INTERNATIONAL PUBLIC PARTNERSHIPS

Annual Report and Financial Statements for the year ended 31 December 2015

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www.internationalpublicpartnerships.com

International Public Partnerships Limited
Registered number: 45241

Cover image:
Machinery being transported down the River Thames, London,
to support the enabling works at Blackfriars Bridge for the Tideway project.
Image courtesy of Tideway.

Key Points

NAV Per Share

130.2pps

2015 Full Year Distribution

6.45pps

2016 Full Year Distribution Target

6.65pps

2017 Full Year Distribution Target

6.82pps

Profit Before Tax

£79.9m

to find out more
please visit our website
www.internationalpublicpartnerships.com

Net Asset Value

- Net Asset Value ('NAV')[1] per share of 130.2 pence as at 31 December 2015 (2014: 127.0 pence)
- NAV of £1,290.2 million as at 31 December 2015, up £228.1 million (2014: £1,062.1 million)

Shareholder Returns

- 2015 fully covered cash dividend[2] of 6.45 pence per share[3] (2014: 6.30 pence)
- Two year forward looking fully covered cash dividend target for the years ended 31 December 2016 and 2017 of 6.65 and 6.82 pence per share respectively – maintaining a long-term average increase of c.2.5% per annum[4]
- Total Shareholder Return since listing in 2006 to 31 December 2015 of 115.0%[5] compared to 49.2% on the FTSE All-Share over that same period or 8.7% and 4.5% (respectively) on an annualised basis

Earnings

- Profit before tax of £79.9 million for the year ended 31 December 2015 (2014: £71.2 million)

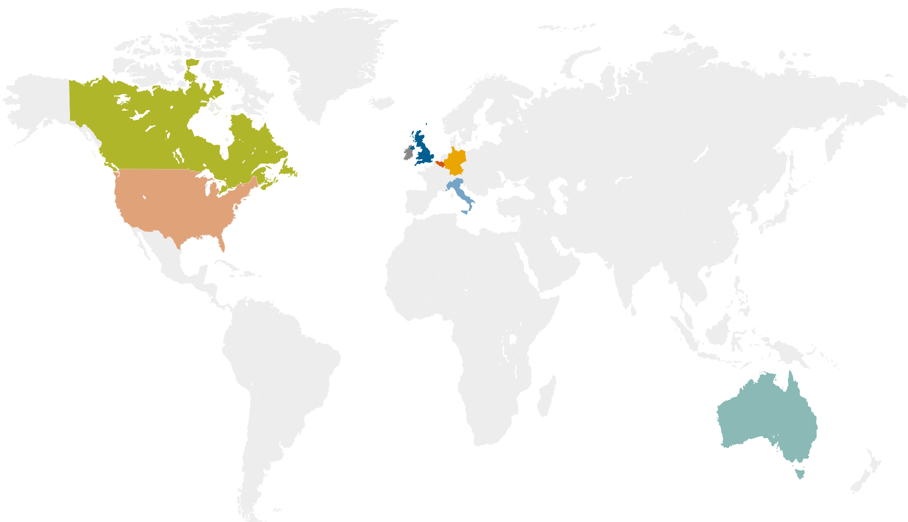
Highlights

- £311.7 million of additional investment commitments made during the year and a further £26.8 million since 31 December 2015
- £198 million (before issue costs) of new equity capital raised from shareholders
- Significant degree of inflation linkage within the portfolio – 0.76% per annum projected increase in return for a 1% increase over anticipated average portfolio inflation[6]
- Majority ownership of investment for 72% of portfolio
- Underlying investments with external debt[7] represent 84% of the investment portfolio
- Underlying investments with no external debt[8] represent 16% of the investment portfolio
- Strong set of international and UK investment opportunities

1 The methodology used to determine investment fair value is incorporated within the NAV as described in detail on pages 18 to 26.
2 Cash dividend payments to investors are paid from net operating cash flow (after taking into account financing costs).
3 The forecast date for payment of the full year dividend is May 2016.
4 Future profit projection and dividends cannot be guaranteed. Projections are based on current estimates and may vary in future.
5 Source: Bloomberg. Share price plus dividends assumed to be reinvested.
6 See pages 23 to 24 for information relating to the Company's use of sensitivity analysis.
7 Represent investments in equity and/or subordinated debt in underlying projects ('Risk Capital').
8 Represent investments in Risk Capital and senior debt in underlying projects.

Company Overview

International Public Partnerships Limited (the 'Company'), in accordance with its Investment Policy, invests in equity, subordinated/mezzanine debt and senior loans to entities owning or operating infrastructure concessions, assets or related businesses.



Investments include schools, courthouses, health facilities, police stations, and other public sector buildings, rail operations, rolling stock leasing entities, waste water and offshore electricity transmission asset owning entities. The Company's investments are located in the UK, Europe, Australia and North America.

Whilst the Company is able to invest in a variety of infrastructure projects, to date it has primarily invested in entities holding physical infrastructure and associated services which are regulated or procured under Public Private Partnerships ('PPP')/ Private Finance Initiative ('PFI') and similar public procurement processes.

Features of International Public Partnerships Limited and its investment portfolio are:

Portfolio

- Geographically diversified with a portfolio across eight countries in a variety of sectors
- A focus on yielding operational investments but with an element 'in construction' offering prospects for future capital appreciation
- A significant degree of inflation linkage to investment returns – a 1% per annum increase in the anticipated rate of inflation across the portfolio would imply a 0.76% per annum increase in return across the portfolio
- The Investment Adviser has historical success in originating and developing new 'primary market' investment opportunities in new sectors with low risks relative to returns
- A high degree of management and control of underlying investments to support sustained performance
- Access to a pool of pre-emptive and other preferred rights to increase investment in assets that have proven performance within the existing portfolio
- Operational performance and income from underlying investments is predominantly founded on asset availability, not demand, usage or other non-controllable variables
- A significant portion (12.3%) of the portfolio is invested in secured senior debt (where no other debt ranks in preference to the Company's investment in the asset)

Shareholder Returns

- Strong track record of delivering consistent dividend growth and capital appreciation
- Total Shareholder Return since listing in 2006 to 31 December 2015 of 8.7% on an annualised basis
- Share liquidity through listing and trading on the London Stock Exchange[1]
- Target internal rate of return equal to or greater than 8% per annum set at the time of Initial Public Offering in 2006

Governance

- Experienced independent leadership and strong corporate governance
- Long-term alignment of interest with the Investment Adviser and asset manager

Market Information

- Member of the FTSE 250 and FTSE All Share indices
- Listed since November 2006 with an initial market capitalisation of £300 million and current market capitalisation of £1.38 billion as at 31 December 2015 (2014: £1.13 billion)
- 990.6 million shares in issue as at 31 December 2015 (2014: 836.2 million)
- The Company's shares are eligible for ISA/PEPs and SIPPs transfers
- The Company's shares are excluded from the Financial Conduct Authority ('FCA') restrictions which apply to non-mainstream investment products and can therefore be recommended by independent financial advisers to their clients

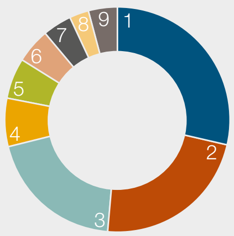
Investment Adviser Fees

- Competitive fee structure
- For investments bearing construction risk: 1.2% per annum of gross asset value ('GAV')
- For fully operational assets:
  - 1.2% per annum of the GAV (excluding uncommitted cash from capital raisings) up to £750 million
  - 1.0% per annum where GAV (excluding uncommitted cash from capital raisings) is between £750 million and £1.5 billion
  - 0.9% per annum where GAV (excluding uncommitted cash from capital raisings) value exceeds £1.5 billion
- 1.5% asset origination fee of the value of new investments to cover acquisition due diligence and more time/cost intensive primary market new origination activities
- Investment Adviser bears the risk of abortive transaction origination costs
- No incentive or performance fees

1 Source: Bloomberg. Share price plus dividends assumed to be reinvested.

Key Portfolio Facts
as at 31 December 2015

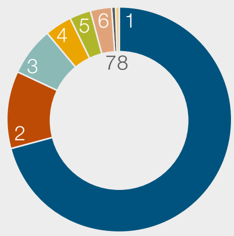
Sector Breakdown



1	Energy Transmission	**29%**
2	Education	**23%**
3	Transport	**20%**
4	Health	**7%**
5	Courts	**6%**
6	Waste Water	**5%**
7	Police	**4%**
8	Military Housing	**3%**
9	Other	**3%**

120 investments in infrastructure projects[1] across a variety of sectors

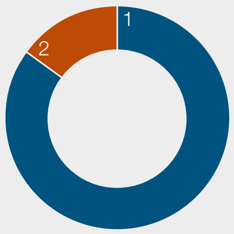
Geographic Split



1	UK	**71%**
2	Belgium	**11%**
3	Australia	**7%**
4	Germany	**4%**
5	Canada	**3%**
6	US	**3%**
7	Ireland	**1%**
8	Italy	**<1%**

Invested in selected jurisdictions which meet the Company's risk and return requirements

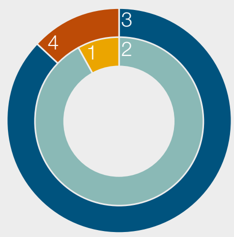
Investment Type



1	Risk Capital only	**84%**
2	Company owns Risk Capital and Senior Debt	**16%**

Invested across the capital structure taking into account appropriate risks to returns

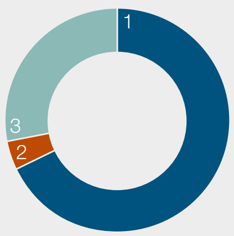
Stage of Investment/Asset Status



1	Construction	**8%**
2	Operational	**92%**
3	Primary Investor[2]	**87%**
4	Later Stage Investor[3]	**13%**

Primary/early stage investor[2] to maximise primary capital growth opportunities

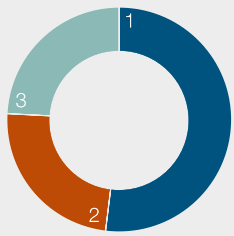
Project Ownership



1	100%	**68%**
2	50%–100%	**4%**
3	<50%	**28%**

Preference to hold majority stakes

Investment Life



1	<20 years	**52%**
2	20–30 years	**24%**
3	>30 years	**24%**

Weighted average portfolio life of 27 years[4]

1 Information provided in the charts above is based on 31 December 2015 portfolio investment fair value. Unless otherwise stated the Company and its subsidiaries hold investments in equity, subordinated debt and senior loans made to entities owning or operating infrastructure concessions, assets or related businesses, most of which are investment subsidiaries.
2 Early stage investor – asset developed or originated by the Investment Adviser or predecessor team in the primary market as a new investment opportunity.
3 Later stage investor – asset acquired from a third party investor in the secondary market.
4 Once the Company has fully invested in the Tideway project the average investment life will, other things being equal, be c.40 years. Twenty seven years represents the current weighted average investment life based on the £58.9 million invested in Tideway as at 31 December 2015.

Top Ten Investments

A complete listing of the Group's investments can be found in note 22 of the financial statements and further information about each of these investments is available on the Company's website.

Significant movements in the Group's portfolio for the year ended 31 December 2015 can be found on page 27 of the Strategic Report.

Lincs Offshore Transmission

Location	**Lincolnshire, England**
Sector	**Energy Transmission**
	As of 31 December 2015
Status	**Operational**
% Holding	**100% Risk Capital[1]**
% Investment Fair Value December 2015	**14.1%**
% Investment Fair Value December 2014	**16.3%**

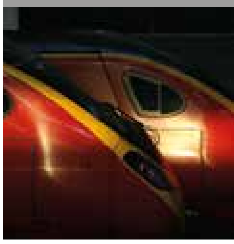
Diabolo Rail Link[2]

Location	**Brussels, Belgium**
Sector	**Transport**
	As of 31 December 2015
Status	**Operational**
% Holding	**100% Risk Capital[1]**
% Investment Fair Value December 2015	**11.4%**
% Investment Fair Value December 2014	**13.8%**

Ormonde Offshore Transmission

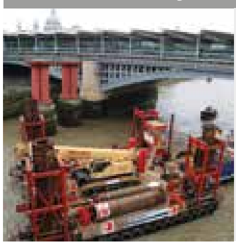
Location	**Cumbria, England**
Sector	**Energy Transmission**
	As of 31 December 2015
Status	**Operational**
% Holding	**100% Risk Capital[1] and 100% senior debt**
% Investment Fair Value December 2015	**11.0%**
% Investment Fair Value December 2014	**12.5%**

Angel Trains[2]



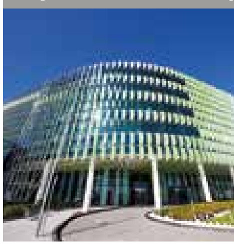
Location	**Various, United Kingdom**
Sector	**Transport**
	As of 31 December 2015
Status	**Operational**
% Holding	**5% Risk Capital[1]**
% Investment Fair Value December 2015	**4.9%**
% Investment Fair Value December 2014	**1.9%**

Thames Tideway Tunnel[2]



Location	**London, United Kingdom**
Sector	**Waste Water**
	As of 31 December 2015
Status	**Under construction**
% Holding	**16% Risk Capital[1]**
% Investment Fair Value December 2015	**4.9%**
% Investment Fair Value December 2014	**N/A**

Royal Children's Hospital



Location	**Victoria, Australia**
Sector	**Health**
	As of 31 December 2015
Status	**Operational**
% Holding	**100% Risk Capital[1]**
% Investment Fair Value December 2015	**3.4%**
% Investment Fair Value December 2014	**4.5%**

BeNEX Rail

Location	**Various, Germany**
Sector	**Transport**
	As of 31 December 2015
Status	**Operational**
% Holding	**49% Risk Capital[1]**
% Investment Fair Value December 2015	**2.9%**
% Investment Fair Value December 2014	**3.5%**

Hereford & Worcester Courts

Location	**Worcestershire, England**
Sector	**Courts**
	As of 31 December 2015
Status	**Operational**
% Holding	**100% Risk Capital[1] and 100% senior debt**
% Investment Fair Value December 2015	**2.7%**
% Investment Fair Value December 2014	**3.2%**

Northampton Schools

Location	**Northamptonshire, England**
Sector	**Education**
	As of 31 December 2015
Status	**Operational**
% Holding	**100% Risk Capital[1]**
% Investment Fair Value December 2015	**2.7%**
% Investment Fair Value December 2014	**3.2%**

US Military Housing[2]

Location	**Various, United States**
Sector	**Military Housing**
	As of 31 December 2015
Status	**Operational**
% Holding	**100% Risk Capital[1]**
% Investment Fair Value December 2015	**2.7%**
% Investment Fair Value December 2014	**N/A**

1 Risk Capital includes both project level equity and subordinated shareholder debt.
2 These projects contain revenues which are not solely dependent on availability but also include an element of linkage to other factors such as passenger numbers, rolling stock releasing assumptions, occupancy and/or are regulated assets. All other investments receive entirely availability-based revenues.

