in period of 12 months. The remaining shareholding of 3.1 per cent. shall also be subject to a lock-in period of 12 months provided that the Sponsor, in consultation with the Directors, may waive the lock-in period for such additional holding only.

Fund structure

The Fund has invested in the Seed Portfolio and will invest in any 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. 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 Fund'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 Fund structure is set out on page 74.

The Fund reserves the right to invest in and hold assets via different holding entities, or directly, if so required.

→ GROWTH IN PORTFOLIO VALUE OF £5.8 MILLION CONTRIBUTING TO AN INCREASE IN NET ASSET VALUE PER SHARE FROM 98.2P TO 100.8P

INVESTMENT ADVISOR REPORT

M40, England

1. ABOUT THE INVESTMENT ADVISOR

John Laing Capital Management Limited ("JLCM"), a wholly owned subsidiary of John Laing, acts as the Investment Advisor 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 Seed Portfolio projects and future acquisitions.

John Laing provides day to day management services directly to 15 of the Seed Portfolio projects under management services agreements. The remaining four projects are managed by associated companies of co-shareholders. For all of the Seed Portfolio projects which the Fund acquired, 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 these projects.

2. INVESTMENT PERFORMANCE

Since listing, JLIF's share price has consistently traded at a small premium and has remained relatively stable with limited volatility. JLIF was approved to enter the FTSE SmallCap index on 9 March 2011, and was subsequently included in the index on the 18 March 2011.

JLIF listed with a Net Asset Value ("NAV") per share of 98.2 pence, which increased to 100.8 pence by 31 December 2010. The increase can be attributed to the increased value of the Portfolio.

NAV is not the same as the Portfolio Value. NAV is equal to the recourse component of the Group's assets (including Portfolio Value) less its liabilities, and this is used to calculate the Net Asset Value per share. Portfolio Value is the total discounted value of each of the underlying assets. The increase in the Portfolio Value is described in section 3 below but can largely be explained by three factors:

(i) Distributions;
(ii) Exchange rate movements; and
(iii) Growth in the value of the underlying assets

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 PFI/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 significantly above this level currently this will result in higher returns for JLIF.

JLIF has announced its first dividend of 0.5pence per share payable on 7 April 2011. Dividend expectations continue to be in line with those communicated in the Prospectus and are comfortably cash covered in the short term.

The graph below illustrates the cash flow over the next 28 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 and 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.

3. VALUATION

a. Portfolio

During the period from listing to the 31 December 2010, the Portfolio performed as expected. The valuation methodology is based on discounted cash flow analysis. JLIF's weighted average discount rate upon acquiring the Seed Portfolio on 29 November 2010 was 8.35%, which was confirmed by an independent valuation expert.

In the month from listing to the year end, there were no material factors that would cause the discount rate or any of the assumptions, other than exchange rates, to be amended. Changes in exchange rates affect those projects in the portfolio with foreign exchange risk. This subsequently impacts their value in the Portfolio and therefore their weight in the calculation of the overall Portfolio discount rate. These changes have resulted in a minor shift in the discount rate from 8.35% to 8.34%.

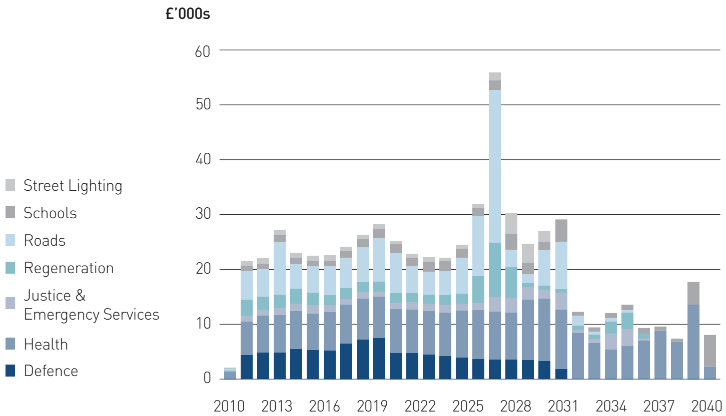
As at 31 December 2010, the Portfolio was valued at £264.7 million compared with £259 million at 29 November 2010. This is an increase of 2.13%. The breakdown of how this increase in value has been achieved is in the table below.

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

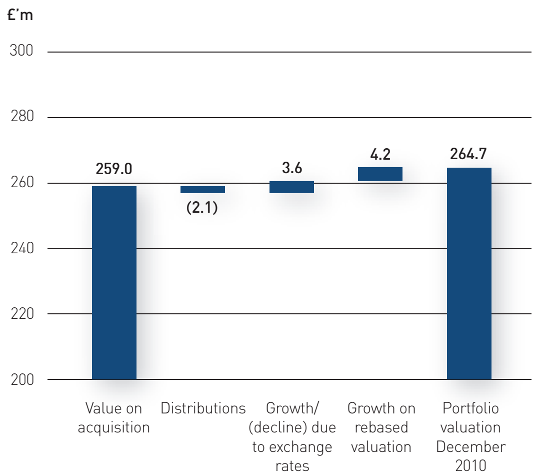
JLIF has received £2.1 million of distributions from its underlying assets. This is the sum of £1.7 million received by JLIF in the period to 31 December 2010; and £0.4 million received by JLIF from John Laing in January 2011. The latter reflects the distributions John Laing received in the period from 30 September 2010 to 29 November 2010. The acquisition of the Seed Portfolio was predicated on JLIF receiving cash flows from the underlying assets from 30 September 2010. The total distributions received reduce the Portfolio Value as they have been realised and are no longer contained within the assets' future cash flows.

Exchange rates have moved in JLIF's favour and this has boosted the Portfolio Value by £3.6 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 that be 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. NAV is equal to the recourse component of the Group's assets (including Portfolio Value) less its liabilities, and this is used to calculate the net asset value per share. Portfolio Value is the total discounted value of each of the underlying assets.

Cashflow over remaining life



Portfolio Value Movements



	As at 31 December 2010	On listing
Net Asset Value per share including exchange gains	100.8p	98.2p
Net Asset Value per share excluding exchange gains	99.5p	

The table above demonstrates uplift in NAV per share of 2.65% including exchange gains and 1.32% excluding exchange gains.

The rebased Portfolio Value taking into account distributions and exchange rate movements, as at 31 December, is £260.5 million. The Portfolio at acquisition was based on future cash flows valued at 30 September 2010. The majority of the £4.2 million increase to £264.7 million demonstrates the effect of the passage of time from the end of September through to the end of December. This represents growth of 1.62% for 3 months based on the rebased Portfolio Value.

b. Discount Rate

The portfolio discount rate will largely be affected by either a move in the market for PPP/PFI assets, or a move in an asset's specific five year average rate for the relevant underlying government bond, which the discount rate is based upon; or a material shift in the risk profile of all of the assets. A change in an individual discount rate of an asset is unlikely to impact the portfolio discount rate given the relative weightings of each asset to the Portfolio.

Given neither of these events has occurred between JLIF listing on the LSE and the year end, the small amendment to the discount rate, as described above, is not material. JLIF's discount rate was verified through an independent valuation as part of the acquisition; and JLIF is confident this rate reflects its portfolio and the market.

A material shift in the discount rate would be in excess of 1%. JLCM believe such a shift is unlikely in the short term. JLIF has sensitised the portfolio by adding and subtracting 1% to the discount rate. The results below illustrate the effect on the value of the portfolio.

Discount rates have remained relatively stable over the past year and market expectations suggest rates will start trending downwards, although there has not been a material move yet.

JLIF's portfolio of varying asset maturities goes some way to mitigate fluctuations in value caused by the discount rate. This is because shareholder cash flows from the underlying assets increase over the life of the concession as senior debt in the projects is repaid. In the final years of a project when the senior debt has been repaid, the cash flows to shareholder typically peak. This is because after operating costs, all other cash flow is allocated to repay subordinated debt, dividends, and finally equity upon maturity of the contract, at which point the asset is handed back to the public sector and the project company would be liquidated.

Therefore, because the larger anticipated cash flows from the portfolio assets are expected over a number of years the effect of changing the discount rate has less of an impact than for example another portfolio with a single maturity date.

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 2010, these assets represented 31.25% of the Portfolio.

JLCM has performed two sensitivities to increase and decrease the exchange rates in the Portfolio by 5%.

	Portfolio Value
+5% change	Increases by 1.49%
-5% change	Decreases by 1.65%

Base discount rate 8.34%	+1% (9.34%)	-1% (7.34%)
Portfolio Value	Decreases by 7.75%	Increases by 8.88%

If the Sterling weakens by 5% against the corresponding foreign currency, the Portfolio Value increases by 1.49%. Conversely, if the Sterling strengthens by 5%, the Portfolio Value decreases by 1.65%. The fluctuations in value are relatively small and this is driven by the proportion of cash flows 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 transaction would add value to the Portfolio and therefore shareholders.

