18 March 2013

JLIF - Final results for the year ended 31 December 2012

Solid performance over the year

- Portfolio Value increased 41.3% to £537.4 million including acquisitions and investments
- Underlying growth in Portfolio Value of 8.5% - ahead of expectations
- NAV increased 22.8% to £542.4 million including equity raised
- NAV per share up 1.1% to 105.7 pence
- Continued strong cash flows, with £8.3 million net cash as at 31 December 2012
- Increased dividend announced of 3.125p (up 4.2%) being 6.125p for the full year
- Profit after tax of £32.5 million on an investment basis
- Increase in IFRS Net Assets of 17.0% to £522.4 million including equity raised

Operational Highlights

- Two successful capital raisings, for a combined 86.1 million new shares, raising an additional £91.4 million in 2012
- Acquisition of 7 new assets, 4 incremental stakes and one additional investment in existing assets, totalling £155.6 million
- Successful refinancing of debt facility, increased to £150 million for 3 years
- Strong pipeline of secondary market opportunities available to JLIF

Commenting on today's results, Paul Lester, Chairman of JLIF, said:

"JLIF has made significant progress in its second full year of trading, raising over £91 million of additional capital and adding over £155 million to the Portfolio Value through acquisitions and investments. JLIF continues to create value for its shareholders, expanding its international presence while maintaining a stable and steady yielding investment.

Today's announcement reflects the continued success of the JLIF model, delivering another robust performance. The increase in dividend per share demonstrates the Board's on-going confidence in the stability of future cash flows."

For further information, please contact:

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David Marshall

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RLM Finsbury **020 7251 3801**

Faeth Birch

Philip Walters

Details of the Analyst Presentation:

There will be an analyst presentation at 9.15am today, at the Holborn Bars, 138 – 142 Holborn, London EC1N 2NQ. Please contact Rosie Godwin on 020 7251 3801, alternatively by email on rosie.godwin@rlmfinsbury.com

Jlif

John Laing Infrastructure Fund Limited ("JLIF") is a Guernsey registered closed-ended investment company with a Primary Listing on the London Stock Exchange. The Company listed in November 2010 when it raised £270 million, and has since then successfully completed four further capital raisings attracting an additional £253 million. As a result JLIF achieved entry to the FTSE 250 in December 2011, only 12 months post-launch. The Company has acquired 37 low risk operational, availability based, PPP global infrastructure projects which have been primarily sourced from the John Laing Group, with a growing number of investments being acquired from the broader secondary market.

CAUTIONARY STATEMENT

Pages 2 to 35 of this report (including but not limited to the Chairman's Statement, Risks and Risk Management and the Investment Adviser Report, the "Review Section") have been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. These should not be relied on by any other party or for any other purpose.

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

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

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

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

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

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

INTRODUCTION

John Laing Infrastructure Fund Limited ("JLIF") is a FTSE 250 company with a Primary Listing on the London Stock Exchange. JLIF is a Guernsey registered closed-end investment company that has raised over £520 million in the equity market, taking its market capitalisation to in excess of £550 million1. JLIF has paid its target dividend of 6%2 in its first two years and has created a total shareholder return of 17.8% since launch. JLIF will be increasing its next dividend as a result of its performance. JLIF has a Portfolio of 37 low risk, operational, PPP infrastructure projects located in the UK, Continental Europe and North America. JLIF grew its Portfolio by £157 million during 2012 and one third of JLIF's investment made was in to projects from vendors other than John Laing. JLIF continued to drive value from its assets by growing the Portfolio by 8.5%.

THE COMPANY AT A GLANCE

	2012	2011
Market Capitalisation	**£553.6m**	£458.1m
Total Net Assets[3]	**£542.4m**	£441.6m
NAV per share[3]	**105.7p**	104.6p
IFRS Net Assets	**£522.4m**	£446.5m
IFRS NAV per share	**101.8p**	105.8p
Target Dividend yield for 2013	Dividend increased by 4.2% to 3.125p – Target dividend to exceed 6.0p per share per annum	
Target IRR	7% to 8% over the long term	
Net Cash[3]	**£8.3m**	£48.6m
IFRS Profit Before Tax	**£1.1m**	£35.0m
Management Fees	1.1% on Adjusted Portfolio Value <= £500 million; 1% on Adjusted Portfolio Value > £500 million to £1 billion; 0.9% on Adjusted Portfolio Value > £1 billion	
Board	Five independent Directors chaired by Paul Lester, CBE	

1 As at 31 December 2012.
2 On an issue price of £1.
3 On an Investment basis (see Financial Results section for definition).

2012 FINANCIAL AND OPERATIONAL HIGHLIGHTS

January
- Acquired a portfolio of three social housing assets from United House for £29.9 million
- Acquired the co-shareholding in North East Fire and Rescue from Shepherd Construction for £1.2 million taking JLIF's total stake in this project to 100%

April
- Placed an additional 29.4 million primary shares via tap issue, raising £31.0 million
- Repaid all outstanding debt drawn under JLIF's revolving credit facility
- Acquired 100% stake in Roseberry Park Hospital from John Laing for £13.0 million

May
- Paid target interim dividend of 3.0 pence per share (6% annualised on IPO issue price of 100.0 pence)
- Acquired 15% stake in Newcastle Hospital from John Laing for £9.4 million

October
- Placed an additional 56.7 million primary shares via an Open Offer and Offer for Subscription, resulting in gross issue proceeds of £60.4 million
- Successful secondary placing of £28.0 million ordinary shares by John Laing raising gross proceeds of £29.9 million
- Acquired a portfolio of three projects from John Laing (40% stake in Kromhout Barracks, a 37.5% stake in Pembury Hospital and an additional 50% stake in Forth Valley Royal Hospital, taking JLIF's total stake in this project to 100%)
- Paid target interim dividend of 3.0 pence per share (6% annualised on IPO issue price of 100.0 pence)
- Scrip Dividend Alternative taken up by 19.4% of shareholders, resulting in 2,456,499 new primary shares being issued
- Acquired additional 9% stake in LUL Connect (CityLink) from Fluor International Limited for £17.2 million taking JLIF's total stake in the project to 28.5%

November
- Successfully increased JLIF's revolving corporate credit facility with RBS to £75 million through to May 2013 December (This has been subsequently refinanced with 3 banks to £150 million, see section 5 of the Investment Adviser Report on page 18)

December
- Completed acquisition of additional 7.5% stake in Cleveland Police HQ from co-shareholder Reliance for £0.5 million

CHAIRMAN'S STATEMENT

Introduction
I am pleased to announce that 2012 has been another year of consistent growth and stability for JLIF. Our market capitalisation broke through the half billion mark in September and is now approximately £560 million. We have acquired 11 stakes in new assets for a total of £156 million, taking the number of projects in the Portfolio to 37.

The number of acquisitions sourced from third party vendors continues to increase. In 2012, over a third of the new asset investment value was in projects acquired from vendors other than John Laing. To support this total level of acquisition activity, we have successfully raised a further £91 million in the equity market, bringing the total raised to date to over £520 million. JLIF's Portfolio as at the beginning of the year has grown by 8.5%, which is above our expectations, primarily due to achieved enhancements of the projects.

Deliver
JLIF's solid performance since launch supports its prominent place in the infrastructure market. The stock has continued to trade at a premium to Net Asset Value ("NAV") with good liquidity and minimal volatility relative to the FTSE 250. Infrastructure is an attractive asset class for international investors to hold for its long term stable yield, which is rare in the current financial climate. Following a steady upward trend during the year, the share price at the close of the year was 107.9 pence, after paying 6.0 pence per share in dividend.

Based on this solid performance and confidence in the future stability of cash flows, the Directors and I are delighted to announce an increase in the dividend per share for 2013. This will increase by 4.2% to 3.125 pence per share for the next payment in May 2013. This increase is aligned to our anticipated growth in the dividend that was outlined when the Company launched.

The Board believes the Investment Group basis is the best reflection of the financial position and true performance of the Company.

Enhance
An element of the Portfolio growth is attributable to enhancing our assets, through cost efficiencies and the generation of additional revenue. JLIF has a collaborative relationship with its stakeholders to realise tangible benefits for our shareholders and clients.

JLIF is pleased to support HM Treasury's initiative for the public and private sectors to work together in a more effective way to deliver future value from our projects.

Develop
JLIF made 11 acquisitions in addition to an equity subscription in to the Forth Valley Royal Hospital project during 2012 totalling £156 million1, which accounted for an increase of just over 40% in the Portfolio Value from 31 December 2011 (£380.4 million). The increased interest in infrastructure has been positive for JLIF in raising new capital and ongoing share liquidity; however this market appetite has also led to an active secondary market that is becoming increasingly competitive. The current market an attractive place for vendors who seek to recycle their equity periodically to dispose of assets, and therefore, afford JLIF the opportunity to further diversify its vendor base. JLIF continues to seek exciting new opportunities that, first and foremost, deliver value to shareholders.

To support JLIF's business and to allow it to take advantage of the right opportunities, in February 2013 we refinanced and increased our debt facility. JLIF now has £150 million available to it provided by Lloyds Bank plc, RBS plc and ING Bank NV. This is an excellent achievement in what remain challenging financial markets and we are delighted to have relationships with committed infrastructure participants. We believe that this puts JLIF in a strong position to act swiftly on acquisitions in a market where vendors are often driven towards quick sales processes and attracted to buyers who can respond to their time constraints.

Corporate Governance

JLIF continues to maintain its Premium Listing on the London Stock Exchange and follow the Association of Investment Companies ("AIC") Code of Corporate Governance (the "Code"). The Board has a framework in place to enable the Company to comply with as many provisions of the Code as possible. The AIC has produced guidance over the last year in presenting information to shareholders to facilitate further transparency. JLIF has adopted this guidance for its governance and for this Annual Report. JLIF's Investment Adviser, John Laing Capital Management ("JLCM"), also has a seat on the AIC Property and Infrastructure Forum, to ensure both JLIF and JLCM can be instrumental in developing the infrastructure investment market and have access to the latest guidance and policy development.

The Alternative Investment Fund Manager Directive ("AIFMD") is being adopted by the UK from July 2013 with a 12 month implementation period. However, it may be introduced in some EU countries earlier than that. The implications for JLCM (a UK company) and JLIF (a Guernsey non-EU company) are not yet clear, however, JLIF, with JLCM, continues to remain up to date with current guidance such that it can comply with the new directive when it is formally introduced.

The Board appointed Optimus Group Limited ("Optimus") to carry out a full independent review of its performance. Optimus concluded that the JLIF Board has a high standard of Corporate Governance and is compliant with the Code. A few minor improvements have been identified, including the implementation of a Nominations Committee. The Board has decided to appoint a Nominations Committee, chaired by David MacLellan, and to apply as many of the suggested recommendations as possible. The Board will continue to undertake this review every three years.

Outlook

The UK government is in the process of launching a new procurement route for infrastructure projects, PF2. This is anticipated to facilitate access to the capital markets, harnessing the appetite of institutional investors and other sources of long term debt finance. It is hoped to provide a more attractive risk allocation in order to gain access to institutional investor capital, and to encourage alternative financing sources, possibly providing deleveraged capital structures facilitated by public sector co-investment. JLIF welcomes the implementation of PF2 to procure infrastructure projects in the UK. We believe this will provide additional liquidity in the primary infrastructure market, and boost the pipeline available to the secondary market.

Further afield, JLIF is progressing with its strategy to invest in Continental Europe and North America where PPP is a sophisticated method of procurement. We are keen to increase the number of assets held overseas to support the Company in its geographical diversification. JLIF is actively seeking such opportunities and strengthening our relationships with market participants.

JLIF has grown very quickly since IPO and has delivered the targeted dividend, whilst providing significant total shareholder return and NAV growth. This is a good achievement and we look forward to continuing this growth over the coming years.

Paul Lester CBE Chairman
18 March 2013

BOARD OF DIRECTORS

Paul Lester, CBE, Chairman
Paul Lester, a resident of the United Kingdom, has been appointed as non-executive Chairman of five organisations: Greenergy International Ltd in October 2010, Survitec Group in August 2011, Norland Managed Services in September 2011, Peverel in April 2012 and Parabis in October 2012. Mr Lester was chief executive of VT Group plc, the support services company, from July 2002 to July 2010. Mr Lester was group Managing Director of Balfour Beatty plc, the international engineering, construction and services group, from 1997 to 2002, and chief executive of Graseby plc from 1990 to 1997. Mr Lester has also held senior management positions at Schlumberger and the Dowty Group plc. He is an ex-president of the Society of Maritime Industries, EEF and BSA organisations.

Mr Lester is a non-executive Director of Invensys plc.

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

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

Talmai Morgan

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 is Chairman of the Listed Hedge Fund Forum of the Association of Investment Companies and holds an M.A. in economics and law from the University of Cambridge.

Guido Van Berkel
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, Luxembourg and Scandinavia. From 2001 until 2007 Mr Van Berkel was active on the Executive Board of Bank Sarasin in Switzerland and as such he acted as chairman of various Sarasin entities across Europe and Asia. Currently Mr Van Berkel is independent Director in a number of Luxembourg, British, Channel Islands and Dutch investment fund ranges and from the beginning of 2012 he is chairman of BlackRock Luxembourg SA and BlackRock Fund Management Sarl in Luxembourg as well as chairman of Blackrock Fund Managers Ltd.

THE FUND MANAGERS

David Marshall
David Marshall is one of the two Fund Managers of JLIF and has over 12 years of infrastructure investment experience with John Laing. Since launch in November 2010 David has co-led the development of JLIF, growing rapidly to a market cap of over £560 million, and raising new equity of around £520 million. JLIF is a member of the FTSE 250 and now owns 37 social infrastructure assets diversified across sectors and countries. Prior to his current role he was Chairman of the Investment Committee of John Laing that reviews all primary bidding activity, and sat on their project review committee for ten years. David was group treasurer of the John Laing Group for seven years and was instrumental in the major corporate transactions that transformed the Group from a construction company to a leading PPP player. He has substantial M&A experience that includes, over his career with John Laing, the buying and selling of 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. He is a Fellow of the Institute of Chartered Accountants in England & Wales, a Fellow of the Association of Corporate Treasurers and a member of the Association of Investment Companies Infrastructure and Property Forum

Andrew Charlesworth
Andrew Charlesworth is one of the two Fund Managers of JLIF and has over 17 years of experience in infrastructure development and finance. Most recently Andrew has co-led the development of JLIF from IPO in November 2010 through to becoming a FTSE 250 business with a market cap of

over £560m. This was achieved through the acquisition of 37 investment projects and raising around £520m in new equity in just two years. He has directed the equity investment of a number of PPP projects across most sectors, delivering over £800 million of shareholder contributions into projects and raising over £1.5 billion of funding in the last ten years. Andrew has a multi-faceted understanding of the PPP market, having acted as Adviser to authorities in the procurement of PPP projects and to the senior lenders funding them prior to becoming an equity sponsor.

Before moving into JLCM he led significant parts of the primary investment business within John Laing, initially as CEO of Regenter (John Laing's Social Housing PPP JV), then as Local Authority PPP Director and subsequently as Financial and Commercial Director for John Laing's global Investment business.

Andrew holds CFA UK's Investment Management Certificate.

Joanne Gibbins

Joanne Gibbins is the Senior Analyst to JLCM primarily responsible for managing acquisitions, reporting, research, and finance on behalf of JLIF. In addition to providing fund management services to JLIF to deliver value to investors, Joanne has over nine years of experience in infrastructure investments, contributing to 31 projects and £2 billion of funding. Joanne holds a directorship on one of JLIF's assets. Prior to August 2010, Joanne led the finance and commercial elements of multiple PPP projects across most sectors of the infrastructure market, both in the UK and internationally, and raised and invested project finance of approximately €500 million. Previously, Joanne worked at Carillion, a construction-to-services company, and gained significant experience in financial modelling for bidding and advising consortia on their investments.

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

Jamie Pritchard

Jamie Pritchard is Investment Manager to JLCM, primarily focusing on the delivery of secure returns for client assets and the identification of value enhancing opportunities. He serves as a director on a number of project companies within the JLIF portfolio. Jamie has over 10 years of experience in infrastructure investments gained across both primary and secondary markets and has led a large number of secondary market PPP transactions. His extensive portfolio management experience includes the successful delivery of enhanced value to investors from PPP equity assets. Jamie has led the bidding and project financing of multiple projects across most sectors of the social infrastructure market, including transport, healthcare and education. He has raised and invested project finance in excess of €1bn.

Prior to joining John Laing, James worked at Serco, a major outsourcing organisation, leading the commercial and financial structuring of bids across a range of sectors. James is a member of the Institute of Chartered Accountants in England and Wales.

JLIF'S BUSINESS

Deliver

JLIF, in collaboration with its supply chain partners, provides excellent operational services to our clients. This is the cornerstone of our business from which successful long term relationships are established and maintained with our stakeholders. These relationships facilitate contractual changes, variations and other activities to deliver benefits to our clients. During 2012 JLIF supported its clients in the following achievements:

- Re-modelling the A&E department at Queen Elizabeth Hospital in Greenwich and installing additional energy capacity to meet the client's needs.
- Participating in an HM Treasury pilot scheme to explore ways in which efficiencies can be delivered for the public sector in the Greater Manchester Police Stations project.
- Extending classrooms at two primary schools at the North Swindon Schools project, thereby assisting the schools to accommodate the increased demand for school places. The construction work was completed during the school holidays with minimal disruption to school activities. We continue to work with the client to accommodate future capacity requirements.
- Designing and implementing a robotic mail sorting system at Forth Valley Royal Hospital to facilitate cost savings. The team is also currently working to facilitate the provision of a Maggie's Cancer Centre on the site of the hospital which is anticipated to be operational in 2014.
- Supporting clients on many projects with various feasibility studies and smaller contract variations including investigating the potential for additional school capacity for the Newham Schools and Enfield Schools projects and completion of control room changes on the North East Fire and Rescue project.

Enhance

From the solid foundations developed through the successful delivery of operational services, JLIF has been able to grow its Portfolio during 2012 through value enhancement activities and acquisitions of co-shareholdings. The increasing size of the Portfolio enables procurement and cost efficiencies to be delivered providing value across the Portfolio. During 2012, JLIF also achieved value through the acquisition of additional interests from co-shareholders. In October 2012, JLIF acquired a further 9% interest in LUL Connect (CityLink) and 50% interest in Forth Valley Royal Hospital and in December 2012 it acquired an additional 7.5% interest in the Cleveland Police Headquarters project, each time from existing co-shareholders. It also undertook negotiations with co-shareholders in the E18 road project in Finland, which resulted in the acquisition of an additional 9% interest in the project, reaching completion in January 2013.

Develop

In addition to growth delivered through value enhancement activities and natural unwinding of the discount rate, the major source of growth in the Portfolio is through acquisitions. During 2012, JLIF acquired interests in 11 projects totalling £158 million. Over a third of new asset investment value was acquired from vendors other than John Laing.

Notably, JLIF increased its interest in non-UK projects during 2012, acquiring a 40% interest in the Kromhout Barracks PPP, the headquarters of the Dutch MOD located in Utrecht, Netherlands. The project involves the design, build, finance, maintenance and operations of primarily office accommodation with capacity for 3,000 civil and military staff under a 25 year concession ending in September 2035. The €275 million design and construction activities were carried out by Ballast Needam B.V and Strukton B.V. Hard FM services are provided by Strukton Worksphere B.V and soft FM services by ISS Nederland B.V.

Health	Schools	Justice & Emergency Services	Roads & Transport	Regeneration & Social Housing	Defence	Street Lighting

Kingston Hospital 60%	Glasgow Schools 20%	Greater Manchester Police Station 27.08%	E18 Road 41%***	Brockley Social Housing PPP 100%	MoD Main Building 26%	Manchester Street Lighting 50%
Newham Hospital 50%	South Lanarkshire Schools 15%	Metropolitan Specialist Police Training Centre 27.08%	M40 Motorway (UK) 50%	Bentilee Hub Community Centre 100%	Kromhout Barracks PPP project 40% *	Walsall Street Lighting 100%
Forth Valley Royal Hospital 100% **	Edinburgh Schools 20%	North East Fire and Rescue 100% p	Sirhowy Way 100%	Camden Social Housing 50% *		Wakefield Street Lighting 50%
Queen Elizabeth Hospital, Greenwich 27.50%	North Swindon Schools 100%	Avon & Somerset Courts 40%	M6/M74 Motorway (Scotland) 11%	Canning Town Social Housing PPP 100%		
Abbotsford Regional Hospital and Cancer Centre 100%	Highland School, Enfield 100%	Cleveland Police Station and HQ 50%**	LUL Connect (CityLink) 28.5% **	Islington Social Housing I 45% *		
Vancouver General Hospital 100%	Newham Schools 100%			Islington Social Housing II 45% *		
Roseberry Park Hospital 100% *	Enfield Schools 100%					
Pembury Hospital 37.5% *						
Newcastle Hospital 15% *						

Key

* Newly acquired

** Increased stake

*** Additional 9% acquired in January 2013 taking total shareholding to 50%

INVESTMENT ADVISER REPORT

1. ABOUT THE INVESTMENT ADVISER

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

2. INVESTMENT PERFORMANCE

2.1 Share Price Analysis

JLIF's share price has continued to perform steadily over the 12 months to 31 December 2012. The share price increased from a price of 108.5 pence at the end of 2011 peaking at 111.3 pence in August 2012. The share price, as expected, decreased by approximately three pence in March following the shares trading ex-dividend (for the dividend announced for the six month period ended 31 December 2011).