Chairman's Letter

The infrastructure assets in which the Company invests continue to be highly sought after by UK and international investors alike

Rupert Dorey
Chairman

Dear Shareholders,
2015 was a very successful year for the Company with record levels of investment into a number of projects including Thames Tideway Tunnel ('Tideway') in London. Through the period, your Company continued to deliver strong underlying returns from the portfolio.

The combination of portfolio growth and the subscription of new capital saw the Company's market capitalisation reach nearly £1.4 billion at the close of the year, up from c.£1.1 billion at the equivalent time last year.

Dividend Growth

The Company was once again able to deliver its dividend target, which for 2015 was 6.45 pence per share or c.2.4% growth over that in 2014, a rate of growth that has been delivered to investors since the Company's inception nine years ago. Against the backdrop of continuing market volatility, our ability to continue to deliver steady, predictable but growing returns to investors remains our prime objective.

The Board have once again published a minimum dividend target, being 6.65 pence per share for 2016, and new guidance of 6.82 pence per share for the 2017 dividend, an average increase of c.2.5% per annum, to give additional clarity to shareholders of our future intentions.[1]

Investment Activity and Capital Raising

The infrastructure assets in which the Company invests continue to be highly sought after by UK and international investors alike, resulting in continued strong demand for mature assets in the infrastructure sectors in which we operate. Amidst this sustained demand for infrastructure investment, we believe our ability to originate and structure transactions so that the Company is an early stage investor into the majority of its investments is a major differentiating factor which creates real added value for our shareholders. The majority of our new investments in 2015 were opportunities originated by our Investment Adviser through direct dialogue with public sector and regulatory procuring bodies or through opportunities arising outside of auction processes.

While we will not ignore future auction-based opportunities this self-origination strategy delivered a particularly successful year in 2015 with commitments made to nine infrastructure investments totalling over £311.7 million (2014: £188.2 million); the most capital that the Company has committed in any twelve-month period to date. In addition, since the end of the period the Company has invested £26.8 million in Westermost Rough offshore transmission project, its sixth of these projects. The investment decisions on all project opportunities are made by the Board and are closely scrutinised for their appropriateness and their risk and return profile.

Of special note during the year was the Company's investment commitment into the Tideway project, the £4.2 billion, 25-kilometre 'super-sewer' to be built under the River Thames in London. The Company's Investment Adviser had a significant role in originating and developing this opportunity which allowed the project to be structured in a way that suited the cash flow profile, risk/return and longevity requirements of the Company. Of particular attraction was the especially long-term duration of cash flows from the Tideway asset which can be expected to result in a near doubling of the projected duration of the Company's cash flows. This project is also anticipated to support the inflation linkage within the portfolio (more information can be found in the Case Study on pages 30 to 31 of this Report). As at 31 December 2015 £58.9 million has been invested into the project.

In October 2015, the Company also made its first investment in the United States, investing approximately US$48 million (£32 million) into an interest-bearing subordinated debt instrument underpinned by security over seven operational PPP military housing projects. The opportunity was identified as a consequence of the relationship between the Investment Adviser and its 50% shareholder Hunt Companies Inc. ('Hunt'), a US corporation specialising in construction and management of infrastructure assets.

1 Future profit projection and dividends cannot be guaranteed. Projections are based on current estimates and may vary in future.

Chairman's Letter

Chairman's Letter continued

The capital required to fund the new investments came from a mix of the Company's existing cash resources, its corporate debt facility and the proceeds from share issuances in the period. In May 2015, the Company revised the terms of its corporate debt facility, increasing the facility from £175 million to £300 million on more favourable terms including securing a reduction in the interest margin by 50 basis points to 175 basis points and allowing for the option of letters of credit in support of future capital commitments. The new facility will become due for renewal in May 2018. Further details of the renewed facility can be found on page 29.

Share issuances undertaken during the year included an £18 million tap issue and a major capital raising in November 2015 which was significantly oversubscribed and raised £180 million from a mix of existing and new investors. This new capital was immediately used to reduce the drawn balance of the Company's revolving credit facility and to invest into committed investment opportunities. We would like to thank all shareholders who participated in the offer for their support and welcome all of our new shareholders to the register.

Operational Highlights and Portfolio Performance

I am pleased to report that the portfolio has performed very strongly during the period. While considerable attention has been paid to new investments during the year, the cash flow and valuation performance of the Company's existing portfolio has also remained very robust. Net Asset Value growth was strong during the period, increasing 21.5% to £1,290.2 million or 2.5% to 130.2 pence on a NAV per share basis.

The existing portfolio has continued to perform in line with expectations with strong asset management of investments being fundamental to the Company's overall long-term success. This approach not only encompasses larger-scale project issues such as ensuring that major construction schemes or project variations are tracking to schedule and budget, but the effective management of day-to-day relationships, such as ensuring that the head teachers in our schools are satisfied with the facility services being delivered and the terms of the concession contracts are being fulfilled.

In addition, the Company's investment in Angel Trains has been positively impacted in 2015 by recent market activity involving all main rolling stock companies in the UK rail sector. The market-based evidence that these transactions produced resulted in the Company making a substantial positive revision to its valuation of Angel Trains, currently our fourth largest asset. As reported at the Company's 2015 interim result this investment has, taking into account its new carrying value, generated a total return of 3.6 times since acquisition in 2008.

Corporate Governance and Regulation

In December 2015 we were pleased to announce the appointment, effective 1 January 2016, of John Le Poidevin as a Non-Executive Director to the Board. John brings broad financial experience to the role. He is Audit Committee Chair for a number of listed companies and serves as a non-executive director on several plc boards. He was previously a partner of BDO LLP, where as Head of Consumer Markets, he developed an extensive breadth of financial, commercial and accounting experience.

The Board continues to monitor a number of possible changes to the regulatory environment. Of particular note is the current Organisation for Economic Co-operation and Development's ('OECD') coordinated effort to align certain international tax rules with the aim of preventing tax 'base erosion and profit shifting' ('BEPS'). The OECD delivered its final recommendations in October 2015 in relation to a number of its areas of focus. It is now for individual countries to decide the extent to which they implement these recommendations into local legislation.

Of particular relevance to the infrastructure sector are proposed rules aimed at limiting the tax deductibility of interest charges on related and third party debt. We are encouraged by the OECD's proposals that allow room for individual country authorities to exempt third party debt in relation to public benefit entities as well as proposing the potential for grandfathering of existing transactions. However, the finer detail of how the proposals will be implemented will be decided by individual countries and whilst this is being considered the potential impact remains unknown. In the UK, Her Majesty's Treasury has invited consultation on these recommendations to which the Company and its Investment Adviser have in conjunction with industry participants and forums submitted responses. In last week's UK annual Budget, Her Majesty's Treasury announced planned implementation of these proposals consistent with the OECD guidance on interest deductibility. Further consultation is expected in May 2016 with the intention to legislate in time for 1 April 2017. We will continue to work with our professional advisers and engage with wider industry groups as well as the relevant authorities throughout the consultation and implementation stage with an aim to mitigate unintended consequences, where possible. It should be noted though that until detailed rules are finalised in each jurisdiction there will remain a degree of uncertainty over any potential future impact on the Company.

The Board also notes the 'in-out' referendum in respect of UK EU Membership on 23 June 2016. It is possible that there may be market-related volatility (including but not limited to currency, credit and stock markets) in the months preceding the referendum due to uncertainty with respect to the outcome. The full impact of UK exit is extremely difficult to forecast and we will continue to monitor the outcome and potential impacts which are also outlined in more detail in the Risk Report.

We remain confident in the ability of the Company and its Investment Adviser to continue to identify and execute new investments in core markets to strengthen the Company's portfolio further

The Board has also considered the requirements imposed on the Company under the Common Reporting Standard ('CRS'). The CRS calls on jurisdictions to obtain information from their financial institutions and automatically exchange that information with other jurisdictions on an annual basis. It sets out the financial account information to be exchanged, the financial institutions required to report, the different types of accounts and taxpayers covered, as well as common due diligence procedures to be followed by financial institutions. The Company is working with its registrar, Capita, to ensure that it is meeting its obligations.

In addition to its usual review of risks, during the year the Board has considered in more detail the cyber-risks that the Company may face – an increasingly topical area of risk for many businesses. The Board has also commissioned a review of the Company's security protocols in this respect.

As of the date of this report, the Board is required to assess the viability of the Company in light of potential material risks. The Board is of the view that the Company is viable over the period selected for viability assessment. The Viability Statement is included in the Risk Report.

Outlook

Performance of the portfolio in the early stages of 2016 has continued to be positive and we remain confident in the ability of the Company and its Investment Adviser to continue to identify and execute new investments in core markets to strengthen the Company's portfolio further. This includes both infrastructure assets within the primary PPP/PFI space and regulated infrastructure assets.

Where new investment opportunities do arise we will continue to be selective in those acquisitions which we bring into the portfolio to ensure that they bring long-term value to shareholders. Further details are provided within the Outlook section of the Strategic Report.

I thank all shareholders for their support of the Company in 2015 and look forward to continuing to serve them in 2016.

Rupert Dorey
23 March 2016
Chairman

Strategic Report

Investment Policies and Objectives

Investment Objectives

The Company seeks to provide shareholders with a predictable, attractive and sustainable investment yield in addition to the potential for capital appreciation of the investment portfolio.

The Company targets a minimum annual dividend growth of c.2.5%. The target annual dividend per share for 2016 and 2017 is 6.65 pence and 6.82 pence respectively. The Company seeks to increase this annually by a similar rate where sustainable to do so.

The Company also targets an internal rate of return ('IRR') equal to or greater than 8% per annum on the Initial Public Offering ('IPO') issue price of 100 pence per Ordinary Share to be achieved over the long-term. The Directors seek to achieve this through asset development, future acquisitions, active management and prudent use of gearing. The 2015 Financial and Operating Review section provides further information relating to performance during the year.

Investment Policy

The Company's Investment Policy is to invest directly or indirectly in public or social infrastructure assets (usually via entities which have been granted a concession to operate and manage those assets) and related businesses located in the UK, Australia, Europe, North America and, it is anticipated, in due course, in other parts of the world where the risk profile meets the Company's risk and return requirements.

The Company intends to continue to acquire operational and construction phase assets and hold them for the long-term or life of the asset (or concession), unless there is a strategic rationale for earlier realisation. The Company will seek to enhance the capital value and the income derived from its investments. The full Investment Policy is available on the Company's website www.internationalpublicpartnerships.com.

Investment parameters

The Company intends to acquire further investments within the following parameters:

- Investments with characteristics similar to the existing portfolio
- Investment in other assets or concessions having a public or social infrastructure character and in respect of which:
  - availability-based payments are or will become payable
  - a property rental is or will become payable, or
  - user paid charges (or payments related to amount of use) are or will become payable
- Investments in infrastructure assets or concessions characterised by high barriers to entry and expected to generate an attractive total rate of return over the life of the investment

Portfolio composition

The Company may make investments in any location or jurisdiction where the investment meets the parameters set out above, although the Company does not currently expect to invest in projects in non-OECD countries.

The Company will, over the long-term, maintain a spread of investments both geographically and across industry sectors in order to achieve a broad balance of risk in the Company's portfolio.

The actual asset allocation will depend on the maturity of the local infrastructure investment market, wider market conditions and the judgement of the Investment Adviser and the Board as to the suitability of the investment from a risk and return perspective. Key Portfolio Facts on page 3 has details of the current composition of the investment portfolio.

Investment restrictions

The Company's Investment Policy restricts it from making any investment of more than 20% of the Company's total assets in any one investment at that time.

This policy does not however oblige the Company to rebalance its investment portfolio subsequently as a result of a change in the NAV of any investment or the Company as a whole. However, its purpose is to limit the risk of any one investment to the overall portfolio.

The Company is also subject to certain restrictions pursuant to the UK Listing Authority ('UKLA') Listing Rules, i.e. to invest and manage assets with a view to spreading or otherwise managing investment risk in accordance with the Investment Policy; to not conduct a trading activity which is significant to the Group; to not hold more than 10% of its total assets in other listed closed-ended investment funds. Currently the Company has no investment in any listed closed-ended investment funds.

Managing conflicts of interest

It is expected that further investments will continue to be sourced by the Investment Adviser, Amber Fund Management Limited ('AFML'). It is likely that some of these investments will have been originated and developed by, and in certain cases may be acquired from, members of the Amber Infrastructure Group.

The Company has established detailed procedures to deal with conflicts of interest that may arise and manage conduct in respect of any such acquisition. The Company's Board is required, in accordance with the UKLA Listing Rules, to have a majority of independent members and a Chairman who is independent from the Investment Adviser. The Operating Model section within this Strategic Report sets out the operating model for the Company and the Corporate Governance Report sets out more details on the conflicts management process.

Financial management
The Company may hold derivative or other financial instruments designed for efficient portfolio management or to hedge interest, inflation or currency risks.