4. INFLATION

The Portfolio Value is positively correlated with inflation. The approximate correlation to inflation is around 0.6. This is interpreted as meaning for every percentage point increase in inflation above the assumed level, returns increase by approximately 0.6 percentage point. The effect is broadly symmetrical and so a fall in inflation would produce a similar but opposite effect.

The underlying assets in the Portfolio have some exposure to inflation. Each asset receives a Unitary Payment ("UP") from a public sector client. Full UP is paid periodically 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 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 in some instances through an interest rate swap when the contract is signed; 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 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.

JLIF's current assumption for long term RPI is 2.75% and RPI is currently at 5.5% (March 2011). JLCM believes JLIF has conservative inflation assumptions in its underlying assets. This is supported by the independent valuation at 29 November 2010. 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.

JLCM has performed two sensitivities to increase and decrease the inflation rates in the Portfolio by 1%.

	+1% (Inflation = 3.75%)	-1% (Inflation = 1.75%)
Portfolio Value	Increases by 6.36%	Decreases by 5.32%

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 prudent.

Inflation contributed to some of the £4.2 million underlying valuation growth for the period ending 31 December 2010.

5. GEARING

JLIF had no recourse debt (excluding non-recourse debt within investments) at launch. As stated in the Prospectus, JLIF has the ability to raise debt up to 25% of the fund value. JLIF has taken advantage of this opportunity and in March 2011 signed a three year unsecured £25 million Revolving Credit Facility with National Westminster Bank plc. The margin on the Facility is 2% over LIBOR, and is subject to variation should the Loan to Value change significantly. The Facility is currently available for JLIF for utilisation. This facility will be used primarily to fund third party acquisitions in between capital raisings.

6. FINANCIAL RESULTS

The financial statements on pages 39 to 72 mark the first financial statements of John Laing Infrastructure Fund Limited ("JLIF" or "the Company") since its incorporation on 6 August 2010 and its listing on the London Stock Exchange on 29 November 2010.

The financial highlights from this short, first period of activity are –

- Net Asset Value[1] ("NAV") of £272.3 million at 31 December 2010
- IFRS net assets of £270.7 million at 31 December 2010
- Investment Basis[2] profit before tax £5.5 million for the period ended 31 December 2010
- IFRS profit before tax £4.2 million for the period ended 31 December 2010
- First dividend declared in February 2011 as targeted; 0.5 pence per share for the period ended 31 December 2010
- 1.62% increase to £264.7 million of rebased Portfolio Value[3] since acquisition

1 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.

2 Investment Basis is the basis used for reporting the results of the Group as an Investment Group, under which investments in all 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 5 project subsidiaries is different than that for the 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.

3 Portfolio Value is the fair value of the investments in all 19 projects calculated using the discounted cash flow method. The Portfolio Value on acquisition is rebased for this purpose to reflect any amounts received from the projects in the period between acquisition and 31 December 2010.

Basis of accounting

In November 2010 and December 2010, the Company acquired an initial seed portfolio of 19 PFI/PPP project entities with the investments in these companies comprised of a combination of equity investments in shares and subordinated loans.

The JLIF 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 seven wholly owned subsidiaries of the English Limited Partnership that together hold the investments in the 19 project entities, forms the recourse part of the Group, whilst the 19 project entities themselves comprise the non-recourse part of the Group. The effect of this is that any cash held by or debt in the 19 project entities is without recourse to the Group. The cash in the underlying project entities only becomes recourse to the Investment Group when the project entities 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 2010, the Group controlled 5 of these project entities 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 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 Company 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 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[2] (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 5 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 period ended 31 December 2010 are:

	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

(i) Under the Investment Basis, profit before tax ("PBT"), excluding the gain on the portfolio valuation of £4.5 million (see (iii) below), was £1 million. This comprised returns from investments in projects of £3.4 million offset by recourse costs of the Investment Group, including acquisition costs of £1.9 million, of £2.4 million.

(ii) Under the IFRS consolidated basis, profit before tax, excluding the gain on the portfolio valuation of investments in joint ventures only of £3.1 million, was £1.1 million. This is different to the results under the Investment Basis due to the results of the 5 project subsidiaries under the Investment Basis being different to the corresponding results under the IFRS consolidated basis. For this period, the aggregate of positive fair value movements on financial instruments less amortisation of intangible assets of £0.8 million offset by the PBT on an IFRS consolidated line-by-line basis of the subsidiaries of £0.3 million is £0.1 million better than the returns the Investment Group earned from its investments in the subsidiaries under the Investment Basis of £1.0 million.

(iii) The gain on Portfolio Value of all investments since acquisition was £4.5 million. As the period covered by the financial statements between the acquisition date and the period end date was only one month the Directors did not expect a significant movement in the value of the investments. The majority of the increase (£3.5 million) was due to foreign currency exchange rate gains on the overseas investments as a result of the strengthening of both the Euro and the Canadian Dollar against Sterling since acquisition. A £1.0 million increase in the Portfolio Value as a result of other value enhancements, primarily as a result of higher inflation in the underlying projects in such a short period is, though, an encouraging sign.

(iv) The Portfolio Value has increased from £259.0 million on acquisition to £264.7 million at 31 December 2010 (or £208.9 million for the investments in joint ventures alone). The increase in Portfolio Value of £5.7 million includes the gain of £4.5 million in (iii) above, together with interest on subordinated loans accrued at 31 December 2010 of £1.8 million included in interest income in the financial statements less repayments of £0.6 million in the period. Further details on the Portfolio Valuation are provided in section 3 of this Investment Advisor Report.

(v) Net Asset Value ("NAV") on the Investment Basis has increased from £265.1 million to £272.2 million at 31 December 2010, primarily as a result of the increase in the Portfolio Value. The NAV under the Consolidated IFRS Basis at 31 December 2010 of £270.7 million is lower than in the Investment Basis due to the Portfolio Value of the 5 project subsidiaries of £55.8 million being higher than the net assets on the consolidation of these subsidiaries under IFRS of £54.3 million.

The Group has a total cash balance on an Investment Basis of £7.6 million and currently no debt. The breakdown of the movements in cash is shown below:

Cash flows of the Investment Group for the period

	£m
Initial capital raising	270.0
Listing and acquisition costs	(5.1)
Acquisition of projects	(259.0)
Distributions received from projects	1.7
Cash balance at 31 December 2010	**7.6**

The Company has declared a total dividend of £1.35 million (0.5 pence per share) which is payable on 7 April 2011. The remaining cash balance is available to partially fund further acquisitions of projects that the Company is currently pursuing.

7. ACQUISITIONS

JLIF's priority is to manage its existing assets and to continue to deliver value from its existing assets in order to maximise returns to its shareholders. To supplement this anticipated growth, JLIF will consider further acquisitions in line with its Investment Policy on pages 14 to 17 and only undertake acquisitions if new assets will enhance the Portfolio.

JLIF has announced on 4 April 2011 that it has agreed in principle to acquire three further UK PFI/PPP assets and an increased stake in an existing investment in one project from John Laing for £26.2 million. The sale and purchase agreement was signed on 1 April 2011 but completion of all acquisitions remains subject to satisfaction of certain conditions precedent.The secondary market for PFI/PPP assets currently provides several opportunities for JLIF to acquire assets from other market participants, and at the present time, JLCM as Investment Advisor, is reviewing a number of potential acquisitions.

8. OUTLOOK

The PFI model in the UK is well established. Over 700 PFI projects delivering investment of over £49 billion have been signed since 1992 in the UK. PFI has now delivered over 500 operational projects, including 185 new or refurbished health facilities, 230 new or refurbished schools and 43 transport projects. (Source: NAO Report October 2009 "Private Finance Projects). In the UK, whilst there are probably fewer new PFI/PPP projects being procured compared to two years ago, there is still a healthy pipeline of opportunities in the regeneration, social housing and waste sectors.

Despite its historic strength in terms of deal flow the UK PFI/PPP market currently faces a number of challenges and uncertainties, the outcome of which will have a significant influence on the level of potential activity in the next five years. These relate principally to three areas: (i) the impact of a change of government (ii) the continuing impact of the "credit crunch" on the availability and cost of funds, flow of projects and strength of the supply chain and partners and (iii) the global economic recession and its impact on the performance of the wider UK economy and on government finances.

The Coalition Government published the Comprehensive Spending Review ("CSR") in October 2010 announcing the cancellation or amendment to future PFI schemes, particularly in the waste and street lighting sectors. The large health projects remained, as did a lot of the transport projects. Subsequently, the Intercity Express Programme (IEP) has announced its continuation of the project.

In the short run, JLIF is relatively insulated from these changes. None of the Seed Portfolio assets will undergo any change as a result of the CSR. In the medium term, it is highly unlikely that JLIF will be impacted given the available pipeline from John Laing. Should the Government wish to change the existing contract this will have to be in agreement with the SPV.

