**Press Release**

**John Laing Infrastructure Fund ("JLIF" or "Company")**

**Final Results for the year ended 31 December 2011**

**Financial Performance**

- Portfolio valuation of £380.4m up £115.7 million over the year buoyed by acquisitions of £109.5m (up £117.5 million excluding exchange rate movements)
- Underlying portfolio value growth of 9.2% * which is ahead of expectations due to value enhancements achieved and positive impact of inflation
- NAV per share increased 3.8% to 104.6 pence after dividend payments of 3.5 pence
- Cash Flow in line with expectations, with cash of £48.6 million at 31 December 2011
- Dividend for H2 announced at 3.0 pence, which with the interim dividend paid in October 2011, is in line with target dividend yield of 6.0p per annum
- Profit before tax of £23.4 million, £35.0 million on an IFRS basis
- Remain in line to achieve an IRR target of 7-8% over the long term

**Operational Highlights**

- Acquisitions totalled £109.5m during the year
    - 10 new projects and 2 additional stakes acquired from John Laing over the year
    - Third party acquisitions of stake in Forth Valley Royal Hospital and incremental stakes in 2 other projects
    - Subsequent acquisitions of £31.6m announced in January 2012 to purchase 3 social housing projects in North London, and a further stake in an existing project.
- Successful capital raises of £130.7m in October 2011 and tap issue of £27.4m in April 2011
- Revolving Credit Facility increased to £60m in September - currently undrawn
- Entry into the FTSE 250 in December 2011
- Strong pipeline of investment opportunities, from John Laing with suitable projects identified of around £355 million over the next three years, as well as opportunities in the wider secondary market
- Share price has consistently traded at a premium and was 108.5 pence as at 31 December 2011, representing a Total Shareholder Return of 12.1% since launch on 29 November 2010

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

"Today's announcement marks the first full year of trading for JLIF. We have raised over £158million over the period, enabling us to add a total of 11 PPP fully operational projects to the portfolio and increase stakes in a number of existing projects, taking the total number of projects in the portfolio to 30 at the end of the year, and 33 today.

JLIF paid its first dividend in April and interim dividend in October and, combined with resilient capital growth, has delivered a total shareholder return of 12.1% for the 13 month period since launch. We continue to see opportunities for efficiencies through active management of the JLIF portfolio and strong growth potential in the infrastructure market through acquisitions."

**For further information, please contact:**

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Details of the Analyst Presentation:

There will be an analyst presentation at 09.30 today at J.P. Morgan Cazenove, 10 Aldermanbury, London, EC2V 7RF. Please contact Tallulah Thompson on 020 7251 3801, alternatively by email on tallulah.thompson@rlmfinsbury.com.

** Underling portfolio growth takes account of acquisitions, distributions from projects and exchange movements.*

## CHAIRMAN'S STATEMENT

### Introduction

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

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

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

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

### Acquisition of Portfolio

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

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

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

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

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

### Shareholder Returns and Investment Performance

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

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

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

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

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

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

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

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

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

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

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

**Paul Lester CBE,** Chairman
15 March 2012

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

# 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 FSA since December 2004. JLCM has the ability to call on and utilise the substantial experience of the John Laing Group in the management of the Portfolio projects and future acquisitions.

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

## 2. INVESTMENT PERFORMANCE

Since listing, John Laing Infrastructure Fund's ("JLIF") share price has consistently traded at a small premium and has remained relatively stable with limited volatility. JLIF had a stable year with an upward trend. The drops in share price in  April and October reflect dividend payments to shareholders.

### Share Price Analysis during 2011

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

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

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

(ii) Distributions; and

(iii) Exchange Rate Movements

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

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

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

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

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

## 3. VALUATION

### a. Portfolio

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**b. Discount Rate**

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

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

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

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

**c. Foreign Exchange**

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

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

| | Portfolio Value Impact (2011) | Portfolio Value Impact (2010) |
|---|---|---|
| EUR and CAD increase by 5% | Decreases by 1.1% | Decreases by 1.5% |
| EUR and CAD decrease by5% | Increases by 1.4% | Increases by 1.7% |

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

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

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

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

## 4. INFLATION

The Portfolio Value is positively correlated with inflation. The approximate correlation to inflation is around 0.51, compared to 0.6 for 2010. The table below demonstrates the Portfolio effect of each assets inflation impact. The reason for the slight fall in the Portfolio sensitivity from 2010 to 2011, is attributable to two reasons. First, 64% of the assets acquired during 2011 had a positive but weak, zero, or negative correlation2 to inflation. Second, the 2010 Portfolio was updated for actual revenues and costs during the year which has dampened some of the impact of sensitising inflation3. The table below depicts the Portfolio's sensitivity to adding and subtracting 1% from the inflation rate assumed in the Portfolio.