Subject to the strategy approved by the Board, the Investment Adviser manages such hedging activities for the purpose of efficient portfolio management to enhance returns from the portfolio. Hedges are not entered into for speculative purposes. Further details on the Company's use of hedges are provided in the financial statements in note 12.

The underlying entities into which the Company invests often are leveraged. Any debt assumed by these vehicles is non-recourse to the Company and variable interest rate debt is swapped to fixed rates at that project's inception to ensure that the cost of the debt is known over the life of the project concession.

The Company may make prudent use of leverage to enhance returns to investors, to finance the acquisition of investments in the short-term and to satisfy working capital requirements.

Under the Company's Articles, outstanding borrowings at the Company level, including any financial guarantees to support subscription obligations in relation to investments, are limited to 50% of the GAV of the Company's investments and cash balances. The Company has the ability to borrow in aggregate up to 66% of such GAV on a short-term basis (i.e. less than 365 days) if considered appropriate. As at the date of this report the Company's corporate debt facility, which was increased to £300 million in May 2015, was £169 million drawn via letters of credit and the remaining undrawn (see page 29 for further details).

The Company and Group may borrow in currencies other than GBP as part of its currency hedging strategy.

Operating cash surpluses and funds pending investment are held in cash, cash equivalents, near cash instruments, money market instruments and money market funds and cash funds.

Changes to investment policy
Material changes to the investment policy summarised in this section may only be made by ordinary resolution of the shareholders in accordance with the UK Listing Rules.

Strategic Report

Strategy

The Company's strategy, which is determined and reviewed by the Board, covers three different but inter-linked areas of focus. In combination, these areas of focus assist the Company to manage its investments and finances throughout the investment cycle and, where justified, identify new investment opportunities which meet its investment objectives. The key objectives in each area are set out below and the Company's 2015 performance measured against these is summarised on pages 16 and 17.

The Investment Cycle

1 Active Asset Management
- Delivery of returns
- Public sector client satisfaction
- Management of risk

2 Value-Focused Portfolio Development
- Build controlling stakes
- Off-market preferred opportunities
- Optimise risk versus return
- Diversification
- Inflation-linked yield
- Capital growth prospects

3 Efficient Financial Management
- Capital and cash management
- Treasury and hedging

1. Active Asset Management

- **Focus on delivery of anticipated returns from existing assets**
- **Maintain high levels of public sector satisfaction and asset performance**
- **Deliver additional capital value from existing assets through management of construction risk and delivery of operational improvements to meet client requirements**

The delivery of returns anticipated to be received from the Company's investments is fundamental to the Company's performance.

The Company takes an active approach to asset management, encouraging the Investment Adviser and its associates to maximise cash flow from its investments in ways that are consistent with delivering high levels of service to the underlying assets' public sector clients.

These relationships and the Company's overall approach are described in more detail in the Operating Model section overleaf.

The success of the Company's policy of active asset management can be seen through a combination of the Company's record in receiving investment cash flows in line with projections and the level of satisfaction that public sector clients have with the facilities which they occupy.

2. Value-Focused Portfolio Development

- **Through relationships with co-shareholders and pre-emptive rights where applicable increase individual investment holdings to 100% where beneficial**
- **Make additional acquisitions where possible, ideally off-market, at prospective returns that are beneficial in risk/return terms**
- **Enhance prospects for capital growth by investing as primary investor and/or in construction phase assets where available**
- **Identify complementary investment sectors within the Company's investment policy offering better returns with a similar risk profile**
- **Take advantage of infrastructure opportunities internationally where investments have an appropriate risk profile and contractual structures are reliably enforceable to enhance diversification**
- **Undertake ongoing review of portfolio composition to ensure a suitable blend of risk/return, inflation linkage, yield versus capital characteristics, level of diversification and opportunistic enhancements**

The second aspect of the Company's strategy is to seek out further attractive investments that can improve the overall quality of projected returns from the Company's portfolio.

The Company works closely with its Investment Adviser to seek out new opportunities which meet the Company's desired risk and return profile. Historically this has included both 'primary' investments where the Company (or its Investment Adviser) have originated a new project and 'secondary' investments where an existing investment is acquired from a third party.

The Company does not have a preference as to whether the investments it acquires are characterised as senior debt, subordinated debt or equity (or a combination of any of these). What is relevant to the Company is the risk adjusted return available to it from such investment.

The Company's preference is to own majority or 100% holdings in its investments, where possible, in order to have full oversight and control over underlying investment performance. The Company's strategy during the year has therefore been to continue to make incremental investments in existing projects where available and beneficial to the overall risk/return profile of the Company.

The Company has also targeted, and expects to continue to target, overseas markets where it has experience from existing investments and client relationships, and where it and its Investment Adviser have operational experience of the effectiveness of contractual structures, to mitigate risks.

In recent times, the level of market competition for assets sold through open auction processes has led the Company to focus its strategy particularly on identifying niche, off-market, secondary opportunities and continuing to develop its access to primary market transactions. The Company continues to see such opportunities offering attractive returns for the level of risk.

The Company considers that it has sector differentiation and a competitive advantage in being able to take this approach through the strong record of its Investment Adviser (and its associated group) in developing new opportunities and gaining early-mover competitor advantage in relatively new growth sectors such as OFTOs[1] and through innovative structures including Tideway and the Priority Schools Scheme Aggregator programme.

As a consequence, the Directors believe that the Company will continue to be well placed to take advantage of similar off-market and emerging sector opportunities in the future as well as on-market opportunities that may emerge. For further details, refer to the Operating Model section of this Strategic Report.

Portfolio development may also include realisation of value for investors through divestment, particularly where investments are no longer core or are minority holdings and where the acquisition of further investment to a majority position is considered unlikely.

3. Efficient Financial Management

- **Efficient financial management of cash holdings and debt facilities available for investment and appropriate hedging strategies**

The Board seeks to manage returns on operating cash surpluses and efficiently manage cash available for investment through prudent use of a corporate debt facility.

The Company also seeks to use foreign exchange derivatives, interest rate swaps and other appropriate hedging strategies to protect investment returns where appropriate to do so, in accordance with the Investment Policy (see Investment Policy section).

Currently the Company only has foreign exchange forward contracts in place (excluding hedging arrangements at the underlying investment entity level).

1 Offshore electricity transmission owner licensed entities.

Strategic Report

Operating Model

Key Aspects of the Operating Model

The diagram below illustrates the Company's operating model, which is founded upon:

- Strong independent Board leadership and governance
- A long-term alignment of interest with its Investment Adviser and other key suppliers
- Consistent communication and delivery of strategy throughout the Group
- A vertically integrated model which gives the Company visibility of, and a relationship with, its public sector customers
- An experienced Investor Adviser team, expert in all aspects of infrastructure development, investment and management
- A disciplined approach to asset selection and country risk
- A focus on acquiring controlling stakes (or minority positions where strategically beneficial to do so)

Board and Committees

The Board sets the strategy for the Company and makes decisions on changes to the portfolio (including approvals of acquisitions, disposals and valuations). Through committees and the use of external independent advisers it manages risk and governance of the Company. The Board has a majority of independent Directors – currently five of the six Directors are independent. See the Corporate Governance Report for further details.

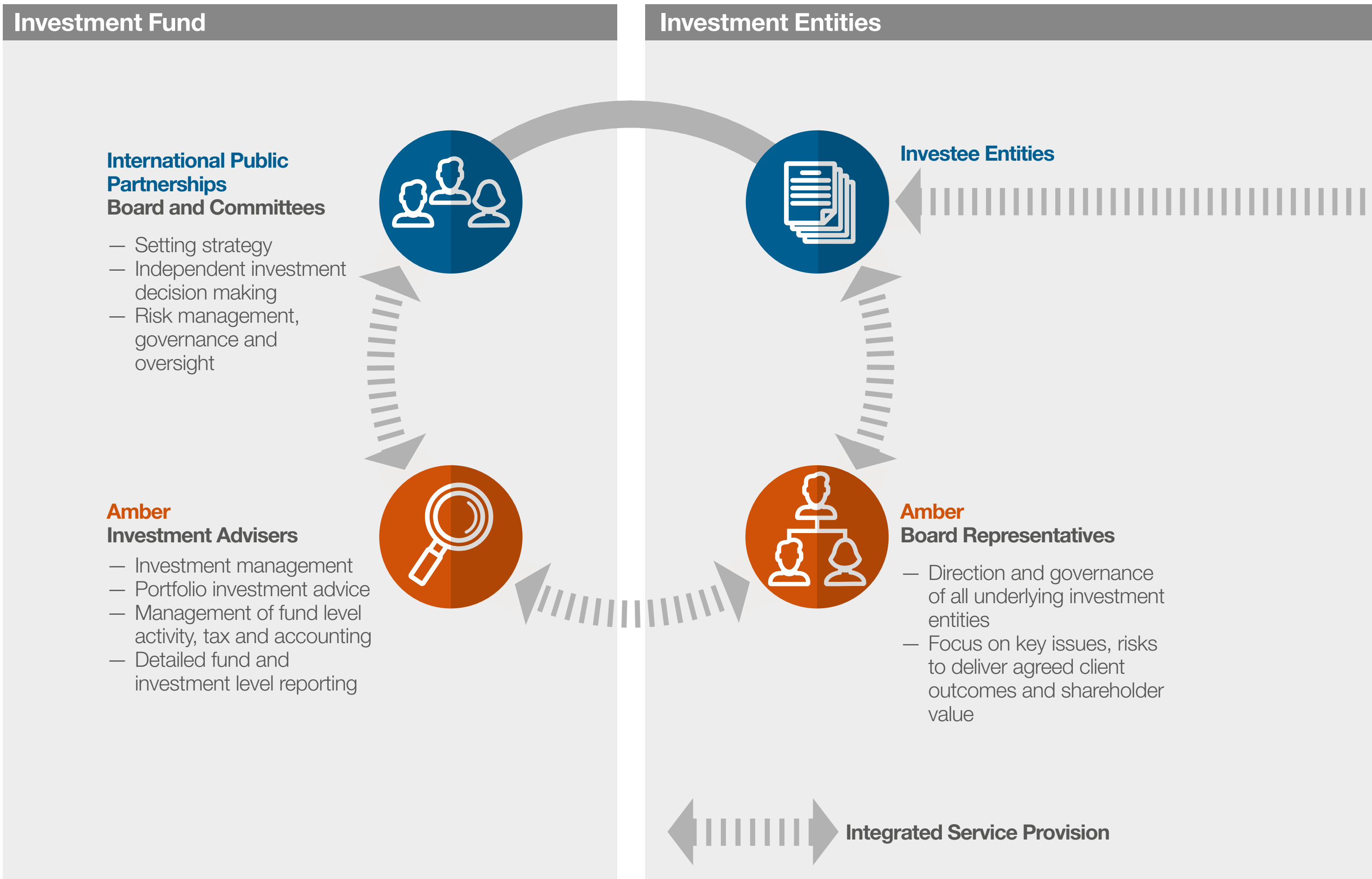
Investment Adviser

The Company's Investment Adviser is AFML (a member of the Amber Infrastructure Group Holdings Limited group of companies).

Contractual arrangements and fees

The contractual arrangements allow for the provision of investment advisory and certain other financial services to the Board. In return, the Investment Adviser receives fees based on the GAV and composition of the investment portfolio as well as a contribution to expenses. The annual base fees are detailed in note 18 to the financial statements and calculated at the following rates:

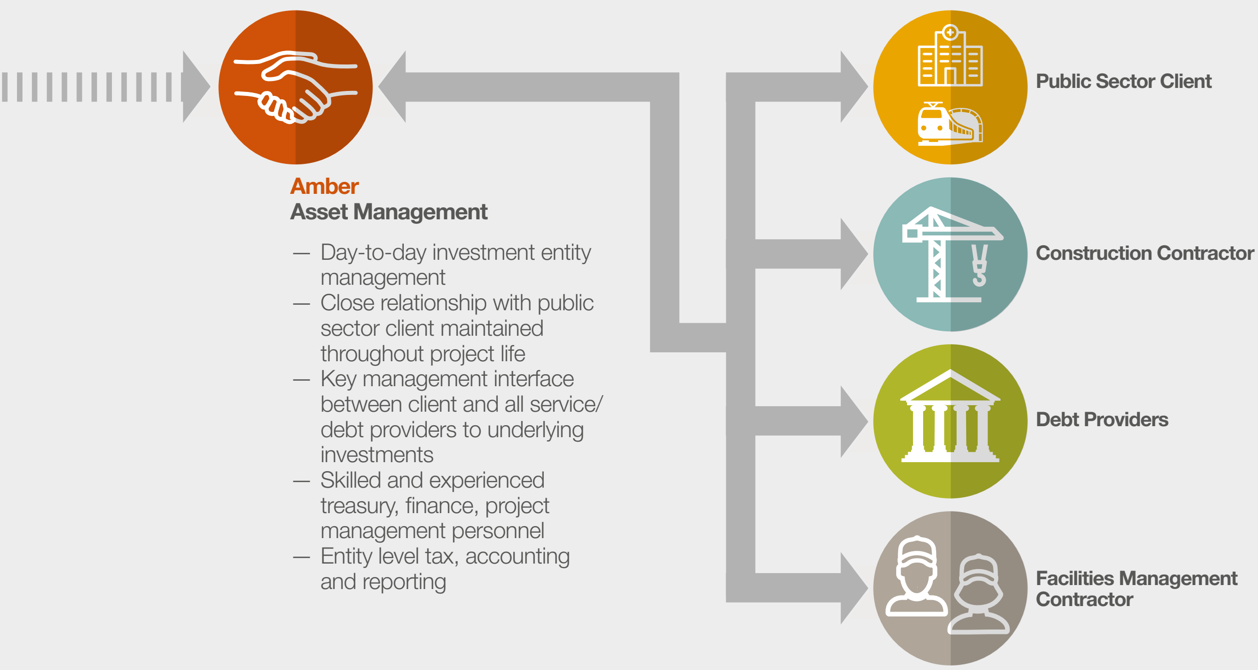
- 1.2% for that part of the portfolio that bears construction risk (i.e. the asset has not fully completed all construction stages including any relevant defects period and achieved certification by the relevant counterparty and senior lender)



– For fully operational assets:
  - 1.2% for the first £750 million of GAV of the portfolio
  - 1.0% for that part of the portfolio that exceeds £750 million in GAV but is less than £1.5 billion
  - 0.9% for that part of the portfolio that exceeds £1.5 billion in GAV

In addition, GAV excludes uncommitted cash from capital raisings.