In the longer term, the structures that PFI/PPP is procured under in the UK may change however, JLCM is confident that the principle of private sector investment in infrastructure will remain. International projects are still being procured under methods similar to those used in creating the assets in the Seed Portfolio. The international governments using PFI have not announced, and neither does JLCM anticipate, similar PFI austerity initiatives to that adopted in the UK; therefore we anticipate that there will remain significant capacity in those markets to purchase future assets.

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 PFI/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. At 31 December 2010, these assets represented 31.25% of the Portfolio Value and individually:

Abbotsford Hospital	18.32%
Vancouver Hospital	6.55%
E18	6.38%

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 in some instances through an interest rate swap.

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 Seed Portfolio, the approximate correlation to inflation is 0.6; therefore, for every percentage point increase in inflation above the assumed level, returns increase by approximately 0.6 per cent. 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 Fund 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 £325 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 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 PFI/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 will afford JLIF the flexibility to capitalise on opportunities as and when they arise outside of capital raising periods.

JLIF's success through the IPO leads us to believe that its strategy of raising equity capital to match an acquisition programme is attractive to investors. JLIF's market intelligence 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 2011 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/PFI assets. As at December 2010, 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

During 2010, uncertainty entered the UK Government's spending plans. The Comprehensive Spending Review ("CSR") was commissioned in April and, shortly afterwards, a major education programme was cancelled. The results of the CSR were published in October 2010, signalling investment in economic infrastructure was on the Coalition Government's agenda. The impact of the CSR on JLIF is discussed in more detail in the Investment Advisor Report on pages 18 to 24 and concludes that JLIF is relatively unaffected by the CSR.

The Government is keen to reduce costs on all PFI/PPP projects in the UK. JLIF is working with its co-shareholders, where relevant, subcontractors and public sector clients to drive efficiencies wherever possible. One example of where this has already been achieved on one of our larger projects is where the energy performance standards required under the contract have been reconsidered, achieving a 10.0% energy reduction through a mixture of usage reduction and renegotiating the energy contract. This change has not adversely impacted shareholder return from the project.

Operational and Business Processing

JLIF invests in low-risk operational projects; however, there are still some operational risks. 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, in some cases from before financial close was reached, and have excellent relationships with the client and co-shareholders; and have a detailed understanding of the project, especially as the project managers are often based on site. This day-to-day involvement in the projects 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, JLIF's diversified 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

JLIF's financial position is robust and the Company remains optimistic for the year ahead and is keen to participate in acquisitions from both John Laing and third parties. The bank facility affords JLIF further flexibility to enhance the Portfolio.

The yield being delivered by the underlying projects is in line with expectation and JLIF'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 Advisor 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 Fund 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 ("AIFM") and the Solvency II directive. The implementation of the Bribery Act has been delayed; however, JLIF's Investment Advisor, ("JLCM") has gained the most current training available to prepare for its implementation. AIFM 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 JLIF's Investment Advisor ("JLCM") is regulated by the Financial Services Authority ("FSA").

→ JLIF HAS A BOARD OF 5 INDEPENDENT NON-EXECUTIVE DIRECTORS WHO ARE RESPONSIBLE FOR OVERALL MANAGEMENT OF THE COMPANY

Paul Lester CBE, Chairman
61 years old

Paul Lester, a resident of the United Kingdom, was appointed as Chief Executive of Greenergy International Ltd on 1 October 2010 and is also Non-Executive Chairman of Marine Current Turbines, the UK tidal energy company. Mr Lester was Chief Executive of VT Group plc, the support services company, from July 2002 until its acquisition by Babcock International in 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. He is a member of HM Treasury's Major Projects Review Group.

Mr Lester was awarded a CBE in 2007.

David MacLellan Deputy Chairman
51 years old

David MacLellan, a resident of the United Kingdom, is the founder and currently Chairman of RJD Partners, a mid-market 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.

BOARD OF DIRECTORS

Christopher Spencer
60 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, 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 Nevsky 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

58 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

60 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.

Over the past eight years, Mr Van Berkel has been active on the executive boards of Bank Sarasin and Cie and has acted as Chairman of various Sarasin entities across Europe and Asia.

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 period ended 31 December 2010.

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 Company is an authorised fund under the Authorised Closed-Ended Investment Schemes Rules 2008 and is regulated by the Guernsey Financial Services Commission and, during the period, its principal activity was as an investor in PFI/PPP projects in the UK, Europe and Canada.

BUSINESS REVIEW

We are required to present a fair review of our business during the period ended 31 December 2010, 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 Advisor Report on pages 18 to 24, and the Risks and Risk Management section on pages 25 to 27.

RESULTS AND DIVIDENDS

The results for the period are set out in the Financial Statements on pages 39 to 72.

The Directors have notified shareholders of the payment of a dividend in respect of the period to 31 December 2010 as follows:

- 0.5 pence per Ordinary Share declared on 23 February 2011 to shareholders on the register as at the close of business on 4 March 2011, to be paid on 7 April 2011.

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 Advisor Report. The financial position of the Group, its cash flows and its liquidity position are described in the Financial Results section of the Investment Advisor 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 25 to 27.

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 27 of the Financial Statements.

The Group continues to meet Group and individual entity capital requirements and day-to-day liquidity needs through the Group's cash resources. The Group has secured a Revolving Credit Facility of £25 million on 21 March 2011 of which £2 million can be used for working capital requirements.

The Group had net current liabilities as at 31 December 2010 of £6.7 million. Current liabilities of £37.7 million include deferred income of £16.3 million which is not an obligation that the Company is required to settle. Accordingly, the Group has sufficient current assets to meet its current obligations as they fall due.

The Directors have reviewed the Group's forecasts and projections, 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. Further details can be found in note 21 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 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.

REPORT OF THE DIRECTORS (CONTINUED)

SHARE CAPITAL (CONTINUED)

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 19 May 2011.

MAJOR INTERESTS IN SHARES AND VOTING RIGHTS

As at 28 March 2011, a total of four shareholders held more than 3.0% each of the issued Ordinary Shares of the Company, accounting for a total amount of 112,030,095 shares or 41.49% of the issued share capital.

Shareholder	Holding as at 28 March 2011	Percentage holding
John Laing Investments Limited	62,489,189	23.14
Chase Nominees Limited	27,029,530	10.01
Nortrust Nominees Limited	14,359,834	5.32
BNY Clearing Nominees Limited	8,151,542	3.02

BOARD OF DIRECTORS

The present members of the Board, all of whom are Non-Executive Directors and independent of the Investment Advisor, are listed below. Their biographical details are shown on pages 28 to 29.

Name	Function	Date of appointment
Paul Lester	Chairman	27 August 2010
David MacLellan	Deputy Chairman	27 August 2010
Talmai Morgan	Director	27 August 2010
Christopher Spencer	Director	27 August 2010
Guido Van Berkel	Director	27 August 2010

RESIGNING BOARD MEMBERS

Name	Function	Date of appointment	Date of resignation
Collingwood Holdings Limited	Director	06 August 2010	27 August 2010

RE-ELECTION OF DIRECTORS

All Directors are standing for election or re-election on an annual basis from this year's AGM 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 2010 were:

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

There have been no changes in the Directors' interests from 31 December 2010 to the date of this report.

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	Paid from appointment to 31 December 2010
Paul Lester	£45,000.00	£15,657.53
David MacLellan	£35,000.00	£12,178.08
Talmai Morgan	£30,000.00	£10,438.36
Christopher Spencer	£30,000.00	£10,438.36
Guido Van Berkel	€22,500.00	€5,625.00

ANNUAL GENERAL MEETING

Our AGM will be held at 10.30 am London time on 19 May 2011 at Heritage Hall, Le Marchant Street, St Peter Port, Guernsey GY1 4HY, Channel Islands. Details of the business to be conducted are contained in the Notice of AGM.

APPOINTMENT OF INVESTMENT ADVISOR AND OPERATOR

John Laing Capital Management ("JLCM") acts as the Investment Advisor 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 25 to the financial statements. It is in the Directors' opinion, based upon the performance in the period to 31 December 2010 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

The Group, with JLIF Limited Partnership as Borrower and the Company as Guarantor, secured a new three year revolving credit facility of £25 million with National Westminster Bank plc on 21 March 2011. The margin on the Facility is 2 per cent over LIBOR, and is subject to variation should the Loan to Value ratio change significantly. The Facility is currently available for JLIF for utilisation. This facility will be used primarily to fund third party acquisitions in between capital raisings.

The Group signed a sale and purchase agreement with John Laing plc on 1 April 2011 with the intention of the Company acquiring interests in a further 3 PFI projects and increasing its interest in an existing investment. As at the date of signing the financial statements no purchases had reached completion and completions are subject to the satisfaction of certain condition precedents.