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

It is still considered the Portfolio offers reasonable inflation protection.

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

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

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

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

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

## 5. GEARING

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

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

## 6. FINANCIAL RESULTS

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

The financial highlights for the financial year are;

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

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

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

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

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

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

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

[1] The IRR of the underlying assets in the Portfolio increases by approximately 0.5 percentage point for each percentage point increase in inflation above assumed level. The effect is broadly symmetrical therefore a fall in inflation would produce the opposite effect.
[2] 11% of assets were negatively correlated, 3% had zero correlation and the remainder had positive but weak correlation to inflation.
[3] Inflation has been updated as well as some indexation mechanisms and costs; therefore, the impact of inflation on the Portfolio has dampened slightly.
[4] Source: Office of National Statistics.

**Basis of accounting**

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

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

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

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

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

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

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

**Period under review**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

| | | |
|---|---|---|
| Cash balance at 31 December | 48.6 | 7.6 |

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

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

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

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

## 7. ACQUISITIONS

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

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

[1] Acquisition of remaining 20% share from John Laing October 2011 increased total shareholding to 100%
[2] Completed in two transactions: 10% of Edinburgh Schools October 2011 from John Laing and 10% from JLPTL
[3] Completed in two transactions: 80% of Enfield December 2011 from John Laing and 20% from Wates Construction
[4] Completed in two transactions: 80% of NEFRA November 2011 from John Laing and 20% January 2012 from Shepherd Construction (post year end 31 December 2011)
[5] Completed in two transactions: 80% of Newham Schools December 2011 from John Laing and 20% from Wates Construction
[6] Acquired an additional 12.5% of this asset

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

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

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

## 8. OUTLOOK

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

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

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

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

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

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

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

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

## OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

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

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

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

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

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

15 March 2012

# CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2011

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

All results are derived from continuing operations.

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

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

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

**Year ended 31 December 2011**

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

Period from 6 August 2010 to 31 December 2010

| | Share capital £'000s | Share premium account £'000s | Retained reserves £'000s | Translation reserve £'000s | Total £'000s | Non-controlling interest £'000s | Total equity £'000s |
|---|---|---|---|---|---|---|---|

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Profit for the period | – | – | 3,830 | – | 3,830 | – | 3,830 |
| Other comprehensive income/(loss) for the period | – | – | – | (4) | (4) | – | (4) |
| Total comprehensive income/(loss) for the period | – | – | 3,830 | (4) | 3,826 | – | 3,826 |
| Ordinary shares issued | 27 | 269,973 | – | – | 270,000 | – | 270,000 |
| Costs of shares issue | – | (3,089) | – | – | (3,089) | – | (3,089) |
| Balance at 31 December 2010 | 27 | 266,884 | 3,830 | (4) | 270,737 | – | 270,737 |

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

## CONSOLIDATED BALANCE SHEET
as at 31 December 2011

| | | **31 December 2011** | | | 31 December 2010* | | |
|---|---|---|---|---|---|---|---|
| | Notes | **Investment Group £'000s** | **Non-Investment adjustments £'000s** | **Total Group £'000s** | Investment Group £'000s | Non-Investment adjustments £'000s | Total Group £'000s |
| **Non-current assets** | | | | | | | |
| Intangible assets | 12 | – | 115,110 | 115,110 | – | 53,490 | 53,490 |
| Property, plant and equipment | 13 | – | 1,191 | 1,191 | – | – | – |
| Investments at fair value through profit or loss | 14 | 380,439 | (148,094) | 232,345 | 264,735 | (55,828) | 208,907 |
| Finance receivables at fair value through profit or loss | 16 | – | 681,069 | 681,069 | – | 199,402 | 199,402 |
| **Total non-current assets** | | **380,439** | **649,276** | **1,029,715** | 264,735 | 197,064 | 461,799 |
| **Current assets** | | | | | | | |
| Trade and other receivables | 17 | 767 | 8,468 | 9,235 | 2,395 | 3,730 | 6,125 |
| Finance receivables at fair value through profit or loss | 16 | – | 14,660 | 14,660 | – | 4,547 | 4,547 |
| Cash and cash equivalents | | 48,641 | 28,108 | 76,749 | 7,567 | 7,177 | 14,744 |
| Other financial assets | 18 | 14,775 | 15,400 | 30,175 | – | 5,571 | 5,571 |
| **Total current assets** | | **64,183** | **66,636** | **130,819** | 9,962 | 21,025 | 30,987 |
| **Total assets** | | **444,622** | **715,912** | **1,160,534** | 274,697 | 218,089 | 492,786 |
| **Current** | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **liabilities** | | | | | | | |
| Trade and other payables | 19 | (2,752) | (57,273) | (60,025) | (2,371) | (23,125) | (25,496) |
| Current tax liabilities | | (299) | (691) | (990) | (67) | (261) | (328) |
| Loans and borrowings | 20 | – | (30,401) | (30,401) | – | (11,877) | (11,877) |
| **Total current liabilities** | | **(3,051)** | **(88,365)** | **(91,416)** | (2,438) | (35,263) | (37,701) |
| **Non-current liabilities** | | | | | | | |
| Loans and borrowings | 20 | – | (529,290) | (529,290) | – | (155,496) | (155,496) |
| Derivative financial instruments | 21 | – | (60,171) | (60,171) | – | (17,166) | (17,166) |
| Deferred tax liabilities | 9 | – | (33,131) | (33,131) | – | (11,686) | (11,686) |
| **Total non-current liabilities** | | **–** | **(622,592)** | **(622,592)** | – | (184,348) | (184,348) |
| **Total liabilities** | | **(3,051)** | **(710,957)** | **(714,008)** | (2,438) | (219,611) | (222,049) |
| **Net assets** | | **441,571** | **4,955** | **446,526** | 272,259 | (1,522) | 270,737 |
| **Equity** | | | | | | | |
| Share capital | 22 | 42 | – | 42 | 27 | – | 27 |
| Share premium account | 23 | 423,618 | – | 423,618 | 266,884 | – | 266,884 |
| Translation reserves | 24 | – | (1,279) | (1,279) | – | (4) | (4) |
| Retained earnings | 25 | 17,911 | 5,706 | 23,617 | 5,348 | (1,518) | 3,830 |
| **Equity attributable to owners of the Company** | | **441,571** | **4,427** | **445,998** | 272,259 | (1,522) | 270,737 |
| Non-controlling interest | | – | 528 | 528 | – | – | – |
| **Total equity** | | **441,571** | **4,955** | **446,526** | 272,259 | (1,522) | 270,737 |