In the interim report for the six month period ended 30 June 2012, JLIF highlighted the focus in the media over the financial stability of some specified NHS trusts, including the South London NHS Trust, which runs three hospitals including the Queen Elizabeth Hospital in Greenwich ("QEH"), in which JLIF has a 27.5% shareholding. The media focus started towards the end of June 2012 which resulted in the shares trading down for a short period in to July. As stated in the interim report, the project company for QEH, typical of most UK Hospital PPP projects, is protected by a letter of comfort from the Secretary of State for Health and as such there is no material risk to the project at this time.

On 5 September the share price decreased by approximately three pence following the shares trading ex-dividend (for the dividend announced for the six month period ended 30 June 2012), and on 7 September JLIF announced the capital raise for £60 million at an issue price of 106.5 pence which closed on1 October 2012.

Whilst global economic conditions remain uncertain and the financial markets are experiencing volatility JLIF's share price has remained relatively stable, trading throughout the year at a premium to NAV. JLIF has paid a dividend of 6.0 pence per share in its second full year and has generated total shareholder return of 17.8% from launch in November 2010 to the end of December 2012.

2.2 Ongoing Charges

Ongoing Charges is an indicator of the drag on performance caused by operational expenses in managing JLIF. It is expressed as the percentage reduction in shareholder returns as a result of recurring operational expenses assuming markets remain static and the Portfolio is not traded. Although a historical figure, it is a reasonable indication of the likely level of costs that will be incurred in managing the fund in the future. The Ongoing Charges figure has been prepared in accordance with the Association of Investment Companies' ("AIC") recommended methodology which excludes acquisition fees from the calculation. JLIF's Ongoing Charges ratio for 2012 was

1.23% (the Ongoing Charges ratio for 2011 was 0.99%. The apparent increase in the ratio is a consequence of the metric's calculation on a cash flow basis and the delay to several large invoices relating to services provided to JLIF in 2011 actually being received in 2012). JLCM believes this to be competitive and to demonstrate that management of the fund is efficient with minimal expenses incurred in its ordinary operation.

The AIC's recommended approach excludes acquisition fees from the Ongoing Charges calculation. JLCM earns acquisition fees only on non-John Laing sourced acquisitions. To provide investors with the total cost of managing the fund, we have presented below the AIC's recommended disclosure.

	2012	2011
Ongoing Charges (using AIC recommended methodology)	**1.23%**	0.99%
Acquisition fees	**0.08%**	0.05%
Ongoing Charges plus acquisition fees	**1.31%**	1.04%

JLIF has a very competitive and efficient cost structure which is borne out in comparison with its competitors.

3. VALUATION

3.1. Portfolio Value

JLCM is responsible for the preparation of a fair market valuation of the Portfolio, which is presented to the Directors. To provide additional assurance to both the Board and JLIF's investors with respect to the valuation, an independent verification exercise is performed by a leading accountancy firm and an opinion provided to the Directors. Subsequently, the Board approves a valuation of the Portfolio for the year ended 31 December 2012.

The valuation methodology is based on discounting forecast cash flows from the underlying assets in the Portfolio. This is consistent with the methodology used to value the Portfolio since launch in 2010.

The valuation of the Portfolio at 31 December 2012 was £537.4 million compared to a valuation of £380.4 million at 31 December 2011, an increase of £157.0 million or 41%. A reconciliation of the factors contributing to the growth during the year is shown in the table and illustrated in the chart below.

As at 31 December 2012 there are no outstanding investment obligations associated with any projects in the Portfolio.

	£000s change	% change
Opening value at 31 December 2011	**380,439**	
Acquisitions	140,841	
Loan note subscriptions	14,757	3.88%

Cash received from investments	(40,496)	(10.64%)
Discount Rate Movements	1,376	0.36%
Exchange rate movements	(1,562)	(0.41%)
Opening value rebased at 31 December 2012	**495,355**	
Growth in value	42,040	8.49%
Value at 31 December 2012	**537,395**	

		% change
Opening value at 31 December 2010	264,735	
Acquisitions	109,518	
Loan note subscriptions		-
Cash received from investments	(23,977)	(9.06%)
Discount Rate Movements	(174)	(0.00%)
Exchange rate movements	(1,767)	(0.67%)
Opening value rebased at 31 December 2011	348,334	
Growth in value	32,104	9.22%
Value at 31 December 2011	380,439	

3.1.1 Acquisitions

JLIF made 11 acquisitions during the 12 month period to 31 December 2012 for a total consideration of £140.8 million. These comprised stakes in new assets and additional stakes in existing investments. The table below summarises the activity over 2012.

Asset	Shareholding Acquired	Total Shareholding after Acquisition
Camden Social Housing	50%	50%
Cleveland Police Station and HQ	7.5%	50%
Forth Valley Royal Hospital	50%	100%
Islington I Housing	45%	45%
Islington II Housing	45%	45%
Kromhout Barracks	40%	40%
LUL Connect (CityLink)	9%	28.5%
NEFRA	20%	100%
Newcastle Hospital	15%	15%
Pembury Hospital	37.5%	37.5%
Roseberry Park Hospital	100%	100%

JLIF primarily funded these acquisitions through new capital raised in the equity markets. The additional 9% stake in LUL Connect (CityLink) was funded using JLIF's revolving credit facility which was subsequently repaid using project distributions at the end of the year.

During the year, JLIF completed investments in six assets from vendors other than John Laing, bringing the total third party investments made since launch to 13. By value this meant that third party investments represented more than a third of total investments in 2012 including injecting subordinated debt in to the Forth Valley Royal Hospital project. While the First Offer Agreement with John Laing remains important to JLIF's short and medium term growth objectives, JLIF sees an increasing proportion of new investments being derived from the wider secondary market.

In addition to these acquisitions, JLIF contributed £14.8 million of shareholder loan notes to the Forth Valley Royal Hospital project in order to execute its outstanding subscription obligation. This injection was previously ring-fenced in an account at the time of acquiring the asset from Commonwealth Bank of Australia in 2011.

3.2 Valuation Assumptions

3.2.1 Discount Rate

JLCM uses a consistent methodology in determining the discount rate used to value each asset in the Portfolio. The resultant discount rates are reviewed by an independent firm of qualified valuers and an opinion provided to the Directors in order to provide additional assurance as to the appropriateness of the discount rates used. The discount rate applied to each project is based on an historical five year rolling average gilt rate with a maturity matching the remaining concession length of each project. Various premia and/or discounts are added to this risk free rate to reflect the characteristics of the assets, including the specific risk profiles. This valuation methodology is consistent with that used since JLIF launched in 2010.

The weighted average discount rate ("WADR") resulting from the valuation of the Portfolio at 31 December 2012 was 8.29%. This is a reduction of seven basis points from the WADR at 31 December 2011, which primarily results from a reduction in the underlying five year rolling average gilt rate partially offset by an increase in the weighted average risk premium derived from a fair market valuation of the assets.

The table below illustrates the range of discount rates used across the Portfolio compared with that at 31 December 2011 and the sensitivity of the Portfolio to movements in discount rate.

Year	2012	2011
Weighted average Gilt rate	3.7%	4.1%
Weighted average risk premium	4.59%	4.26%
WADR at 31 December	8.29%	8.36%
Range of asset discount rates	7.95% – 8.87%	7.99% – 8.99%
Number of assets	37	30
Sensitivity of the Portfolio Valuation to movements in the discount rate		

+ 1% (9.29%) for 2012	Decreases by 7.39% (£39.7m)	Decreases by 7.41% (£28.2m)
– 1% (7.29%) for 2012	Increases by 8.48% (£45.6m)	Increases by 8.70% (£33.1m)

The discount rate used as the basis of the Portfolio valuation is considered a key driver of value by the market and is examined as part of the independent review of the valuation.

3.2.2. Interest rates

All of the projects in the Portfolio are funded with effective fixed rate financing, through interest rate swaps or sometimes with fixed rate bond finance. Any increase in interest rates will have virtually no impact on the finance costs of the projects and therefore no impact on the returns paid to JLIF.

Minimising adverse impacts while still retaining some exposure to macroeconomic factors as desired by investors is of importance to JLIF to enable the projects to have stable predictable yields.

Long term gilt yields in the UK, Continental Europe and Canada are currently at low levels and therefore there is a risk that they will increase over time. Historically there appears to have been little or no correlation between movements in gilt yields and discount rates used to value PPP projects. The current Portfolio weighted average discount rate, 8.29%, is significantly higher than gilt yields, and this differential is higher than it has been in prior years.

3.2.3 Cash deposit rates

Each asset in the Portfolio holds cash deposits (usually six month term) in reserve accounts, typically a requirement of the senior debt providers. As a result, investment income from the Portfolio can vary depending on the interest earned on these deposits. The Portfolio valuation assumes deposit rates in the UK (the majority of the Portfolio) of 1.5% during 2013 which is in line with current market rates being offered by banks, increasing to a long term deposit rate of 3.75% from 2017 onwards. The Euro and Canadian deposit rates assumptions follow a similar trend, Euro deposit rates being assumed to increase from 0.5% in 2013 to a long term rate of 2.5% from 2017 and Canadian deposit rates assumed to increase from 1.0% in 2013 to 3.0% from 2017 and thereafter. The impact on the whole Portfolio valuation of a change to these deposit rate assumptions for the remaining life of the projects is shown in the table on the next page.

	Portfolio Value Impact 2012	Portfolio Value Impact 2011
Increase by 1% (Deposit rate = 4.75%)	Increases by 1.74% (£9.3m)	Increases by 2.28% (£8.7m)
Decrease by 1% (Deposit rate = 2.75%)	Decreases by 1.75% (£9.4m)	Decreases by 2.03% (£7.7m)

If deposit rates were at the levels shown in the table above for only a few years rather than the assumption of the whole remaining life of the Portfolio (average life of the Portfolio is 19.6 years), any potential impact would be substantially reduced.

3.2.4. Foreign Exchange

As at 31 December 2012 the Portfolio contained four projects that have exposure to foreign exchange being the Canadian Dollar ("CAD") and the Euro. These projects with non-Sterling denominated cash flows represented 20.4% of the Portfolio Value compared to 24.7% at 31 December 2011. The reduced exposure in the Portfolio to foreign currency is principally due to the change in Portfolio composition resulting from acquisitions during the year, together with some movements in each asset's respective valuation.

The table below illustrates the impact on the Sterling value of the Portfolio as a result of a change in the Sterling/Euro and Sterling/Canadian Dollar exchange rates of 5%.

Scenario	Euro: Sterling at 31 December 2012	CAD Sterling at 31 December 2012	Portfolio Valuation at 31 December 2012	Impact
Portfolio valuation	1.222	1.610	£537.4m	-
Euro & CAD appreciate by 5% versus Sterling	1.161	1.529	£543.1m	+ £5.7m (+1.1%)
Euro & CAD depreciate by 5% versus Sterling	1.283	1.690	£532.2m	- £5.2m (-1.0%)

Non-Sterling denominated income from JLIF's assets is considered relative to the foreign exchange market to determine whether the potential volatility is material enough to enter in to a forward contract to hedge against currency movements. During 2012, JLIF entered in to a target forward contract on 80% of its Canadian Dollar-denominated income to fix a band of rates at which it could swap the cash flows in to Sterling. This ended in December 2012. JLIF also considers natural hedges of costs and revenue items as a way of minimising the volatility of exchange rate movements on the Portfolio.

3.2.5 Inflation

Each of the projects in JLIF's Portfolio receives a revenue stream from its government client, which is usually part inflation linked. For projects in the United Kingdom project revenues are typically linked to RPI or RPIx. In addition, Abbotsford Hospital and Vancouver General Hospital have revenues linked to Canadian CPI, while Kromhout Barracks is linked to Dutch CPI, and the E18 is linked to Finnish construction and engineering indices, MAKU and ELSPOT. As a result, and after taking account of the cost indexation arrangements of the projects, cash flows from the Portfolio are positively linked to inflation. If inflation increases, the value of the Portfolio increases, and vice versa. The approximate correlation to inflation is 0.5; therefore, for every percentage point increase in inflation above the assumed level, returns increase by approximately 0.5%. The effect is broadly symmetrical and so a fall in inflation would produce a similar but opposite effect. This has not changed since 2011.

The long term indexation assumptions used to value the JLIF Portfolio at 31 December 2012 are set out below and are consistent with those used in the valuation at 31 December 2011. As at February 2013 RPI was 3.3

Country	Index	Assumption
United Kingdom	RPI / RPIx	2.75%
Canada	CPI	2.1%
Netherlands	CPI	1.9%
Finland	MAKU / Elspot	3.0% / 2.5%

Sensitivity analysis has been performed to demonstrate the impact of inflation on the Portfolio Value as at 31 December 2012.

	Portfolio Value Impact 2012	Portfolio Value Impact 2011
Increase by 1%	Increases by 3.82% (£21.3m)	Increases by 4.73% (£18.0m)
Decrease by 1%	Decreases by 3.33% (£17.3m)	Decreases by 3.66% (£13.9m)

3.2.6 Corporation tax

The taxable profits of each of the project companies in the Portfolio are subject to corporation tax in their respective jurisdictions and over their lifetimes each project is likely to pay significant amounts of tax.

The amount of tax to be paid over the remaining life of each project has been estimated and included as a negative items in its valuation. The long term corporation tax assumptions used in generating the Portfolio valuation as at 31 December 2012 are those that have been enacted by legislation in each jurisdiction as at 31 December 2012. These are summarised in the table below.

Country	Corporation tax rate
United Kingdom	23%
Canada	25%
Netherlands	20% – 25%
Finland	24.5%

In the 2012 Autumn Statement, the UK's Chancellor of the Exchequer announced his intention that corporation tax rates are to decrease further to 21% by April 2014, which if enacted will provide a positive impact on the Portfolio Value.

4. PORTFOLIO PERFORMANCE

JLIF received income from its Portfolio, principally in the form of dividends, interest and repayment of principal on shareholder loans totalling £40.5 million during the 12 month period ended 31 December 2012. This represents a robust performance and these strong cash flows were in excess of the yield anticipated from the Portfolio at asset acquisition dates. These payments from the asset companies naturally reduce the value of the Portfolio since the cash flows have been realised and are no longer contained within the forecast income.

The composition of the discount rates used in the Portfolio valuation at 31 December 2012 is illustrated in section 3.2. The increase in value of £1.4 million results from a combination of the reduction in the five year rolling average gilt rate and an increase in the premia applied to reflect a fair market valuation for the assets. Gilt rates are used as the proxy for the risk free rate, to which various premia and discounts are applied to form the discount rate, which is then used to value the cash flows from each asset.

JLIF's policy since launch has been to not hedge the balance sheet values of the assets. The impact of currency fluctuations and the sensitivity of the Portfolio valuation to variations in exchange rate is discussed further in section 3.2.4.

The Portfolio valuation is the major component of the Net Asset Value ("NAV")[1]. NAV is the Total Assets (including Portfolio Value) minus the liabilities of the Investment Group. To aid clarity, the table below shows the NAV with and without the impact of exchange rate movements.

	As at 31 December 2012	As at 31 December 2011
	Net Asset Value per share	Net Asset Value per share
Including exchange variations	105.7p	104.6p
Excluding exchange variations	105.6p	104.1p

After having taken account of acquisitions, loan note subscriptions, cash received from investments and changes in discount rates and exchange rates during the year, the rebased Portfolio valuation at 31 December 2012 is £495.4 million. This, combined with the underlying growth in value of the Portfolio of £42.0 million (8.49% of the rebased Portfolio Value), results in the Portfolio valuation at 31 December 2012 of £537.4 million.

The weighted average discount rate ("WADR") of the Portfolio as at 31 December 2012 was 8.29%, and if all investments were held throughout all the year this would be the percentage growth expected due to the natural unwinding of the discount rate. However, certain acquisitions and investments were made during the year. When time weighting these investments made and distributions received during the year, the expected growth rate from the natural unwinding of the discount rate can be calculated as approximately 7.20% or £35.6 million.

JLIF delivered Portfolio growth that was higher than the expected level by £6.4[2] million (1.29%) in 2012. This is the result of a number of factors (i) the impact of cost efficiencies from managing our projects (ii) other value enhancement activities within the assets (iii) achieving and delivering additional value that is embedded within the assets that JLIF has acquired (iv) actual inflation being greater than JLIF's long term forecast. JLIF has consistently delivered Portfolio growth higher than the expected discount rate unwind since it launched in November 2010.

As at 31 December 2012 the Portfolio contained investments in 37 assets. As described above, overall the growth of the Portfolio valuation has exceeded that expected from the unwind of the discount rate. However, as with any portfolio there is a degree of variability in the valuation growth exhibited by each individual asset, some growing greater than forecast and others less.

1 Pursuant to Listing Rule 9.2.18 JLIF reported an unaudited NAV as at 31 August 2012 in its September 2012 Prospectus of £468.2 million and this figure has not changed.
2 £6.4 million does not take into account the timing of value enhancements through the year. If timing is taken into account £6.4 million becomes £6.6 million.

Those projects for which growth exceeded expectations include the Brockley and Canning Town social housing projects, the Edinburgh schools project, the Forth Valley Royal Hospital project and the MOD Main Building in Whitehall. The increases in value largely resulted from value enhancement activities undertaken during the year, including cost efficiencies and additional revenue generation. In addition, growth exceeded expectations on a number of acquisitions completed during 2012, including the Newcastle Hospital and Roseberry Park Hospital projects as a result of improved cash flow timing compared to the acquisition assumptions.

Those projects for which growth was below expectations include the M40 and M6 road projects where major maintenance cost forecasts over the remaining concession life have been revised and re-timed, the Glasgow schools project which due to performance is paying tax earlier than expected and Kromhout Barracks where anticipated cost reductions are yet to crystallise. Performance on the remaining assets in the Portfolio was largely in line with expectations.

In the interim report for the six month period ended 30 June 2012, JLIF highlighted the media reports concerning the financial stability of some specified NHS trusts, including the South London NHS Trust, which runs three hospitals including the Queen Elizabeth Hospital in Greenwich (“QEH”), in which JLIF has a 27.5% shareholding. As we stated in the interim report, the project company for QEH, typical of most UK Hospital PPP projects, is protected by a letter of comfort from the Secretary of State for Health stating his intention that if any Trust were unable to meet its obligations, including its liabilities to its PPP contractors or their financiers, the Secretary of State would intervene in a timely manner to ensure that either the Trust itself, or any entity to which its liabilities are transferred in accordance with the relevant legislation, is in a position to meet its liabilities on time and in full. As such JLIF does not consider there to be a material risk to the project at this time. The project company will continue to focus on delivering services to the South London NHS Trust, or any successor organisation, in accordance with its contract.

5. GEARING

JLIF has the ability to raise debt up to 25% of the Total Assets of JLIF. In February 2013 JLIF signed a three year £150 million revolving credit facility with National Westminster Bank plc, Lloyds Bank plc and ING Bank NV, which expires in February 2016. The margin on the facility is 2.3% over LIBOR and subject to variation should the loan to value ratio change significantly. The commitment fees on the undrawn amount of debt are 45% of the applicable margin, which assuming 2.3% would be 1.035% per annum. The facility will be used primarily to fund third party acquisitions in between capital raisings.

The previous facility was undrawn at 31 December 2012 and the new facility is undrawn at the time of writing this report.

6. FINANCIAL RESULTS

The financial statements of John Laing Infrastructure Fund Limited ("JLIF" or "the Company") for the year ended 31 December 2012 are on pages 37 to 81.

Basis of accounting

During the year, JLIF (or the "Company" or "Group") acquired seven new PPP assets and increased its shareholding in four other PPP assets with the investments in these companies comprising a combination of equity investments in shares and subordinated loans.

The Group has both recourse and non-recourse parts. The Investment Group, that comprises the Company, its two wholly owned Luxembourg subsidiaries (JLIF Luxco 1 Sàrl and JLIF Luxco 2 Sàrl), the English Limited Partnership (JLIF Limited Partnership) and the 22 (2011 – 17) wholly owned subsidiaries of the English Limited Partnership that together hold the investments in the 37 (2011 – 30) assets, forms the recourse part of the Group, whilst the 37 (2011 – 30) assets themselves comprise the non-recourse part of the Group. The effect of this is that any cash held by or debt in the 37 assets is without recourse to the Investment Group. The cash in the underlying assets only becomes recourse to the Investment Group when the assets make distributions to their shareholders. These distributions are comprised of returns on investments (interest on subordinated loans and dividends on equity), which are reported in the Income Statement, together with repayments of investments (subordinated loan repayments and equity redemptions).

At 31 December 2012, the Group controlled 14 (2011 – 12) of these assets by virtue of having the power, directly or indirectly, to govern the financial and operating policies of the projects. Under IAS 27 (revised 2008) Consolidated and Separate Financial Statements, 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 23 (2011 – 18) projects but has significant influence over the financial and operating policies of these projects and, along with other shareholders, jointly controls these entities. Accordingly, the Group would usually account for these investments in accordance with IAS 31 "Interests in Joint Ventures". However, the Group has taken the exemption from IAS 31 available to venture capital organisations and similar entities and these 23 (2011 – 18) investments are designated upon initial recognition to be accounted for at fair value through profit or loss.

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

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

The financial results under the Investment basis reflect the Group's activity as an investment company, incorporating the returns from and fair value movements of the entire Portfolio regardless of the extent of control or influence the Group can exercise. The financial results under the IFRS consolidated basis replace the Investment basis results of the 14 (2011 – 12) 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.