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 2011 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
4 April 2011

CORPORATE GOVERNANCE REPORT

The Board has put in place a framework for corporate governance which it believes is appropriate for an investment company and which will enable the Company to comply with the relevant provisions of the UK Corporate Governance Code issued in May 2010 (the "UK Corporate Governance Code") issued by the Financial Reporting Council (the "Code"). Additionally, the Company has taken up membership of the Association of Investment Companies (the "AIC") and has considered the principles and recommendations of the AIC's Code of Corporate Governance by way of reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"). The Board considers that it is 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).

Except as disclosed below, the Company complied throughout the period with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code.

THE BOARD

The Board consists of five Non-Executive Directors, all of whom are independent of the Company's Investment Manager/Advisor. 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 28 and 29 which set out the range of investment, financial and business skills and experience represented. Provision 4.1 of the Code states a board should appoint one independent Non-Executive Director to be the senior independent director, however the Chairman is an independent non-executive 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 need to be scheduled, some at short notice. Between meetings there is regular contact with the Investment Advisor and the Administrator and the Board requires to be supplied in a timely manner with information by the Investment Advisor, the Company Secretary and other advisors in a form and of a quality appropriate to enable it to discharge its duties.

Given the recent establishment of the Company, the Board has yet to determine its policy on tenure of Directors. The Board will consider this issue in due course and disclose the agreed policy in future reports.

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 intends 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. 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 receive an induction from the Investment Advisor 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. 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 REPORT (CONTINUED)

Committees of the Board

Code provision B.2.1 and Code provision D.2.1 require the Board to establish a nomination and remuneration committee respectively. 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 28 and 29. The Audit Committee meets at least three times a year at times appropriate to the financial reporting calendar. To date, the Audit Committee has met twice and all members were present at each meeting.

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	Scheduled Board Meeting	Other Board Meeting	Audit Committee	Other Committee
	max 3	max 1	max 2	max 2
Paul Lester	3	n/a	2	
David MacLellan	3	n/a	2	
Guido Van Berkel	3	n/a	2	
Talmai Morgan	3	n/a	2	2
Christopher Spencer	3	n/a	2	2
Collingwood Holdings Limited	n/a	1	n/a	n/a

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, establishing an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed. 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 Advisor 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. It is intended that regular reports be provided to the Board highlighting material changes to risk ratings and that a formal review of these procedures be 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 Advisor 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 Advisor 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 Advisor 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 Advisor 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 Advisor.

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 Advisor.

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 28 to 29 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 PFI/PPP projects are performed periodically by the Investment Advisor who will report any significant findings to the Audit Committee.

AUDIT COMMITTEE REPORT (CONTINUED)

OVERVIEW

The Audit Committee has met twice from the period 27 August 2010 to date. 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 2010 Annual Report and Financial Statements;
- review of the 2010 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
4 April 2011

CORPORATE SOCIAL RESPONSIBILITY

The Investment Advisor, John Laing Capital Management Limited ("JLCM"), is committed to socially-responsible investing, which covers financial sustainability through to promoting environmental benefits. The JLIF Board is wholly supportive of this philosophy. The delivery of this commitment is largely placed on JLCM and the teams that manage the assets on the ground. JLIF benefits from John Laing's high standards of CSR working in the continued management services provided to the portfolio assets.

John Laing received Gold status in the 2010 Business in the Community Corporate Responsibility Index and maintains a close working relationship with BITC to enhance corporate responsibility performance. John Laing was awarded the Community Mark in 2009 and is one of only 34 companies to hold the Community Mark.

John Laing was recently awarded the RoSPA Gold certificate for the second year in succession. This is a reflection of John Laing's safety performance and the systems it operates in the control and mitigation of risks.

COMMUNITY ENGAGEMENT

John Laing works with a number of Charitable and Community organisations to support and help develop 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.

John Laing works closely with Victim Support to provide funding in areas of need identified by the UK national youth crime strategy.

Since 2006 the John Laing School Grounds Awards managed by Learning through Landscapes, have offered support and opportunities for children to learn and develop in stimulating and innovative school grounds. Over the last three years, the scheme has funded projects that have been educational, environmental, artistic, health-promoting or simply enhanced play or social development.

John Laing has been working in partnership with the British Trust for Conservation Volunteers for a number of years 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.

PROJECT ENGAGEMENT

Newham Hospital

In January 2011, the management team from Newham Hospital and John Laing joined forces to give Newham Hospital's Chemotherapy Unit a makeover in just 48 hours. The unit is located in the part of the hospital that is not included as part of the PFI, and was in desperate need of a facelift. Thanks to the team donating their time, a donation of £5,000 from the John Laing Charitable Trust, the provision of furniture at cost price from Workplace by Design and the contribution of decorating materials from ISS Facilities Healthcare Ltd, patients are now enjoying a new colour scheme, refreshment facilities and comfortable furniture during their visits to the unit.

Wakefield Street Lighting

On Friday, 22 October, Patrick Waterhouse presented a Health and Safety Award to Amey as recognition for 700 consecutive days without a reportable incident on the Wakefield Street Lighting project.

CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

HEALTH AND SAFETY

John Laing takes its health and safety responsibilities very seriously and operates to an internationally-recognised safety management system. John Laing has retained its certification to BS OHSAS 18001:2007 Occupational Health and Safety management system, demonstrating ongoing commitment to the health and safety of staff and anyone who may be directly or indirectly affected by its activities.

ENVIRONMENT

John Laing continues to improve the accuracy of metrics associated with quantifying carbon footprint, through the introduction of enhanced data capture and reporting systems and software. Details of electricity, gas and diesel consumption are recorded across John Laing's entire portfolio in the UK, allowing precise calculations of our carbon emissions.

CARBON REDUCTION COMMITMENT

The Climate Change Act 2008 introduced the 'Carbon Reduction Commitment Energy Efficiency Scheme' ("CRC") which requires the registration, monitoring and trading in emissions for undertakings that had 'half-hourly meters' for electricity as at 31 December 2008 and whose annual electricity supply in 2008 exceeded 6,000 MWh. After extensive consultation with the Environment Agency the underlying project companies have no liability for emissions and no obligation to participate or provide the agency with information disclosures. John Laing is committed to working with clients to design and implement energy-reduction strategies.

WASTE

John Laing is committed to reduce the volume of waste it and its end-users produce. The ability to influence the volume of waste produced by our projects remains reliant upon clients' commitment towards reducing their environmental impact. As such, John Laing continues to work with our stakeholders to look at joint initiatives that provide both environmental and financial benefits. John Laing aims to educate clients and end-users by raising awareness of the negative environmental impact waste has and of the small changes that can be made to lessen the volume of materials sent to landfill.

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.

For financial years beginning on or after 29 June 2010, The Financial Reporting Council has replaced the Combined Code with the UK Corporate Governance Code (the "Code") to help company boards become more effective and more accountable to their shareholders. 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 28 and 29 of the Annual Report, confirm that, to the best of their knowledge and belief:

- The financial statements, prepares 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 period from date of incorporation on 6 August 2010 to 31 December 2010 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 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") 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.

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 2010 and of its profit for the period then 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 Directors' statement, in the Report of Directors, in relation to going concern; and
- 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
4 April 2011

CONSOLIDATED INCOME STATEMENT

For the period 6 August 2010 to 31 December 2010

	Notes	Investment group £'000s	Non-investment adjustments £'000s	Total group £'000s
Service revenue	4	–	1,429	1,429
Cost of sales		–	(1,591)	(1,591)
Gross loss		**–**	**(162)**	**(162)**
Administrative expenses		(2,457)	–	(2,457)
Loss from operations	5	**(2,457)**	**(162)**	**(2,619)**
Investment income	6	7,901	(2,362)	5,539
Other gains/(losses)	7	20	2,245	2,265
Finance costs	8	–	(1,015)	(1,015)
Profit/(loss) before tax		**5,464**	**(1,294)**	**4,170**
Tax	9	(116)	(224)	(340)
Profit/(loss) for the period		**5,348**	**(1,518)**	**3,830**
Attributable to:				
Owners of the Company				3,830
				3,830
Earnings per share				
From continuing operations				
Basic and diluted (pence)	10			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 period 6 August 2010 to 31 December 2010

	Investment group £'000s	Non-investment adjustments £'000s	Total group £'000s
Profit for the period	5,348	(1,518)	3,830
Exchange difference on translation of overseas operations	–	(4)	(4)
Total comprehensive income for the period	5,348	(1,522)	3,826
Attributable to:			
Owners of the Company			**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 period 6 August 2010 to 31 December 2010

	Share capital £'000s	Share premium account £'000s	Retained earnings £'000s	Translation reserves £'000s	Total £'000s
Profit for the period	–	–	3,830	–	3,830
Other comprehensive income for the period	–	–	–	(4)	(4)
Total comprehensive income for the period	**–**	**–**	**3,830**	**(4)**	**3,826**
Ordinary shares issued	27	269,973	–	–	270,000
Cost of shares issued	–	(3,089)	–	–	(3,089)
Balance at 31 December 2010	**27**	**266,884**	**3,830**	**(4)**	**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 2010