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

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

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

**P Lester**
Chairman

**C Spencer**
Director

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2011

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

| | | | | | | |
|---|---|---|---|---|---|---|
| **Cash and cash equivalents at beginning of the year*** | **7,567** | **7,177** | **14,744** | – | – | – |
| Effect of foreign exchange rate changes | (77) | 179 | 102 | 20 | 76 | 96 |
| **Cash and cash equivalents at end of year/period** | **48,641** | **28,108** | **76,749** | 7,567 | 7,177 | 14,744 |

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 1. GENERAL INFORMATION

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of accounting

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

The financial statements have been prepared in accordance with the Companies (Guernsey) Law 2008 and in accordance with International Financial Reporting

Standards ('IFRSs') as adopted by the European Union ('EU') and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

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

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

IAS 24 (2009): Related Party Disclosures

IFRIC19: Extinguishing Financial Liabilities with Equity Instruments

Improvements to IFRS (May 2010)

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

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

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

IFRS 10 (May 2011): Consolidated Financial Statements

IFRS 11 (May 2011): Joint Arrangements

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

IFRS 13 (May 2011): Fair Value Measurement

IAS 27 (May 2011): Separate Financial Statements

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

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

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

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

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

Amendments to IAS 19 (June 2011): Employee Benefits

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

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

**(b) Basis of consolidation**

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

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

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

**(c) Going concern**

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

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

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

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

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

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

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

**(d) Business combinations**

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

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

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

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

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

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

**(e) Service concessions**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**(g) Revenue recognition**
**(i) Services revenue**

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

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

**(ii) Gains on financial assets**

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

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

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

**(iii) Gains on investments**

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

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

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

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

**(h) Intangible assets**

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

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

**(i) Property, plant and equipment**

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

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

Fixtures and Fittings 10 years

**(j) Cash and cash equivalents**

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

**(k) Foreign currencies**

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

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

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

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

**(l) Borrowing costs**

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

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

**(m) Taxation**

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

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

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

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

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

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

**(n) Financial instruments**

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

**i) Financial assets**

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

**a) Financial assets at fair value through profit or loss**

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

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

**b) Loans and receivables**

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

**Impairment of financial assets**

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

**ii) Financial liabilities and equity**

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

**a) Equity instruments – share capital and share premium**

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

**b) Financial liabilities**

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

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

- Other non-derivative financial instruments are measured at amortised cost using the effective interest method less any impairment losses.