Results for the year ended 31 December 2012
The key financial results for the year ended 31 December 2012 are:

All amounts presented in £'000 (except as noted)	Investment Basis	Consolidated IFRS Basis
Net assets	542,399	522,413
Portfolio Value	537,395	319,198
Gain on Portfolio Value	6,583	3,487
Net assets per share (pence)	105.7	101.8
Profit before tax	33,486	1,110

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

All amounts presented in £'000 (except as noted)	Investment Basis	Consolidated IFRS Basis
IFRS Basis		
Net assets	441,571	446,526
Portfolio Value	380,439	232,345
Gain on Portfolio Value	11,597	4,377
Net assets per share (pence)	104.6	105.8
Profit before tax	23,345	35,015

- Interim dividend of 3.0 pence per share declared in August 2012 and paid in October 2012 as targeted
- 8.5% increase to £537.4 million of rebased Portfolio Value since 1 January 2012 (2011 – 9.2% increase to £380.4 million)

Investment basis – Net assets
The net assets on an Investment basis, known as the Net Asset Value ("NAV"), is the basis used for reporting the results of the Group as an Investment Group. On an Investment basis, all 37 (2011 – 30) projects are accounted for in the same way at fair value as described in the basis of accounting section above. The movement in the NAV compared to 31 December 2011 is primarily driven by acquisitions and a gain in the Portfolio Value.

Portfolio Value is the fair value of the investments in all 37 (2011 – 30) projects calculated using the discounted cash flow method. The Portfolio Value is rebased each year to reflect any amounts received from the projects and any disposals of investments in the period between 31 December 2011 and 31 December 2012 (see section 3.1).

The gain on Portfolio Value of all investments in the year is £6.6 million (2011 – £11.6 million). The Portfolio Value increased from £380.4 million at 31 December 2011 to £537.4 million at 31 December 2012. The increase in Portfolio Value of £157.0 million comprises acquisitions of £156.0 million (including interests in both equity and further subordinated loan note subscriptions), the gain of £6.6 million above, together with the increase in interest receivable on subordinated loans from 31 December 2011 to 31 December 2012 of £0.2 million included in interest income in the financial statements less subordinated debt repayments of £5.8 million in the year.

Further details on the Portfolio Value and the reasons for the gain are provided in Section 3 of this Investment Adviser's Report.

Consolidated IFRS basis – Net assets
On a consolidated IFRS basis, some of the underlying assets and liabilities of the subsidiary entities are held at fair value (including PPP financial assets and financial derivatives) whereas others such as intangible assets and bank debt are recorded at fair value on acquisition and are subsequently held at amortised cost.

Net assets on a consolidated IFRS basis have increased due the capital raises and consequent acquisitions in the year net of certain fair value movements which are described below.

Reconciliation between Investment basis and IFRS consolidated basis net assets
In the UK market the cost of debt for PPP projects has risen, despite decreases to the risk free rate. As a consequence, recording debt in UK project subsidiaries at fair value would lead to a lower liability than that currently recognised at amortised cost. Recording the intangible assets at fair value would lead to a higher asset being recorded as compared to the current amortised cost carrying value. The fair value of the intangible assets is in excess of the amortised cost carrying value due to improved forecast operational performance and inflation.

These factors, together with the associated deferred tax, explain the majority of the difference in net assets between the consolidated IFRS basis and the Investment basis.

Investment basis – profit before tax
Under the Investment basis, profit before tax ("PBT") was £33.5 million (2011 – £24.3 million). This comprised returns from investments in projects of £35.3 million (2011 – £18.9 million) and a gain on Portfolio Value of £6.6 million (2011 – £11.6 million) offset by recourse costs of the Investment Group of £8.4 million (2011 – £7.2 million) which includes acquisition costs of £1.1 million (2011 – £2.0 million).

Consolidated IFRS basis – profit before tax
Under the IFRS consolidated basis, PBT was a profit of £1.1 million (2011 – £35.0 million).

The group has made a £9.8 million (2011 – £7.4 million) loss from operations being amortisation of intangible assets of £6.6 million (2011 – £2.9 million) offset by gross profit from project subsidiaries of £4.7 million (2011 – £2.3 million) and including recourse net loss of the Investment Group of £7.9 million (2011 – £6.7 million).

The group has made other gains of £24.3 million (2011 – £38.4 million) being the aggregate of gain in the fair value of finance receivables of £34.9 million (2011 – £50.4 million), £10.7 million (2011 – £12.0 million) fair value loss on financial derivatives and exchange gain of £0.1 million (2011 – £ nil). The gain in the fair value of financial receivables comprises interest received of £50.9 million (2011 – £17.6 million) net of financial assets fair value loss of £16.0 million (2011 – gain £32.8 million) (see note 7).

The overall decrease in this year's PBT compared to 2011 is primarily as a result of this loss on the fair value of the financial assets in the year of £16.0 million (2011 – gain £32.8 million) caused by an increase in commercial margins for debt.

The discount rates used to calculate the fair value of financial assets are determined by reference to the commercial margins and swap rates for PPP debt. During the year, risk free rates in the UK have fallen, although this has been more than offset by an increase in commercial margins giving rise to an increase in the discount rate and consequential decrease in fair value of the financial assets.

The element of this attributable to falling risk free rates and, hence, a marginal decrease in swap rates is offset in the income statement through the fair value loss on financial instruments of £10.7 million (2011 – £12.0 million). However, the increase in commercial margins which would give rise to the debt in the UK PPP projects to be a lower liability is not reflected in the income statement as these are required to be held, subsequent to recording at fair value on acquisition, at amortised cost.

The IFRS results also include:

- £41.5 million (2011 – £14.8 million) of finance costs payable on non-recourse project company loans in subsidiaries; and
- Income on bank deposit and income and gains on the fair value of investments in joint ventures of £29.3 million (2011 – £19.3 million)

Reconciliation between Investment basis and IFRS consolidated profit before tax

The PBT in respect of the Investment basis is a reflection of changes in fair value of the entire portfolio. Under IFRS, the PBT does not reflect the fair value movements on all assets and liabilities. This is because there are certain balances, being the intangible assets and the bank debt, which are recorded at fair value on acquisition and then are subsequently accounted for at amortised cost. All of the other assets and liabilities affecting PBT are reflected in the IFRS balance sheet at fair value. If these balances were held at fair value then the bank debt would give rise to a gain due to an increase in bank margins during the year and the intangible asset would give rise to a gain reflecting improved forecast operation performance and inflation. These are the principle factors which reconcile IFRS consolidated and Investment basis PBT.

Investment basis – cash flow statement

The Group has a total cash balance on an Investment basis of £8.3 million and currently no debt. The breakdown of the movements in cash is shown below:

Cash flows of the Investment Group for the year ended:

Year	2012 £m	2011 £m
Cash balance as at 1 January	48.6	7.6
Capital raising	91.5	158.0
Listing costs	(1.9)	(2.4)
Acquisition of projects	(155.6)*	(109.5)
Acquisition costs	(2.3)	(2.6)
Cash held as collateral for payment committed obligation	14.8	(14.8)
Distributions received from projects	40.5	24.0
Interest on deposits and recoveries of Letters of Credit charges	0.6	0.6
Operating and administrative expenses	(5.6)	(2.1)
Financing costs	(1.1)	(1.1)
Dividends paid to shareholders	(21.2)	(9.1)
Cash balance at 31 December	**8.3**	**48.6**

* Excludes agreed price amendment for Pembury Hospital which was accrued at the year end (£0.3 million).

During the year, the Group received £40.5 million of distributions from its investments which includes £0.4 million of distributions relating to year ended 31 December 2011. As at 31 December 2012, £0.7 million of distributions relating to the year was outstanding. This is consistent with distributions expected by the Group as forecast during the Portfolio valuation process for the prior period end. The distributions in the year more than sufficiently cover the operating and administrative expenses, financing costs as well as the dividends paid to its shareholders.

The Company has declared a total dividend of £16.0 million (3.125 pence per share) which is payable on 10 May 2013. The Group believes that future distributions will continue to be in line with expectations and therefore will continue to fully cover future costs as well as planned dividends payable to its shareholders.

The cash balance at 31 December 2012 for the Total Group under the IFRS basis of £44.3 million (2011 – £76.7 million) includes £36.0 million (2011 – £28.1 million) of cash held in Project Subsidiaries.

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

7. OUTLOOK

Investment in infrastructure and the involvement of the private sector in the delivery and financing of infrastructure projects remains important in many overseas markets. Governments around the world are facing similar issues to those faced in the UK such as constraints on public sector capital, the need to re-invest in now outdated infrastructure, and the need to create economic growth and employment.

JLCM remains cautiously optimistic about the future of the UK infrastructure market. The government has introduced PF2 as a route for procurement. This development aims to coordinate alternative sources of financing with the provision of infrastructure to support the anticipated growth in the UK market. JLCM welcomes this approach to stimulate the market and looks forward to engaging with participants in the near future on secondary opportunities.

Several overseas markets have gained substantial experience in procuring infrastructure projects through a model similar to that used in the UK and have both a pipeline of primary projects to be delivered over the next few years as well as pipelines of secondary deals as projects develop operational track records. Markets that are of particular interest to JLIF as an existing investor include Canada and the Netherlands.

Canada remains a strong infrastructure market providing good investment opportunities for the private sector and with support for the PPP model at all levels of government. Although the Canadian market has marginally slowed, both the PPP market and the wider economy are generally considered to have remained resilient during the recent economic fluctuations. The current Canadian government has invested record levels in infrastructure and recently committed to a new infrastructure plan which will extend beyond 2014.

The Netherlands is a mature PPP market with an open economy in which the PPP model enjoys broad political support. The Netherlands' procuring agencies have continued to demonstrate their ability to procure projects successfully and grow their experience. The Dutch market has seen a good flow of projects and this is expected to continue, particularly in the transport and social infrastructure sectors.

INVESTMENT POLICY

JLIF invests in projects where revenue streams are:

- Public sector sourced or government-backed; and
- Predominantly “availability-based” (where payments received by the Project Company do not generally depend on the level of use of the project asset); other projects being “demand-based” (where the payments received depend on the level of use made of the project asset). A project is “availability-based” for these purposes if the Investment Adviser deems that 75% or more of payments from the relevant project entity do not generally depend on the level of use of the project asset.

While it is envisaged that further acquisitions will be of operational PPP projects with availability-based revenues, it is possible that a limited number of projects still in their construction phase or with “demand-based” payment mechanisms may be acquired.

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

Geographic focus

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

The Company will seek to mitigate country risk by concentrating on investment opportunities in jurisdictions where JLCM advises that contract structures and their enforceability are reliable, where (to the extent applicable) JLCM advises that public sector obligations carry a satisfactory credit rating and where financial markets are relatively mature. JLIF seeks to ensure that over 50% of the Company's Total Assets, measured by value, will be in respect of projects that are based in the UK (although this will not require JLIF 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, JLIF will ensure that the investment (or, in the event of an acquisition of a Portfolio of investments, each investment in the Portfolio) acquired does not have an acquisition value (or, if it is an additional stake in an existing investment, the combined value of both the existing stake and the additional stake acquired is not) greater than 25% of JLIF's Total Assets immediately post acquisition. In selecting new investments to acquire, JLIF will seek to ensure that the Portfolio of projects in which JLIF invests has a range of public sector clients and supply chain contractors, in order to avoid over-reliance on any single client or contractor.

Gearing

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

Origination of investments

All of the investments in the Portfolio have similar characteristics to those set out above and further investment opportunities will only be pursued 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.

JLIF has established procedures to deal with any potential conflicts of interest that may arise from individuals at John Laing who may act for 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:

- Complete segregation of JLCM, acting on behalf of JLIF, and the John Laing "sell side" team.

- A requirement to conduct asset due diligence through third party suppliers acting for JLIF, and for a report on the Fair Market Value of the Investment Capital to be obtained from an independent expert.
- JLIF Limited board approval prior to submitting an offer to John Laing and prior to execution of the Sale and Purchase Agreement.

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

Any proposed acquisition of assets by JLIF from the John Laing Group companies that fall within the overall investment parameters set by JLIF, including in relation to funding, will be subject to approval by the Directors, who (other than as disclosed in paragraph 7.8 of Part 7 of the October 2010 Prospectus) are independent of John Laing.

The relationship between JLIF and John Laing is governed by the Rules, as defined in the Prospectus. These require that any arrangements between a Relevant Person (as defined in the Rules) and JLIF are at least as favourable to JLIF as would be any comparable arrangement effected on normal commercial terms negotiated at arms' length between the Relevant Person and an independent party.

JLIF has a 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 Policy. It is envisaged that the John Laing Group will periodically make available for sale further Portfolios of Investment Capital in infrastructure PPP projects that have completed construction (although there is no guarantee that this will be the case). Subject to due diligence and agreement on price, the Company will seek to acquire those projects that fit JLIF's Investment Policy.

JLIF 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 JLIF Limited Partnership (the Partnership), the risk characteristics, valuation and price of the Investment Capital in the project or portfolio of projects for sale is acceptable and is consistent with JLIF's Investment Policy, then (subject to JILF 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 portfolio of projects will be acquired by JLIF, following approval by the Board.

Potential disposals of investments
Whilst the Directors may elect to retain Investment Capital in the Portfolio projects which JLIF acquires and any other further investments made by JLIF 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 JLIF 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 JLIF's underlying investments may be denominated in currencies other than Sterling. For example, currently some of the Portfolio is denominated in Canadian Dollars and Euros. However, any dividends or distributions in respect of the Ordinary Shares will be made in Sterling and

the market prices and Net Asset Value of the Ordinary Shares will be reported in Sterling. Currency hedging will only be carried out to seek to provide protection to the level of Sterling dividends and other distributions that JLIF aims to pay on the Ordinary Shares, and in order to reduce the risk of currency fluctuations and the volatility of returns that may result from such currency exposure. This may involve the use of foreign currency borrowings to finance foreign currency assets, or forward foreign exchange contracts for up to three years to hedge the income from assets that are exposed to exchange rate risk against Sterling.

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

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

Amendments to and compliance with the Investment Policy
Material changes to JLIF's Investment Policy 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, JLIF 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 JLIF Board, taking into account advice from the Investment Adviser where appropriate.

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

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

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 are set out in Part 5 of the September 2012 Prospectus.

JLIF and John Laing have entered into a First Offer Agreement giving the Company right of first offer in relation to John Laing's investments in UK, European and Canadian accommodation and roads and UK waste projects until October 2015.

Day-to-day management services are provided to the projects in the Portfolio through management service agreements. Across the Portfolio there are 42 separate management service agreements 27 of which are with John Laing, 13 are with co-shareholders and two are with third party service providers. For all current Portfolio projects purchased from the John Laing Group, JLCM, as Operator, has retained the services of John Laing for the provision of project directors, who have continued to take an active role in managing and reviewing the projects.

As at 31 December 2012, John Laing owned 6.7% of the Ordinary shares in JLIF and is not subject to a lock-up agreement with respect to holding shares.

Company structure

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

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

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

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

RISKS AND RISK MANAGEMENT

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 adversely impact 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 September 2012 Prospectus details all the potential risks that could occur in a PPP project. In the normal course of business, each asset will have a rigorous risk management framework with a comprehensive risk register that is reviewed and updated regularly and approved by its board.

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

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 a 1, 2 or 3 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 used to determine the severity of the risk. The following red-amber-green system below is used:

- Red (score 6-9) 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 steps 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 projects have experienced general managers who report to their individual boards. The general managers are based on site and maintain relationships between the project, clients, sub-contractors and other partners. This ensures effective management of potential risks, such that the projects can reasonably foresee risks and implement a mitigation strategy, which maintain a robust investment.

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

1. Strategic, Economic and External
2. Operational, Business, Processes and Resourcing
3. Financial
4. Compliance and Legal
5. Asset Specifics

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

Strategic, Economic and External

Currency Risk
The Portfolio currently contains four assets that are exposed to foreign exchange movements: Abbotsford Hospital and Vancouver General Hospital in Canada, the E18 road in Finland and Kromhout Barracks in the Netherlands. As at 31 December 2012 these assets represented 20.4% of the Portfolio Value and by currency as follows:

- 14.2% Canadian Dollar
- 6.2% Euro

This mix of currencies provides JLIF with some diversification across countries and currencies. However, the Net Asset Value of these four projects will vary in Sterling terms due to currency movements. Over the longer term, this balance sheet 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 JLIF borrow under its facility, this 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 following costs incurred by the SPV in delivering the contract:

- Financing costs (bank debt or bond finance is used to meet the costs of construction and is then repaid over the contract period);
- Operational costs in maintaining the asset. Operational costs include both soft services, for example, cleaning and catering, and hard services, for example, replacing roofs, lifts, glazing etc.; and
- Cost of equity (i.e. the expected return of the SPV shareholders).

The UP is used by the SPV to pay for operational costs first, then senior debt and finally equity.

Finance costs in the underlying assets are fixed when the contract is signed (through the use of interest rate swaps or fixed rate loans); therefore, interest rates do not affect the loan exposure on the project. In each project company, the forthcoming principal repayments and interest costs on the finance 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 costs.

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

In some cases, the public sector client requests that the whole UP to be index-linked. 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.

For the UK projects which are linked to RPI or RPIX, the assumed level of inflation is 2.75%. This affords JLIF relative protection against inflation, because current inflation is running at a higher rate than assumed in the underlying assets. Following a consultation by the UK's Office for National Statistics at the end of 2012, it was determined that the method used to calculate RPI would remain unchanged and hence there will be no impact on JLIF's contracted cash flows.

Acquisitions and Pipeline
JLIF's intention is to grow the Portfolio by the acquisition of further assets. There is a risk that acquisitions from either John Laing or other vendors may not materialise. However, JLIF benefits from the First Offer Agreement into which it has entered with John Laing giving it the right of first offer to a significant pipeline of infrastructure projects, valued by John Laing at in excess of £310 million for the next three years. These are assets that have already reached financial close and are either currently in their construction phase or are already operational and are suitable for addition to JLIF's Portfolio.

JLIF has acquired £140.8 million of new assets and invested a further £14.8m in an existing asset during 2012, all of which complied with the Company's Investment Policy. For details of the individual acquisitions and how they continue to increase the diversity of the Portfolio please refer to the Investor Adviser Report and the Portfolio Value Breakdown sections of this Annual Report.

JLIF actively reviews its acquisition strategy and seeks both to engage in acquisitions from the wider market as well as from John Laing. The increasing number of third party acquisitions has seen JLIF's credibility as a buyer increase and has further broadened its diversification of co-shareholders, contractors, clients, sectors and geographical markets. It is JLIF's experience that in 2012 the secondary market for PPP assets was relatively active and this is expected to continue in the short to medium term. This is further evidenced by the entrance of new market participants. Please refer to the Outlook section of the Investment Adviser Report for further information on expectations regarding future market activity.

Funding of Acquisitions and Future Equity Raising
To achieve JLIF's stated ambition to acquire assets there is a risk that these cannot be funded. In February 2013, JLIF procured a £150 million multi-currency revolving credit facility to enable it to make acquisitions in between equity raisings. This facility affords JLIF the flexibility to capitalise on opportunities as and when they arise outside of capital raising periods.

Investors have been supportive of JLIF's capital raises since IPO, and this leads JLIF to believe that its strategy of raising equity capital to match an acquisition programme is attractive to investors. Market intelligence researched by JLIF supports the appeal of infrastructure funds, particularly those that are fully seeded and provide a stable yield, and, therefore, is confident of a successful further equity issuance during 2013, should suitable acquisitions opportunities arise.

Competitors
JLIF, in pursuing acquisition opportunities and in seeking to raise further capital, competes against a number of other listed and private infrastructure funds. JLIF differentiates itself from its peer group through many factors, including its low costs of operation, diversification of assets and, therefore, spread of risk across sectors and geographical markets, its First Offer Agreement with John Laing and the experience of its management team in delivering value enhancements from operational PPP assets.

UK Future of Capital Spending
With respect to the Company's Investment Policy to hold at least 50% of its investments by value within the UK, future UK spending in infrastructure is a risk to JLIF in the event that it is stopped or the procurement model employed offers such a risk allocation that it would not be possible for JLIF to invest under its current Investment Policy.

The immediate impact on the secondary PPP market in which the Company invests would be small as there is sufficient deal flow in the UK market to sustain this space in the short term. Furthermore, this is supported by assets continuing to be disposed of by primary participants seeking to recycle equity to reinvest in new infrastructure projects.

What would be the medium to long term impact on the secondary market is more difficult to determine. There are a growing number of assets overseas which are procured in a similar way to those in the UK, thereby lending themselves to natural diversification by UK dominated infrastructure funds.

In the UK's Autumn Statement in December 2012, the Chancellor of the Exchequer announced that investment in infrastructure continues to form a crucial part of the country's strategy for future growth. A new model to be used in the procurement of certain projects, PF2, was outlined which is intended to revive a pipeline of PPP projects that had previously been delayed or postponed. Under the new model the public sector will seek to act as a minority equity co-investor and introduce funding competitions for equity prior to financial close. It will also ensure that procurement is much faster and economically efficient than previously committing that the tendering phase for any project will not be allowed to exceed 18 months, unless an exemption from the Chief Secretary to the Treasury is agreed. Flexibility will be achieved by removing soft services such as cleaning and catering from project contracts and through the ability to add or remove elective services once a contract is operational. Greater risk will be retained by the public sector such as insurance risk and general change in law risk. However, the private sector will be required to furnish equity return information for publication. The financing structure of PF2 will be designed to enable access to long term debt finance, and in particular, the capital markets. JLCM believes the announcement of PF2 will have a positive impact on the UK infrastructure market unlocking a pipeline of previously postponed projects and boosting liquidity. The impact of PF2 will not be immediate for JLIF but JLIF hopes to recognise the positive benefits in the near to medium term.

Operational, Business, Processing and Resourcing
JLIF invests in low-risk operational projects; however, there are still some operational risks. These risks are identified in the September 2012 Prospectus. The majority of underlying assets are managed by John Laing under management services agreements. This provides JLIF with a management team of experienced professionals who, in most cases, have worked on the project for many years and, in others, for periods prior to achievement of financial close. Such professionals have excellent relationships with client and co-shareholders; and a detailed understanding of the

project, particularly as project managers are often based on site. This day-to-day project involvement provides a foresight rarely afforded by remote management. Potential issues can be mitigated such that the projects are minimally affected, if at all.