	Notes	Investment group £'000s	Non-investment adjustments £'000s	Total group £'000s
Non-current assets				
Intangible assets	12	–	53,490	53,490
Investments at fair value through profit or loss	13	264,735	(55,828)	208,907
Finance receivables at fair value through profit or loss	15	–	199,402	199,402
Total non-current assets		**264,735**	**197,064**	**461,799**
Current assets				
Trade and other receivables	16	2,395	3,730	6,125
Finance receivables at fair value through profit or loss	15	–	4,547	4,547
Cash and cash equivalents	17	7,567	12,748	20,315
Total current assets		**9,962**	**21,025**	**30,987**
Total assets		**274,697**	**218,089**	**492,786**
Current liabilities				
Trade and other payables	18	(2,371)	(23,125)	(25,496)
Current tax payable		(67)	(261)	(328)
Loans and borrowings	19	–	(11,877)	(11,877)
Total current liabilities		**(2,438)**	**(35,263)**	**(37,701)**
Non-current liabilities				
Loans and borrowings	19	–	(155,496)	(155,496)
Derivative financial instruments	20	–	(17,166)	(17,166)
Deferred tax liabilities	9	–	(11,686)	(11,686)
Total non-current liabilities		**–**	**(184,348)**	**(184,348)**
Total liabilities		**(2,438)**	**(219,611)**	**(222,049)**
Net assets		**272,259**	**(1,522)**	**270,737**
Equity				
Share capital	21	27	–	27
Share premium account	22	266,884	–	266,884
Translation reserves	23	–	(4)	(4)
Retained earnings	24	5,348	(1,518)	3,830
Equity attributable to owners of the Company		**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.

The financial statements were approved by the Board of Directors and authorised for issue on 4 April 2011. They were signed on its behalf by:

P Lester
Director

C Spencer
Director

CONSOLIDATED CASH FLOW STATEMENT

For the period 6 August 2010 to 31 December 2010

	Notes	Investment group £'000s	Non-investment adjustments £'000s	Total group £'000s
Loss from operations		(2,457)	(162)	(2,619)
Adjustments for:				
Amortisation of intangible assets	12	–	220	220
Operating cash flows before movements in working capital		(2,457)	58	(2,399)
(Increase)/decrease in receivables		(2,481)	898	(1,583)
Increase/(decrease) in payables		2,913	(1,745)	1,168
Cash outflow from operations		**(2,025)**	**(789)**	**(2,814)**
Overseas tax paid		(50)	(17)	(67)
Net cash outflow from operating activities		**(2,075)**	**(806)**	**(2,881)**
Investing activities				
Interest received		860	(121)	739
Dividends received from investments		476	(146)	330
Loan stock and equity repayments received		342	(47)	295
Acquisition of joint ventures, associates and investments		(204,741)	–	(204,741)
Acquisition of subsidiaries (net of cash acquired)	14	(54,226)	14,965	(39,261)
Net cash (used in)/received from investing activities		**(257,289)**	**14,651**	**(242,638)**
Financing activities				
Interest paid		–	(758)	(758)
Repayments of borrowings		–	(415)	(415)
Proceeds on issue of share capital (net of costs)		266,911	–	266,911
Net cash from/(used in) financing activities		**266,911**	**(1,173)**	**265,738**
Net increase in cash and cash equivalents		**7,547**	**12,672**	**20,219**
Cash and cash equivalents at beginning of the period		**–**	**–**	**–**
Effect of foreign exchange rate changes		20	76	96
Cash and cash equivalents at end of period	17	**7,567**	**12,748**	**20,315**

Cash and cast 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period 6 August 2010 to 31 December 2010

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 period ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Consolidated Group"). The Consolidated Group invests in PFI/PPP infrastructure projects in the UK, Europe and North America.

Of the Consolidated Group's portfolio of 19 interests at 31 December 2010, 14 have been accounted for as investments (the "Entity Investments"). The 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 Companies (Guernsey) Law, 2008, as the Directors have prepared consolidated accounts for the period, they have not prepared individual accounts for the Company in accordance with section 243 for the period.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The Company was incorporated on 6 August 2010 and was successfully launched and listed on 29 November 2010. The financial statements are for the period from date of incorporation to 31 December 2010 and include results of Operating Subsidiaries from the date of acquisition, which was 29 November 2010 in respect of four of the five subsidiaries and 3 December 2010 in respect of the remaining subsidiary, to 31 December 2010.

The financial statements have been prepared in accordance with the Companies (Guernsey) Law 2008 and in accordance with International Financial Reporting Standards ("IFRS") 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 following assets and liabilities are stated at their fair values: derivative financial instruments and financial assets classified at fair value through profit or loss. The principal accounting policies are set out below.

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): Financial Instruments: Classification and Measurement

IAS 24 (revised November 2009): Related Party Disclosures

IAS 32 (amended): Classification of Rights Issues

IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments

IFRIC 14 (amended): Prepayments of a Minimum Funding Requirement

Improvements to IFRSs (May 2010)

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 2011.

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 19 PFI/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 5 Operating Subsidiaries are treated in the same way as the investments in the 14 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 5 Operating Subsidiaries in accordance with IAS 27 together with other IFRS adjustments for fair valuing financial assets and liabilities that the Directors do not consider to be relevant or critical in monitoring and determining the performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the period 6 August 2010 to 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 period 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.

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. As at 31 December 2010, there are no non-controlling interests within the Group.

(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 has secured a Revolving Credit Facility of £25 million on 21 March 2011 of which £2 million can be used for working capital requirements. The Group had net current liabilities as at 31 December 2010 of £6.7 million. Current liabilities of £37.7 million include deferred income of £16.3 million which is not an obligation that the Company is required to settle. Accordingly, the Group has sufficient current assets to meet its current obligations as they fall due.

As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

The Group is invested in 19 operational non-recourse PFI/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.

Note 27 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 have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. 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 IFRSs. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Business combinations (continued)

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;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and
- 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 19 PFI/PPP Project Companies and, of these, there are 5 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 the Income Statement.

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, PFI 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 PFI/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.

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 l of this note. The fair values of the financial assets are determined in a similar manner to that described in part l(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 PFI/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 5 subsidiary Project Companies, the service concession is treated as a financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the period 6 August 2010 to 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Service concessions (continued)

(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 IAS 31(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. 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 PFI 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 note 2e (i));
- third party revenues arising on PFI projects are recognised in accordance with the contractual terms as services are performed.

(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.
- gains or losses on financial assets that arise from the movement in the fair value of the financial asset.

Gains on 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 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. If the present value is lower than the carrying value of the PFI/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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the period 6 August 2010 to 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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.

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).

(j) 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.

(k) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the period 6 August 2010 to 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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".

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.

– PFI/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 ventures 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 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 period 6 August 2010 to 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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 PFI/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 PFI/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 2010 were in the range of 6.02% to 8.47%.

b) Investments in joint venture 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 PFI 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 2010 were in the range of 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.

Where these are not available the fair value of the derivative is calculated as the present value of the estimated future cash flows. In these calculations the market forward six month LIBOR curve for an interest rate swap or the forward RPI inflation curve for an inflation swap as at the Balance Sheet date are used. All amounts are discounted using the zero coupon yield curve as at the Balance Sheet date.

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.

(m) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the period 6 August 2010 to 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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 PFI/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.

(o) 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

The Consolidated Group has a greater than 50% shareholding in certain entities (see note 13), where in the opinion of the Directors it is unable to govern the financial and operating policies of the entities by virtue of agreements with the other shareholder. These entities are consequently not treated as subsidiaries, and instead they are accounted for as financial assets at fair value through profit or loss, as set out in note 2(f).

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 transaction. The Directors have satisfied themselves that the PFI/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 PFI/PPP investments would be an 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 PFI/PPP portfolio as at 31 December 2010 was 8.34%.

The carrying amount of the PFI/PPP investments would be an 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 1% from that used in the fair value calculation. The inflation rate assumed for all future periods from 31 December 2010 was 2.75% for all UK projects, 2.1% for Canadian projects and for the Finnish project a rate of 3% was assumed for the MAKU index (Finnish construction price index) and a rate of 2.5% was assumed for the Elspot index (Finnish utilities price index).

The carrying amount of the PFI/PPP investments would be an 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.

(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 transaction.

The carrying amount of the finance receivables would be an 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 1% from that used in the fair value calculation. The discount rates at 31 December 2010 were between 6.02% and 8.47%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the period 6 August 2010 to 31 December 2010

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

(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 five subsidiaries controlled at the period 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 PFI/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 for the period ended 31 December 2010.

	UK £'000s	Europe £'000s	North America £'000s	Total £'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 period ended 31 December 2010.