**iii) Effective interest method**

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

**iv) Derivative financial instruments**

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

**a) Group and recourse subsidiaries**

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

**b) Non-recourse subsidiaries (Operating Subsidiaries)**

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

**v) Fair value estimation**

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

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

**i) Financial assets at fair value through profit and loss**

**a) Finance receivables under service concessions of Operating Subsidiaries**

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

**b) Investments in joint ventures and associates**

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

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

**iii) Loans and receivables, borrowings and payables**
Loans and borrowings are held at amortised cost.
The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

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

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

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

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

## 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

**(i) Investments at fair value through profit or loss**

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

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

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

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

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

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

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

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

**(iii) IFRIC 12**

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

**(iv) Intangible assets**

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

## 4. OPERATING SEGMENTS

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

UK
Europe (non-UK)
North America

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

### Segment revenues and results

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

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

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

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

### Information about major customers

The Group has four (period ended 31 December 2010 – four) customers which each represent more than 10 per cent. of Group revenue. The customers' revenues were respectively £13.5 million (period ended 31 December 2010 – £1.1 million) reported across the UK segment and £4.0 million (period ended 31 December 2010 – £0.3 million) reported across the North America segment. The Group has treated each Government entity and/or department as a separate customer.

**Segment assets**

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

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

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

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

## 5. LOSS FROM OPERATIONS

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

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

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

## 6. INVESTMENT INCOME

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

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

## 7. OTHER GAINS/(LOSSES)

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

## 8. FINANCE COSTS

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

## 9. TAX

### (a) Income tax expense

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

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

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

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

### (b) Deferred tax

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

**For the year ended 31 December 2011**

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

Period from 6 August 2010 to 31 December 2010

| | Accelerated tax | Tax losses | Fair value of | Fair value of | Fair value of interest | Intangible assets | Total £'000s |
|---|---|---|---|---|---|---|---|

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

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

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

## 10. EARNINGS PER SHARE

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

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

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

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

## 11. DIVIDENDS

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

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

## 12. INTANGIBLE ASSETS

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

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

## 13. PROPERTY, PLANT AND EQUIPMENT

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

## 14. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

| | **% holding 31 December 2011** | | % holding 31 December 2010 | |
|---|---|---|---|---|
| **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%** | 15.0% | 15.0% |
| Kingston Hospital | **60.0%** | **60.0%** | 60.0% | 60.0% |
| Abbotsford Regional Hospital and Cancer Centre * | **–** | **–** | 80.0% | 80.0% |
| Forth Valley Royal Hospital | **50.0%** | **50.0%** | – | – |
| Glasgow Schools | **20.0%** | **20.0%** | 20.0% | 20.0% |
| South Lanarkshire Schools | **15.0%** | **15.0%** | 15.0% | 15.0% |
| Edinburgh Schools | **20.0%** | **20.0%** | – | – |
| Avon & Somerset Courts | **40.0%** | **40.0%** | 40.0% | 40.0% |
| Metropolitan Specialist Police Training Centre | **27.08%** | **27.08%** | 27.08% | 27.08% |
| Greater Manchester Police Stations | **27.08%** | **27.08%** | 27.08% | 27.08% |
| Cleveland Police Station & Headquarters | **42.5%** | **42.5%** | – | – |
| MOD Main Building | **26.0%** | **26.0%** | 26.0% | 26.0% |
| E18 Road | **41.0%** | **41.0%** | 41.0% | 41.0% |
| M40 Motorway | **50.0%** | **50.0%** | 50.0% | 50.0% |
| M6 Motorway | **11.0%** | **11.0%** | – | – |
| Manchester Street Lighting | **50.0%** | **50.0%** | 50.0% | 50.0% |
| Wakefield Street Lighting | **50.0%** | **50.0%** | 50.0% | 50.0% |
| LUL Connect (CityLink) | **19.5%** | **19.5%** | – | – |

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

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

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

## 15. ACQUISITIONS OF SUBSIDIARIES

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

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

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

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

On 11 November 2011 the Group acquired the 100% interest in the equity and subordinated loan stock of Education Support (Enfield) Holdings Limited (''Highlands School'') and 20% interest in the equity and subordinated loan stock of AHA Access Health Abbotsford (Holdings) Limited (''Abbotsford'') which brings the Company's total interest in the project to 100%. On 21 November 2011, the Group acquired an 80.1% interest in the equity and subordinated loan stock of Collaborative Services Support (NE) Holdings Limited (''NEFRA''). On 9 December 2011, the Group acquired an 80% interest in the equity and subordinated loan stock of Education Support (Enfield 2) Holdings Limited (''Enfield Schools'') and Education Support (Newham) Holdings Limited (''Newham Schools''). On the same day, the Group completed its acquisition of the rest of the 20% interest in these projects from another

third party under a separate sale and purchase agreement. For the purpose of the consolidated accounts, these separate acquisitions are being treated as a single transaction as they occur on the same day. On 16 December 2011, the Group acquired the 100% interest in the equity and subordinated loan stock of Education Support (Swindon) Holdings Ltd (''Swindon Schools'').

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

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

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

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

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

Brief details regarding the project are provided below:

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

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

**North East Fire and Rescue**

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

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

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

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

## 16. FINANCE RECEIVABLES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

## 17. TRADE AND OTHER RECEIVABLES

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

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

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

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

There were no overdue amounts included in trade receivables.