The Company has a long-standing relationship with the Investment Adviser and the Board believes that the continuation of this relationship, on a long-term basis, is in the Company's best interest. The current Investment Advisory Agreement ('IAA') was renegotiated in 2013 and has a ten-year fixed term with a five-year notice period. The Board considers that given the long-term nature of the Company's investments and its responsibility for the detailed day-to-day delivery of management services and relationships with public sector clients, it is important that it benefits from the continuity of service provided by a long-term advisory partner. In order to ensure that shareholder interests are protected, termination provisions have been put in place to ensure that, in the event of poor investment performance, the Company has flexibility to remove the Investment Adviser.



Strategic Report

Operating Model continued

The Investment Adviser is also entitled to receive an asset origination fee of 1.5% of the value of new investments acquired by the Group. It should be noted that, generally, the Investment Adviser bears the risk of abortive transaction origination costs and that this fee has been waived or reduced by agreement in the past where it has been deemed appropriate to do so for the transaction in question. Certain discretionary fees that were previously included in the IAA had not in fact been paid to the Investment Adviser. Such equity raising and disposal fees were formally removed from the IAA in October 2015.

Cash receipts from capital raisings and tap issuances are not included in the GAV for the purposes of the calculation of base fees until such receipts are invested for the first time.

Further information and details of the Board's process for independent management and review of the relationship between the Investment Adviser and the Company are set out within the Corporate Governance Report.

Group Structure

The Company holds its investments through a number of holding entities including an English law limited partnership of which one of its subsidiaries is the sole limited partner and a company associated with the Investment Adviser is the general partner. Beneath these holding entities the Company's investments are held in special purpose investment entities so that, as far as possible, each investment is held in a separate entity to avoid cross collateralisation between investments.

Investment entity asset management

Underlying investment entities (particularly PPP/PFI entities) do not typically have their own employees, although there are important exceptions to this. Outside of these exceptions, normal practice is for such services to be subcontracted at the time of project inception to specialist asset management entities. The role of the asset manager is to manage all interfaces between the investment entity, the client, financiers and supply chain sub-contractors.

Such services are generally provided directly to each investment under asset management contracts specific to that investment entity. Services typically include day-to-day management, issue resolution, monitoring and reporting for the entity and can cover operational, regulatory, compliance, accounting, tax, company secretarial and other related services specific to each entity.

Typically such services are provided by a third party in return for a fixed fee under contracts put in place at the inception of the project after a period of competition.

The Company's preference for the majority of its investments is for associates of the Investment Adviser to provide such services to the relevant entity. This ensures that financial and operational aspects are performed in-house by Amber rather than subcontracted to other third party service providers who have less incentive to focus on delivery of desired outcomes. The contracts and fees payable for such asset management services (whether with third parties or, where Amber provides these services, associates of the Investment Adviser) are generally set in real terms for the life of the project and agreed at the time of documentation of the project with the public sector (which in many cases will be prior to the Company's investment). These form part of the project costs along with other project service related costs (and are thus outside the Company's direct control) but the Company's projected investment returns are calculated after taking account of all such project costs.

In line with IFRS 10 (Investment Entity Consolidation Exemption) all underlying project level costs (and project level revenues) are excluded from the Group's financial statements. Instead, and consistent with other investment funds, the financial statements present investment returns received from underlying investments (received out of investee entity net cash flows).

Investment origination

The Investment Adviser plays a key role in identifying, developing and originating investment opportunities that meet the Company's requirements and putting these forward to the Board of Directors for initial consideration and, where appropriate, final approval. These opportunities may lead to the Company investing in such projects and/or acquiring investments from associates of the Investment Adviser. Where investments are acquired from associates of the Investment Adviser, consideration is undertaken in accordance with detailed procedures designed to ensure the fair treatment of the Company and to ensure the valuation is approved independently by a suitably experienced third party valuer. More details are set out in the Corporate Governance Report.

Where associates of the Investment Adviser undertake project origination and development activity (e.g. bidding for new primary projects) they do so at their own risk and bear the risks of lack of success and associated abortive costs (which on large projects can be substantial). The Company does however have a contractual right of first look at such investment opportunities either on financial close or, if originally invested in by an associate of the Investment Adviser, upon disposal of that investment. Following success in project origination and development activity, fees and costs will in the normal course be payable on financial close of the opportunity to a range of service providers (including associates of the Investment Adviser) relating to matters such as reimbursement of bid costs, and in respect of legal, technical, development and financial advisory work. For the avoidance of doubt, such amounts are not paid by the Company but by the project entity formed to carry on that project and any such amounts form part of the overall capital or project bid costs. The Company's projected investment return from any prospective investment is calculated after taking account of all such costs.

Differentiation of Operating Model

The operational structure of the Company and the investee entities it invests in, and through, is designed to align the interests of those entities with the Company. The Company's preferred operational structure and the structure of the Investment Adviser and its associates (acting as investment adviser, operator and asset manager) effectively extends the Board's oversight to the underlying asset management and finance teams enabling it to be an active rather than a passive investor.

The Investment Adviser and its associates employ more than 80 personnel, the majority to support the Company and its investment entities in the provision of financial and asset management services. This operating model contrasts with competitor models that have tended to employ smaller teams and instead outsource some or all of such services.

The Company believes its operating structure differentiates it within the market and provides it with greater control of the performance of its underlying investments (for example management of lifecycle cost risk or control of contract variations).

The Company's operating model is also differentiated through the capability of the Company's Investment Adviser to originate new primary market transactions which provide the Company with access to off-market opportunities not afforded to other infrastructure investment funds. These opportunities typically take several years or more to gestate and are regularly reviewed between the Company and its Investment Adviser. Under the terms of the IAA the Company has a right of 'first look' at investments fitting its investment mandate that are being realised by Amber. This has been extended to include certain opportunities being realised by Hunt Companies (a US based group and 50% shareholder in the Investment Adviser). The access that the Company has had to such 'primary' opportunities (alongside the access that the Company has, in common with other funds, to 'secondary' opportunities) broadens the Company's opportunity set for new investments.

Relationship with the Investment Adviser and its Group

Strategic Report

2015 Financial and Operating Review

Key Performance Indicators

The key objectives of the Company are set out below and ten priorities have been identified to assist in meeting these. In order to assess annual performance in meeting these objectives the Company reviews semi-annually its performance against the following Key Performance Indicators ('KPIs'). The KPIs and the relative performance for the 2015 financial year are summarised below and further details of each of these elements are provided in the sections that follow:

Key Objectives

Investor Returns

Key Objectives	Key Performance Indicator	2015 Performance	Page Reference
Deliver sustainable long-term returns to shareholders			18
– Focus on providing shareholders with predictable, and where possible growing dividends	– Maintain and enhance distributions to shareholders	– Achieved targeted fully covered cash dividend of 6.45 pence per share, a c.2.5% increase on 2014 dividend	
– Deliver capital value enhancement where possible	– Total Shareholder Return	– Achieved. The Total Shareholder Return since IPO is 115.0%, or 8.7% on an annualised basis	
	– NAV and NAV pence per share	– NAV of £1,290.2 million and NAV per share of 130.2 pence, an increase of 2.52%	

Strategic Priorities

1. Active Asset Management

	Strategic Priorities	Key Performance Indicator	2015 Performance	Page Reference
1	**Focus on delivery of anticipated returns from existing investments**			26 to 27
	– Actively manage investments to ensure that they meet financial and other targets	– Availability for all controlled investments at 98% or above	– Achieved	
		– Returns from investments in line with expectations	– Met 2015 net revenue generation and dividend goals	
2	**Maintain high levels of public sector satisfaction and asset performance**	– Performance deductions below 3% for all projects	– Achieved	
3	Deliver **additional value** from existing assets through management of construction risk and delivery of operational improvements to meet client requirements	– Number of change requests from existing contracts	– Around 950 variation requests processed, representing c.£10 million of the additional works at the project level	
		– Management of investments in the course of construction projects in line with overall delivery timetable	– Works commenced on new construction projects in line with project timetables	

2. Value-Focused Portfolio Development

	Strategic Priorities	Key Performance Indicator	2015 Performance	Page Reference
4	Through **relationships with co-shareholders** and **pre-emptive rights**, where applicable, increase individual investment holdings to 100% where beneficial	– Value enhancing follow-on investments	– Increased stake in Liverpool Library project to 100% – Increased stake in Lewisham Building Schools for the Future project up to 50%	27 to 29
5	Make additional acquisitions where they can be acquired **on or off-market** at prospective returns that are beneficial in risk/return terms	– Value of additional investments acquired off-market	– All investments in the year were acquired outside secondary market auction processes	
6	Enhance prospects for **capital growth** by investing in **construction phase assets** where available	– Number of investments in construction	– Investment into six projects in construction phase during the period representing 8% of NAV	
7	Identify **complementary investment sectors** within the Company's investment policy offering better returns with a similar risk profile	– Value of investments in complementary investment sectors	– Investment into regulated water investment, Tideway	
8	Take advantage of infrastructure opportunities **internationally** where investments have an appropriate risk profile and contractual structures are reliably enforceable to enhance diversification	– Number of new opportunities in international markets	– During the year, £31.7 million was invested in a US Military Housing project – £17.5 million was committed to an investment in Australia	
9	Undertake continuing review of portfolio composition to ensure **suitable blend** of **risk/return, inflation linkage, yield** versus **capital** characteristics, level of **diversification** and **opportunistic enhancements**	– Improvement of risk/return, inflation linkage, return, diversification characteristics	– Investments during the year, notably Tideway, significantly enhanced the average duration of the portfolio from 21 years to over 27. Once fully invested the portfolio duration will be c.40 years	

3. Efficient Financial Management

	Strategic Priorities	Key Performance Indicator	2015 Performance	Page Reference
10	Provide **efficient management** of **cash holdings** and **debt facilities** available for investment and appropriate hedging policies	– Dividends paid to investors covered by operating cash flow	– Dividends paid to investors 1.2 times covered by net operating cash flow[1]	29
		– New investments made from available cash (after payment of dividend) in priority to use of corporate debt	– All investments in the period funded through excess cash[2] before utilising the corporate debt facility	
		– Competitive cash deposit rates	– Benchmarked market cash rates and re-allocated based on risk/return profile where possible	
		– Use of appropriate hedging strategies	– £1.7 million of foreign exchange forward contracts in place at the balance sheet date to mitigate short-term foreign exchange cash flow volatility	

1 Cash dividends to shareholders are paid from net operating cash flow (including financing costs) before non-recurring operating costs.
2 Residual cash after payment of dividend and corporate costs over the next twelve months.

Strategic Report

2015 Financial and Operating Review continued

Performance against key objectives during the year – Investor Returns

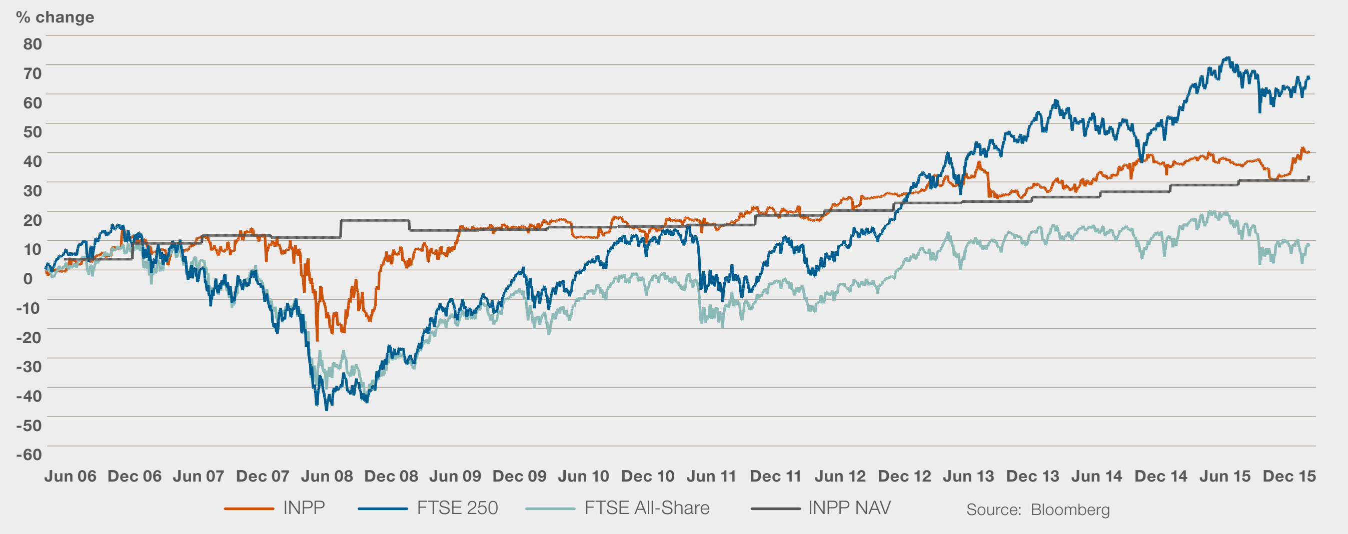
Profits and distributions
Profit before tax was £79.9 million (2014: £71.2 million) with earnings per share of 9.54 pence (2014: 9.49 pence).

Returns from portfolio investments (investment income) in the year were £100.2 million (2014: £90.1 million) including fair value movements, dividends and interest. These returns were partially offset by operating expenses (including finance costs) of £21.6 million (2014: £18.3 million).