Information about major customers

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the period 6 August 2010 to 31 December 2010

4. OPERATING SEGMENTS (CONTINUED)

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 PFI/PPP projects. This is reported for the Investment group on an investment basis whereby this information is provided on all 19 projects irrespective of whether the project is treated as an Operating Subsidiary or as an Entity Investment.

	UK £'000s	Europe £'000s	North America £'000s	Total £'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 (consolidated assets of the Company and its subsidiaries)				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.

5. LOSS FROM OPERATIONS

	£'000s	Period 6 August 2010 to 31 December 2010 Total group £'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		100
Fees payable to the Company's auditor and its 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 ended 31 December 2010	50	
– of which amount included in the consolidated results of the Company		4
Total audit fees		104
Amortisation of intangible asset		220
Acquisition costs		1,872
Investment Advisor and Operator fee (see note 25)		249

An amount of £80,000 was also paid to Deloitte LLP by the Company in respect of non-audit services for the period ended 31 December 2010 for work pertaining to their role as reporting accountants for the initial public offering prospectus. These fees were included in issues fees applied to the share premium account.

For the period ended 31 December 2010 the Group had no employees other than directors. There was no Directors' remuneration for the period other than Directors' fees as detailed in note 25.

6. INVESTMENT INCOME

	Period 6 August 2010 to 31 December 2010		
	Investment group £'000s	Non-investment adjustments £'000s	Total group £'000s
Interest revenue:			
Interest on bank deposits	2	1	3
Interest from investments	2,962	(860)	2,102
Total interest revenue	2,964	(859)	2,105
Dividend income from investments	476	(146)	330
Change in the fair value of investments[1]	4,461	(1,357)	3,104
Total investment income	**7,901**	**(2,362)**	**5,539**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the period 6 August 2010 to 31 December 2010

7. OTHER GAINS/(LOSSES)

	Period 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	–	1,520	1,520
Change in the fair value of derivative liabilities designated at fair value through profit or loss	–	722	722
Foreign exchange movements on monetary assets	20	3	23
Total other gains and losses	**20**	**2,245**	**2,265**

8. FINANCE COSTS

	Period 6 August 2010 to 31 December 2010 Investment group £'000s	Non-investment adjustments £'000s	Total group £'000s
Interest on bank overdrafts and loans			
– recourse	–	–	–
– non-recourse	–	1,009	1,009
Other finance costs	–	6	6
Total finance costs	**–**	**1,015**	**1,015**

9. (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. A foreign current tax charge of £133,000 arose in the period.

A deferred tax charge of £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 £11.5 million has arisen on the acquisition of the fair value of assets and liabilities of subsidiaries.

(b) DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised by the Group and movements therein for the period ended 31 December 2010.

	Accelerated tax deductions of PFI projects £'000s	Fair value of financial assets £'000s	Fair value of bank loans £'000s	Fair value of interest rate swaps £'000s	Intangible assets £'000s	Total £'000s
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 Government announced in the Budget on 23 March 2011 that the rate of corporation tax in the UK will be reduced by 2% to 26% with effect from 1 April 2011, rather than the 1% reduction to 27% that was previously announced. The accounts do not reflect the further reduction as this was not substantively enacted at the balance sheet date. Had the reduced rate been in effect at the balance sheet date the deferred tax liability as at 31 December 2011 would have been £294,000 lower than stated above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the period 6 August 2010 to 31 December 2010

10. EARNINGS PER SHARE

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

	Period ended 31 December 2010
Earnings	
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to owners of the Company (£'000s)	3,830
Number of shares	
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	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
Basic and diluted earnings per share	**1.42**

11. DIVIDENDS

An interim dividend for the period ended 31 December 2010 of 0.5 pence per share, amounting to £1.35 million, was approved by the Board on 22 February 2011 and is payable on 7 April 2011. The dividend has not been included as a liability at 31 December 2010.

12. INTANGIBLE ASSETS

	£'000s
Cost	
Recognised on acquisition of subsidiaries	53,710
Balance at 31 December 2010	**53,710**
Amortisation	
Amortisation for the period	(220)
Balance at 31 December 2010	**(220)**
Carrying amount	
Balance 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 16 years and 26 years). Amortisation of £220,000 is included within cost of sales in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the period 6 August 2010 to 31 December 2010

13. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Period from 6 August 2010 to 31 December 2010		
	Investment group £'000s	Non-investment adjustments £'000s	Total group £'000s
At 6 August 2010	–	–	–
Acquisition of the initial portfolio	258,966	(54,225)	204,741
Accrued interest	1,859	(497)	1,362
Loan repayments	(551)	251	(300)
Fair value movement (including exchange movements)	4,461	(1,357)	3,104
As at 31 December 2010	**264,735**	**(55,828)**	**208,907**

The Investment Advisor has carried out fair market valuations of the investments as at 31 December 2010. The Directors have satisfied themselves as to the methodology used, the discount rates applied and the valuation. The Directors have also satisfied themselves that the valuation as at 31 December 2010 is reasonable compared to the independent valuation from a third party, with considerable expertise in valuing these type of investments, that was performed in November 2010 for the purposes of the prospectus for the initial capital raising and the subsequent acquisition of the initial portfolio. Investments are all investments in PFI/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 8.00% to 8.95% (weighted average 8.34%) for the entire portfolio under the Investment group.

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

	% holding 2010	
	Equity	Subordinated loan stock
Investments (project name – see note 31 for further details)		
Newham Hospital	50.0%	50.0%
Queen Elizabeth Hospital, Greenwich	15.0%	15.0%
Kingston Hospital	60.0%	60.0%
Abbotsford Regional Hospital and Cancer Centre	80.0%	80.0%
Glasgow Schools	20.0%	20.0%
South Lanarkshire	15.0%	15.0%
Avon & Somerset	40.0%	40.0%
MPS Firearms & P.O.T.	27.08%	27.08%
Greater Manchester Police	27.08%	27.08%
Modus	26.0%	26.0%
Ykkostie	41.0%	41.0%
M40	50.0%	50.0%
Manchester Street Lighting	50.0%	50.0%
Wakefield Street Lighting	50.0%	50.0%

Investments in the 5 wholly owned subsidiaries (note 14) are included in the amounts above under Investment group.

There are no future loan stock or capital commitments on investments held at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the period 6 August 2010 to 31 December 2010

14. ACQUISITIONS OF SUBSIDIARIES

In November 2010 the Group acquired the 100% interest in the equity and subordinated loan stock of Sirhowy Enterprise Way Holdings Limited ("Sirhowy Way"), Regenter LCEP (Holdco) Limited ("Canning Town – Newham Housing"), Walsall Public Lighting Holdings Limited (Walsall Street Lighting") and AHV Holdings Vancouver ("Gordon & Leslie Diamond Health Care Centre"). In December 2010 the Group acquired the 100% interest in the equity and subordinated loan stock of Regenter B3 (Holdco) Limited ("Brockley Housing"). These acquisitions were all part of a single transaction covered by a single sale and purchase agreement. The total consideration paid in cash for the interests in these projects was £54.2 million (£39.3 million net of cash acquired). The total transaction cost for the acquisition of all 19 investments that comprises the seed portfolio acquired following the successful launch of the fund and the listing of the Company in November 2010 was £1.9 million which has been recognised in administrative expenses in the income statement.

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.

The amounts shown below are the aggregate amounts of the acquisition of the 5 subsidiaries.

	Book value at acquisition £'000s	Fair value adjustments £'000s	Fair value acquired £'000s
Intangible assets	–	53,710	53,710
Finance receivables at fair value through profit or loss account*	201,295	(1,952)	199,343
Cash and cash equivalents	14,965	–	14,965
Other current assets	5,388	–	5,388
Current liabilities	(31,575)	–	(31,575)
Deferred tax liabilities	(1,043)	(10,436)	(11,479)
Other non-current liabilities	(185,363)	(12,330)	(197,693)
Net assets acquired	3,667	28,992	32,659
Fair value of consideration for equity			32,659
Fair value of consideration for loan stock			21,567
Total consideration, satisfied in cash			54,226
Cash acquired			(14,965)
Net cash outflow			39,261

*The finance receivables in the book value at acquisition under IFRS are 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.

The subsidiaries contributed £1,429,000 to the Group's revenue and £257,000 to the Group's profit for the period from acquisition to 31 December 2010. Had the subsidiaries been owned from the date of incorporation of the Company on 6 August 2010 the contribution to revenue and profit for the period would have been £6,777,000 and £1,218,000 respectively.

Brief details regarding each project are provided below:

Sirhowy Way

On 29 November 2010 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 improvements to the A4048/A472 Strategic Highway Network between the north of Blackwood and the east of Ponllanfraith, South Wales.

Canning Town – Newham Housing

On 29 November 2010 the Group acquired 100% of the equity and subordinated loan stock in the project. The project is a concession to refurbish, finance and operate council housing in Newham.