## 18. OTHER FINANCIAL ASSETS

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

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

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

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

## 19. TRADE AND OTHER PAYABLES

| | **31 December 2011** | | | 31 December 2010 | | |
|---|---|---|---|---|---|---|
| | **Investment group £'000s** | **Non-investment adjustments £'000s** | **Total Group £'000s** | Investment group £'000s | Non-investment adjustments £'000s | Total Group £'000s |
| Trade payables | – | 3,247 | 3,247 | – | 1,788 | 1,788 |
| Accruals and deferred income | 2,607 | 52,403 | 55,010 | 2,355 | 21,017 | 23,372 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Other payables | 145 | 1,623 | 1,768 | 16 | 320 | 336 |
| **Balance at 31 December** | **2,752** | **57,273** | **60,025** | 2,371 | 23,125 | 25,496 |

## 20. LOANS AND BORROWINGS

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

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

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

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

## 21. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

## 22. SHARE CAPITAL

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

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

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

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

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

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

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

## 23. SHARE PREMIUM ACCOUNT

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

## 24. TRANSLATION RESERVES

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

## 25. RETAINED EARNINGS

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

## 26. TRANSACTIONS WITH INVESTMENT ADVISER AND RELATED PARTIES

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

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

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

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

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

*Adjusted Portfolio Value is defined in the Investment Advisory Agreement as:
(a) the Fair Value of the Investment Portfolio; plus
(b) any cash owned by or held to the order of the Fund (the Investment Group); plus
(c) the aggregate amount of payments made to Shareholders by way of dividend in the period ending on the relevant Valuation Day, less
- (i) any borrowings and any other liabilities of the Fund; and
- (ii) any Uninvested Cash.

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

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

**Transactions with joint ventures and associates**

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

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

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

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

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

## 27. FINANCIAL ASSETS

### a) Maturity of financial assets

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

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

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

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

| Currency | Floating rate £'000s | Fixed rate £'000s | Non-interest bearing £'000s | Total £'000s |
|---|---|---|---|---|
| | **Financial assets – 31 December 2011** | | | |
| 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** |

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

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

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

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

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

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

| | Floating rate £'000s | Fixed rate £'000s | Non-interest bearing £'000s | Total £'000s |
|---|---|---|---|---|
| | Financial assets – 31 December 2010 | | | |
| Sterling | – | – | 143,500 | 143,500 |
| Euro | – | – | 16,902 | 16,902 |

| | | | | |
|---|---|---|---|---|
| Canadian Dollar | – | – | 48,505 | 48,505 |
| | – | – | 208,907 | 208,907 |

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

## 28. FINANCIAL RISK MANAGEMENT

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

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

**Market risk – foreign currency exchange rate risk**

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

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

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

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

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

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

| | | | |
|---|---|---|---|
| Euro | (17) | – | **(17)** |
| | **(53)** | **(808)** | **(861)** |

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

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

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

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

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

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

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

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

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

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

**Credit risk**

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

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

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

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

**Liquidity risk**

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

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

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

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

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

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

| | | **31 December 2011** | | | | |
|---|---|---|---|---|---|---|
| | **Weighted average effective interest rate %** | **In 1 year or less £'000s** | **In more than 1 year but less than 2 years £'000s** | **In more than 2 years but less than 5 years £'000s** | **In more than 5 years £'000s** | **Total £'000s** |
| Variable interest rate instruments | 2.50% | 10,636 | 11,029 | 32,089 | 179,810 | 233,564 |
| Fixed interest rate | 6.09% | 19,765 | 19,746 | 59,463 | 227,153 | 326,127 |

| | | | | | | |
|---|---|---|---|---|---|---|
| instruments | | | | | | |
| Non-interest bearing instruments | | 60,025 | – | – | – | 60,025 |
| | | **90,426** | **30,775** | **91,552** | **406,963** | **619,716** |