These results allowed the Company to deliver a dividend of 6.45 pence per share for the year (2014: 6.30 pence per share).

Total Shareholder Return
The Company's Total Shareholder Return (share price growth plus reinvested distributions) for investors since the IPO of the Company in November 2006 to 31 December 2015 has been 115.0%, compared to a total return on the FTSE All-Share index over the same period of 49.2%[1] or 8.7% and 4.5% (respectively) on an annualised basis. The Company has exhibited relatively low levels of volatility compared to the market, as evidenced by the graph below which shows the Company's share price since IPO against the price performance of the major FTSE indices and the Company's NAV.

INPP Share Price Performance



Net Asset Valuation
The Company reported a 21.5% increase in NAV, up to £1,290.2 million at 31 December 2015 from £1,062.1 million at 31 December 2014. This represented an increase of 2.5% of NAV per share, increasing to 130.2 pence per share at 31 December 2015 from 127.0 pence per share at 31 December 2014.

The build-up of NAV is derived from a discounted cash flow calculation to determine the fair value of investments plus the value of cash and other net assets held within the Company's consolidated group.

The key drivers of the change to the NAV between 31 December 2014 and 31 December 2015 are highlighted in the graph that follows and described in more detail below.

1 Bloomberg – share price appreciation plus income.

Net Asset Value Movement (£m)

1 Represents movements in the forward foreign exchange curves used to forecast future international project distributions.
2 The NAV Return represents, amongst other things, (i) variances in both realised and forecast project cash flows, (ii) the unwinding of the discount factor applied to those future project cash flows and (iii) changes in the Company's other net assets (see also more detail below).

During the period a total of £198 million of new capital was raised (before costs) from a tap issue and via a Placing, Open Offer and Offer for Subscription. Proceeds were utilised to repay the drawn balance of the corporate debt facility and acquire new investments.

For the twelve months to 31 December 2015, government bond yields decreased in all countries the Company holds investments in, resulting in a positive impact on the NAV. This was partly offset by an increase in the project premium reflecting observable market-based evidence which does not support the full reduction in government bond yields. The portfolio also benefited from a reduction in discount rate risk premia as assets moved out of the construction or defects liability phase and towards full operations.

Sterling strengthened against the Australian Dollar, the Canadian Dollar and the Euro over the year to 31 December 2015 and this had a negative impact on the NAV. The most significant foreign exchange impact was seen in the valuation of the Company's Euro denominated investments.

Cash distributions reached £48.6 million during the year and represent the cash elements of two dividends made to shareholders.

The NAV Return of £77.1 million, representing a return of 6.4%, captures the following:
- Unwinding of the discount factor – the movement of the valuation date and the receipt of forecast distributions
- Optimisation of cash flows – actual distributions received above the forecast amount due to active management of the Company's portfolio, including negotiating and optimising project cash flows to ensure cash can be extracted from the underlying investments earlier than forecast and optimising Group tax losses
- Movements in the Company's working capital position
- Updated project forecasts – refinement of project model and macroeconomic assumptions to reflect current expectations of future cash flows

Investment Valuation

Forecast future cash flows

The Company's investments are expected to exhibit (and historically have exhibited) predictable cash flows. As the Company has a large degree of visibility over expected income from its current investments the chart overleaf sets out the Company's expectation for the evolution of investment receipts from its current portfolio (over the remaining life of current investments).

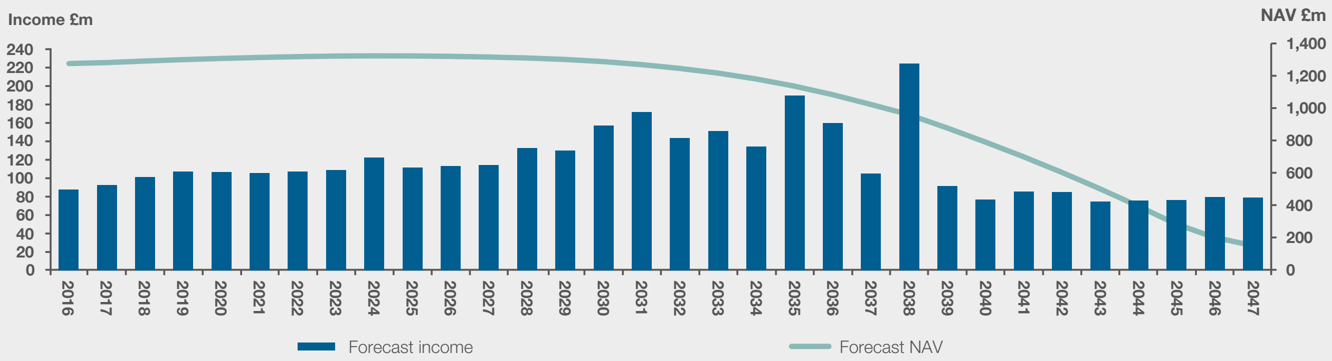
The majority of the receipts over the life of the concessions are investment income in the form of dividends or interest and principal payments from senior and subordinated debt investments.

The Company generally invests in infrastructure entities with finite lives (determined by concession or licence terms). As the remaining life of each of the Company's investments reduces, the Company's receipts in respect of that investment will represent return of capital as well as income. The line in the chart overleaf illustrates how, in the event that the Company never acquires any additional assets, nor raises any additional capital and other things being equal, the NAV of the Company would reduce to zero over time. Equally however, any future acquisitions (or disposals) or changes to the projected cash flows of any investment (or the assumptions upon which they are based) will change this projection from time to time (although it can be expected to retain the same general amortising profile).

Strategic Report

2015 Financial and Operating Review continued

INPP Projected Cash Flow Profile

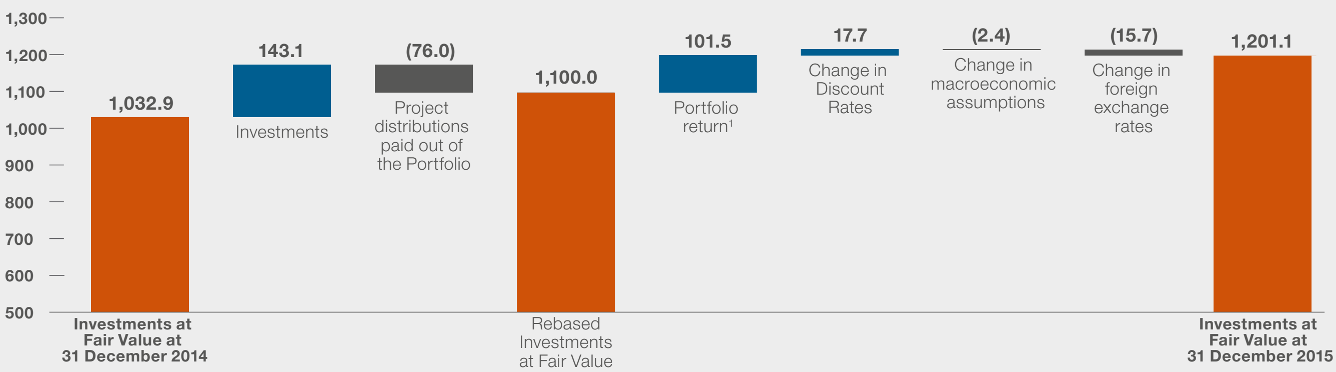


Note: There are many factors that may influence the actual achievement of long-term cash flows to the Company. These include both internal as well as external factors and investors should not treat the chart above as being more than an indicative profile and not a projection, estimate or profit forecast. The actual achieved profile will almost certainly be different and may be higher or lower than indicated.

Portfolio performance and return

The Company's investment portfolio is reviewed semi-annually by the Investment Adviser, and presented for approval by the Directors. The Directors' valuation of the portfolio, Investments at Fair Value, as at 31 December 2015 was £1,201.1 million, an increase of 16.3% since 31 December 2014.

Investments at Fair Value Movements (£m)



1 The Portfolio Return represents, amongst other things, (i) variances in forecast project cash flows, (ii) the unwinding of the discount factor applied to those future project cash flows and (iii) any dividends received in the period.

The portfolio return of £101.5 million represents a 9.2% increase in the rebased value of investments and can be attributed to:

- Distributions received over and above the forecast amount due to active management of the Company's portfolio including initiatives such as negotiating and optimising project cash flows to ensure cash can be extracted from project vehicles earlier than forecast and utilisation of group tax loss relief
- Unwinding of the discount factor whereby the movement of the valuation date has a positive impact on the Investments at Fair Value
- Uplift from a revaluation of existing investments to reflect current market pricing, notably the Angel Trains investment where a significant uplift in valuation occurred during the period as stakes in the company were sold by other shareholders and this market-based evidence was incorporated within the portfolio valuation
- Updating and refinement of project model assumptions to reflect current expectations of future cash flows
- Increase in forecast tax outflows in light of potential legislative changes to international tax

In addition there was:

- A net decrease in discount rates across jurisdictions in which the Company invests, leading to a £17.7 million increase in portfolio value
- A net decrease of £2.4 million which reflects the changes made to the macroeconomic assumptions
- A net decrease in the portfolio valuation due to foreign exchange rate movements in all four currencies the Company has exposure to

The remaining movements relate to investments of £143.1 million and project distributions of £76.0 million.

Macroeconomic assumptions

The Company reviews the macroeconomic assumptions underlying its forecasts on a regular basis and, following a thorough market assessment during the period, certain adjustments have been made to some of the assumptions used to derive the Company's portfolio valuation.

The key assumptions used as the basis for deriving the Company's portfolio valuation are summarised in the following table, with further details provided in note 12. Across the portfolio the weighted average long-term inflation assumption as at 31 December 2015 was 2.57% (2014: 2.55%) and the weighted average deposit rate assumption was 3.11% (2014: 3.47%). The Net Asset Valuation section above provides further details on the impact of these assumptions on the valuation during the period.

Variable	Basis	31 December 2015	31 December 2014
Inflation	UK	2.75%	2.75%
	Australia	2.50%	2.50%
	Europe	1.0% in 2016, then 2.00%	2.00%
	Canada	2.00%	2.00%
	US	2.00%	N/A[2]
Long-term Deposit Rates[1]	UK	3.00%	3.50%
	Australia	4.50%	4.50%
	Europe	3.00%	3.00%
	Canada	3.00%	3.00%
	US	3.00%	N/A[2]
Foreign Exchange	GBP/AUD	2.13	2.03
	GBP/CAD	2.02	1.84
	GBP/EUR	1.28	1.23
	GBP/USD	1.49	N/A[2]
Tax Rate	UK	20%–18%[3]	20%
	Australia	30%	30%
	Europe	Various (no change)	Various (no change)
	Canada	Various (26%–27%)	Various (no change)
	US	Various	N/A[2]

1 The portfolio valuation assumes actual current deposit rates are maintained until 31 December 2018 before adjusting to the long-term rates noted in the table above.
2 The Company made its first US denominated investment during 2015. It had no USD exposure prior to this time.
3 The reduction in UK tax rates reflects the latest substantively enacted rates at 31 December 2015 and therefore captures the reduction to 19% from 1 April 2017 and 18% from 1 April 2020.

Discount rates

The discount rate used for valuing each investment is based on the appropriate long-term government bond yield plus a risk premium. The risk premium takes into account risks and opportunities associated with each project (including location, phase of operation/construction etc).

The majority of the Company's portfolio (84%) is comprised of investments where the Company only holds the Risk Capital in the underlying projects. The remaining portfolio (16%) is comprised of investments where the Company holds both the Risk Capital and the senior debt. In order to provide investors with a greater level of transparency, the Company publishes both a Risk Capital weighted average discount rate and a portfolio weighted average discount rate across all investments including senior debt interests.

The current discount rates used by the Company are provided in the table overleaf. These rates need to be considered against the assumptions and projections upon which the Company's anticipated cash flows are based.

Strategic Report

2015 Financial and Operating Review continued

If the Company's average discount rates are to be compared with those of similar companies, this needs to be done rigorously. In the Company's view comparisons of average discount rates between competitor investment portfolios or funds is only meaningful if there is a comparable level of confidence in the quality of forecast cash flows (and assumptions) the rates are applied to; the risk and return characteristics of different investment portfolios are understood; and the depth and quality of asset management employed to manage risk and deliver expected returns are identical across the compared portfolios. As such, assumptions are unlikely to be homogenous, and focus on average discount rates without an assessment of these and other factors could be misleading.

Metric	31 December 2015	30 June 2015	31 December 2014	Movement 31 December 2014 – 31 December 2015
Weighted Average Government Bond Rate (Nominal) – Portfolio basis – Risk Capital and senior debt	2.31%	2.12%	2.79%	(0.48%)
Weighted Average Project Premium over Government Bond Rate – Risk Capital and senior debt (Nominal)	5.22%	5.17%	4.69%	0.53%
Weighted Average Discount rate – Portfolio basis – Risk Capital and senior debt	7.53%	7.29%	7.48%	0.05%
Weighted Average Discount rate – Risk Capital only[1]	8.09%	7.83%	7.90%	0.19%
NAV per share	130.2p	128.6p	127.0p	3.2p

1 Risk Capital is equity and subordinated debt investments.

The change in the weighted average discount rate in the period is principally due to the accretive nature of the assets that were brought into the portfolio together with revaluations of certain assets.

Government bond rates

In the table above the Company has provided an analysis of the weighted average government bond rate used in calculating the discount rate. It should be noted that the nominal (i.e. non-inflation linked) bond rate has been used in this calculation. The Company considers, however, that investors may also find a comparison with inflation-adjusted government bond rates beneficial. This is the case due to the significant level of inflation linkage inherent in the Company's anticipated cash flows.