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

As stated in its Investment Policy, JLIF will focus on projects that have completed construction and are in their operational phase, 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 senior lenders often negotiate into the loan documents clauses disallowing distributions to be made to shareholders until construction of the asset has been completed and 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.

All of the projects in the Portfolio have obligations to provide operations and maintenance services to maintain the infrastructure for the length of the concession period. The project company, in which JLIF is a shareholder, enters into sub-contracts with experienced facilities management companies to provide these services. JLIF maintains a diverse range of suppliers to its projects and in this way is able to manage the potential impact of a failure of any single service provider. The chart below shows the exposure of the JLIF Portfolio to each supplier by Portfolio Value[1].

1 It should be noted that for some projects there is more than one supplier of operational and maintenance services and in those instance the value of those projects has been included in the chart more than once.

Financial

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

The yield being delivered by the underlying projects is in line with expectations and the Company’s intention with regard to dividend payments have improved as in the September 2012 Prospectus.

JLCM is responsible for the preparation of a fair market valuation of the Portfolio, which is presented to the Directors. To provide additional assurance to both the Board and JLIF’s investors with respect to the valuation, an independent verification exercise is performed by a leading accountancy firm and an opinion provided to the Directors. Subsequently, the Board approves a valuation of the Portfolio for the year ended 31 December 2012.

Compliance and Legal

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

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

Last year, JLIF reported the introduction of the Bribery Act and the Solvency II directive as being the most recent developments in the regulatory environment. As expected, the introduction of the Solvency II directive has had no impact on JLIF's business in 2012. JLIF's Board, as well as its Investment Adviser ("JLCM"), undertakes regular training to remain current on the requirements of the Bribery Act and its implications for the operation and management of JLIF's business activities.

The Alternative Investment Fund Manager Directive ("AIFMD") remains a current topic in the investment industry. This is coupled with the introduction of Foreign Account Tax Compliance Act ("FATCA"). JLIF is represented in the current discussions on AIFMD and is engaging with its advisers on the potential implications of FATCA, the impact of which is not yet fully known. AIFMD is likely to be enacted in the UK in 2013. JLIF seeks regular advice on potential new legislation and guidance to be best prepared.

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

Asset Specific
JLIF's policy is to only raise new funds in the equity markets when there is a specific investment opportunity imminent with a reasonable chance of completing. This is to minimise the amount of un-invested cash held by JLIF as clearly this is inefficient use of shareholder funds. This policy protects against the risk that completion of an asset is delayed or does reach completion at all, either due to issues regarding consents or project specifics issues such as non-compliance with a project document.

To manage this risk further, JLIF ensures that any consents or approvals required under the project documentation are sought by the vendor at an early stage of the sale process to avoid unnecessary delays and to agree a recovery plan with the Operator and continuously review that plan to ensure the project is in a fit state to acquire before the longstop date in the sale and purchase agreement

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report and the Audited Financial Statements of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2012.

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

As at 31 December 2012 the total number of Ordinary Shares of JLIF in issue was 422.2 million. The number of Ordinary Shares in issue was increased by 29.4 million in April 2012 following a tap issue, by a further 2.3 million in May as a Scrip Dividend Alternative, by a further 56.7 million on 5 October 2012 following an Open Offer and Offer for Subscription, and by a further 2.5 million as a Scrip Dividend Alternative in October 2012. As at 31 December 2012 the total number of Ordinary Shares of the Company in issue was 513.1 million.

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

BUSINESS REVIEW
We are required to present a fair review of our business during the year ended 31 December 2012, our position at period end and a description of the principal risks and uncertainties that we face.

The information regarding the business review can be found in the Chairman's statement on pages 4 to 5, the Investment Adviser Report on pages 13 to 21, 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 37 to 81. On 18 March 2013 the Directors declared a dividend in respect of the period 1 July 2012 to 31 December 2012 of 3.125 pence per Ordinary Share to shareholders on the register as at the close of business on 22 March 2013, (which is an increase of 4.2%) to be paid on 10 May 2013.

GOING CONCERN
The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Investment Adviser Report. The financial position of the Group, its cash flows and its liquidity position are described in the Investment Adviser Report. In particular, the current economic conditions have created a number of risks and uncertainties for the Group and these are set out in the Risks and Risk Management section on pages 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 28 of the Financial Statements.

The Group continues to meet Group and individual entity requirements and day-to-day liquidity needs through the Group's cash resources. In February 2013, the Group secured a revolving credit facility of £150 million.

As at 31 December 2012 the Group had net current assets of £35.4 million. Since then, the Group has completed a further third party acquisition for €3.2 million. This acquisition was funded using cash at the bank meaning JLIF's revolving credit facility remains undrawn and available for future acquisitions. JLIF has sufficient cash balances to meet other current obligations as they fall due while all key financial covenants are forecast to continue to be complied with.

The Directors have reviewed Group forecasts and projections which cover a period of not less than 12 months from the date of this report, taking into account reasonably possible changes in investment and trading performance. The Group has sufficient financial resources together with long term contracts with various public sector customers and suppliers across a range of infrastructure projects. On this basis, the Directors believe that the

Group is well placed to manage its business risks successfully and having made 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 a tap issue in April 2012, a Scrip Dividend Alternative in May 2012, an open offer and placing of shares in October 2012, a second Scrip Dividend Alternative also in October 2012. Further details can be found in note 22 to the financial statements.

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

The issued nominal value of the Ordinary Shares represents 100% of the total issued nominal value of all share capital. There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Incorporation and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

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

AUTHORITY TO PURCHASE OWN SHARES

A resolution to provide the Company with authority to purchase its own shares will be tabled at the AGM on 10 May 2013. This shareholder authority was renewed at the 2012 AGM.

MAJOR INTERESTS IN SHARES AND VOTING RIGHTS

On 31 December 2012, the company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as a shareholder in the Company.

Shareholder	Percentage of voting rights and issued share capital	No. of ordinary shares
Schroder Investment Management Limited	13.16	67,510,202
Tredje AP Fonden	7.50	38,466,438
John Laing Investments Limited	6.71	34,451,806
Baillie Gifford & Co Limited	4.52	23,217,181
Investec Wealth Management	3.88	19,925,936
Brewin Dolphin	3.68	18,884,901
Aberdeen Asset Managers Limited	3.59	18,431,239

Newton Investment Management Limited	3.27	16,773,285
J.P. Morgan Securities	3.14	16,136,835

During the period between 31 December 2012 and 12 March 2013 the Company did not receive any notifications under chapter 5 of the Disclosure and Transparency Rules.

BOARD OF DIRECTORS

The Board members that served during the year and up until the date of this report, all of whom are non-executive Directors and independent of the Investment Adviser, are listed below. Their biographical details are shown on pages 6 and 7.

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

RE-ELECTION OF DIRECTORS

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

DIRECTORS' INTERESTS

Directors who held office during the period and had interests in the shares of the Company as at 31 December 2012 were:

	Ordinary shares of 0.01p each held at 31 December 2012	Ordinary shares of 0.01p each held at 31 December 2011
Paul Lester*	100,000	100,000
David MacLellan**	28,125	25,000
Talmai Morgan	25,000	25,000
Christopher Spencer	10,000	5,000
Guido Van Berkel	–	–

There have been no changes in the Directors' interests from 31 December 2012 to the date of this report.

* 100,000 of which is held by his spouse
** 28,125 of which is held by his spouse

DIRECTORS' REMUNERATION

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

	2012 Directors' fee[1]	Paid from appointment to 31 December 20112
Paul Lester	£50,833	£60,658
David MacLellan	£40,833	£47,148
Talmai Morgan	£35,833	£50,438
Christopher Spencer	£35,833	£50,438
Guido Van Berkel	€32,975	€28,125

1 A portion of this amount was paid in quarter 1 2013.
2 This includes a part period at the end of 2010.

ANNUAL GENERAL MEETING
The AGM will be held at 10.30 am London time on 10 May 2013 at Lefebvre Place, Lefebvre, St Peter Port, Guernsey, Channel Islands. Details of the business to be conducted are contained in the Notice of AGM.

APPOINTMENT OF INVESTMENT ADVISER AND OPERATOR
John Laing Capital Management ("JLCM") acts as the Investment Adviser to the Company and acts as Operator of the Limited Partnership which holds and manages the Group's investments. A summary of the contract between the Company, its group companies and JLCM in respect of services provided is set out in note 26 to the financial statements. It is in the Directors' opinion, based upon the performance in the period to 31 December 2012 that the continuing appointment of JLCM on the agreed terms is in the best interests of the shareholders as a whole.

EVENTS AFTER THE BALANCE SHEET DATE
On 17 January 2013, the Group completed the acquisition of an additional 9% stake in the E18 road project in Finland from co-shareholder Lemminkäinen for a consideration of €3.15 million. This takes the Company's total holding in the project to 50%.

In February 2013, JLIF secured a three year £150 million revolving credit facility with Lloyds TSB Bank plc, National Westminster Bank plc and ING Bank NV. This facility will replace the existing £75 million facility with National Westminster Bank plc. The revolving credit facility will be used primarily to fund acquisitions, and will be repaid through raising equity in the market. The facility is intended to be additional resource and not structural financing.

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 2013 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
18 March 2013

CORPORATE GOVERNANCE

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

Procedures have been put in place to ensure compliance with the new edition of UK Corporate Governance code which was published in September 2012 and which applies to reporting periods beginning on or after 1 October 2012.

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

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

The Combined Code includes provisions relating to:

- the role of the chief executive;
- executive Directors’ remuneration; and
- the need for an internal audit function.

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

THE BOARD

The Board consists of five non-executive Directors, all of whom are independent of the Company's Investment Adviser. As the Company has no executive Directors, the provision of the UK Corporate Governance Code relating to the combining of the roles of Chairman and Chief Executive Officer does not apply to the Company. Directors' details are contained in pages 6 and 7 which set out the range of investment, financial and business skills and experience represented. The Chairman is an independent non-executive Director and, as all other Directors are similarly independent and non-executive, the Board considers it unnecessary to appoint such a senior independent Director.

The Board will meet four times a year as a minimum (and met 10 times during 2012) and, should the nature of the activity of the Company require it, additional meetings may be scheduled, some at short notice. Between meetings there is regular contact with the Investment Adviser and the Administrator and the Board requires to be supplied in a timely manner with information by the Investment Adviser, the Company Secretary and other Advisers in a form and of a quality appropriate to enable it to discharge its duties.

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

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

Performance and Evaluation

The Board has adopted a process to review its performance on a regular basis and such reviews are expected to be carried out internally on an annual basis and through external facilitation every three years. The Board completed its first evaluation in May 2012. This annual evaluation of the Board, the Audit Committee and individual Directors took the form of questionnaires and discussion to determine effectiveness and performance in various areas.

In November 2012, the Board engaged Optimus Group Limited ("Optimus"), a Guernsey based independent consultancy, to carry out the first external evaluation. This involved meeting with the JLIF Board as well as with representatives from JLCM and Heritage International Fund Managers (the fund administrator), reviewing key Board documentation, and evaluating Board and committee structures. Optimus reported its findings at the first scheduled Board meeting in 2013, concluding that the JLIF Board has a high standard of Corporate Governance and is compliant with the Codes (being the FRC UK Corporate Governance Code and the Association of Investment Companies Code).

Duties and Responsibilities

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

The Directors have access to the advice and services of the Company Secretary and Administrator, who is responsible to the Board for ensuring that Board procedures are followed and that it complies with Guernsey Law and applicable rules and regulations of the Guernsey Financial Services

Commission and the London Stock Exchange. Where necessary, in carrying out their duties, the Directors may seek independent professional advice at the expense of the Company. The Company maintains appropriate Directors' and Officers' liability insurance in respect of legal action against its Directors on an ongoing basis.

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

Committees of the Board

The Board has not deemed it necessary to date to appoint a Nomination, Remuneration or Management Engagement Committees as, being comprised of five non-executive Directors, it considers that such matters may be considered by the whole Board. However, following an independent review by Optimus, the Board has decided to appoint a Nominations Committee chaired by David Maclellan in 2013.

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 6 and 7. The Audit Committee meets at least three times a year at times appropriate to the financial reporting calendar.

The duties of the Audit Committee in discharging its responsibilities include reviewing the Annual Report and Financial Statements; the Interim Report and Financial Statements; the system of internal controls; and the terms of appointment of the Auditor, together with their remuneration. It is also the forum through which the Auditor reports to the Board. The Audit Committee also reviews the objectivity of the Auditor along with the terms under which the external Auditor is engaged to perform non-audit services. Provisions in place to maintain the independence and objectivity of the Auditor include the requirement to replace the lead audit partner every five years, and restrictions on the delivery of non-audit services to the Company with such services and the terms under which these services are to be provided considered by the Audit Committee or a case by case basis. 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 proposed for re-appointment at the Annual General Meeting of the Company.

Meeting attendance

	Board Meeting	Scheduled Audit Committee
	max 4	max 3
Paul Lester	4	n/a
David MacLellan	4	3
Guido Van Berkel	4	n/a

Talmai Morgan	4	3
Christopher Spencer	4	3

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

INTERNAL CONTROL AND FINANCIAL REPORTING

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness, and the Board has, therefore, established a set of ongoing processes designed to meet the particular needs of the Company in managing the risks to which it is exposed. These processes have been in place for the year ended 31 December 2012 and up until the date of this Report.

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

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

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

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

RELATIONS WITH SHAREHOLDERS

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

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

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

AUDIT COMMITTEE REPORT

SUMMARY OF THE ROLE OF THE AUDIT COMMITTEE

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

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 at the Annual 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;
- reviewing the Group's Annual and Interim Reports and Financial Statements; 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 6 to 7 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 it is deemed 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 and shall be prepared to respond to any shareholder questions on the Audit Committee's activities.

INTERNAL AUDIT

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

OVERVIEW

The Audit Committee met on three occasions during the period 1 January 2012 to 31 December 2012. Matters considered at these meetings included but were not limited to:

- reviewing of the September 2012 Prospectus and all such other documents in connection with the issue and acquisition;
- reviewing of circular and scrip election forms for both dividends paid during the year;
- recommending to the Board, the signing of the certificate of solvency required pursuant to section 304 of The Companies (Guernsey) Law 2008;
- reviewing and approving the allotment of Placing Shares to prospective shareholders relating to the April 2012 tap issue;
- considering the risk register of the Company;
- considering and agreeing the terms of reference of the Audit Committee for approval by the Board;
- reviewing of the proposed accounting policies and format of the Financial Statements;
- reviewing of the audit plan and timetable for the preparation of the Annual Report and Financial Statements; and
- reviewing of the 2011 Annual 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
18 March 2013

CORPORATE SOCIAL RESPONSIBILITY

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

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

John Laing's commitment to CSR was recognised in 2009 by its award of the national standard of community investment excellence, the Community Mark. John Laing has continued to build on the success of its community engagement activities in 2012 being awarded a Platinum Award for the Business in the Community ("BITC") Corporate Responsibility Index, following a Gold Award in 2010 and 2011.

COMMUNITY ENGAGEMENT

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

One aspect of John Laing's community engagement is through 'Business Class', a scheme designed to directly respond to concerns about the often short term and ad hoc nature of engagement between businesses and schools. John Laing is involved with the scheme in both Swindon and the London Borough of Westminster. Its allocated partner school in London is the Paddington Academy, a mixed comprehensive school with approximately 1200 pupils, specialising in business and enterprise.

The areas of engagement between John Laing and the Academy include providing support and coaching to middle management (departmental and year heads) and providing non-teaching staff at the school with access to professional development such as training in I.T. skills.

JLCM staff also act as mentors to sixth form pupils helping them develop skills such as interviewing, writing CVs and cover letters, presenting and applying for university or employment. JLCM staff have also been involved with a mock interview day organised by the school giving Year 10 pupils the opportunity to practice important skills and behaviours expected of an interviewee and to develop confidence in this area.

In addition to John Laing's corporate commitment to raising money for worthy causes, individual staff are supported through a matched giving scheme funded by the John Laing Charitable Trust. Under this scheme the company will match all funds privately raised by the staff member up to a maximum of £1,000. In 2012, 43 applications were received from staff with the company matching donations totalling approximately £22,200.

John Laing has supported Homeless Link, a charity supporting people and organisations working directly with homeless people across the UK, with funding of £190,000 since 2006 including a £25,000 donation in 2012. The funding has been used to develop online resources and email bulletins, to create a network of regional groups for day centre managers, to support one to one help offered by 25 day centres across the UK and for the provision of bursaries for training of day centre staff.

PROJECT AWARDS

In November 2012, Forth Valley Royal Hospital was awarded the Partners in Healthcare Facilities and Overall Award at the Premises and Facilities Management Awards 2012. The award recognised the importance of early consideration of facilities management in the design of a hospital and the delivery of a wide range of quality services.

At the end of October 2012, the same project also won a Platinum Award at the Global FM awards for Excellence in Facilities Management. This award is intended to recognise best practice within facilities management and is given to facility operators who have made a significant contribution to the knowledge, practical application and communication of strategies to improve the workplace environment and sustainable performance of their facilities.

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

In October 2012 Partners for Improvement in Islington, the project company that manages the Islington Social Housing projects, achieved an Investors In People bronze accreditation

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 (the Companies (Guernsey) Law 2008) 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 financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, 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 of IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

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

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

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

Each of the Directors, whose names are set out on pages 6 and 7 of the Annual Report, confirm that, to the best of their knowledge and belief:

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LAING INFRASTRUCTURE FUND LIMITED

We have audited the consolidated financial statements of John Laing Infrastructure Fund Limited for the year ended 31 December 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statements of Changes in Equity, the Consolidated Company Balance Sheet, the Consolidated Cash Flow Statement, and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

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

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the Group 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 Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of its profit for the year 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:

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Richard Anthony Garrard FCA
for and on behalf of Deloitte LLP
Chartered Accountants and Recognised Auditor
Guernsey
Channel Islands
18 March 2013

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2012

		2012			2011		
	Notes	**Investment Group £'000s**	**Non-investment adjustment £'000s**	**Total Group £'000s**	Investment Group £'000s	Non-investment adjustment £'000s	Total Group £'000s
Service revenue	4	–	47,811	47,811	–	18,221	18,221
Other turnover		382	–	382	–	–	–
Cost of sales		–	(49,622)	(49,622)	–	(18,900)	(18,900)
Gross profit/(loss)		**382**	**(1,811)**	**(1,429)**	–	(679)	(679)
Administrative expenses		(8,317)	(45)	(8,362)	(6,677)	(1)	(6,678)
Loss from operations		**(7,935)**	**(1,856)**	**(9,791)**	(6,677)	(680)	(7,357)
Investment income	6	41,927	(12,617)	29,310	30,586	(11,325)	19,261
Other gains/(losses)	7	659	23,629	24,288	(76)	38,454	38,378
Finance costs	8	(1,165)	(41,532)	(42,697)	(488)	(14,779)	(15,267)
Profit before tax		**33,486**	**(32,376)**	**1,110**	23,345	11,670	35,015
Tax	9	(990)	7,086	6,096	(531)	(4,441)	(4,972)
Profit for the year		**32,496**	**(25,290)**	**7,206**	22,814	7,229	30,043
Attributable to:							
Owners of the Company				7,188			30,038

Non-controlling interests		18	5
		7,206	30,043
Earnings per share			
From continuing operations			
Basic and diluted (pence)	10	1.57	9.64

All results are derived from continuing operations.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

	2012			2011		
	Investment Group £'000s	**Non-investment adjustment £'000s**	**Total Group £'000s**	Investment Group £'000s	Non-investment adjustment £'000s	Total Group £'000s
Profit for the year	32,496	(25,290)	7,206	22,814	7,229	30,043
Exchange difference on translation of overseas operations	–	837	837	–	(1,275)	(1,275)
Total recognised income and expenditure attributable to equity shareholders	**32,496**	**(24,453)**	**8,043**	22,814	5,954	28,768
Attributable to:						
Owners of the Company			8,025			28,763
Non-controlling interests			18			5
			8,043			28,768

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2012

	2012						
	Share capital £'000s	**Share premium account £'000s**	**Retained reserves £'000s**	**Translation reserve £'000s**	**Total £'000s**	**Non-controlling interest £'000s**	**Total equity £'000s**
Balance at 1 January 2012	42	423,618	23,617	(1,279)	445,998	528	446,526
Profit for the year	–	–	7,188	–	7,188	18	7,206
Other comprehensive income for the year	–	–	–	837	837	–	837
Total comprehensive income for the year	**–**	**–**	**7,188**	**837**	**8,025**	**18**	**8,043**
Ordinary shares issued	9	96,510	–	–	96,519	–	96,519
Costs of shares issued	–	(1,904)	–	–	(1,904)	–	(1,904)
Dividend paid	–	–	(26,284)	–	(26,284)	–	(26,284)
Acquisition of non-controlling interest	–	–	59	–	59	(546)	(487)
Balance at 31 December 2012	**51**	**518,224**	**4,580**	**(442)**	**522,413**	**–**	**522,413**

	2011						
	Share capital £'000s	Share premium account £'000s	Retained reserves £'000s	Translation reserve £'000s	Total £'000s	Non-controlling interest £'000s	Total equity £'000s
Balance at 1 January 2011	27	266,884	3,830	(4)	270,737	–	270,737
Profit for the year	–	–	30,038	–	30,038	5	30,043
Other comprehensive loss for the year	–	–	–	(1,275)	(1,275)	–	(1,275)
Total comprehensive income/ (loss) for the year	–	–	30,038	(1,275)	28,763	5	28,768
Ordinary shares issued	15	159,169	–	–	159,184	–	159,184

Costs of shares issued	–	(2,435)	–	–	(2,435)	–	(2,435)
Dividend paid	–	–	(10,251)	–	(10,251)	–	(10,251)
Non-controlling interest arising on acquisition of a subsidiary	–	–	–	–	–	523	523
Balance at 31 December 2011	42	423,618	23,617	(1,279)	445,998	528	446,526

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 2012

		2012			2011*		
	Notes	**Investment Group £'000s**	**Non-investment adjustment £'000s**	**Total Group £'000s**	Investment Group £'000s	Non-investment adjustment £'000s	Total Group £'000s
Non-current assets							
Intangible assets	12	–	189,984	189,984	–	115,110	115,110
Property, plant and equipment	13	–	1,006	1,006	–	1,191	1,191
Investments at fair value through profit or loss	14	537,395	(218,197)	319,198	380,439	(148,094)	232,345
Finance receivables at fair value through profit or loss	16	–	1,008,102	1,008,102	–	681,069	681,069
Derivative financial instruments	21	–	4,024	4,024	–	–	–
Total non-current assets		**537,395**	**984,919**	**1,522,314**	380,439	649,276	1,029,715
Current assets							
Trade and other receivables	17	710	32,138	32,848	767	8,468	9,235
Finance receivables at fair value through profit or loss	16	–	29,478	29,478	–	14,660	14,660
Cash and cash equivalents		8,266	35,999	44,265	48,641	28,108	76,749
Other financial assets	18	–	22,613	22,613	14,775	15,400	30,175
Total current assets		**8,976**	**120,228**	**129,204**	64,183	66,636	130,819

Total assets		**546,371**	**1,105,147**	**1,651,518**	444,622	715,912	1,160,534
Current liabilities							
Trade and other payables	19	(3,003)	(77,948)	(80,951)	(2,752)	(57,273)	(60,025)
Current tax liabilities		(969)	(1,006)	(1,975)	(299)	(691)	(990)
Loans and borrowings	20	–	(10,916)	(10,916)	–	(13,482)	(13,482)
Total current liabilities		**(3,972)**	**(89,870)**	**(93,842)**	(3,051)	(71,446)	(74,497)
Non-current liabilities							
Loans and borrowings	20	–	(811,867)	(811,867)	–	(546,209)	(546,209)
Derivative financial instruments	21	–	(188,955)	(188,955)	–	(60,171)	(60,171)
Deferred tax liabilities	9	–	(34,441)	(34,441)	–	(33,131)	(33,131)
Total non-current liabilities		**–**	**(1,035,263)**	**(1,035,263)**	–	(639,511)	(639,511)
Total liabilities		**(3,972)**	**(1,125,133)**	**(1,129,105)**	(3,051)	(710,957)	(714,008)
Net assets		**542,399**	**(19,986)**	**522,413**	441,571	4,955	446,526
Equity							
Share capital	22	51	–	51	42	–	42
Share premium account	23	518,224	–	518,224	423,618	–	423,618
Translation reserves	24	–	(442)	(442)	–	(1,279)	(1,279)
Retained earnings	25	24,124	(19,544)	4,580	17,911	5,706	23,617
Equity attributable to owners of the Company		**542,399**	**(19,986)**	**522,413**	441,571	4,427	445,998
Non-controlling interest		–	–	–	–	528	528
Total equity		**542,399**	**(19,986)**	**522,413**	441,571	4,955	446,526

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.