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

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

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

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

**Capital risk**

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

## 29. FINANCIAL INSTRUMENTS

### a) Financial instruments by category:

**31 December 2011**

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

31 December 2010

| | Cash and bank balances £'000s | Loans and receivables £'000s | Financial assets at FVTPL* £'000s | Financial liabilities at FVTPL* £'000s | Financial liabilities at amortised cost £'000s | Total £'000s |
|---|---|---|---|---|---|---|
| Non-current assets | | | | | | |
| Investment in joint ventures and | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| associates at fair value through profit and loss | – | – | 208,907 | – | – | 208,907 |
| Finance receivables at fair value through profit and loss | – | – | 199,402 | – | – | 199,402 |
| Current assets | | | | | | |
| Finance receivables at fair value through profit and loss | – | – | 4,547 | – | – | 4,547 |
| Trade and other receivables | – | 6,125 | – | – | – | 6,125 |
| Cash and cash equivalents | 20,315 | – | – | – | – | 20,315 |
| Total financial assets | 20,315 | 6,125 | 412,856 | – | – | 439,296 |
| Current liabilities | | | | | | |
| Current portion of interest bearing loans and borrowings | – | – | – | – | (11,877) | (11,877) |
| Trade and other payables | – | – | – | – | (25,496) | (25,496) |
| Non-current liabilities | | | | | | |
| Interest bearing loans and borrowings | – | – | – | – | (155,496) | (155,496) |
| Fair value of derivatives | – | – | – | (17,166) | – | (17,166) |
| Total financial liabilities | – | – | – | (17,166) | (192,869) | (210,035) |
| Net financial instruments | 20,315 | 6,125 | 412,856 | (17,166) | (192,869) | 229,261 |
| Fair value measurement method | | | Level 3 | Level 2 | | |

*FVTPL = Fair value through profit and loss

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

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

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

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

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

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

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

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

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

## b) Fair value of derivatives

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

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

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

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

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

## c) Foreign currency and interest rate profile of financial liabilities

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

| | Currency | 31 December 2011 Financial liabilities 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** |