Real (i.e. inflation adjusted) bond rates are included in the table below. Using these real rates on a weighted average basis leads to a 'real' portfolio rate of (0.44%) with the difference between the 'real' and 'nominal' rates reflecting in theory the implied rates of future expected inflation. In some countries this is higher than those currently being assumed to calculate the Company's NAV. This information is provided to enable investors to make approximate comparisons of the projected return of the Company with that available from government index linked bonds. It should be noted that any such comparison can only be estimated due in part to the fact that the Company's cash flows are not fully linked to inflation and the Company's cash flows already assume a core level of inflation as set out in the section headed Macroeconomic assumptions on page 21.

	31 December 2015		31 December 2014		Movement (2014–2015)	
Country	Nominal	Real	Nominal	Real	Nominal	Real
UK	2.33%	(0.76%)	2.85%	(0.36%)	(0.52%)	(0.40%)
Australia	3.29%	1.00%	3.80%	1.41%	(0.51%)	(0.41%)
Europe[1]	1.73%	(0.14%)	2.17%	0.25%	(0.44%)	(0.39%)
Canada	2.20%	0.55%	2.56%	0.57%	(0.36%)	(0.02%)
US	2.99%	1.18%	N/A	N/A	N/A	N/A
Portfolio weighted average	2.31%	(0.44%)	2.79%	(0.05%)	(0.48%)	(0.39%)

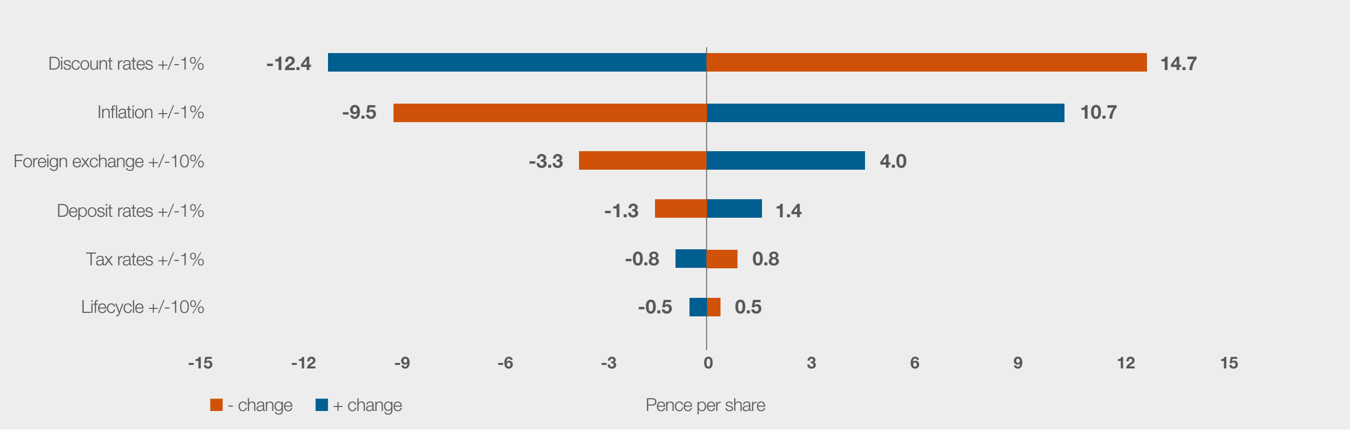
1 Includes Belgium, Germany, Ireland and Italy. Note estimates only for Belgium and Ireland as no index linked bonds available.

Portfolio level assumptions underlying NAV calculation

The Company is aware that there are subtle differences in approach to the valuation of portfolios of investments among different infrastructure funds. To clarify the Company's position in this regard its key cash flow inputs and broad valuation principles include that:

- Key macroeconomic variables (outlined in the section above) continue to be applicable
- The contracts under which payments are made to the Company and its subsidiaries remain on track and are not terminated before their contractual expiry date
- Where deductions are suffered under such contracts they are fully passed down to subcontractors
- Where possible, lifecycle costs/risks are not borne by the Company but are passed down to a third party such as a facilities management contractor
- Cash flows from and to the Company's subsidiaries and the infrastructure asset owning entities in which it has invested will be made and are received at the times anticipated
- Where assets are in construction they are either completed on time or any costs of delay are borne by the contractors not the Company
- Where the operating costs of the Company or the infrastructure asset owning entities in which it has invested are fixed by contract such contracts are performed, and where such costs are not fixed, that they remain within projected budgets
- Where the Company or the infrastructure asset owning entities in which it has invested owns the residual property value in an asset that the projected amount for this value is realised
- Foreign exchange rates remain consistent with current four-year forward looking projections
- There are no regulatory changes in the future which negatively impact the cash flow forecasts

Impact of Changes in Key Macroeconomic Variables to 31 December 2015 NAV 130.2p per Share



Sensitivities for key macroeconomic assumptions and discount rates

The Company's NAV is based on the factors outlined above. The Company has also provided sensitivity analysis showing an indication of the impact on NAV per share from changes in macroeconomic assumptions and discount rates, as set out below. Further details can be found in note 12. This analysis is provided as an indication of the likely impact of these variables on the NAV per share on the basis that they apply uniformly across the portfolio whereas in practice the impact is unlikely to be uniform. These sensitivities should be used only for general guidance and not as accurate predictors of outcomes.

Discount rates

The Company's approach to determining the discount rate is described in detail above. Assuming all other things are equal, a reduction of 1% per annum to the underlying project discount rates would increase the 31 December 2015 NAV per share by 14.7 pence. Should the underlying project discount rates increase by 1% per annum the NAV per share would decrease by 12.4 pence.

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Inflation

In an environment where investors are increasingly focused on achieving long-term real rates of return on their investments, inflation protection is an important consideration for the Company. At 31 December 2015, the majority of assets in the portfolio had some degree of inflation linkage and, in aggregate, the weighted return of the portfolio would be expected to increase by 0.76% per annum in response to a 1% per annum inflation increase across the whole portfolio over the currently assumed rates.

Where actual inflation is higher or lower than the assumed levels, it can be expected to impact on the Company's actual future cash flow in a correspondingly positive or negative manner other things being equal. If the underlying project inflation rates were to increase by 1% per annum evenly across the portfolio there would be a 10.7 pence increase to the NAV per share. Conversely, if the rates were to decrease by 1% per annum there would be a 9.5 pence decrease to the NAV per share.

Forecasting the impact of possible future inflation/deflation on projected returns and NAV in isolation cannot be relied on as an accurate guide to the future performance of the Company as actual inflation is unlikely to follow any of these scenarios exactly and, in any case, many other factors and variables will combine to determine what actual future returns are available. The analysis provided above should therefore be treated as being indicative only and not as providing any form of profit or dividend forecast.

Foreign exchange

The Company has a geographically diverse portfolio and therefore revenues are subject to foreign exchange rate risk. Should the assumed exchange rates increase by 10% per annum this could be anticipated to lead to a 4.0 pence increase in the NAV per share while a 10% per annum reduction in the exchange rates would result in a 3.3 pence decrease in NAV per share. Short-term fluctuation in foreign exchange rates are managed through currency forward contracts.

Deposit rates

The long-term weighted average deposit rate assumption across the portfolio is 3.11% per annum. While operating cash balances tend to be low given the structured nature of the investments, project finance structures typically include reserve accounts to mitigate certain costs and therefore variations to deposit rates may impact the portfolio. All else being equal, a 1% per annum increase in the underlying deposit rates could be anticipated to lead to a 1.3 pence increase in the NAV per share and a 1% per annum decrease in deposit rate to a 1.4 pence reduction in the NAV per share.

Tax rates

The Company has a geographically diverse portfolio and therefore post-tax investment cash inflows are impacted by tax rates across all relevant jurisdictions. Should the assumed tax rates increase by 1% per annum this could be anticipated to lead to a 0.8 pence decrease in the NAV per share while a 1% per annum reduction in the tax rates could be anticipated to lead to a 0.8 pence increase in NAV per share.

Project lifecycle spend

Over a project's lifecycle there is a process of renewal required to keep the physical asset fit for use and at the standard required of it under the agreement with the occupying public sector body. The proportion of total cost that is lifecycle spend will depend on the nature of the asset. In order to enhance the certainty around cash flows, around 93.5% of the Company's assets (by value) are structured such that lifecycle cost risk is taken by a subcontractor for a fixed price (isolating equity investors from such downside risk). As a result, the impact of any changes to the Company's lifecycle cost profile is relatively small. A 10% increase in lifecycle costs would lead to a 0.5 pence reduction in NAV per share. A 10% decrease in lifecycle costs would lead to a 0.5 pence increase in NAV per share.

Future group tax relief

Under UK group tax loss relief rules, losses within the UK group companies can be, subject to UK tax law, offset against taxable profits in other UK group companies (including controlled project entities). This group tax loss relief can reduce the overall tax charge across the portfolio and potentially reduce taxable profits substantially below the levels currently modelled by the Company. The Company has taken a conservative approach to the valuation of future tax losses and, to date, has not incorporated these into the NAV.

Cash flow movements in the period

Summary of consolidated cash flow	Year to 31 December 2015 £ million	Year to 31 December 2014 £ million
Opening cash balance	**29.4**	**80.6**
Cash from investments	76.0	64.0
Operating costs (recurring)	(13.7)	(12.2)
Net financing costs	(3.5)	(1.9)
Net cash before non-recurring operating costs	**58.8**	**49.9**
Non-recurring operating costs	(2.8)	(5.0)
Net cash flow from operations	**56.0**	**44.9**
Cost of new investments	(143.1)	(188.2)
Net (repayment)/drawdown of corporate debt facility	(16.3)	16.3
Proceeds of capital raisings (net of costs)	195.0	94.2
Disposal proceeds	–	22.3
Distributions paid	(48.6)	(40.7)
Net cash at period end	**72.4**	**29.4**

The Company's net cash at 31 December 2015 was £72.4 million (2014: £29.4 million), an increase of £43 million reflecting proceeds from capital raising and positive investment cash flows offset by new investments made in the year and repayment of outstanding balances on the corporate debt facility.

Cash inflow from the Company's investment portfolio was £76.0 million (2014: £64.0 million). The increased cash flow was mainly due to the contributions from new investments made during the year.

Recurring operating costs have increased from £12.2 million to £13.7 million, in line with the increase in the Company's NAV and increased audit fees, as detailed in the 'ongoing charges' table below; other operating costs have remained largely consistent. Net financing costs increased from £1.9 million to £3.5 million mainly due to the drawdowns on the corporate debt facility made to provide financing for investments prior to the equity capital raise. Non-recurring operating costs of £2.8 million (2014: £5.0 million) mainly represent costs associated with the refinancing of the corporate debt facility in the period and one-off transaction costs incurred on new investments.

The Company funded its acquisitions during the period by drawing down on its corporate debt facility which was subsequently repaid using the proceeds from capital issuance. No investments were disposed of in the year (2014: £22.3 million).

Cash dividends paid in the period of £48.6 million (2014: £40.7 million) were in respect of the six-month periods ended 31 December 2014 and 30 June 2015.

Corporate expenses and ongoing charges

A breakdown of corporate operating costs paid is provided below:

Corporate expenses	Year to 31 December 2015 £ million	Year to 31 December 2014 £ million
Management fees	(12.5)	(11.1)
Audit fees	(0.2)	(0.1)
Directors' fees	(0.2)	(0.2)
Other running costs	(0.8)	(0.8)
Operating costs (ongoing)	**(13.7)**	**(12.2)**

The increase in management fees paid to the Investment Adviser is in line with the growth in managed investments and the growth of the Company's portfolio.

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Ongoing Charges	Year to 31 December 2015 £ million	Year to 31 December 2014 £ million
Annualised Ongoing Charges[1]	(13.7)	(12.2)
Average NAV[2]	1,143.3	983.5
Ongoing Charges	**(1.20%)**	**(1.24%)**

1 The Ongoing Charges ratio was prepared in accordance with the Association of Investment Companies' ('AIC') recommended methodology, noting this excludes non-recurring costs.
2 Average of published NAVs for the relevant period.

Performance against Strategic Priorities – 1. Active Asset Management

Investment cash flow from the Company's portfolio of 120 investments has continued to perform in line with the Company's forecasts. Ensuring that the Company's assets are available for use and are performing in accordance with contractual expectations is a critical task for the Company and its service providers.

The Investment Adviser, on behalf of the Company, closely monitors the relationship between service providers and public sector clients. It is actively involved in the ongoing management of assets to ensure that performance standards are being met. In addition to these day-to-day activities, the Investment Adviser works with public sector clients on assignments as they arise.

During 2015, our public sector clients commissioned c.950 variations resulting in over £10 million of additional works at the project level. All variations were overseen by the Investment Adviser as part of the day-to-day asset management activities it undertakes in conjunction with the project facilities manager and the public sector client. Variations ranged in size from a few hundred pounds to over £2 million and demonstrate the value and flexibility of PFI/PPP contracts to respond to the changing requirements of public sector clients.

The Company also takes an active role in assisting its public sector clients to achieve savings from existing concession arrangements. The Investment Adviser is working with a number of its public sector counterparties to identify and deliver efficiencies and savings in operational PFI and PPP contracts. Across the portfolio a number of benchmarking exercises have been undertaken in relation to both insurance and facility management services that have resulted in reduced costs to the public sector.

On a number of the Company's portfolio of assets the Investment Adviser, facilities management operator and the public sector client work extensively with the local community. Examples include local sports clubs using schools facilities, schools utilising the court facilities for mock trials, workplace experience for students and those who have been long-term unemployed, and various out of school hours clubs.

During the latter stages of 2015 work commenced on two new assets in construction. The New Schools PPP project in Australia (Victorian Schools 2) reached financial close on 29 October 2015. The project comprises 15 new build schools across twelve different green-field sites in outer metropolitan Melbourne. In order to meet the construction programme, design development commenced shortly after the confirmation of preferred bidder status and design submissions to the State continued through financial close to the end of 2015.

Construction on the project is split into two tranches with the first eight schools due to be completed by 1 January 2017 and the remainder by 1 January 2018. Design and construction progress on the project is on programme and includes:
– Submission of five design packages to the State
– The establishment of several sites and commencement of ground works

Works over the next twelve months include completion of the design and construction of the first tranche of eight schools and finalised design for the remaining schools.