* Loans and borrowings totalling £16.9 million have been restated for the reclassification of certain non-current liabilities from current liabilities.

The financial statements were approved by the Board of Directors and authorised for issue on 18 March 2013. They were signed on its behalf by:

P Lester
Chairman

C Spencer
Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2012

		2012			2011		
	Notes	**Investment Group £'000s**	**Non-investment adjustment £'000s**	**Total Group £'000s**	Investment Group £'000s	Non-investment adjustment £'000s	Total Group £'000s
Loss from operations		(7,935)	(1,856)	(9,791)	(6,677)	(680)	(7,357)
Adjustments for:							
Amortisation of intangible assets	12	–	6,639	6,639	–	2,952	2,952
Depreciation of property, plant and equipment	13	–	185	185	–	36	36
Operating cash flows before movements in working capital		**(7,935)**	**4,968**	**(2,967)**	(6,677)	2,308	(4,369)
Decrease in receivables		456	54,359	54,815	2,180	21,329	23,509
(Decrease)/increase in payables		(257)	8,527	8,270	240	1,941	2,181
Cash (outflow)/inflow from operations		**(7,736)**	**67,854**	**60,118**	(4,257)	25,578	21,321
Overseas tax paid		(529)	(1,104)	(1,633)	(297)	(137)	(434)
Net cash (outflow)/inflow from operating activities		**(8,265)**	**66,750**	**58,485**	(4,554)	25,441	20,887
Investing activities							
Interest received		15,867	(6,385)	9,482	10,944	(3,328)	7,616
Dividends received from investments		19,348	(2,631)	16,717	9,240	(1,146)	8,094
Loan stock and equity repayments received		5,845	(4,175)	1,670	4,346	(2,022)	2,324
Acquisition of joint ventures, associates and further investments	14	(113,640)	–	(113,640)	(69,524)	–	(69,524)
Acquisition of subsidiaries (net of cash acquired)	15	(42,265)	10,926	(31,339)	(39,960)	20,823	(19,137)
Movement in other financial assets		14,775	(7,213)	7,562	(14,775)	(9,829)	(24,604)
Net cash (used in)/received from investing activities		**(100,070)**	**(9,478)**	**(109,548)**	(99,729)	4,498	(95,231)
Financing activities							

Dividends paid – equity shareholders	(21,184)	–	(21,184)	(9,133)	–	(9,133)
Interest paid	(1,068)	(34,838)	(35,906)	(1,063)	(14,666)	(15,729)
Proceeds from borrowings	17,377	82	17,459	8,439	12,733	21,172
Repayments of borrowings	(17,377)	(14,417)	(31,794)	(8,439)	(7,254)	(15,693)
Proceeds on issue of share capital (net of costs)	89,556	–	89,556	155,630	–	155,630
Net cash from/(used in) financing activities	**67,304**	**(49,173)**	**18,131**	145,434	(9,187)	136,247
Net (decrease)/increase in cash and cash equivalents	**(41,031)**	**8,099**	**(32,854)**	41,151	20,752	61,903
Cash and cash equivalents at beginning of year	**48,641**	**28,108**	**76,749**	7,567	7,177	14,744
Effect of foreign exchange rate changes	656	(208)	448	(77)	179	102
Cash and cash equivalents at end of year	**8,266**	**35,999**	**44,265**	48,641	28,108	76,749

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2011

1. GENERAL INFORMATION

John Laing Infrastructure Fund Limited (the "Company") is a company domiciled and incorporated in Guernsey, Channel Islands, whose shares are publicly traded on the London Stock Exchange under a Premium Listing. The consolidated financial statements of the Company as at and for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Consolidated Group"). The Consolidated Group invests in PPP infrastructure projects in the UK, Continental Europe and North America.

Of the Consolidated Group's portfolio of 37 (2011 – 30) interests at 31 December 2012, 23 (2011 – 18) have been accounted for as investments (the 'Entity Investments'). The 14 (2011 – 12) remaining investments are deemed to be subsidiaries of the Company (the 'Operating Subsidiaries') and the acquisition is treated as a business combination. Certain aspects of the accounting policies apply only to the Operating Subsidiaries. Where applicable, this is noted in the relevant accounting policy.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements for the year ended 31 December 2012 include the results of the existing and two (2011 – seven) newly acquired Operating Subsidiaries from the date of acquisition as disclosed in note 15.

The financial statements have been prepared in accordance with the Companies (Guernsey) Law 2008 and in accordance with International Financial Reporting Standards ("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 their fair value through profit or loss. The principal accounting policies are set below.

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

IAS 1 (June 2011): Presentation of Items of Other Comprehensive Income
IAS 12 (December 2010): Deferred Tax: Recovery of Underlying Assets
IFRS 1 (December 2010): Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
No new standards were adopted early by the Consolidated Group during the current year or previous period.
At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue and relevant, but not yet effective (and in some cases had not yet been adopted by the EU):
IFRS 9 (November 2009, revised October 2010): Financial Instruments
IFRS 10 (May 2011): Consolidated Financial Statements
IFRS 11 (May 2011): Joint Arrangements
IFRS 12 (May 2011): Disclosures of Interests in Other Entities
IFRS 13 (May 2011): Fair Value Measurement
IAS 27 (May 2011): Separate Financial Statements
IAS 28 (May 2011): Investments in Associates and Joint Ventures
Amendments to IAS 19 (June 2011): Employee Benefits
Amendments to IAS 32 (December 2011): Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 1 (March 2012): Government Loans

Amendments to IFRS 7 (December 2011): Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12 (June 2012): Transition Guidance
Improvements to IFRSs (2009-2011) (May 2012): Improvements to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34
IFRIC Interpretation 20 (October 2011): Stripping Costs in the Production Phase of a Surface Mine

With the exception of the amendments to IFRS 10 (October 2012), the Directors do not anticipate that the adoption of these standards or interpretations in future periods will have a material impact on the financial statements of the Group when the relevant standards come into effect for periods commencing on or after 1 January 2013. The adoption of the amendment to IFRS 10 relating to investment entities, which is effective for periods commencing on or after 1 January 2014 but which the Directors expect to early adopt for the financial year 2013, will have a significant impact on the measurement, classification and disclosures of financial results. The Directors expect the Company to meet the definition of an investment entity under the amendments to IFRS 10 (October 2012). Accordingly, the Directors expect the significant impact of this will be that the Company will no longer consolidate its subsidiaries and treat its investments in Operating Subsidiaries in the same way as it treats its investments in Entity Investments. This will mean investments in Operating Subsidiaries will be recognised at fair value through the Income Statement rather than the results of the subsidiaries being consolidated in the Group's financial statements on a line-by-line basis in accordance with IAS27. The Directors expect that the results of the Group under the amendments to IFRS 10 (October 2012) will approximate to the results that are currently presented on an Investment basis (shown as 'Investment Group' in the financial statements).

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 37 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 14 Operating Subsidiaries are treated in the same way as the investments in the 23 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 14 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.

(b) Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Where a subsidiary has a different statutory financial reporting date to the Company, its results are included by reference to management accounts. As of December 2012, one of the 14 Operating Subsidiaries has a different statutory financial reporting date, being 31 March.

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

(c) Going concern

The Group has sufficient financial resources together with long term contracts with various public sector customers and suppliers across a range of infrastructure projects. The Group's revolving credit facility (the "Facility") was refinanced to £150 million in February 2013. The maturity date of the Facility is February 2016. As at 31 December 2012, there were no drawings against the previous facility. The Group had net current assets as at 31 December 2012 of £35.4 million. Since then, the Group has completed one acquisition for EUR 3.15 million. The Facility remains available to the Group for future acquisitions and has sufficient cash balances to meet other current obligations as they fall due. In addition, all key financial covenants are forecast to continue to be complied with.

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

- in April 2012, additional equity of £31.0 million was raised following a successful tap issue of 29.4 million shares;
- in May 2012, additional equity of £2.5 million was raised through Offer of a Scrip Dividend alternative to the proposed dividend for the period 1 July 2011 to 31 December 2011;
- in October 2012, the Company raised £60.4 million of equity through an Open Offer; and
- in October 2012, additional equity of £2.6 million was raised through Offer of a Scrip Dividend alternative to the proposed dividend for the period 1 January 2012 to 30 June 2012.

The Group has invested in 37 operational non-recourse PPP Project Companies which yield annual interest, dividends and repayments. The cash flow from the project yield reasonably covers the Group's expected cash flow requirements for overheads and targeted dividend distribution policy.

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

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

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

(d) Business combinations

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

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

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

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

The excess of the cost of the business combination over the Group's interest in the net fair value of the other identifiable assets, liabilities and contingent liabilities is recognised as an intangible asset and initially carried at fair value. This intangible asset represents the fair value of the future service concession profits (see part (h) of this note).

(e) Service concessions

The Group invests in 37 PPP Project Companies and, of these, there are 14 subsidiary Project Companies (Operating Subsidiaries) that are consolidated and apply the following accounting policies. Project Companies which are joint ventures or associates are accounted for at fair value through profit or loss (see part (f) of this note).

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

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

(i) Service concessions treated as financial assets

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

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

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 directly attributable overheads other than those relating to the general administration of the relevant companies.

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

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

Interest payable

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

Major maintenance

Where the costs of major maintenance meet the recognition criteria these are reflected in the future cash flows of the financial asset otherwise they are expensed to the income statement as incurred.

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 14 Operating Subsidiaries, the service concession is treated as a financial asset.

(ii) Service concessions treated as intangible assets

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

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

(f) Investment in joint ventures and associates

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

(g) Revenue recognition

(i) Services revenue

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

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

(ii) Gains on financial assets

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

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

(iv) Other turnover

Other turnover, which includes fees receivable in respect of management services agreements with PPP project companies, which are not consolidated, is recognised evenly over the period of the agreement.

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

(h) Intangible assets

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

(i) Property, plant and equipment

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

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

Fixtures and equipment 10 years

(j) Cash and cash equivalents

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

(k) Foreign currencies

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

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising in the ordinary course of trading are reflected in the Income Statement; those arising on translation of net equity are transferred to the Group's translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed of.

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

(l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying property, plant and equipment or intangible assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of amounts drawn under specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

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

(m) Taxation

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

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

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

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

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

(n) Financial instruments

Financial assets and financial liabilities are recognised on the Consolidated 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.

- 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 flow methodology, with changes recognised within other gains or losses in the Income Statement. In determining the discount rate, regard is had to risk free rates, specific risks and evidence of recent transactions including bank margins and interest rate swaps. Designating finance receivables at fair value through profit or loss eliminates or significantly reduces the accounting mismatch that would result from fair value movements to the extent they relate to the interest rate swaps. However, fair value movements in financial assets due to the movements in bank margins create an accounting mismatch due to the bank loans being held at amortised costs. See 3(ii)
- Investments in joint ventures and associates are designated upon initial recognition as financial assets at fair value through profit or loss. The Group's policy is to fair value both the equity and subordinated debt investments in joint venture and associates together. Subsequent to initial recognition, the investments are measured on a combined basis at fair value using the discounted cash flows methodology, with changes recognised within investment income in the Income Statement.

b) Loans and receivables

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

Impairment of financial assets

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

ii) Financial liabilities and equity

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

a) Equity instruments – share capital and share premium

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

b) Financial liabilities

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

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

iii) Effective interest method

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

iv) Derivative financial instruments

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

a) Group and recourse subsidiaries

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

b) Non-recourse subsidiaries (Operating Subsidiaries)

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

v) Fair value estimation

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

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

i) Financial assets at fair value through profit and loss

a) Finance receivables under service concessions of Operating Subsidiaries

The discount rates used to fair value financial assets under service concessions are calculated by adding an appropriate premium, consistent in proportion to the premium established at the inception of the service concession, to the weighted average cost of the underlying project debt. The discount rates that have been applied to the financial assets at 31 December 2012 were in the range of 4.85% to 8.14% (2011 – 4.91% to 6.91%).

b) Investments in joint ventures and associates

Fair value is calculated by discounting future cash flows, from investments in both equity (dividends and equity redemptions) and subordinated loans (interest and repayments), to the Group at an appropriate discount rate. The basis of discount rates are long run average government bond rates adjusted for an appropriate premium to reflect PPP specific risk. Risk premia are then added to this adjusted base gilt rate depending on the phase of the project. The discount rates that have been applied to the financial assets at 31 December 2012 were in the range of 7.95% to 8.96% (2011 – 7.99% to 8.99%).

ii) Derivatives

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

iii) Loans and receivables, borrowings and payables

Loans and borrowings are held at amortised cost.

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

(o) Provisions

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

(p) Segmental reporting

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

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

(q) Statement of compliance

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

3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

(i) Investments at fair value through profit or loss

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

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

The carrying amount of the Entity Investments would be an estimated £23.7 million higher or £20.9 million lower (2011 – estimated £19.4 million higher or £17.1 million lower) if the discount rate used in the discounted cash flow analysis were to differ by 1% from that used in the fair value calculation. The weighted average discount rate for the PPP portfolio as at 31 December 2012 was 8.41% (2011 – 8.36%).

The carrying amount of the Entity Investments would be an estimated £14.9 million higher or £13.7 million lower (2011 – estimated £11.9 million higher or £11.0 million lower) if the inflation rate used in the discounted cash flow analysis were to differ by an absolute 1% from that used in the fair value calculation. The inflation rate assumed for all future periods from 31 December 2012 was 2.75% (2011 – 2.75%) for all UK projects, 2.1% (2011 – 2.1%) for Canadian projects, for the Finnish project a rate of 3.0% (2011 – 3.0%) was assumed for the MAKU index (Finnish construction price index) and a rate of 2.5% (2011 – 2.5%) was assumed for the Elspot index (Finnish utilities price index) and for the Dutch project a CPI index of 1.9% (2011 – n/a) was assumed.

The carrying amount of the Entity Investments would be an estimated £1.7 million higher or £1.5 million lower (2011 – estimated £0.8 million higher or £0.8 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, reference is made to bank margins and interest rate swaps achieved in recent transactions.

During the year, interest swap rates in the UK have marginally decreased, however, this has been more than offset by an increase in commercial margins giving rise to an increase in the discount rate and consequential decrease in fair value of the finance receivables of £16.0 million. The movement in fair value of the financial assets of £34.9 million (2011 – £50.4 million) comprises interest received of £50.9 million (2011 – £17.6 million) net of this fair value loss of £16.0 million (2011 – gain £32.8 million).

The element of fair value movement attributable to the decrease in swap rates is offset in the income statement by the fair value loss on derivative financial instruments of £10.7 million (2011 – £12.0 million) (refer to note 7). However, the increase in commercial margins which would give rise to the debt in the UK PPP projects being a lower liability is not reflected in the income statement as these are required to be held, subsequent to acquisition, at amortised cost (refer to note 2(n)v)iii)).

The carrying amount of the finance receivables would be an estimated £99.1 million higher or £85.7 million lower (2011 – estimated £80.4 million higher or £67.3 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 discount rates at 31 December 2012 were between 4.85% and 8.14% (2011 – 4.91% and 6.91%)

(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 14 (2011 – 12) subsidiaries controlled at the year end, fall within this scope. Service concessions are determined to be finance receivables where the operator has a contractual right to receive cash or another financial asset from or at the direction of the grantor. Alternatively, service concessions are determined to be intangible assets to the extent the operator has a contractual right to charge users of the public services.

(iv) Intangible assets

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

For the purpose of impairment testing, the present value of the future cash flows of the service concessions are calculated. If the present value is lower than the carrying value of the PPP project company, then there is an indication that the intangible asset has been impaired and a full impairment review is prepared. Any impairment charges are recognised in the Consolidated Income Statement. During 2012, there were no indications of improvement (2011 – none).

(v) Major maintenance

The cost of major maintenance is estimated periodically over the life of the asset. To the extent that actual maintenance costs are higher or lower than forecast, the profit in the Operating Subsidiaries and the value of the Entity Investments may be affected. The risk is mitigated by regular review of actual expenditure and regular technical evaluations of the physical condition of the underlying infrastructure.

4. OPERATING SEGMENTS

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

UK
Continental Europe
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.

	2012			
	UK £'000s	Continental Europe £'000s	North America £'000s	Total Group £'000s
Revenue from external customers	**33,254**	**–**	**14,557**	**47,811**
Interest revenue	7,981	1,024	101	9,106
Interest expenses	(23,023)	–	(16,815)	(39,838)
Net interest (expense)/revenue	**(15,042)**	**1,024**	**(16,714)**	**(30,732)**
(Loss)/profit before tax	**(11,755)**	**254**	**12,611**	**1,110**
Tax	7,195	–	(1,099)	6,096
Reportable segment (loss)/profit	**(4,560)**	**254**	**11,512**	**7,206**

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

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

Information about major customers

The Group has four (2011 – four) customers which each represent more than 10 per cent of Group revenue. The customers' revenues were respectively £16.8 million (2011 – £13.5 million) reported across the UK segment and £11.3 million (2011 – £4.7 million) reported across the North America segment. The Group has treated each Government entity and/or department as a separate customer.

Segment assets

Information concerning the Group's net assets reported to the Group's Board of Directors for the purposes of resource allocation and assessment of segment performance is primarily focused on the fair value of the investments in the underlying PPP projects. This is reported for the Investment Group on an investment basis whereby this information is provided on all 37 projects irrespective of whether the project is treated as an Operating Subsidiary or as an Entity Investment.

	UK £'000s	**Continental Europe £'000s**	**North America £'000s**	**Total Group £'000s**
		2012		
Investments at fair value through profit or loss:				
Investment Group	427,642	33,229	76,524	537,395
Non-investment adjustments				(218,197)
Total Group segment assets				**319,198**
Unallocated assets				1,332,320

Consolidated total assets	**1,651,518**

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

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.

The unallocated assets represent the total consolidated assets of the Project Subsidiaries and cash and current assets of the Investment Group.

5. LOSS FROM OPERATIONS

	2012		2011	
	£'000s	**Total Group £'000s**	£'000s	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		94		87
Fees payable to the Company's auditors and their associates for other services to the Group:				
– the audit of the Company's subsidiaries pursuant to legislation				
– total fees payable by the Company's subsidiaries for the year	239		190	
– of which amount included in the consolidated results of the Company		221		129
Total audit fees		**355**		216
– audit related assurance services		40		40
– for work pertaining to the auditor's role as reporting accountants*		100		130
Total non-audit fees		**140**		170

Amortisation of intangible asset	6,639	2,952
Acquisition costs	1,086	1,961
Investment Adviser and Operator fee (see note 26)	5,682	3,698

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

* An amount of £100,000 (2011 – £130,000) was also paid to Deloitte LLP by the Company in respect of non-audit services for the year ended 31 December 2012 for work pertaining to their role as reporting accountants for the capital raising in the year. These fees were included in issue fees applied to the share premium account.