Brockley Housing

On 3 December 2010 the Group acquired 100% of the equity and subordinated loan stock in the project. The project is a concession to refurbish, finance and operate council housing in Brockley.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the period 6 August 2010 to 31 December 2010

14. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

Walsall Street Lighting

On 29 November 2010 the Group acquired 100% of the equity and subordinated loan stock in the project. The project is a concession to install and maintain street lighting.

Gordon & Leslie Diamond Health Care Centre

On 29 November 2010 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 a new outpatient facility in Vancouver, British Columbia, Canada.

15. FINANCE RECEIVABLES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010 £'000s
Opening balance at 6 August 2010	–
Acquisition of subsidiaries	199,343
Repayments in the period	(482)
Movement in fair value	1,520
Exchange gain in period	3,568
Balance at 31 December 2010	**203,949**
This is represented by:	
Less than one year	4,547
Greater than one year	199,402
Balance at 31 December 2010	**203,949**

The operating subsidiaries' concession contracts with public sector bodies are considered as financial assets. Gain in fair values of financial assets of £1.5 million for the period ended 31 December 2010 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.

16. TRADE AND OTHER RECEIVABLES

		31 December 2010	
	Investment group £'000s	Non-investment adjustments £'000s	Total group £'000s
Trade receivables	–	2,218	2,218
Other debtors	2,375	412	2,787
Prepayments and accrued income	20	1,100	1,120
Balance at 31 December	**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 2010 £'000s
Sterling	5,158
Canadian Dollar	967
	6,125

There were no overdue amounts included in trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the period 6 August 2010 to 31 December 2010

17. CASH AND CASH EQUIVALENTS

	31 December 2010 Investment group £'000s	Non-investment adjustments £'000s	Total group £'000s
Bank balances	2,003	6,677	8,680
Money market deposits	5,564	6,071	11,635
Balance at 31 December	**7,567**	**12,748**	**20,315**

The Company's cash and cash equivalents are comprised of cash held at the bank or in hand and cash held on deposit where the Company can withdraw the cash without giving any notice and without suffering a significant penalty.

The effective interest rate on money market deposits of the Total Group was between 0.16% and 0.72%. The deposits had a maturity of between 4 days and 89 days.

The amount of £12,748,000 under 'Non-investment adjustments' represents the cash and cash equivalents of the Operating Subsidiaries and as such is non-recourse to the Investment Group and restricted.

18. TRADE AND OTHER PAYABLES

	31 December 2010 Investment group £'000s	Non-investment adjustments £'000s	Total group £'000s
Trade payables	–	1,788	1,788
Accruals and deferred income	2,355	21,017	23,372
Other payables	16	320	336
Balance at 31 December	**2,371**	**23,125**	**25,496**

19. LOANS AND BORROWINGS

	31 December 2010 Investment group £'000s	Non-investment adjustments £'000s	Total group £'000s
Current liabilities			
Bank borrowings	–	5,479	5,479
Fixed rate bonds	–	6,398	6,398
Balance at 31 December	**–**	**11,877**	**11,877**
Non-current liabilities			
Bank borrowings	–	89,795	89,795
Fixed rate bonds	–	65,701	65,701
Balance at 31 December	**–**	**155,496**	**155,496**

All loans and borrowings are within the operating subsidiaries and as such are non-recourse to the Group. The terms of the loans and borrowings and details of key bank covenants are detailed in note 28(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the period 6 August 2010 to 31 December 2010

20. DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivative financial instruments are held at fair values in accordance with note 2(l). £17.9 million arises on business combinations and £0.7m arises from a gain in fair value for the period ended 31 December 2010 which is disclosed within other gains and losses in the consolidated income statement.

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 2010 were £115.8 million. As at 31 December 2010, the fixed interest rates on the swaps range from 4.7% to 5.7%.

21. SHARE CAPITAL

Issued and fully paid	31 December 2010 £'000s
270,000,000 ordinary shares of 0.01p each	27

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

At incorporation, one Share was subscribed by the subscriber to the Memorandum of Incorporation. The subscriber Share was transferred to a member of the John Laing Group on admission to the London Stock Exchange on 29 November 2010 as part of their larger subscription at this time.

On 29 November 2010, 270 million new Ordinary Shares, including the subscriber Share above, of 0.01 pence each at an Issue Price of 100 pence were issued and fully paid up upon successful admission of the Company's shares to the London Stock Exchange.

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

22. SHARE PREMIUM ACCOUNT

	31 December 2010 £'000s
Premium arising on issue of equity shares	269,973
Expenses of issue of equity shares	(3,089)
Balance at 31 December	**266,884**

23. TRANSLATION RESERVES

	31 December 2010 £'000s
Exchange differences on translating the net assets of foreign operations	(4)
Balance at 31 December	**(4)**

24. RETAINED EARNINGS

	31 December 2010 £'000s
Net profit for the period	3,830
Balance at 31 December	**3,830**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the period 6 August 2010 to 31 December 2010

25. TRANSACTIONS WITH INVESTMENT ADVISOR 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 related parties are disclosed below. This note also details the terms of the engagement by the Company of John Laing Capital Management Limited ("JLCM") as Investment Advisor and Operator of the Limited Partnership together with the details of the acquisition of the initial Seed Portfolio from John Laing plc, of which JLCM is a wholly owned subsidiary.

John Laing Capital Management Limited ("JLCM") is the Company's Investment Advisor. JLCM's appointment as Investment Advisor 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 has also been appointed as 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 cent per annum of the Adjusted Portfolio Value* of the Fund up to and including £500 million; b) 1.0 per cent 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 cent per annum of the Adjusted Portfolio Value of the Fund in excess of £1 billion; and ii) an Asset Origination Fee of 0.75 per cent 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 Advisor and Operator fee charged to the Income Statement for the period to 31 December 2010 was £249,000 which remained payable at period end.

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* 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 19 PFI/PPP 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 £259 million in total to John Laing for the 19 projects, of which £205 million related to the acquisition of the 14 joint ventures and associates.

Since acquisition the Group has received amounts of £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	Income statement Period ended 31 December 2010 £'000s	Cash received Period ended 31 December 2010 £'000s	Balance due 31 December 2010 £'000s
Subordinated loan interest[1]	2,102	739	1,376
Dividends	330	330	–

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

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 period were £54,000. No directors' expenses were paid in the period. The interests of the Directors in the shares of the Company as at 31 December 2010 are detailed in the Report of the Directors on page 31.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the period 6 August 2010 to 31 December 2010

26. FINANCIAL ASSETS

a) Maturity of financial assets

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

	2010		
	Less than 1 year £'000s	Greater than 1 year £'000s	Total £'000s
Investment in joint ventures and associates at fair value through profit or loss	–	208,907	208,907
Finance receivables at fair value through profit or loss	4,547	199,402	203,949
Trade and other receivables	6,125	–	6,125
Cash and cash equivalents	20,315	–	20,315
Total financial assets	**30,987**	**408,309**	**439,296**

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

	Financial assets – 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 PFI finance receivables. The weighted average interest rate of the fixed rate financial assets is 7.05% and the weighted average period for which the interest rates are fixed is 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 – 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 8.34%. An analysis of the valuation's sensitivity to changes in foreign currency exchange 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 period 6 August 2010 to 31 December 2010

27. 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 and joint ventures, due to the nature of PFI/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 2010 the Group has invested in 3 overseas projects (one of which was a subsidiary). 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 monetary assets and monetary liabilities at the reporting date was as follows:

	Assets 2010 £'000s	Liabilities 2010 £'000s
Canadian Dollar	83,298	(74,893)
Euro	365	–
	83,663	**(74,893)**

The above table does not include investments in joint venture project companies, which account for a significant proportion of the currency exposure in the Group (refer to Note 26c and note 3(i)).

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 monetary items and reflects a 5% change in foreign currency exchange rates. A negative number below indicates an increase in loss 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.

Effect of relevant currency weakening by 5% against Sterling:	Profit before tax 2010 £'000s	Translation reserves 2010 £'000s	Net assets 2010 £'000s
Canadian Dollar	(30)	(391)	(421)
Euro	(18)	–	(18)
	(48)	**(391)**	**(439)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the period 6 August 2010 to 31 December 2010

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 PFI/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.

John Laing Infrastructure Fund Limited and its subsidiaries were in a net cash position at the balance sheet date. The sensitivity analyses below have been determined based on the interest rates for both derivative and non-derivative instruments as at 31 December 2010. For floating rate assets and liabilities, the analysis has been prepared assuming the amount of an asset or liability outstanding as at 31 December 2010 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:

	Profit before tax 2010 £'000s	Net assets 2010 £'000s
Sterling	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. The movement in fair value would give rise to an equal increase/decrease in profit before tax.

Market risk – inflation risk

Each PFI/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 swaps at 31 December 2010.

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 PFI/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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the period 6 August 2010 to 31 December 2010

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	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 and includes only principle cash flows.