In addition, since its investment in Tideway significant milestones have been achieved to allow the company to start construction on the 25km 'super sewer'. Thames Water, on Tideway's behalf, is well-advanced with the necessary enabling works which are preparing the 24 sites across London for the driving of the tunnel itself, with the most prominent piece of work taking place in the foreshore by Blackfriars Bridge. Main works construction is anticipated to start slightly earlier than planned, in the first half of 2016.

Projects under construction as at 31 December 2015, all of which are currently on schedule for operational commencement, are set out in the table below.

Asset	Location	Construction Completion Date	Defects Completion Year	Status	% of Fair Value of Investment
Priority School Building Aggregator Programme – 4 batches	UK	2018	2019	On schedule	3.1%
Thames Tideway Tunnel	UK	2024	2027	On schedule	4.9%
Victoria Schools PPP Project	Australia	2018	2019	On schedule	N/A[1]

1 The Victoria Schools project is currently funded via a letter of credit. Investment will be made at construction completion.

Performance against Strategic Priorities – 2. Value-Focused Portfolio Development

During the year the Company made further investment or commitments of £311.7 million across nine projects. The projects acquired were either sourced by the Investment Adviser from project inception (i.e. in response to an initial government procurement process) or were acquired by way of further investment into the Company's existing assets. These methods of procurement remain the Company's preferred route to market as they necessarily avoid investment in the open secondary market, which remains very competitive. Details of acquisitions are provided below.

Asset	Location	Acquisition/ Divestment	Operational Status	Investment/ Commitment	Acquisition Date
Priority School Building Programme 'Aggregator' – Batch 1	North East, UK	Acquisition	Under construction	£7.9 million	10 March 2015
Priority School Building Programme 'Aggregator' – Batch 2	Hertfordshire, Luton and Reading, UK	Acquisition	Under construction	£10.2 million	19 March 2015
Priority School Building Programme 'Aggregator' – Batch 3	North West, UK	Acquisition	Under construction	£8.4 million	25 March 2015
Building Schools for the Future	Lewisham, UK	Acquisition	Operational	£14.3 million	17 April 2015
Liverpool Central Library	Liverpool, UK	Acquisition	Operational	£1.9 million	30 June 2015
Priority School Building Programme 'Aggregator' – Batch 4	Midlands, UK	Acquisition	Under construction	£9.8 million	13 August 2015
Thames Tideway Tunnel	London, UK	Acquisition	Under construction	Up to £210 million[1]	24 August 2015
US Military Housing P3	Various, US	Acquisition	Operational	£31.7 million	4 October 2015
Victoria Schools PPP Project	Victoria, Australia	Acquisition	Under construction	£17.5 million[1]	28 October 2015
Post 31 December 2015					
Westermost Rough OFTO	Yorkshire, UK	Acquisition	Operational	£26.8 million	3 February 2016

1 Funding for investment solely or partially by way of letter of credit to support future investment commitment.

Priority Schools Building Programme 'Aggregator'

During the twelve months to 31 December 2015 the Amber Consortium of which the Company is part, reached financial close, investing £36.3 million into four of five batches of schools being delivered through the Priority Schools Building Programme ('PSBP').

These projects use an innovative financing model based upon the establishment of a funding vehicle known as the 'Aggregator'. One of the key features of the Aggregator is the ability to warehouse loans and thereby aggregate total financing requirements across all five schools batches. The Aggregator is financed by a consortium including the Company along with Aviva Investors and the European Investment Bank providing senior debt.

The Company expects to provide up to an additional c.£7 million funding to the remaining batch. Financial close of this final batch is expected in the early part of 2016.

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Additional investment in Lewisham Building Schools for the Future ('BSF') project
During the period, the Company acquired an additional 40% investment in the Lewisham BSF concession, increasing the Company's overall exposure to between 41% and 50% in the underlying BSF assets.

The Company invested £14.3 million for an additional 40% interest from Babcock Project Investments Limited. The Lewisham project comprises schools located in south east London boroughs, including Sedgehill and Conisborough Schools; Trinity School; Deptford Green School; and Bonus Pastor, Pendergast and Drum Beat Schools.

Additional investment in Liverpool Central Library project
In June the Company acquired an additional 19.9% investment for c.£1.9 million in the Liverpool Central Library PFI concession from Shepherd Construction. The acquisition increased the Company's overall exposure from 80.1% to 100%.

The Liverpool Central Library is one of the flagship legacy projects for Liverpool City Council, as part of the Liverpool European Capital of Culture programme in 2008. The Company, through its Investment Adviser, acted as Lead Sponsor and Manager for the £50 million project to refurbish three existing historic library buildings which included the demolition and construction of a new main library and archive complex. The library reached construction completion in January 2013 and opened to the public in May that year.

Thames Tideway Tunnel project
In August, the Company along with its consortium partners reached financial close on the Tideway project. The Company will invest up to £210 million in relation to its 16% stake in the project. It is the Company's largest investment to date. The remaining Risk Capital is being funded by the consortium partners.

Tideway is one of the most significant UK infrastructure investment opportunities. Up to 39 million tonnes of untreated sewage are currently discharged into London's waterways every year and the project will significantly reduce this.

Tideway will be a new part of the sewer network which will carry sewage and storm water discharges from the broader London sewerage system. Tideway will be a 7.2m diameter 25km sewer tunnel running up to 65 metres below the Thames and will effectively replace the Thames as a 'sewer of last resort'. The Tideway project has a design life of 120 years and is expected to provide yield to its investors throughout this period.

Construction of the estimated £4.2 billion project (2011 prices) will be under three main contracts. The construction preferred bidders were announced in February 2015, with BMB JV (Joint Venture of BAM Nuttall Ltd, Morgan Sindall Plc and Balfour Beatty Group Limited) selected for the West contract, FLO JV (Joint Venture of Ferrovial Agroman UK Ltd and Laing O'Rourke Construction) for the Central contract and CVB JV (Joint Venture of Costain, Vinci Construction Grands Projets and Bachy Soletanche) for the East contract. Construction is expected to commence in 2016 and reach completion by 2023, followed by a 120-year operational life.

During construction, the Tideway project will benefit from a bespoke regulatory framework that will allow it to start generating revenue when construction begins. Once fully operational, Ofwat will regulate the Tideway project in line with other water and sewerage companies' regulatory cycles.

The Company's commitment to Tideway has been secured through the issue of a letter of credit under the Company's corporate debt facility. The Company's investment will be funded as the project's milestones are met with the final injection expected in early 2018. As a result, at 31 December 2015, the Company had invested £58.9 million into the project with the remainder backed by a letter of credit.

US Military Housing P3
The Company invested approximately US$48 million (c.£32 million) into a series of fully yielding subordinated debt instruments with a remaining average life of 37 years. The subordinated debt was acquired by the Company from the Federal Home Loan Mortgage Corporation ('Freddie Mac') and is underpinned by security over seven operational P3 military housing projects relating to a total of 19 operational military bases in the US comprising approximately 21,800 individual housing units.

The opportunity was identified as a consequence of the Hunt shareholding in the Company's Investment Adviser and the relationship that exists between Hunt and the Company with respect to US opportunities. Hunt are one of the largest owners, managers and providers of ongoing services in the P3 Military Housing sector having interests in approximately 33,000 housing units including those the subject of this transaction where they also provide property management services in respect of most of the units.

Victoria Schools PPP Project

The Company reached financial close on a new schools scheme in the State of Victoria, Australia. The Company will invest A$35.6 million (£17.5 million), representing 100% of the project's risk capital at the end of the project's construction period, expected in 2018. The commitment is currently secured through the issue of a letter of credit under the Company's corporate debt facility.

The project has been commissioned by the Victorian Department of Education and Training, and comprises the design, building, financing and maintenance of 15 schools across twelve sites. The contract with the Victorian Government is for a period of 25 years from the expected date of construction completion.

The project is expected to deliver a predictable and high quality cash flow to the Company backed by the credit of the State of Victoria which is rated AAA by both S&P and Moody's. The Company anticipates a return on its investment fully in line with its experience on other comparable projects.

Westermost Rough offshore transmission project ('OFTO')

In February 2016, Transmission Capital Partners, the consortium comprising the Company, Amber Infrastructure and Transmission Investment reached financial close for the long-term licence and operation of its sixth UK offshore transmission project, Westermost Rough OFTO.

The Company made a £26.8 million investment for 100% of the equity and subordinated debt of the OFTO. The OFTO will connect a windfarm containing 35 6MW turbines located 8km off the coast of Yorkshire to the onshore grid network, providing enough electricity to power around 150,000 UK homes.

Performance against Strategic Priorities – 3. Efficient Financial Management

The Company seeks to generate dividends to investors that are paid from operating cash flow. For the year ended 31 December 2015 the cash dividend paid to investors was 1.2 times covered by net operating cash flow and the Company remains confident that it will be able to grow dividends in the future.

In May 2015, the Company renewed its corporate debt facility ('the facility') with existing providers, Royal Bank of Scotland and the National Australia Bank Limited. The facility size increased from £175 million to £300 million. The margin on the facility is 175 basis points, 50 basis points lower than the original arrangement. The facility is subject to renewal in May 2018. The drawn portion of the facility was fully repaid in December 2015. Currently £169 million is drawn on the facility via letters of credit, which takes into account the Company's investment into Westermost Rough OFTO in February 2016.

It remains the Company's policy not to have long-term corporate level debt and it is anticipated that to the extent that the corporate facility is drawn to fund acquisitions, this would be a short-term arrangement and equity funding, by means of a capital raising, would be sought to repay outstanding debt as soon as practicable.

Case Study *Thames Tideway Tunnel*

The Thames Tideway Tunnel ('Tideway') is a new £4.2 billion investment in the sewer network which will carry sewage and storm water discharges from the London sewerage network.

Investment Commitment

£210m

Length of Tunnel

25km

Maximum Tunnel Depth

65m

Project Overview

- Tideway will be a 25 kilometres sewer tunnel running up to 65 metres below the Thames, effectively replacing the Thames as a ‘sewer of last resort’, feeding overflow sewage to a pumping station at Abbey Mills in East London
- The tunnel will be built under three separate construction contracts each covering a distinct physical section of the network
- The winning construction contractors were selected through a separate competitive tender process run by Thames Water

Project Background and Financing

- Amber, the Company’s Investment Adviser, worked on behalf of the Company and formed the Bazalgette consortium in 2014 to bid on the project alongside other leading investors including:
  - Allianz Capital Partners
  - Dalmore Capital Limited
  - DIF Infrastructure
  - Swiss Life
- The investor group includes a significant proportion of UK pension funds through which over 1.7 million UK pensioners will have an indirect investment in Tideway
- The Company will invest up to £210 million for a 16% stake, in instalments drawn during the construction period
- The Company’s commitment is backed by letters of credit against the Company’s corporate debt facility. The last instalment is scheduled to occur in early 2018
- Six relationship banks will provide senior non-recourse debt directly to the project

Key Features

- A yielding investment through both construction and operating periods (120 years)
- A fully RPI-linked revenue stream
- The investment will significantly extend the Company’s portfolio’s life; the weighted average concession life of the portfolio to c.40 years once full investment is made
- Strong protections exist to mitigate construction risks, including:
  - Experienced management team, project manager and construction contractors already in place
  - Significant incentive arrangements under the construction contracts, licence and stakeholder arrangements
  - A government support package which provides significant mitigation to the risks of construction
  - Bespoke regulatory features to reflect the nature of the construction obligations including a mechanism applied after construction to incentivise cost and time savings

Construction Timeline

2014
— Planning decision
— Bids due in for main works and financing
— Investigation work at sites

2015
Main works and financing contracts awarded

2016
Main works preliminary construction begins

2017
Tunnelling begins

2019
Secondary lining begins

2021
Tunnelling ends

2022
System commissioning begins

2023
All works completed

Strategic Report

Outlook

Current Market Environment and Future Opportunities

The Company anticipates continued benefits arising from the strong outlook in the infrastructure markets in which we invest. Moreover, the governments in the jurisdictions in which our efforts are directed continue to promote new infrastructure projects and broadly favour continued reliance on the private sector as the source of finance and investment expertise in this space.

Most governments in developed nations have a policy on renewing and improving infrastructure provision in their countries. In the UK and Australia this is evidenced by the National Infrastructure Plan and many other countries have similar ambitions. This trend for promotion of new infrastructure projects will, in the Company's view, persist in the medium to long-term. This offers very positive macroeconomic support for the Company's future growth prospects.

While the Company is confident of the long-term opportunities within the sector, the prospects for new investment over any short-term period are inevitably more difficult to predict. The investment levels of the past should not necessarily be seen as indicative of the levels of investment that the Company may make going forward. Future investment is dependent on factors including:

- The number and quality of new 'greenfield' infrastructure opportunities being procured by public sector bodies (known as the 'primary market')
- The number and quality of investments being sold by existing owners (known as the 'secondary market')
- The level of competition for primary or secondary opportunities and the resulting impact on pricing and levels of returns
- The macroeconomic environment (e.g. the impact of inflation, interest rates, and the pricing of risk and return for alternative investments)

We also continue to guide investors that competition in the secondary market for assets such as those in which the Company invests remains strong. While the Company is always interested in reviewing mature secondary market investment opportunities being sold by their existing owners, not all of these opportunities are likely to be accretive to the Company's portfolio.

The Company is also selective to enable it to realise an appropriate risk and return balance within the overall portfolio. In the past, this has resulted in the Company taking opportunities to divest smaller, non-strategic assets where there is little prospect of increasing stakes to controlling positions and where market pricing is higher than book value. While no such divestments are currently envisaged, the Company will continue to review its portfolio with this option in mind.