6. INVESTMENT INCOME

	2012			2011		
	Investment Group £'000s	**Non-investment adjustments £'000s**	**Total Group £'000s**	Investment Group £'000s	Non-investment adjustments £'000s	Total Group £'000s
Interest revenue:						
Interest on bank deposits	141	334	475	127	119	246
Interest from investments	15,828	(7,197)	8,631	9,622	(3,078)	6,544
Total interest revenue	15,969	(6,863)	9,106	9,749	(2,959)	6,790
Dividend income from investments	19,348	(2,631)	16,717	9,240	(1,146)	8,094
Movement in the fair value of investments*	6,610	(3,123)	3,487	11,597	(7,220)	4,377
Total investment income	**41,927**	**(12,617)**	**29,310**	30,586	(11,325)	19,261

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

7. OTHER GAINS/(LOSSES)

	2012			2011		
	Investment Group £'000s	**Non-investment adjustments £'000s**	**Total Group £'000s**	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*	–	34,898	34,898	–	50,435	50,435
Change in the fair value of derivative liabilities designated at fair value through profit or loss	–	(10,682)	(10,682)	–	(11,981)	(11,981)
Exchange gains/(losses) on monetary assets and derivative financial instruments	659	(587)	72	(76)	–	(76)
Total other gains and losses	**659**	**23,629**	**24,288**	(76)	38,454	38,378

* The movement in the fair value of finance receivables designated at fair value through profit or loss of £34.9 million (2011 – £50.4 million) is a net balance of interest received (£50.9 million (2011 – £17.6 million)), which is effectively the unwind of the discount, and a fair value loss (£16.0 million (2011 – fair value gain of £32.8 million)). For reasons for the change in fair value refer to note 3(ii).

8. FINANCE COST

	2012			2011		
	Investment Group £'000s	**Non-investment adjustments £'000s**	**Total Group £'000s**	Investment Group £'000s	Non-investment adjustments £'000s	Total Group £'000s
Interest on bank overdrafts and loans						
– recourse	(130)	–	(130)	(25)	–	(25)
– non-recourse	–	(39,708)	(39,708)	–	(13,764)	(13,764)
Other finance costs	(1,035)	(1,824)	(2,859)	(463)	(1,015)	(1,478)
Total finance costs	**(1,165)**	**(41,532)**	**(42,697)**	(488)	(14,779)	(15,267)

9. TAX

(a) Income tax expense

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

The income from its investments is therefore not subject to any further tax in Guernsey, although the underlying investments provide for taxation at the appropriate rates in the countries in which they operate. An overseas current tax charge of £2.1 million arose in the year (2011 – £1.0 million).

A deferred tax credit of £8.2 million (2011 – £4.0 million charge) 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 £9.5 million (2011 – £17.5 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.

	2012						
	Accelerated tax deductions of PPP projects £'000s	**Tax losses of PPP projects**	**Fair value of financial assets £'000s**	**Fair value of bank loans £'000s**	**Fair value of derivative financial instruments £'000s**	**Intangible assets £'000s**	**Total £'000s**
Opening balance	(3,867)	74	(22,477)	6,873	15,043	(28,777)	**(33,131)**
Recognised on acquisition of subsidiaries	–	–	9,239	(26,371)	26,484	(18,888)	**(9,536)**
Credit/(charge) to income	(938)	(19)	3,945	917	1,007	3,314	**8,226**
As at 31 December 2012	(4,805)	55	(9,293)	(18,581)	42,534	(44,351)	**(34,441)**

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

The Finance (No. 4) Act 2012, which provides for a reduction in the main rate of UK corporation tax to 23% effective from 1 April 2013, was enacted on 17 July 2012. This reduced rate has been reflected in the calculation of the deferred tax. The impact of this change in rate is a £1.2 million credit to the Income Statement.

The UK Government has also indicated that it intends to introduce a further reduction in the main corporation tax rate to 21% by 1 April 2014. This reduction to the tax rate had not been substantively enacted at the balance sheet date and is therefore not reflected in these financial statements.

10. EARNINGS PER SHARE

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

	2012	2011
	£'000s	£'000s
Earnings		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to owners of the Company	**7,188**	30,038
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**458,134,193**	311,675,803

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

	Pence	Pence
Basic and diluted earnings per share	**1.57**	9.64

11. DIVIDENDS

	2012	2011
	£'000s	£'000s
Amounts recognised as distributions to equity holders during the year:		
Final dividend for the year ended 31 December 2011 of 3.0 pence (period ended 31 December 2010 – 0.5 pence) per share	12,667	1,350
Interim dividend for the six months ended 30 June 2012 of 3.0 pence (2011 – 3.0 pence) per share	13,617	8,901
	26,284	10,251
Proposed final dividend for the year ended 31 December 2012 of 3.125 pence (2011 – 3.0 pence) per share	**16,035**	12,667

The proposed final dividend for the year ended 31 December 2012 is 3.125 pence per share, amounting to £16.0 million (2011 – £12.7 million). The final dividend was approved by the Board in March 2013 and is payable in May 2013. The dividend has not been included as a liability at 31 December 2012.

12. INTANGIBLE ASSETS

	Forth Valley Royal Hospital £'000s	Abbotsford Regional Hospital and Cancer Centre £'000s	North Swindon Schools £'000s	Brockley Social Housing PPP £'000s	Roseberry Park Hospital £'000s	Sirhowy Way £'000s	Other £'000s	Total £'000s
Cost								
Opening balance	-	22,897	19,256	15,346	-	12,853	47,930	118,282
Recognised on acquisition of subsidiaries	67,504	-	-	-	14,009	-	-	81,513
Balance at 31 December 2012	**67,504**	**22,897**	**19,256**	**15,346**	**14,009**	**12,853**	**47,930**	**199,795**
Amortisation								
Opening balance	-	(118)	(39)	(1,014)	-	(602)	(1,399)	(3,172)
Amortisation for the period	(690)	(867)	(939)	(937)	(344)	(557)	(2,305)	(6,639)
Balance at 31 December 2012	**(690)**	**(985)**	**(978)**	**(1,951)**	**(344)**	**(1,159)**	**(3,704)**	**(9,811)**
Carrying amount								
At 31 December 2012	**66,814**	**21,912**	**18,278**	**13,395**	**13,665**	**11,694**	**44,226**	**189,984**
At 31 December 2011	-	22,779	19,217	14,332	-	12,251	46,531	115,110
Remaining life (years)	29	25	20	14	27	21	19*	

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. Intangible assets 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 13 years to 29 years) (2011 – remaining lives range from 14 years to 26 years). Amortisation of £6.6 million (2011 – £3.0 million) is included within cost of sales in the consolidated income statement.

* The average remaining life of the 8 intangible assets included in 'Other' is 19 years.

13. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and equipment 2012 £'000s
Cost	
Opening balance	1,227
Balance at 31 December	**1,227**
Accumulated depreciation	
Opening balance	(36)
Depreciation for the year	(185)
Balance at 31 December	**(221)**
Carrying amount	
At 31 December 2012	**1,006**
At 31 December 2011	1,191

14. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012			2011		
	Investment Group £'000s	**Non-investment adjustments £'000s**	**Total Group £'000s**	Investment Group £'000s	Non-investment adjustments £'000s	Total Group £'000s
Opening balance	380,439	(148,094)	**232,345**	264,735	(55,828)	208,907
Acquisitions	156,074	(42,434)	**113,640**	109,484	(39,960)	69,524
Movement in accrued interest	117	(467)	**(350)**	(1,031)	(73)	(1,104)
Loan repayments	(5,845)	4,175	**(1,670)**	(4,346)	2,022	(2,324)
Reclassification of investments as a subsidiary undertaking	–	(28,254)	**(28,254)**	–	(47,035)	(47,035)
Movement in fair value (including exchange movements)	6,610	(3,123)	**3,487**	11,597	(7,220)	4,377
As at 31 December	**537,395**	**(218,197)**	**319,198**	380,439	(148,094)	232,345

The Investment Adviser has carried out fair market valuations of the investments as at 31 December 2012. The Directors have satisfied themselves as to the methodology used, the discount rates applied and the valuation. The Directors have also obtained an independent opinion from a third party, with considerable expertise in valuing these type of investments, supporting the reasonableness of the valuation. Investments are all investments in PPP projects and are valued using a discounted cash flow methodology. The valuation techniques and methodologies have been applied consistently with the methodology used to value the Portfolio since launch in 2010. Discount rates applied range from 7.95% to 8.86% (weighted average 8.41%) (2011 – 7.99% to 8.99% (weighted average 8.36%)).

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

	% holding 2012		% holding 2011	
Investments (project name – see note 32 for further details)	**Equity**	**Subordinated loan stock**	Equity	Subordinated loan stock
Newham Hospital	**50.0%**	**50.0%**	50.0%	50.0%
Queen Elizabeth Hospital, Greenwich	**27.5%**	**27.5%**	27.5%	27.5%
Kingston Hospital	**60.0%**	**60.0%**	60.0%	60.0%
Forth Valley Royal Hospital*	**–**	**–**	50.0%	50.0%
Glasgow Schools	**20.0%**	**20.0%**	20.0%	20.0%
South Lanarkshire Schools	**15.0%**	**15.0%**	15.0%	15.0%
Edinburgh Schools	**20.0%**	**20.0%**	20.0%	20.0%
Avon & Somerset Courts	**40.0%**	**40.0%**	40.0%	40.0%
Metropolitan Specialist Police Training Centre	**27.1%**	**27.1%**	27.1%	27.1%
Greater Manchester Police Stations	**27.1%**	**27.1%**	27.1%	27.1%
Cleveland Police Station & Headquarters	**50.0%**	**50.0%**	42.5%	42.5%
MOD Main Building	**26.0%**	**26.0%**	26.0%	26.0%
E18 Road	**41.0%**	**41.0%**	41.0%	41.0%
M40 Motorway (UK)	**50.0%**	**50.0%**	50.0%	50.0%
M6/M74 Motorway (Scotland)	**11.0%**	**11.0%**	11.0%	11.0%
Manchester Street Lighting	**50.0%**	**50.0%**	50.0%	50.0%
Wakefield Street Lighting	**50.0%**	**50.0%**	50.0%	50.0%
LUL Connect (CityLink)	**28.5%**	**28.5%**	19.5%	19.5%
Camden Social Housing	**50.0%**	**50.0%**	–	–
Islington Social Housing I	**45.0%**	**45.0%**	–	–
Islington Social Housing II	**45.0%**	**45.0%**	–	–
Newcastle Hospital	**15.0%**	**15.0%**	–	–
Pembury Hospital	**37.5%**	**37.5%**	–	–
Kromhout Barracks PPP Project	**40.0%**	**40.0%**	–	–

* The acquisition of the remaining 50% interest in Forth Valley Royal Hospital resulted in the investment being wholly owned and controlled by the Group and is therefore being consolidated as a subsidiary (see note 15).

Investments in the 14 wholly owned subsidiaries (see note 15) (2011 – 11 wholly owned subsidiaries and one 80.1% owned subsidiary) are included in the amounts above under Investment Group.

Where the Company holds 100% interest in projects, it is without question that these projects are subsidiaries. The Company takes careful consideration in assessing control where the Company owns more than half of the voting or potential voting power of an investee. In the case of the 60% interest in Kingston Hospital, a review of the shareholder's agreement shows that the Company has joint control with the other parties and therefore as defined by IAS 31 'Interest in Joint Ventures' is a joint venture. By virtue of the Company's status as an investment fund and the exemption provided by IAS31.1, joint venture investments are designated upon initial recognition to be accounted for at fair value through profit or loss.

On 18 January 2012, the Group completed a third party acquisition of joint venture interests in three social housing PPP projects for a consideration of £30.0 million.

On 17 May 2012, the Group completed the acquisition of a 15% interest in Newcastle Hospital from John Laing plc for a consideration of £9.4 million.

These acquisitions involve identical interests in both equity and subordinated debt instruments.

On 30 June 2012, the Group paid £14.8 million for participation in the loan notes of Forth Health Holdings Limited in fulfilment of its commitment on signing the special purchase agreement to acquire the initial 50% interest in Forth Valley Royal Hospital on 21 September 2011.

In October 2012, the Group completed the acquisition of joint venture interests in Pembury Hospital and Kromhout Barracks and the remaining 50% interest in Forth Valley Royal Hospital from John Laing plc.

Also in October, the Group completed the acquisition of a further 9% interest in LUL Connect (Citylink) from a third party for a consideration of £17.2 million.

On 19 December 2012, the Group completed the acquisition of a further 7.5% interest in Cleveland Police Station & Headquarters from a third party for a consideration of £0.5 million.

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

15. ACQUISITIONS OF SUBSIDIARIES

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

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

On 18 January 2012, the Group completed a third party acquisition of 100% interest in Palio 8 Limited for a total consideration of £29.9 million. The net assets acquired included joint venture interests in three social housing PPP projects at a fair value of £30.0 million (see note 14) and net other liabilities at a fair value of £0.1 million. The total transaction cost for the acquisition was £0.1 million, which has been recognised in administrative expenses in the income statement.

On 26 January 2012, the Group completed a third party acquisition of the remaining 19.9% equity and subordinated debt interest in the PPP infrastructure asset North East Fire and Rescue (“NEFRA”) for a total consideration of £1.15 million, taking its interest in NEFRA to 100% following the acquisition of an 80.1% stake from the John Laing Group in November 2011. Since the acquisition of the remaining interest did not result in a change of control, the acquisition is accounted for as a movement in equity, and has not been included in the table below.

On 25 April 2012 the Group acquired 100% interest in the equity and subordinated loan stock of Three Valleys Healthcare Limited (“Roseberry Park Hospital”). The total consideration paid in cash for this interest was £13.0 million (£10.7 million net of cash acquired). The total transaction cost for the acquisition was £0.1 million, which has been recognised in administrative expenses in the income statement. The project is a concession to design, build, finance and operate a new mental health facility in Middlesbrough.

On 12 October 2012 the Group acquired the remaining 50% interest in the equity and subordinated loan stock of Forth Health (Holdings) Limited (“Forth Valley Royal Hospital”) which brings the Company’s total interest in the project to 100%. The transaction is accounted for as a disposal of 50% joint venture interest and acquisition of a 100% subsidiary on the same date.

The total consideration for 100% interest in the project was £56.5 million (£47.9 million net of cash acquired). The total transaction cost for the acquisition was £0.1 million which has been recognised in administrative expenses in the Income Statement. The project is a concession to design, build, finance and operate a new hospital in Larbert.

Each of the above subsidiaries were acquired so as to continue the expansion of the Group's investment activities.

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

	Book value at acquisition £'000s	**Fair value adjustments £'000s**	**Fair value acquired £'000s**
Intangible assets	–	81,513	81,513

Finance receivables at fair value through profit or loss*	413,008	(39,884)	373,124
Investments at fair value through profit or loss	11,425	18,618	30,043
Cash and cash equivalents	10,926	–	10,926
Other current assets	17,786	–	17,786
Current liabilities	(9,172)	–	(9,172)
Deferred tax liabilities	–	(9,535)	(9,535)
Other non-current liabilities	(440,629)	(466)	(441,095)
Net assets acquired	**3,344**	**50,246**	**53,590**
Fair value of consideration for equity			53,590
Fair value of consideration for accrued interest			607
Fair value of consideration for loan stock			45,214
Total consideration			**99,411**
Satisfied by cash**			71,157
Satisfied by discharge of fair value of joint venture interest			28,254
Total consideration transferred			**99,411**
Cash acquired			(10,926)
Amounts satisfied by discharge of fair value of joint venture interest			(28,254)
Net cash outflow			**60,231**

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

** Total cash paid in the year for the acquisition of subsidiaries, including the cash paid for the remaining 19.9% interest in NEFRA of £1.15 million, was £72.3 million, of which £30.0 million was paid for the investments at fair through profit and loss held by Palio 8 and is included within acquisitions disclosed in note 14. The remaining £42.3 million less cash acquired of £10.9 million is shown as acquisition of subsidiaries in the cash flow statement.

The subsidiaries contributed £7.0 million to the Group's revenue and £4.1 million to the Group's profit for the period from acquisition to 31 December 2012. Had the subsidiaries been owned from 1 January 2012, the contribution to revenue and profit for the period would have been £27.1 million and £7.1 million respectively.

Roseberry Park	**Book value at acquisition £'000s**	**Fair value adjustments £'000s**	**Fair value acquired £'000s**
Intangible assets	–	14,009	14,009
Finance receivables at fair value through profit or loss account*	83,636	(6,582)	77,054
Cash and cash equivalents	2,340	–	2,340
Other current assets	4,339	–	4,339

Current liabilities	(3,169)	–	(3,169)
Deferred tax liabilities	-	(1,632)	(1,632)
Other non-current liabilities	(86,866)	(626)	(87,492)
Net assets acquired	**280**	**5,169**	**5,449**
Fair value of consideration for equity			5,449
Fair value of consideration for accrued interest			491
Fair value of consideration for loan stock			7,099
Total consideration, satisfied by cash			**13,039**
Cash acquired			(2,340)
Net cash outflow			**10,699**

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

Forth Valley Royal Hospital	**Book value at acquisition £'000s**	**Fair value adjustments £'000s**	**Fair value acquired £'000s**
Intangible assets	–	67,504	67,504
Finance receivables at fair value through profit or loss account*	329,372	(33,302)	296,070
Cash and cash equivalents	8,586	–	8,586
Other current assets	13,447	–	13,447
Current liabilities	(5,833)	–	(5,833)
Deferred tax liabilities		(7,903)	(7,903)
Other non-current liabilities	(345,162)	160	(345,002)
Net assets acquired	**410**	**26,459**	**26,869**
Fair value of consideration for equity			26,869
Fair value of consideration for accrued interest			116
Fair value of consideration for loan stock			29,514
Total consideration			**56,499**
Satisfied by cash			28,245
Satisfied by discharge of fair value of joint venture interest			28,254
Total consideration transferred			**56,499**
Cash acquired			(8,586)
Amounts satisfied by discharge of fair value of joint venture interest			(28,254)
Net cash outflow			**19,659**

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

Palio 8	Book value at acquisition £'000s	Fair value adjustments £'000s	Fair value acquired £'000s
Investments at fair value through profit or loss	11,425	18,618	30,043
Current liabilities	(170)	–	(170)
Other non-current liabilities	(8,601)	–	(8,601)
Net assets acquired	**2,654**	**18,618**	**21,272**
Fair value of consideration for equity			21,272
Fair value of consideration for loan stock			8,601
Total consideration, satisfied in cash			**29,873**
Net cash outflow			**29,873**

16. FINANCE RECEIVABLES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 £'000s	2011 £'000s
Opening balance	695,729	203,949
Acquisition of subsidiaries	373,124	456,066
Repayments in the year	(60,209)	(20,293)
Movement in fair value	34,898	50,435
Exchange (loss)/gain in the year	(5,962)	5,572
Balance at 31 December	**1,037,580**	695,729
This is represented by:		
Less than one year	29,478	14,660
Greater than one year	1,008,102	681,069
Balance at 31 December	**1,037,580**	695,729

The Operating Subsidiaries' concession contracts with public sector bodies are considered as financial assets. The movement in fair value of financial assets of £34.9 million for the year (2011 – £50.4 million) is included within other gains and losses in the Consolidated Income Statement. The movement in fair value of the financial assets comprises interest received of £50.9 million (2011 – £17.6 million) net of fair value loss of £16.0 million (2011 – gain £32.8 million). 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 Consolidated Balance Sheet.

17. TRADE AND OTHER RECEIVABLES

	2012			2011		
	Investment Group £'000s	**Non-investment adjustments £'000s**	**Total Group £'000s**	Investment Group £'000s	Non-investment adjustments £'000s	Total Group £'000s
Trade receivables	–	6,398	6,398	–	5,510	5,510
Other debtors	710	4,592	5,302	736	321	1,057
Prepayments and accrued income	–	21,148	21,148	31	2,636	2,667
Balance at 31 December	**710**	**32,138**	**32,848**	767	8,468	9,235

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:

	2012 £'000s	2011 £'000s
Sterling	**32,153**	8,377
Canadian Dollar	**695**	858
	32,848	9,235

There were no overdue amounts included in trade receivables.

18. OTHER FINANCIAL ASSETS

	2012			2011		
	Investment Group £'000s	**Non-investment adjustments £'000s**	**Total Group £'000s**	Investment Group £'000s	Non-investment adjustments £'000s	Total Group £'000s
Cash held as collateral for payment of committed obligation	–	–	–	14,775	–	14,775
Money market deposits	–	22,613	22,613	–	15,400	15,400
Balance at 31 December	**–**	**22,613**	**22,613**	14,775	15,400	30,175

On 21 September 2011, the Company signed a sale and purchase agreement to acquire 50% interest in Forth Valley Royal Hospital held by Forth Valley Investment Company Ltd. On the same date the amount payable for participation of the loan notes of £14.8 million was deposited

into a collateral account, which accrued interest of £50,000 in 2012 (2011 – £18,000). On 30 June 2012, the Group paid £14.8 million for participation in the loan notes of Forth Valley Royal Hospital in fulfilment of its commitment.

The Company's other financial assets also include cash invested in money market deposits for longer than three months. Such investments do not meet the definition of cash and cash equivalents.

The effective interest rate on money market deposits of the Total Group was between 0.33% and 2.00% (2011 – between 0.42% and 2.05%). The deposits had a remaining maturity of between 59 days and 198 days (2011 – between 9 days and 137 days).