	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
2010						
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:

	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
2010						
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 2010 the Group had no recourse debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the period 6 August 2010 to 31 December 2010

28. FINANCIAL INSTRUMENTS

a) Financial instruments by category:

	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
2010						
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
Derivative financial instruments	–					
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 or loss

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 period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the period 6 August 2010 to 31 December 2010

28. FINANCIAL INSTRUMENTS (CONTINUED)

a) Financial instruments by category: (continued)

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

An analysis of the movement between opening and closing balances of the investments in joint ventures at fair value through profit and loss is given in note 13 and for finance receivables at fair value through profit and loss the analysis is given in note 15. 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 2010, a 1% increase in the discount rate would have the following effect on profit.

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

As at 31 December 2010, a 1% decrease in the discount rate would have the following effect on profit.

	2010 £'000s
Investment in joint ventures and associates at fair value through profit and loss	18,600
Finance receivables at fair value through profit and loss	17,500
	36,100

b) Fair value of derivatives

	2010 £'000s
Derivatives	
Non-current liabilities	
Interest rate swaps	17,166
Net deferred tax thereon	(4,635)
Total fair value of derivatives post deferred tax	**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. Four of the five 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% and maturities range from 2025 to 2036. The movement in the fair value of the swaps has been recognised in the Income Statement.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the period 6 August 2010 to 31 December 2010

28. FINANCIAL INSTRUMENTS (CONTINUED)

c) Foreign currency and interest rate profile of financial liabilities

The Group's financial liabilities at 31 December 2010 were £210.0 million, of which £190.5 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 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**

One subsidiary project is funded by bond financing totalling £72.1 million. The bonds have fixed interest coupons ranging from 6.1% to 6.2% and matures in 2036. The interest rates for the remaining projects are fixed using either interest rate swaps or fixed rate debt. The maturities range from 2025 to 2033 and the all-inclusive interest rates vary 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 years.

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 the four UK subsidiaries and 1.0 for the Canadian subsidiary and Loan Life Cover Ratio of 1.10 for the four UK subsidiaries. There were no material events of non-compliance in the Operating Subsidiaries in the period.

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

29. GUARANTEES AND OTHER COMMITMENTS

As at 31 December 2010 the Consolidated Group had no commitments.

30. EVENTS AFTER BALANCE SHEET DATE

The Group, with JLIF Limited Partnership as Borrower and the Company as Guarantor, secured a new three year revolving credit facility of £25 million with National Westminster Bank plc on 21 March 2011. The margin on the Facility is 2% over LIBOR, and is subject to variation should the Loan to Value ratio change significantly. The Facility is currently available for JLIF for utilisation. This facility will be used primarily to fund third party acquisitions in between capital raisings.

The Group signed a sale and purchase agreement with John Laing plc on 1 April 2011 with the intention of the Company acquiring interests in a further 3 PFI projects and increasing its interest in one existing investment. As at the date of signing the financial statements no purchases had reached completion and completions are subject to the satisfaction of certain conditions precedent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the period 6 August 2010 to 31 December 2010

31. DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS

The Group holds investments in 19 service concession arrangements in the Accommodation and Transport 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 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.

					Period of concession			
Sector	Company name	Project name	% owned	Short description of concession arrangement	Start date	End date	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	15%	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	Construction of extension and temporary car park costing £29 million.
	AHA Access Health Abbotsford Limited	Abbotsford Regional Hospital and Cancer Centre	80%	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	Gordon & Leslie Diamond Health Care Centre	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.
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	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.
Justice and Emergency Services	Service Support (Avon & Somerset) Limited	Avon & Somerset	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	MPS Firearms & P.O.T.	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	27.08%	Design, build, finance and operate 16 new police stations in Manchester.	04-Dec-2002	31-Mar-2030	27	Construction costing £82 million.
Defence	Modus Services Limited	Modus	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 – Newham Housing	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 Housing	100%	Refurbish, finance and operate council housing in Brockley.	04-Jun-2007	30-Apr-2027	20	Refurbishment of existing buildings costing £74 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the period 6 August 2010 to 31 December 2010

31. 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
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 Pontlanfraith, 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	Ykkostie	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	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.
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.

32. PRINCIPAL SUBSIDIARIES

Name	Category	Country	Ownership Interest
JLIF Luxco 1 Sàrl	Investment Group	Luxembourg	100%
JLIF Luxco 2 Sàrl	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%
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 Limited	Operating Subsidiary	Canada	100%
AHV Access Health Vancouver Limited	Operating Subsidiary	Canada	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

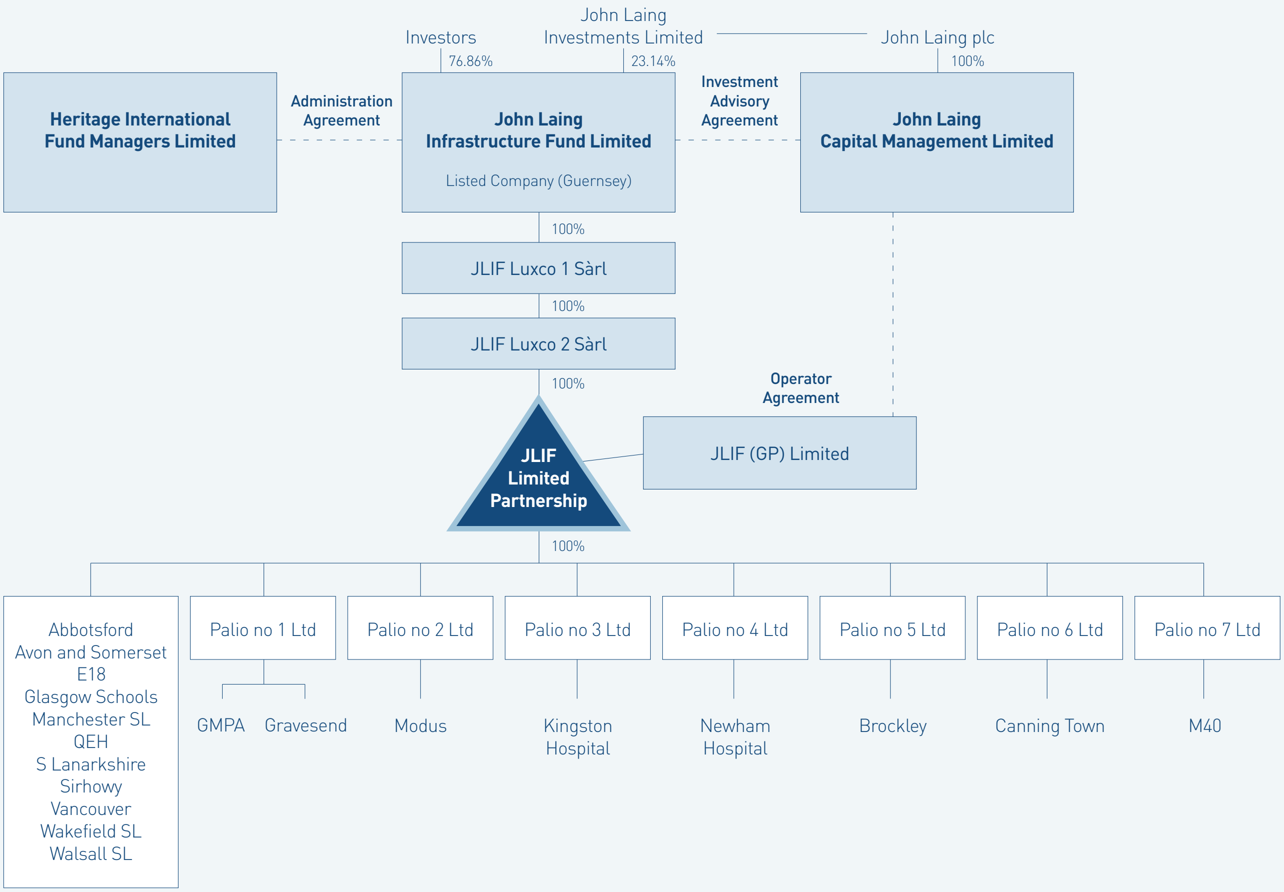
Adjusted Portfolio Value	(a) the Fair Value of the Investment Portfolio (see Portfolio Value); plus (b) any cash owned by or held to the order of the Fund (the Investment Group); plus (c) the aggregate amount of payments made to Shareholders by way of dividend in the period ending on the relevant Valuation Day, less (i) any borrowings and any other liabilities of the Fund; and (ii) any Uninvested Cash.
'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 19 project entities.
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 Advisor 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.
PFI/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 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 2010.
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 PFI/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.

GROUP STRUCTURE

THE COMPANY

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

The structure of the Fund (including the holding structure of the Seed 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 ADVISORS

DIRECTORS (ALL NON EXECUTIVE)

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

INVESTMENT ADVISOR AND OPERATOR

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