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

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

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

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

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

## 30. GUARANTEES AND OTHER COMMITMENTS

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

## 31. EVENTS AFTER BALANCE SHEET DATE

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

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

## 32. DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS

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

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

| Sector | Company name | Project name | % owned | Short description of concession arrangement | Period of concession | | | Project capex |
|---|---|---|---|---|---|---|---|---|
| | | | | | Start date | End date | No. years | |
| **Accommodation** | | | | | | | | |
| Hospitals | Healthcare Support (Newham) Limited | Newham Hospital | 50% | Design, build, finance and operate extensions at Newham General Hospital. | 27-Jan-2004 | 30-Jan-2039 | 35 | Refurbishment and construction of two extensions costing £35 million. |
| | Meridian Hospital Company Limited | Queen Elizabeth Hospital, Greenwich | 27.5% | Design, build, finance and operate new hospital in the Greenwich area of London. | 08-Jul-1998 | 31-Oct-2030 | 32 | Construction of hospital costing £96 million. |
| | Prime Care Solutions (Kingston) Limited | Kingston Hospital | 60% | Design, build, finance and operate extension to Kingston Hospital. | 23-Nov-2004 | 22-Jul-2036 | 32 | Design, build, finance and operate extension to Kingston Hospital. |
| | AHA Access Health Abbotsford Limited | Abbotsford Regional Hospital and Cancer Centre | 100% | Design, build, finance and operate new hospital in Abbotsford, British Columbia, Canada. | 07-Dec-2004 | 06-May-2038 | 33 | Construction of hospital costing CAN$355 million. |
| | AHV Access Health Vancouver Limited | Vancouver General Hospital | 100% | Design, build, finance and operate new outpatient facility in Vancouver, British Columbia, Canada. | 02-Sep-2004 | 18-Aug-2036 | 32 | Construction of outpatient facility costing CAN$95 million. |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Forth Health Limited | Forth Valley Royal Hospital | 50% | Design, build, finance and operate new hospital in Lambert. | 26-Aug-2008 | 31-Mar-2042 | 34 | Construction of hospital costing £293 million. |
| Schools | 3ED Glasgow Limited | Glasgow Schools | 20% | Design, build, finance and operate 29 secondary schools and one primary school in Glasgow. | 26-Jul-2000 | 30-Jun-2030 | 30 | Major refurbishment and extension of 18 schools – £135 million. Construction of 11 new secondary schools and one new primary school – £90 million. |
| | InspirED Education (South Lanarkshire) plc | South Lanarkshire Schools | 15% | Design, build, finance and operate 15 new secondary schools and two refurbishments in the South Lanarkshire area. | 28-Jun-2006 | 30-Sep-2039 | 34 | New schools construction and refurbishment costing £320 million. |
| | Education Support (Swindon) Limited | North Swindon Schools | 100% | Design, build, finance and operate seven new schools in Swindon. | 01-Apr-2005 | 30-Jun-2032 | 27 | New schools construction costing £70 million. |
| | Education Support (Enfield) Limited | Highlands School | 100% | Design, build, finance and operate one secondary school in Enfield. | 01-Sep-2000 | 30-Sep-2025 | 27 | New school construction costing £17 million. |
| | Education Support (Newham) Limited | Newham Schools | 100% | Design, build, finance and operate one secondary school in Newham. | 24-Sep-2003 | 31-Aug-2029 | 26 | New school construction costing £22 million. |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Education Support (Enfield 2) Limited | Enfield Schools | 100% | Design, build, finance and operate three schools in Enfield, two primary and one secondary. | 24-Sep-2003 | 31-Aug-2029 | 26 | New schools construction costing £27 million. |
| | The Edinburgh School Partnership Limited | Edinburgh Schools | 10% | Design, build, finance and operate 17 schools in total, ten new primaries, two new secondary schools, three refurbished secondary schools and two special schools. | 15-Nov-2001 | 30-Sep-2033 | 32 | Refurbishment of three secondary schools and one special school – £25 million. New build of ten primary schools, two secondary and one special school – £82 million. |
| Justice and Emergency Services | Service Support (Avon & Somerset) Limited | Avon & Somerset Courts | 40% | Design, build, finance and operate two new courts in Worle and Bristol, offices, a podium and a bus station. | 23-Aug-2004 | 26-Oct-2034 | 30 | Construction costing £43 million. |
| | Services Support (Gravesend) Limited | Metropolitan Specialist Police Training Centre | 27.08% | Design, build, finance and operate firearms training facility in Gravesend. | 20-Apr-2001 | 10-Feb-2028 | 27 | New training facility and refurbishment of accommodation blocks construction costing £40 million. |
| | Services Support (Manchester) Limited | Greater Manchester Police Stations | 27.08% | Design, build, finance and operate 16 new police stations in Manchester. | 04-Dec-2002 | 31-Mar-2030 | 27 | Construction costing £82 million. |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Cleveland FM Services Limited | Cleveland Police Station & HQ | 42.5% | Design, build, finance and operate five police stations. | 01-May-2005 | 31-Jan-2032 | 27 | Construction costing £26 million. |
| | Collaborative Services Support NE Limited | North East Fire & Rescue | 80.1% | Design, construction, finance and operation of five community fire stations in North East England. | 24-May-2010 | 16-May-2035 | 26 | Construction costing £27 million. |
| Defence | Modus Services Limited | MOD Main Building | 26% | Design, build, finance and operate Ministry of Defence offices in Whitehall. | 04-May-2000 | 03-May-2030 | 30 | Refurbishment of existing buildings costing £416 million. |
| Regeneration | Regenter LCEP Limited | Canning Town – Social Housing PPP | 100% | Refurbish, finance and operate council housing in Newham. | 03-Jun-2005 | 31-May-2035 | 30 | Refurbishment of existing buildings costing £20 million. |
| | Regenter B3 Limited | Brockley Social Housing PPP | 100% | Refurbish, finance and operate council housing in Brockley. | 04-Jun-2007 | 30-Apr-2027 | 20 | Refurbishment of existing buildings costing £74 million. |
| | Regenter Bentilee District Centre Limited | Bentilee Hub Community Centre | 100% | Design, build, finance and operate joint services community facility. | 01-Feb-2005 | 31-Jan-2032 | 27 | Construction costing £8 million. |
| **Transport** | | | | | | | | |
| Roads | Sirhowy Enterprise Way Limited | Sirhowy Way | 100% | Design, build, finance and operate improvements to the A4048/A472 Strategic Highway Network between the north of | 21-Jan-2004 | 20-Jan-2034 | 30 | Upgrade and maintain part of existing road and build new carriageway at a cost of £44 million. |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Blackwood and the east of Ponllanfraith, South Wales. | | | | |
| | Tiehytio Ykkostie Oy | E18 Road | 41% | Design, build, finance and operate the E18 Muurla–Lohja Motorway Project in Finland. | 27-Oct-2005 | 15-Nov-2029 | 24 | Upgrade and maintain existing road at a cost of €327 million. |
| | UK Highways M40 Limited | M40 Motorway (UK) | 50% | Design, build, finance and operate the M40 Motorway. | 08-Oct-1996 | 07-Dec-2026 | 30 | Upgrade and maintain existing motorway at a cost of £90 million. |
| | Autolink Concessionaires (M6) plc | M6 Motorway (Scotland) | 11% | Design, build, finance and operate project to maintain 90 km of the M6 and M74 (from Gretna, on the Scottish border to Millbank, 30 miles south of Glasgow). Project includes the upgrade of the A74 to a 29 km stretch of dual three lane motorway. | 24-April-1997 | 29-Jul-2027 | 31 | Upgrade and maintain existing motorway costing £95 million. |
| **Environment & Utilities** | | | | | | | | |
| Street Lighting | Amey Highways Lighting (Manchester) Limited | Manchester Street Lighting | 50% | Installation and maintenance of street lighting. | 31-Mar-2004 | 30-Jun-2029 | 25 | Replacement column programme costing £33 million. |
| | Amey Highways Lighting (Wakefield) | Wakefield Street | 50% | Installation and maintenance | 23-Dec-2003 | 02-Feb-2029 | 25 | Replacement column |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Limited | Lighting | | of street lighting. | | | | programme costing £26 million. |
| | Walsall Public Lighting Limited | Walsall Street Lighting | 100% | Installation and maintenance of street lighting. | 30-Apr-2002 | 30-Apr-2028 | 26 | Replacement column programme costing £16 million. |
| Utilities | CityLink Telecommunications Limited | LUL Connect (CityLink) | 19.5% | Upgrade of London Underground's existing radio and telecommunications systems and implementing and operating a new system. | 21-Nov-1999 | 21-Nov-2019 | 20 | Maintain the existing radio and communications systems and replace at a cost of £198 million. |