The amount of £36.0 million under 'Non-investment adjustments' represents the cash and cash equivalent of the Operating Subsidiaries and as such is non-recourse to the Investment Group and is restricted.

19. TRADE AND OTHER PAYABLES

	2012			2011		
	Investment Group £'000s	**Non-investment adjustments £'000s**	**Total Group £'000s**	Investment Group £'000s	Non-investment adjustments £'000s	Total Group £'000s
Trade payables	29	3,434	3,463	–	3,247	3,247
Accruals and deferred income	2,462	72,233	74,695	2,607	52,403	55,010
Other payables	512	2,281	2,793	145	1,623	1,768
Balance at 31 December	**3,003**	**77,948**	**80,951**	2,752	57,273	60,025

20. LOANS AND BORROWINGS

	31 December 2012			31 December 2011*		
	Investment Group £'000s	**Non-investment adjustments £'000s**	**Total Group £'000s**	Investment Group £'000s	Non-investment adjustments £'000s	Total Group £'000s
Current liabilities						
Bank borrowings	–	8,732	8,732	–	11,129	11,129
Fixed rate bonds	–	2,184	2,184	–	2,353	2,353
Balance at 31 December	**–**	**10,916**	**10,916**	–	13,482	13,482
Non-current liabilities						
Bank borrowings	–	505,201	505,201	–	230,913	230,913
Fixed rate bonds	–	306,666	306,666	–	315,296	315,296
Balance at 31 December	**–**	**811,867**	**811,867**	–	546,209	546,209

In November 2012, the Group, with JLIF Limited Partnership as Borrower and the Company as Guarantor, increased its existing revolving credit facility of £40 million with National Westminster Bank plc to £75 million. The Group incurred arrangement fees of £438,000 (2011 – £925,000) during the year, which were capitalised. The Group also incurred commitment fees on the undrawn amount and interest of 2% on any amounts drawn down. In February 2013, the Group, with JLIF Limited Partnership as Borrower and the Company as Guarantor, refinanced its existing revolving credit facility of £75 million with National Westminster Bank plc to £150 million with Lloyds Bank plc, National Westminster Bank plc and ING Bank NV. It is intended that the facility will be used to provide bridging funding of acquisitions before being repaid from future capital raisings.

The Group's loans and borrowings at 31 December 2012 were £822.8 million (2011 – --£559.7 million), of which £822.8 million (2011 – --£559.7 million) were within the Operating Subsidiaries and as such are non-recourse to the Investment Group. The terms of the loans and borrowings and details of key bank covenants are detailed in note 29 c).

There were no recourse borrowings as at 31 December 2012 (2011 – --£nil).

* Restated for the reclassification of certain non-current liabilities totalling £16.9 million from current liabilities.

21. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2012			31 December 2011		
	Investment Group £'000s	**Non-investment adjustments £'000s**	**Total Group £'000s**	Investment Group £'000s	Non-investment adjustments £'000s	Total Group £'000s
Non-current assets						
RPI swaps	**–**	**4,024**	**4,024**	–	–	–
Non-current liabilities						
Interest rate swaps	–	(166,634)	(166,634)	–	(60,171)	(60,171)
RPI swaps	–	(22,321)	(22,321)	–	–	–
Non-current liabilities	**–**	**(188,955)**	**(188,955)**	–	(60,171)	(60,171)

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

In order to manage exposure to movements in interest rates, project companies financed by floating rate debt swap their floating rate exposure for fixed rates using interest rate swaps. The notional amounts of the outstanding interest rate swap contracts at 31 December 2012 were £508.3 million (2011 – £251.9 million). As at 31 December 2012, the fixed interest rates on the swaps range from 4.68% to 5.72% (2011 – from 4.53% to 6.51%).

In a minority of cases, project cash flows are sensitive to inflation. In order to manage this risk, the project company will enter into inflation swaps. During 2012, two inflation swaps were added via the acquisition of subsidiaries.

22. SHARE CAPITAL

Issued and fully paid	**2012 £'000s**	2011 £'000s
513,109,848 (2011 – --422,232,698) ordinary shares of 0.01 pence each	**51**	42

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

On 26 April 2012, 29,376,270 new ordinary shares of 0.01 pence each were issued and fully paid up at an Issue Price of 105.5 pence.

In May 2012, 2,305,120 new ordinary shares of 0.01 pence each were issued and fully paid at an issue price of 106.62 pence as a scrip dividend alternative in lieu of cash for the final dividend in respect of the year ended 31 December 2011.

On 2 October 2012, 56,739,261 new ordinary shares of 0.01 pence each were issued and fully paid up at an Issue Price of 106.5 pence.

Also in October 2012, 2,456,499 new ordinary shares of 0.01 pence each were issued and fully paid at an issue price of 107.58 pence as a scrip dividend alternative in lieu of cash for the interim dividend in respect of the six months ended 30 June 2012.

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

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

23. SHARE PREMIUM ACCOUNT

	2012 £'000s	2011 £'000s
Opening balance	423,618	266,884
Premium arising on issue of equity shares	96,510	159,169
Expenses of issue of equity shares	(1,904)	(2,435)
Balance at 31 December	**518,224**	423,618

24. TRANSLATION RESERVES

	2012	2011
	£'000s	£'000s
Opening balance	(1,279)	(4)
Exchange differences on translating the net assets of foreign operations	837	(1,275)
At 31 December	**(442)**	(1,279)

25. RETAINED EARNINGS

	2012	2011
	£'000s	£'000s
Opening balance	23,617	3,830
Net profit for the year	7,188	30,038
Dividends paid (note 11)	(26,284)	(10,251)
Acquisition of non-controlling interest	59	–
Balance at 31 December	**4,580**	23,617

26. TRANSACTIONS WITH INVESTMENT ADVISER AND RELATED PARTIES

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

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

JLCM is also the Operator of JLIF Limited Partnership, the limited partnership through which the Group holds its investments, by the General Partner of the partnership, JLIF GP Limited, a sister subsidiary of JLCM. The Operator and the General Partner may each terminate the appointment of the Operator after an initial four year term, starting on 27 October 2010, by either party giving one year's written notice. Either the Operator or the General Partner may terminate the appointment of the Operator by written notice if the Investment Advisery 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 Adviser and Operator fee charged to the Income Statement for the year was £5,682,000 (2011 – --£3,698,000) of which £1,531,000 remained payable at year end (2011 – £1,102,000).

* Adjusted Portfolio Value is defined in the Investment Advisery 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.

During 2012, the Directors of Palio 8 Limited, a subsidiary of the JLIF Group, signed an agreement with JLCM, to purchase project services with effect from 18 June 2012. During 2012, fees paid in relation to services provided under the agreement were £86,000 (2011 – --£nil). On 26 July 2012 the agreement was terminated.

The Group acquired four PPP projects and a further interest in one existing project from John Laing plc, of which JLCM is a wholly owned subsidiary, under an arm's length sale and purchase agreement. The Group paid £92.4 million in total to John Laing for these projects, of which £51.1 million related to acquisition of the four joint ventures and associates.

Transactions with joint ventures and associates

	2012			2011		
	Income statement £'000s	**Cash received £'000s**	**Balance due £'000s**	Income statement £'000s	Cash received £'000s	Balance due £'000s
Equity investments[1]	–	–	237,666	–	954	186,094
Subordinated loan investments[1]	–	1,670	72,653	–	1,370	44,715
Subordinated loan interest receivable[1]	8,632	8,922	8,878	6,544	7,616	1,536
Dividends	16,717	16,717	–	8,094	8,094	–
Other income	358	354	21	31	–	31

1 The balances due on equity investments, subordinated loan investments and subordinated loan interest at 31 December 2012 and

31 December 2011, which are at the fair value of their future cash flow, are included within Investments at fair value through profit or loss (note 14). The balance due on interest receivable of £8,878,000 (2011 – £1,536,000) includes a foreign exchange gain of £14,000 (2011 – loss of £17,000).

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 28. Total fees for the year were £191,000 (2011 – £179,800). The Directors were paid £8,000 of expenses in the year (2011 – £5,000). The interests of the Directors in the shares of the Company as at 31 December 2012 and 31 December 2011 are detailed in the Report of Directors on page 28.

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

The Directors were paid dividends in the year of £9,544. As part of the share issue in October 2012, Chris Spencer and David MacLellan subscribed for and were issued with 5,000 and 3,125 ordinary shares respectively.

27. FINANCIAL ASSETS

a) Maturity of financial assets

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

	2012			2011		
	Less than 1 year £'000s	**Greater than 1 year £'000s**	**Total £'000s**	Less than 1 year £'000s	Greater than 1 year £'000s	Total £'000s
Investment in joint ventures and associates at fair value through profit and loss	–	319,198	319,198	–	232,345	232,345
Finance receivables at fair value through profit and loss	29,478	1,008,102	1,037,580	14,660	681,069	695,729
Derivative financial instruments	–	4,024	4,024	–	–	–
Trade and other receivables	32,848	–	32,848	9,235	–	9,235
Other financial assets	22,612	–	22,612	30,175	–	30,175
Cash and cash equivalents	44,265	–	44,265	76,749	–	76,749
Total financial assets	**129,203**	**1,331,324**	**1,460,527**	130,819	913,414	1,044,233

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

2012

Currency	Floating rate £'000s	Fixed rate £'000s	Non-interest bearing £'000s	Total £'000s
Sterling	–	4,148	3,068	7,216
Euro	–	–	1,760	1,760
Canadian Dollar	–	–	–	–
Recourse	**–**	**4,148**	**4,828**	**8,976**
Sterling	–	687,127	61,531	**748,658**
Canadian Dollar	–	373,066	10,630	**383,696**
Non-recourse	**–**	**1,060,193**	**72,161**	**1,132,354**
Total	**–**	**1,064,341**	**76,989**	**1,141,330**

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

The non-recourse fixed rate financial assets principally represent PPP finance receivables. The weighted average interest rate of the fixed rate financial assets is 6.88% (2011 – 7.35%) and the weighted average period for which the interest rates are fixed is 24.4 years (2011 – 22.8 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

	2012			
	Floating rate £'000s	**Fixed rate £'000s**	**Non-interest bearing £'000s**	**Total £'000s**
Sterling	–	–	285,969	**285,969**
Euro	–	–	33,229	**33,229**
	–	**–**	**319,198**	**319,198**

	2011			
	Floating rate £'000s	Fixed rate £'000s	Non-interest bearing £'000s	Total £'000s
Sterling	–	–	216,310	216,310
Euro	–	–	16,035	16,035
	–	–	232,345	232,345

Joint ventures and associates are valued on a discounted cash flow basis. The weighted average discount rate was 8.41% (2011 – 8.36%). An analysis of the valuation's sensitivity to changes in foreign exchange rates and discount rates has been provided in note 3 (i).

The movement in fair value would give rise to an equal increase/decrease in profit before tax.

28. FINANCIAL RISK MANAGEMENT

Financial Risk Management

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

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

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 2012 the Group had no recourse debt (2011 – £nil).

Capital Risk Management

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balances. The capital structure of the Group consists of non-recourse debt within the Operating Subsidiaries and the Group's corporate facility and includes loans and borrowings as detailed in note 20 offset by cash and cash equivalents and equity attributable to Owners of the Company comprising issued capital, reserves and retained as detailed in notes 22 to 25. The Group aims to deliver its objective by investing available cash and using leverage whilst maintaining sufficient liquidity to meet ongoing expenses and dividend payments. The Group's investment policy is set on pages 14 to 16 of the Annual Report.

Gearing ratio

The Groups' Investment Adviser reviews the capital structure on a semi-annual basis. JLIF intends to make prudent use of leverage (leverage in the context of JLIF excluding senior debt in place at project entity level) for financing acquisitions of investments and working capital purposes. Under the company articles, and in accordance with JLIF's Investment Policy, JLIF's outstanding borrowings, excluding intra-group borrowings and the debts of underlying Assets but including any financial guarantees to support subscription obligations, will be limited to 25% of JLIF's Total Assets. JLIF may borrow in currencies other than Sterling as part of its currency hedging strategy.

As at the date of this Annual Report, all debt was non-recourse Operating Subsidiaries debt.

Market risk – foreign currency exchange rate risk

As at 31 December 2012 the Group has invested in four (2011 – three) overseas projects, two (2011 – two) of which were subsidiaries. The Group's foreign currency exchange rate risk policy is not to automatically hedge on an individual project basis but to determine the total Group exposure to individual currencies.

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

	Assets		Liabilities	
	2012	2011	2012	**2011**
	£'000s	£'000s	£'000s	**£'000s**
Canadian Dollar	384,702	330,488	(367,999)	(313,593)
Euro	1,760	342	–	–
	386,462	330,830	**(367,999)**	(313,593)

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

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

		2012	
Effect on profit from operations of relevant currency weakening by 5% against Sterling:	**Profit before tax £'000s**	**Translation reserve £'000s**	**Net assets £'000s**
Canadian Dollar	(10)	(825)	**(835)**
Euro	(88)	–	**(88)**
	(98)	**(825)**	**(923)**

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

Market risk – interest rate risk

The Group's interest rate risk arises on long term borrowings and floating rate deposits.

Borrowings issued at variable rates expose the Group to variability of interest payment cash flows. Borrowings issued at fixed rates expose the Group to revaluation risk of its borrowings.

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

John Laing Infrastructure Fund Limited and its subsidiaries were in a net cash position at the balance sheet date. The sensitivity analysis below has been determined based on the interest rates for both derivative and non-derivative instruments as at

31 December. For floating rate assets and liabilities, the analysis has been prepared assuming the amount of an asset or liability outstanding as at 31 December was outstanding for the whole period then ended. A 1% increase or decrease represents the Company'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:

	2012		2011	
	Profit before tax	**Net assets**	Profit before tax	Net assets
	£'000s	**£'000s**	£'000s	£'000s
Sterling	**62,086**	**62,086**	20,297	20,297

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.

Fluctuations in interest rates impact on returns from floating rate deposits and hence the income from investments at fair value through profit and loss. An absolute 1% increase in deposit rates would result in an increase in investments at fair value through profit or loss of £5.5 million. An absolute 1% decrease in deposit rates would result in a decrease in investments at fair value through profit or loss of £5.5 million.

Market risk – inflation risk

Each PPP project subsidiary will typically have part of its revenue and some of its costs linked to a specific inflation index at inception of the project. In most cases this creates a natural hedge, meaning a derivative does not need to be entered into in order to mitigate inflation risk. However, in a minority of cases where the project has index-linked cash flows that fall outside of this natural hedge, the inflation risk in relation to those cash flows will be mitigated using RPI inflation swaps.

At 31 December 2012, the Group had two RPI inflation swaps (2011 – none). For an absolute increase of 1% in RPI, the fair value of the RPI swaps would increase by £2.0 million. For an absolute decrease of 1% in RPI there would be an equal and opposite movement in the fair value of the RPI swaps.

For a sensitivity analysis of investments at fair value through profit and loss, refer to Note 3(i). The fair value of finance receivables at fair value through profit and loss is insensitive to inflation.

Credit risk

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

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

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

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

Liquidity risk

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

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

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

		2012		
	Recourse £'000s	**Non-recourse £'000s**	**Derivatives £'000s**	**Total £'000s**
In one year or less, or on demand	3,004	88,864	21,774	**113,642**
In more than one year but less than two years	–	11,841	21,233	**33,074**
In more than two years but less than five years	–	43,150	53,696	**96,846**
In more than five years	–	756,876	92,252	**849,128**
Total	**3,004**	**900,731**	**188,955**	**1,092,690**

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

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

			2012			
	Weighted average effective interest rate %	**In 1 year or less £'000s**	**In more than 1 year but less than 2 years £'000s**	**In more than 2 years but less than 5 years £'000s**	**In more than 5 years £'000s**	**Total £'000s**
Variable interest rate instruments	1.54%	8,272	8,766	24,626	348,628	390,292
Fixed interest rate instruments	5.77%	2,644	3,075	18,524	408,248	432,491
Non-interest bearing instruments		80,952	–	–	–	80,952
		91,868	**11,841**	**43,150**	**756,876**	**903,735**

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

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:

2012

	Weighted average effective interest rate %	In 1 year or less £'000s	In more than 1 year but less than 2 years £'000s	In more than 2 years but less than 5 years £'000s	In more than 5 years £'000s	Total £'000s
Net settled interest rate swaps	5.10%	21,971	21,557	55,576	96,003	195,107
Net settled inflation swaps	n/a	571	579	1,024	32,623	34,797
		22,542	**22,136**	**56,600**	**128,626**	**229,904**

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

29. FINANCIAL INSTRUMENTS

a) Financial instruments by category

	2012					
	Cash and bank balances £'000s	**Loans and receivables £'000s**	**Financial assets at FVTPL* £'000s**	**Financial liabilities at FVTPL* £'000s**	**Financial liabilities at amortised cost £'000s**	**Total £'000s**
Non-current assets						
Investment in joint ventures and associates at fair value through profit and loss	–	–	319,198	–	–	**319,198**
Finance receivables at fair value through profit and loss	–	–	1,008,102	–	–	**1,008,102**
Derivative financial instruments	–	–	4,024	–	–	**4,024**

Current assets						
Finance receivables at fair value through profit and loss	–	–	29,478	–	–	**29,478**
Trade and other receivables	–	32,848	–	–	–	**32,848**
Other financial assets (note 18)	22,613	–	–	–	–	**22,613**
Cash and cash equivalents	44,265	– --	–	–	–	**44,265**
Total financial assets	**66,878**	**32,848**	**1,360,802**	**–**	**–**	**1,460,528**
Current liabilities						
Current portion of interest bearing loans and borrowings	–	–	–	–	(10,916)	**(10,916)**
Trade and other payables	–	–	–	–	(80,951)	**(80,951)**
Non–current liabilities						
Interest bearing loans and borrowings	–	–	–	–	(811,867)	**(811,867)**
Fair value of derivatives	–	–	–	(188,955)	–	**(188,955)**
Total financial liabilities	**–**	**–**	**–**	**(188,955)**	**(903,734)**	**(1,092,689)**
Net financial instruments	**66,878**	**32,848**	**1,360,802**	**(188,955)**	**(903,734)**	**367,839**
Fair value measurement method			**Level 3**	**Level 2**		

	2011					
	Cash and bank balances £'000s	Loans and receivables £'000s	Financial assets at FVTPL* £'000s	Financial liabilities at FVTPL* £'000s	Financial liabilities at amortised cost £'000s	Total £'000s
Non-current assets						
Investment in joint ventures and associates at fair value through profit and loss	–	–	232,345	–	–	232,345
Finance receivables at fair value through profit and loss	–	–	681,069	–	–	681,069
Current assets						
Finance receivables at fair value through profit and loss	–	–	14,660	–	–	14,660
Trade and other receivables	–	9,235	–	–	–	9,235
Other financial assets	30,175	–	–	–	–	30,175
Cash and cash equivalents	76,749	–	–	–	–	76,749
Total financial assets	106,924	9,235	928,074	–	–	1,044,233

Current liabilities						
Current portion of interest bearing loans and borrowings	–	–	–	–	(30,401)	(30,401)
Trade and other payables	–	–	–	–	(60,025)	(60,025)
Non-current liabilities						
Interest bearing loans and borrowings	–	–	–	–	(529,290)	(529,290)
Fair value of derivatives	–	–	–	(60,171)	–	(60,171)
Total financial liabilities	–	–	–	(60,171)	(619,716)	(679,887)
Net financial instruments	106,924	9,235	928,074	(60,171)	(619,716)	364,346
Fair value measurement method				Level 3	Level 2	

* FVTPL = Fair value through profit and 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 year (2011 – none).

Reconciliation of Level 3 fair value measurement of financial assets and liabilities
An analysis of the movement between opening to closing balances of the investments in joint ventures at fair value through profit and loss is given in note 14 and for finance receivables at fair value through profit and loss the analysis is given in note 16. For financial assets at fair value through profit and loss, changing the discount rate used to value the underlying instruments would alter the fair value.

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

	2012 **£'000s**	2011 £'000s
Investment in joint ventures and associates at fair value through profit and loss	(20,881)	(21,659)
Finance receivables at fair value through profit and loss	(85,733)	(67,300)
	(106,614)	(88,959)

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

	2012 £'000s	2011 £'000s
Investment in joint ventures and associates at fair value through profit and loss	23,671	25,680
Finance receivables at fair value through profit and loss	99,110	80,400
	122,781	106,080

As noted in note 3(ii), in determining the discount rate for calculating the fair value of finance receivables, reference is made to bank margins and interest rate swaps achieved on recent transactions. Hence, movements in these market rates could give rise to changes in the discount rate.

b) Fair value of derivatives

	2012 £'000s	2011 £'000s
Derivatives		
Non-current assets		
Inflation swaps	4,024	–
Net deferred tax thereon	(925)	–
	3,099	–
Non-current liabilities		
Interest rate swaps	(166,634)	(60,171)
Inflation swaps	(22,321)	–
Net deferred tax thereon	43,459	15,043
Total fair value of derivatives post deferred tax	**(145,496)**	(45,128)

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. 11 of the 14 (2011 – --9 of the 12) 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% (2011 – 4.7% to 5.7%) and maturities range from 2024 to 2041 (2011 – from 2024 to 2033). The movement in the fair value of the swaps has been recognised in the Income Statement.

	2012 £'000s	2011 £'000s
Notional value of interest rate swaps	**508,341**	251,944

The Group's financial liabilities at 31 December 2012 were £1,092.7 million (2011 – £679.9 million), of which £1,089.7 million (2011 – £677.1 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 2012 Financial liabilities			
	Currency	**Floating rate £'000s**	**Fixed rate £'000s**	**Non-interest bearing £'000s**	**Total £'000s**
Group trade and other payables < 1 year	**– Sterling**	**–**	**–**	**3,003**	**3,003**
Total recourse		**–**	**–**	**3,003**	**3,003**
Project Companies – borrowings < 1 year	– Sterling	8,271	(50)	–	**8,221**
	– Canadian Dollar	–	2,695	–	**2,695**
Project Companies – borrowings > 1 year	– Sterling	382,020	123,182	–	**505,202**
	– Canadian Dollar	–	306,665	–	**306,665**
Group trade and other payables < 1 year	– Sterling	–	–	74,214	**74,214**
	– Canadian Dollar	–	–	3,734	**3,734**
Total non-recourse		**390,291**	**432,492**	**77,948**	**900,731**
Total derivative liabilities		–	166,634	22,321	188,955
Total		**390,291**	**599,126**	**103,273**	**1,092,689**

		31 December 2011 Financial liabilities			
	Currency	Floating rate £'000s	Fixed rate £'000s	Non-interest bearing £'000s	Total £'000s
Group trade and other payables < 1 year	– Sterling	–	–	2,752	2,752
Total recourse		–	–	2,752	2,752

Project Companies – borrowings < 1 year	– Sterling	10,636	493	–	11,129
	– Canadian Dollar	–	19,272	–	19,272
Project Companies – borrowings > 1 year	– Sterling	222,928	7,985	–	230,913
	– Canadian Dollar	–	298,377	–	298,377
Group trade and other payables < 1 year	– Sterling	–	–	52,851	52,851
	– Canadian Dollar	–	–	4,422	4,422
Total non-recourse		233,564	326,127	57,273	616,964
Total derivative liabilities		–	60,171	–	60,171
Total		233,564	386,298	60,025	679,887

Two Operating Subsidiaries (2011 – one) are funded by bond financing totalling £309.4 million (2011 – £317.6 million). The bonds have fixed interest coupons ranging from 6.0% to 6.2% and mature in 2036 (2011 – from 6.0% to 6.2% and mature in 2036). The interest rates for the remaining projects are fixed using either interest rate swaps or fixed rate debt. The maturities range from 2024 to 2041 (2011 – from 2024 to 2033) and the all-inclusive interest rates vary from 5.5% to 7.2% (2011 – from 5.6% to 7.2%). The weighted average all-inclusive interest rate for these non-recourse fixed rate financial liabilities is 5.87% and the weighted average period for which interest rates are fixed is 24.3 years (2011 – 6.21% and the weighted average period for which interest rates are fixed is 21.9 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 11 (2011 – 9) and 1.1 for one (2011 – one) of the UK subsidiaries and 1.0 for the two (2011 – two) Canadian subsidiary and Loan Life Cover Ratio of 1.10 for 11 (2011 – 9) and 1.05 for one (2011 – one) of the UK subsidiaries. Loan Life Cover Ratios do not apply for the two (2011 – two) Canadian subsidiaries. There were no material events of non-compliance in the Operating Subsidiaries in the year (2011 – none).

Except as detailed in the following table, the carrying amounts of financial assets and financial liabilities in the financial statements approximate to their fair values.

	Carrying amount		**Fair value**	
	2012	2011	**2012**	2011
	£'000s	£'000s	**£'000s**	£'000s
Interest bearing loans and borrowings	**822,783**	559,691	**815,837**	573,638

30. GUARANTEES AND OTHER COMMITMENTS

As at 31 December 2012 the Consolidated Group had no commitments.

31. EVENTS AFTER BALANCE SHEET DATE

On 17 January 2013, the Group completed the acquisition of a further 9% interest in the PPP infrastructure asset E18 Road for a total consideration of EUR 3.15 million. This acquisition takes the Group's total holding in E18 Road to 50% following the acquisition of a 41% stake from the John Laing Group in December 2010.

In February 2013, JLIF signed a £150 million revolving credit facility with three banks, comprising National Westminster Bank plc, Lloyds Bank plc and ING Bank plc. The facility expires in February 2016. The margin on the Facility is 2.3% over LIBOR and subject to variation should the loan to value change significantly. The Facility will be used primarily to fund third party acquisitions in between capital raisings.

32. DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS

The Group holds investments in 37 service concession arrangements in the Accommodation, Transport, and Utilities sectors. The concessions vary on the obligations required but typically require the construction and operation of an asset during the concession period. The concession may require the acquisition or replacement of an existing asset or the construction of a new asset. The operation of the asset may include the provision of facilities management services like cleaning, catering, caretaking and major maintenance. At the end of the concession period on the majority of the concessions the assets are returned to the concession provider. As at 31 December 2012 and 31 December 2011 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								
Health	Healthcare Support	Newham Hospital (Newham) Limited	50%	Design, build, finance and operate extensions at Newham General Hospital.	27-Jan-2004	30-Jan-2039	35	Refurbishment and construction of two extensions costing £35 million
	Meridian Hospital Company Limited	Queen Elizabeth Hospital Greenwich	27.5%	Design, build, finance and operate new hospital in the Greenwich area of London.	08-Jul-1998	31-Oct-2030	32	Construction of hospital costing £96 million.
	Prime Care Solutions	Kingston Hospital	60%	Design, build, finance and operate	23-Nov-2004	22-Jul-2036	32	Construction of extension and

(Kingston) Limited			extension to Kingston Hospital.				temporary car costing £29 million.
AHA Access Health Abbotsford Limited	Abbotsford Regional Hospital and Cancer Centre	100%	Design, build, finance and operate new hospital in Abbotsford, British Columbia, Canada.	07-Dec-2004	06-May-2038	33	Construction of hospital costing CAN$355 million.
AHV Access Health Vancouver Limited	Vancouver General Hospital	100%	Design, build, finance and operate new outpatient facility in Vancouver, British Columbia, Canada.	02-Sep-2004	18-Aug-2036	32	Construction of outpatient facility costing CAN$95 million
Forth Health Limited	Forth Valley Royal Hospital	100%	Design, build, finance and operate new hospital in Larbert.	26-Aug-2008	31-Mar-2042	34	Construction of hospital costing £293 million.
Three Valleys Healthcare Limited	Roseberry Park Hospital	100%	Design, build, finance and operate a mental health facility in Middlesbrough.	18-Dec-2007	23-Mar-2040	32	Construction of hospital costing 75 million.
Newcastle Support (Newcastle) Limited	Newcastle Hospitals	15%	Design, build, finance and operate hospitals in Newcastle.	04-May-2005	03-May-2043	38	Refurbishment and construction at the Freeman Hospital and Royal Victoria Infirmary and construction of a multi-storey car park for the Freeman Hospital, costing £295 million.
Kent and East Sussex Weald	Pembury Hospital	37.5%	Finance, constriction, operation and	30-May-2012	25-Sep-2042	30	Construction of hospital costing 232 million.

	Hospital Limited			maintenance of District General hospital in Tunbridge Wells				
Schools	3ED Glasgow Limited	Glasgow Schools	20%	Design, build, finance and operate 29 secondary schools and one primary school in Glasgow.	26-Jul-2000	30-Jun-2030	30	Major refurbishment and extension of 18 schools – £135 million. Construction of 11 new secondary schools and one new primary school – £90 million.
	InspirED Education (South Lanarkshire) plc	South Lanarkshire Schools	15%	Design, build, finance and operate 15 new secondary schools and two refurbishments in the South Lanarkshire area.	28-Jun-2006	30-Sep-2039	34	New schools construction and refurbishment costing £320 million.
	Education Support (Swindon) Limited	North Swindon Schools	100%	Design, build, finance and operate seven new schools in Swindon.	01-Apr-2005	30-Jun-2032	27	New schools construction costing £70 million.
	Education Support (Enfield) Limited	Highlands School	100%	Design, build, finance and operate one secondary school in Enfield.	01-Sep-2000	30-Sep-2025	25	New school construction costing £17 million.
	Education Support (Newham) Limited	Newham Schools	100%	Design, build, finance and operate one secondary school in Newham.	24-Sep-2003	31-Aug-2029	26	New school construction costing £22 million.
	Education Support (Enfield 2)	Enfield Schools	100%	Design, build, finance and operate three schools in	24-Sep-2003	31-Aug-2029	26	New schools construction costing £27

	Limited			Enfield, two primary and one secondary.				million.
	The Edinburgh School Partnership Limited	Edinburgh Schools	20%	Design, build, finance and operate 17 schools in total, ten new primaries, two new secondary schools, three refurbished secondary schools and two special schools.	15-Nov-2001	30-Sep-2033	32	Refurbishment of three secondary schools and one special school – £25 million. New build of ten primary schools, two secondary and one special school – £82 million.
Justice and Emergency Services	Service Support (Avon & Somerset) Limited	Avon & Somerset Courts	40%	Design, build, finance and operate two new courts in Worle and Bristol, offices, a podium and a bus station.	23-Aug-2004	26-Oct-2034	30	Construction costing £43 million.
	Services Support (Gravesend) Limited	Metropolitan Specialist Police Training Centre	27.08%	Design, build, finance and operate firearms training facility in Gravesend.	20-Apr-2001	10-Feb-2028	27	New training facility and refurbishment of accommodation blocks construction costing £40 million.
	Services Support (Manchester) Limited	Greater Manchester Police Stations	27.08%	Design, build, finance and operate 16 new in Manchester police stations	04-Dec-2002	31-Mar-2030	27	Construction £82 million.
	Cleveland FM Services Limited	Cleveland Police Station & HQ	50.0%	Design, build, finance and operate five police stations.	01-May-2005	31-Jan-2032	27	Construction costing £26 million.
	Collaborative Services Support NE	North East Fire & Rescue	100.0%	Design, construction, finance and operation of five	24-May-2010	16-May-2035	26	Construction costing £27 million.

	Limited			community fire stations in North East England.				
Defence	Modus Services Limited	MOD Main Building	26%	Design, build, finance and operate Ministry of Defence offices in Whitehall.	04-May-2000	03-May-2030	30	Refurbishment of existing buildings costing 416 million.
	Komfort BV	Kromhout Barracks PPP Project	40%	Design, build, finance and operate Dutch Ministry of Defence HQ in Utrecht.	01-Oct-2010	30-Sep-2035	25	Total expenditure of €205 million.
Regeneration and Social Housing	Regenter LCEP Limited	Canning Town – Social Housing	100%	Refurbish, finance and operate council housing in Newham.	03-Jun-2005	31-May-2035	30	Refurbishment of existing buildings £20 million.
	Regenter B3 Limited	Brockley Social Housing PPP	100%	Refurbish, finance and operate council housing in Brockley.	04-Jun-2007	30-Apr-2027	20	Refurbishment of existing buildings costing £74 million.
	Regenter Be ntilee District Centre Limited	Bentilee Hub Community Centre	100%	Design, build, finance and operate joint services community facility	01-Feb-2005	31-Jan-2032	27	Construction £8 million.
	Partners for Improvement in Camden Limited	Camden Social Housing	50%	Refurbish, finance and maintain council housing in five tower blocks in Camden.	02-May-2006	02-May-2021	15	Construction £69 million.
	Partners for Improvement in Islington Limited	Islington Social Housing I	45%	Refurbish, finance and maintain in excess of 2300 council housing properties in Islington.	12-May-2003	31-Mar-2033	30	Construction costing £39 million.
	Partners for Improvement	Islington Social	45%	Refurbish, finance and maintain in	15-Sep-2006	07-Jul-2022	16	Construction costing £151

	in Islington 2 Limited	Housing II		excess of 4000 council housing properties in Islington.				million.
Roads & Transport								
	Sirhowy Enterprise Way Limited	Sirhowy Way	100%	Design, build, finance and operate improvements to the A4048/A472 Strategic Highway Network between the north of Blackwood and the east of Ponllanfraith, South Wales.	21-Jan-2004	20-Jan-2034	30	Upgrade and maintain part of existing road and build new carriageway at a cost of £44 million.
	Tiehytio Ykkostie Oy	E18 Road	41%	Design, build, finance and operate the E18 Muurla–Lohja Motorway Project in Finland.	27-Oct-2005	15-Nov-2029	24	Upgrade and maintain existing road at a cost of €327 million.
	UK Highways M40 Limited	M40 Motorway (UK)	50%	Design, build, finance and operate the M40 Motorway.	08-Oct-1996	07-Dec-2026	30	Upgrade and maintain existing motorway at a cost of £90 million.
	Autolink Concessionaires (M6) plc	M6/M74 Motorway (Scotland)	11%	Design, build, finance and operate project to maintain 90 km of the M6 and M74 (from Gretna, on the Scottish border to Millbank, 30 miles south of Glasgow). Project includes the upgrade of the A74 to a 29 km stretch of dual	24-Apr-1997	29-Jul-2027	30	Upgrade and maintain existing motorway costing £95 million.

Citylink Telecommunications Limited	LUL Connect (CityLink)	28.5%	three lane motorway Upgrade of London Underground's existing radio and telecommunications systems and implementing and operating a new system.	21-Nov-1999	21-Nov-2019	20	Maintain the existing radio and communications systems and replace at a cost of £198 million.
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 £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.

33. PRINCIPAL SUBSIDIARIES

Name	Category	Country	Ownership Interest
JLIF Luxco 1 S.á.r.l.	Investment Group	Luxembourg	100%
JLIF Luxco 2 S.á.r.l.	Investment Group	Luxembourg	100%
JLIF Limited Partnership Limited [1]	Investment Group	United Kingdom	100%
Palio (No 1) Limited	Investment Group	United Kingdom	100%
Palio (No 2) Limited	Investment Group	United Kingdom	100%
Palio (No 3) Limited	Investment Group	United Kingdom	100%
Palio (No 4) Limited	Investment Group	United Kingdom	100%
Palio (No 5) Limited	Investment Group	United Kingdom	100%

Palio (No 6) Limited	Investment Group	United Kingdom	100%
Palio (No 7) Limited	Investment Group	United Kingdom	100%
Palio (No 8) Limited	Investment Group	United Kingdom	100%
Palio (No 9) Limited	Investment Group	United Kingdom	100%
Palio (No 10) Limited	Investment Group	United Kingdom	100%
Palio (No 11) Limited	Investment Group	United Kingdom	100%
Palio (No 12) Limited	Investment Group	United Kingdom	100%
Palio (No 13) Limited	Investment Group	United Kingdom	100%
Palio (No 14) Limited	Investment Group	United Kingdom	100%
Palio (No 15) Limited	Investment Group	United Kingdom	100%
Palio (No 16) Limited	Investment Group	United Kingdom	100%
Palio (No 17) Limited	Investment Group	United Kingdom	100%
Palio (No 18) Limited	Investment Group	United Kingdom	100%
Palio (No 19) Limited	Investment Group	United Kingdom	100%
JLIF Holdings (Pembury Hospital) Limited	Investment Group	United Kingdom	100%
Sirhowy Enterprise Way Holdings Limited*	Operating Subsidiary	United Kingdom	100%
Sirhowy Enterprise Way Limited*	Operating Subsidiary	United Kingdom	100%
Regenter LCEP (Holdco) Limited	Operating Subsidiary	United Kingdom	100%
Regenter LCEP Limited	Operating Subsidiary	United Kingdom	100%
Walsall Public Lighting Holdings Limited	Operating Subsidiary	United Kingdom	100%
Walsall Public Lighting Limited	Operating Subsidiary	United Kingdom	100%
Regenter B3 (Holdco) Limited	Operating Subsidiary	United Kingdom	100%
Regenter B3 Limited	Operating Subsidiary	United Kingdom	100%
AHV Holdings Vancouver Limited	Operating Subsidiary	Canada	100%
AHV Access Health Vancouver Limited	Operating Subsidiary	Canada	100%
Regenter Bentilee District Centre Holdings Limited	Operating Subsidiary	United Kingdom	100%
Regenter Bentilee District Centre Limited	Operating Subsidiary	United Kingdom	100%
AHA Holdings Abbotsford Limited	Operating Subsidiary	Canada	100%
AHA Access Health Abbotsford Limited	Operating Subsidiary	Canada	100%
Education Support (Enfield) Holdings Limited	Operating Subsidiary	United Kingdom	100%
Education Support (Enfield) Limited	Operating Subsidiary	United Kingdom	100%
Collaborative Services Support (NE) Holdings Limited	Operating Subsidiary	United Kingdom	100%
Collaborative Services Support (NE) Limited	Operating Subsidiary	United Kingdom	100%
Education Support (Swindon) Holdings Limited	Operating Subsidiary	United Kingdom	100%
Education Support (Swindon) Limited	Operating Subsidiary	United Kingdom	100%
Education Support (Enfield 2) Holdings Limited	Operating Subsidiary	United Kingdom	100%
Education Support (Enfield 2) Limited	Operating Subsidiary	United Kingdom	100%
Education Support (Newham) Holdings Limited	Operating Subsidiary	United Kingdom	100%

Education Support (Newham) Limited	Operating Subsidiary	United Kingdom	100%
Three Valleys (Healthcare) Holdings Limited	Operating Subsidiary	United Kingdom	100%
Three Valleys (Healthcare) Limited	Operating Subsidiary	United Kingdom	100%
Forth Valley Health Holdings Limited	Operating Subsidiary	United Kingdom	100%
Forth Valley Health Limited	Operating Subsidiary	United Kingdom	100%

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

* Reporting date 31 March

1 JLIF Limited Partnership (registered office: 1 Kingsway, London, WC2B 6AN) is a limited partnership formed under the Limited Partnership Act 1907. The results of JLIF Limited Partnership are included in the consolidated results of John Laing Infrastructure Fund Limited and JLIF Limited Partnership has taken advantage of the exemption from audit or filing accounts at Companies House conferred by regulation 7 of the Partnerships (Accounts) Regulations 2008.

GLOSSARY

Adjusted Portfolio Value

(a) the Fair Value of the Investment Portfolio (see Portfolio Value); plus
(b) any cash owned by or held to the order of the Company (the Investment Group); plus
(c) the aggregate amount of payments made to Shareholders by way of dividend in the period ending on the relevant Valuation Day, less
(i) any borrowings and any other liabilities of the Company; and
(ii) any uninvested Cash.

Availability Based Payments

Payment for the use of an asset by the public sector that is based upon whether the asset is available to be used or not. This type of payment does not depend on the level of use of the asset.

Demand Based Payments

Payments for the use of an asset by the public sector that depends on the level of use of that asset.

First Offer Agreement

Means the first offer agreement between JLIF, the General Partner for and on behalf of the Partnership and John Laing dated 29 October 2010

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 Adviser

John Laing Capital Management, acting in its capacity as investment adviser to John Laing

	Infrastructure Fund pursuant to the Investment Advisory Agreement.
Investment Advisory Agreement	The investment advisory agreement between the Investment Adviser and John Laing Capital Management dated 27 October 2010.
Investment Capital	Partnership equity, loans, share capital, trust units, shareholder loans and/or debt interests in or to project entities or any other entities or undertakings in which the fund invests or in which it may invest.
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 wholly owned subsidiaries of the English Limited Partnership that together holds the investments in the 37 Assets.
John Laing or John Laing Group	John Laing plc and all of its wholly owned subsidiaries, including John Laing Capital Management Limited.
John Laing Capital Management Limited	Investment Adviser to the John Laing Infrastructure Fund Limited and Operator of JLIF (GP) Limited.
Net Asset Value (NAV)	Total Assets (including Portfolio Value) minus liabilities of the Investment Group.
Net Asset Value (NAV) per share	Net Asset Value (NAV) divided by the total number of ordinary shares issued as at 31 December 2012.
Partnership	Means JLIF Limited Partnership, a limited partnership registered in England (registered number LP014109), which will hold and manage JLIF's investments
PPP	Public private partnerships ("PPPs") are arrangements typified by joint working between the public and private sector. In the broadest sense, PPPs can cover all types of collaboration across the interface between the public and private sectors to deliver policies, services and infrastructure. Where delivery of public services involves private sector investment in infrastructure, the most common form of PPP is the Private Finance Initiative ("PFI"). Source: http://www.hm-treasury.gov.uk/ppp_index.htm.
Portfolio	The 37 Assets in which JLIF had a shareholding as at 31 December 2012.
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 2012.
Prospectus	The Prospectus dated October 2010 issued prior to the IPO. The Prospectus can be found at www.jlif.com.

Special Purpose Vehicle (SPV)	A company that is used to facilitate a PPP contract between the public and private sector. A company is incorporated and shareholders invest equity capital and a subordinated debt into the company. The company enters in to financing arrangements with senior lenders or bond providers to finance the development of the asset. The company contracts with the public sector to design, build, finance and operate an asset. It enters in to subcontracts with contractors and operating companies to carry out the required works and services.
Total Assets	Sum of the Portfolio Value + cash + debtors + other receivables of the Investment Group.

GROUP STRUCTURE

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

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

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

ATC Corporate Services (Luxembourg) S.A is the Administrator and Company Secretary to the Luxembourg entities.
PricewaterhouseCoopers LLP, in Luxembourg, is supplying the accounting and tax functions for those companies.
JLIF Limited Partnership has an Operator Agreement with JLCM to provide all necessary management functions.

DIRECTORS, AGENTS AND ADVISERS

DIRECTORS (ALL NON EXECUTIVE)
Directors (all non executive)
Paul Lester (Chairman)
David MacLellan (Deputy Chairman)
Talmai Morgan
Christopher Spencer
Guido Van Berkel

INVESTMENT ADVISER AND OPERATOR

John Laing Capital Management Limited
1 Kingsway
London WC2B 6AN
United Kingdom

ADMINISTRATOR TO COMPANY, COMPANY SECRETARY AND REGISTERED OFFICE
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Guernsey GY1 4HY
Channel Islands

REGISTRAR
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Longue Hougue House
St. Sampson
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Channel Islands

UK TRANSFER AGENT
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United Kingdom

AUDITOR
Richard Anthony Garrard FCA
(for and on behalf of Deloitte LLP,

Chartered Accountants and Recognised Auditor)
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