## 33. PRINCIPAL SUBSIDIARIES

| Name | Category | Country | Ownership Interest |
|---|---|---|---|
| JLIF Luxco 1 S.á.r.l. | Investment Group | Luxembourg | 100% |
| JLIF Luxco 2 S.á.r.l. | Investment Group | Luxembourg | 100% |
| JLIF Limited Partnership Limited[1] | Investment Group | United Kingdom | 100% |
| Palio (No 1) Limited | Investment Group | United Kingdom | 100% |
| Palio (No 2) Limited | Investment Group | United Kingdom | 100% |
| Palio (No 3) Limited | Investment Group | United Kingdom | 100% |
| Palio (No 4) Limited | Investment Group | United Kingdom | 100% |
| Palio (No 5) Limited | Investment Group | United Kingdom | 100% |
| Palio (No 6) Limited | Investment Group | United Kingdom | 100% |
| Palio (No 7) Limited | Investment Group | United Kingdom | 100% |
| Palio (No 8) Limited | Investment Group | United Kingdom | 100% |
| Palio (No 9) Limited | Investment Group | United Kingdom | 100% |
| Palio (No 11) Limited | Investment Group | United Kingdom | 100% |
| Palio (No 12) Limited | Investment Group | United Kingdom | 100% |
| Palio (No 13) Limited | Investment Group | United Kingdom | 100% |

| | | | |
|---|---|---|---|
| Palio (No 14) Limited | Investment Group | United Kingdom | 100% |
| Palio (No 16) Limited | Investment Group | United Kingdom | 100% |
| Palio (No 17) Limited | Investment Group | United Kingdom | 100% |
| Palio (No 18) Limited | Investment Group | United Kingdom | 100% |
| Palio (No 19) Limited | Investment Group | United Kingdom | 100% |
| Sirhowy Enterprise Way Holdings Limited* | Operating Subsidiary | United Kingdom | 100% |
| Sirhowy Enterprise Way Limited* | Operating Subsidiary | United Kingdom | 100% |
| Regenter LCEP (Holdco) Limited | Operating Subsidiary | United Kingdom | 100% |
| Regenter LCEP Limited | Operating Subsidiary | United Kingdom | 100% |
| Walsall Public Lighting Holdings Limited | Operating Subsidiary | United Kingdom | 100% |
| Walsall Public Lighting Limited | Operating Subsidiary | United Kingdom | 100% |
| Regenter B3 (Holdco) Limited | Operating Subsidiary | United Kingdom | 100% |
| Regenter B3 Limited | Operating Subsidiary | United Kingdom | 100% |
| AHV Holdings Vancouver Limited | Operating Subsidiary | Canada | 100% |
| AHV Access Health Vancouver Limited | Operating Subsidiary | Canada | 100% |
| Regenter Bentilee District Centre Holdings Limited | Operating Subsidiary | United Kingdom | 100% |
| Regenter Bentilee District Centre Limited | Operating Subsidiary | United Kingdom | 100% |
| AHA Holdings Abbotsford Limited | Operating Subsidiary | Canada | 100% |
| AHA Access Health Abbotsford Limited | Operating Subsidiary | Canada | 100% |
| Education Support (Enfield) Holdings Limited | Operating Subsidiary | United Kingdom | 100% |
| Education Support (Enfield) Limited | Operating Subsidiary | United Kingdom | 100% |
| Collaborative Services Support (NE) Holdings Limited | Operating Subsidiary | United Kingdom | 80.1% |
| Collaborative Services Support (NE) Limited | Operating Subsidiary | United Kingdom | 80.1% |
| Education Support (Swindon) Holdings Limited | Operating Subsidiary | United Kingdom | 100% |
| Education Support (Swindon) Limited | Operating Subsidiary | United Kingdom | 100% |
| Education Support (Enfield 2) Holdings Limited | Operating Subsidiary | United Kingdom | 100% |
| Education Support (Enfield 2) Limited | Operating Subsidiary | United Kingdom | 100% |
| Education Support (Newham) Holdings Limited | Operating Subsidiary | United Kingdom | 100% |
| Education Support (Newham) Limited | Operating Subsidiary | United Kingdom | 100% |

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

*Reporting date 31 March

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