The Company has an international focus and the current market environment in each of the major jurisdictions in which it operates and the potential for future investment within each is outlined in more detail as follows:

United Kingdom

The UK government has continued the previous coalition government's focus and interest in the UK infrastructure sector, and it views high quality infrastructure as a means to increase productivity and competitiveness. In its Summer 2015 Budget, the UK government pledged to be 'bold in delivering infrastructure' and announced the intention to publish a productivity plan that will 'set out measures to encourage long-term investment in economic capital... including infrastructure'.

In recognition of this it has now streamlined its approach to the development of infrastructure assets in the UK, establishing the Infrastructure and Projects Authority. The Authority will provide support for the major economic projects, centralising the financing and delivery of such projects. In order to assist the planning of major infrastructure projects the government also established the National Infrastructure Commission which is charged with offering unbiased analysis of the UK's long-term infrastructure needs.

While many of the £411 billion projects currently identified in the National Infrastructure Plan fall outside the scope of the Company's investment parameters, there is likely to be a wide variety of projects in which the Company might invest. Although these projects may have risk/return dynamics similar to those found in the Company's existing portfolio, increasingly these assets are not likely to be structured as traditional PFI/PPP procurements. The Company expects more regulated assets to come under consideration by it in 2016.

For example, the Company is particularly interested in the government's willingness to use the regulated asset model as a means for infrastructure procurement – where, simplistically, investors receive a permitted and pre-specified return on capital invested through agreement with the relevant regulator. This methodology was used in the recent Tideway transaction with water regulator Oftwat's oversight and support. The expectation is that the regulated model could be used to procure other core infrastructure assets and we watch this space, as well as opportunities with existing utilities, with interest.

We have also highlighted for some time the attractive characteristics of the offshore transmission ('OFTO') sector – where investment is made into the cables and substations that link offshore wind farms to the national electricity grid. These projects continue to be amongst some of the most attractive in our sector as they provide long-term income without demand risk i.e. no exposure to volume of electricity generated by the wind farm. The Company has, to date, been a market leader in investment into this space having invested into six projects. The Company expects to continue to benefit from additional opportunities in this sector that will come to market over the coming years; the regulator, Ofgem, has estimated a further £2 billion of investment required in OFTOs within the next two years with the prospect of significantly more in the years thereafter. The government has also been engaged in a consultation process on arrangements for the introduction of competitive tendering of onshore electricity transmission projects.

Australia

Australia has long involved private sector organisations in the provision and financing of its public sector infrastructure. It also has a well-developed market for investment, not only by local superannuation funds and similar investors but it has also developed a large pool of international investors who have invested widely there.

Both Federal and State governments have their own long-term infrastructure strategy delivery organisations and there is a unified method for the delivery of PPP projects. A National PPP Policy Framework has been developed which aims to provide a consistent approach by procuring agencies and streamlined procedures that encourage private sector investment in public infrastructure.

Currently Australia's infrastructure priorities include multi-billion Australian Dollar transport projects such as improvements, developments and modernisation of highways and rail transport together with water and communications infrastructure. There are presently six potential PPP projects identified by State governments for development in 2016/17, with a further three greenfield projects in procurement as well as one existing project subject to a major augmentation. It is also anticipated that asset sales in some states may lead to funding availability for further projects.

The Australian government's 2015 Infrastructure Audit identified a number of infrastructure challenges facing Australia, including population growth, a desire to increase productivity and connectivity and improve resilience and maintenance.

Consequently, an Australia Infrastructure Plan was released in February 2016 which provides a comprehensive roadmap to address 'infrastructure gaps' and identifies a priority list of project initiatives in each state and territory. Particular focus is placed on solutions that would improve the public funding of infrastructure and enable increased private sector investment.

Europe – excluding United Kingdom

Select jurisdictions in Northern Europe, including Belgium, the Netherlands, Germany, Austria, Ireland and parts of Scandinavia, continue to offer new primary market infrastructure opportunities across a range of sectors including accommodation and transportation which are attractive to the Company. The Company expects further suitable opportunities to be offered by the European market following the publication of the Investment Plan for Europe (commonly known as the Juncker Plan) by the European Commission in November 2014.

According to European PPP Expertise Centre's '2014 Market Update: Review of the European PPP Market' in 2014, 82 PPP transactions, with a total value of €18.7 billion reached financial close in the European market (including the UK), representing a 15% increase in value from 2013. Whilst the UK was the largest such market in Europe by value and number of transactions in 2014, Germany was named in 2014 as the third largest PPP market, and the Company was recently announced preferred bidder on a PPP opportunity there.

Looking forward, there are further potential new PPP opportunities announced in jurisdictions such as the Netherlands, with twelve projects identified as being prepared to tender through PPP and/or in procurement.

The Investment Plan for Europe, launched in November 2014, was set up to enable €315 billion of investment in strategic projects across Europe in a three-year period from January 2015; its aim is to encourage the mobilisation of private funding in Europe.

The plan laid the foundation for the creation of a €16 billion guarantee to be provided by the European Investment Bank ('EIB'), funded from the EU budget, known as the European Fund for Strategic Investments ('EFSI'). The EFSI guarantee offers specific cover to investments financed by the EIB, and will allow the EIB Group to provide additional financing of approximately €61 billion over its investment period.

The strategic investments which the EFSI will support include projects in the transport and energy infrastructure sectors. The EFSI guarantee has already been used for PPP and other infrastructure/energy projects including examples in continental Europe such as the Vienna Hospitals PPP and the €560 million West Strasbourg Bypass concession.

In summary therefore, the infrastructure markets of Europe continue to grow in ways that offer encouragement to the Company. The same qualification as applies to all the Company's opportunities applies equally to those in Europe: that is that future success will depend on both success in bid processes (both in the primary and secondary markets) and confidence that such opportunities fit within the Company's risk and reward parameters and offer overall benefit to the portfolio.

United States

The infrastructure market in the United States is very significant in size. In 2015 KPMG estimated the historical size of the US P3 market as being around US$8.5 billion per annum with a future forecast of US$12.5 billion per annum. As with infrastructure markets in other developed countries the projected growth is anticipated to be delivered partly as a consequence of the need for infrastructure renewal and partly because of changes in demographics and the future shape of public services. Moody's Investor Services stated in October 2014, 'Given the sheer size of its infrastructure and growing urban population the US has the potential of becoming the largest market for public private partnerships in the world'.

Following the launch of President Obama's 'Build America Investment Initiative' in July 2014, the US Treasury released recommendations formulated by the Interagency Infrastructure Finance Working Group in order to expand public-private collaboration in infrastructure. The recommendations included eight pathways designed to provide more favourable conditions for private investors across all infrastructure sectors. The Treasury is also working on a white paper exploring options for alternative incentive arrangements that would assist in aligning the incentives of the public and private sector.

Strategic Report

Outlook continued

Some 33 of the individual states have enacted legal authority to transact public private partnership (PPP/P3) projects and availability based payment schemes (which match the Company's preferred form of project) have seen increasing levels of attention from procurers.

The Company is well positioned to capitalise on developments in this market through its relationship with Hunt (described in more detail on page 15), where it has 'right of first look' over investment opportunities in the United States originated or divested by Hunt which meet the Company's investment criteria.

Other countries

Infrastructure opportunities are well established in Canada and the Company holds two existing Canadian PPP investments. The Company's Investment Adviser remains active in the Canadian market. However, the market is dominated by very price competitive domestic pension funds, making entry into new investment opportunities more challenging. The Investment Adviser continues to believe that there will be attractive investment opportunities in the longer-term as infrastructure is upgraded. In the short-term, investment is more likely to be secondary market opportunities rather than primary investments.

New Zealand continues to also be of interest to the Company. The government in that market has been pursuing a privatisation process of several government controlled energy and infrastructure businesses. While relatively small, the Investment Adviser continues to monitor projects as they come to market, resourcing these opportunities from its Australian offices and is reviewing one such opportunity.

The Company keeps a watching brief on opportunities in other international markets including markets such as Scandinavia but will only consider deals in other markets where it is satisfied that the combination of sovereign credit and rule of law makes such investment comparable with the Company's existing investments.

Current Pipeline

Overall, the Company is very positive about its short and longer-term prospects, both in terms of the performance of its existing investments and the opportunity to add high quality investments to the portfolio during 2016.

Key areas of current activity within the Company and/or its Investment Adviser (or associates) include:

- Continued activities in the area of UK offshore transmission where the Company has recently closed its sixth project, Westermost Rough OFTO, and is actively bidding each new opportunity as it comes to market
- Enhanced access to US P3 opportunities, particularly through the relationship with Amber/Hunt
- Other UK and European primary investment opportunities (for instance in the regulatory, healthcare and judicial sectors)
- Other UK and international regulated assets
- Acquisition of additional investments in projects where the Company already has an investment. Typically these will arise under pre-emption and similar rights
- Appropriately priced proposals from third parties seeking to dispose of projects meeting the Company's investment criteria which have synergies with the Company's existing portfolio

Current opportunities identified by the Investment Adviser are outlined in the table overleaf. It should be noted that it can take a number of months for such opportunities to be awarded to a preferred bidder and many more again to reach financial close. Moreover, none of these projects is certain to progress, either with the Company or at all.

Finally, and notwithstanding the comments above and the opportunities listed overleaf, it should be noted that the Company's projected economic performance is not dependent upon making future investment commitments in order to deliver its projected returns. These can be delivered in the Company's view from its existing assets. Fundamentally therefore, further investment opportunities will, first and foremost, be judged based on whether they add value and quality to the Company's existing portfolio.

Current Projects	Location	Estimated Investment Opportunity/Project Capital Value	Expected Concession Length	Project Status
Priority Schools Building Programme 'Aggregator'	UK	Up to £7 million[1]	25 years	Remaining investment expected to be made in early 2016
Thames Tideway Tunnel	UK	Up to £151 million investment commitment remaining[1]	120 years	The Company is part of the Bazalgette consortium awarded licence to own and finance project. Investment in phases until early 2018
Education projects	UK	£8 million[1]	c.25 years	Investment in existing projects, some pre-emptive
HUB framework projects	UK	£132 million[2]	c.25 years	Hub framework for various Scottish social community
Transportation project	Australia	£133 million[2]	c.15 years	Follow-on investment in existing project
Police Centre	Germany	c.£6 million[1]	c.32.5 years	Named as preferred bidder
Other/Medium-term Opportunities				
Judicial	Netherlands	c.£66 million[2]	c.25 years	The Company is involved in a number of ongoing bids for projects
Healthcare	Austria	£57 million[2]	c.25 years	
Transportation	Australia	£56 million[1]	c.20 years	
Accommodation	Australia, Germany	£233 million[2]	c.20 years	
OFTOs	UK	£250 million[2]	20 years	

1 Represents current estimated total investment that may be invested by the Company.
2 Represents the estimated current unaudited capital value of the project and includes both debt and equity.

The above represents potential opportunities currently under review by the Investment Adviser (and its associates) including current bids, preferred bidder opportunities and the estimated value of opportunities to acquire additional investments including under pre-emption/first refusal rights. There is no certainty these will translate to actual investment opportunities for the Company. The value referenced in relation to the pre-emption opportunities represents the estimated potential investment value which reflects the current estimate of the total likely acquisition value at that time. In relation to opportunities where the current estimated gross value of the relevant project is given (which includes an estimate of both debt and equity), the estimates provided are not necessarily indicative of the eventual acquisition price for, or the value of, any interest that may be acquired.

Rupert Dorey
23 March 2016
Chairman

John Whittle
23 March 2016
Director

Strategic Report

Risk Report

Risk Management and Internal Controls

The Board is responsible for overall risk management with delegation provided to the Audit and Risk Committee. The system of risk management and internal control has been designed to manage, rather than eliminate, the risk of failure to meet the business objectives. Regard is given to the materiality of relevant risks in designing systems of internal control but no system of control can provide absolute assurance against the incidence of risk, misstatement or loss.

The Company has in place a risk management framework, with a risk register that is reviewed and updated by the Board and Audit and Risk Committee on a quarterly basis. The Audit and Risk Committee considers the risks facing the Company and controls and other measures in place to mitigate the impact of risks.

There is an ongoing process for identifying, evaluating and managing the risks judged as most significant faced by the Company. The process has been in place for the year under review and up to the date of approval of the Annual Report and financial statements.

Risk management process

The Company's risk management process as overseen by the Board can be summarised as:

Risk framework and systems of internal control

The Board recognises the importance of identifying and actively monitoring the financial and non-financial risks facing the business. Whilst responsibility for risk management rests with the Board, the aim is that the management of risk is embedded as part of the everyday business and culture of the Company and its principal advisers.

The Board has considered the need for an internal audit function but because of the internal controls systems in place at the key service providers, and the controls process reviews performed, it has decided instead to place reliance on those control and assurance processes.

The overall risk governance framework is the responsibility of the Board, overseen by the Audit and Risk Committee with input from the Management Engagement Committee. It is implemented through the following risk control processes.

Risk identification

The Board and Audit and Risk Committee identify risks with additional input from the Company's Investment Adviser and Administrator. The Board also receives detailed quarterly asset management reports highlighting performance and potential risk issues on an investment-by-investment basis.

Risk assessment

Each identified risk is assessed in terms of probability of occurrence, potential impact on financial performance and movements in the relative significance of each risk from period to period.

Action plans to mitigate risk

Where new risks are identified or existing risks increase in terms of likelihood or impact, the Audit and Risk Committee assists the Company in developing an action plan to mitigate the risk and put in place enhanced monitoring and reporting.

Reassessment and reporting of risk

Such risk mitigation plans are reassessed by the Audit and Risk Committee, where applicable with the relevant key service providers, and reported to the Board on a quarterly basis.

The direct communication between the Company and its Investment Adviser and the entity level asset manager is regarded as a key element in the effective management of risk (and performance) at the underlying investment level.

The risk framework is applied holistically across the Company and the underlying investment portfolio as illustrated in the Operating Model diagram across pages 12 and 13.

Strategic Report

Risk Report continued

Principal Risks and Mitigation

The key risks affecting the Company and the investment portfolio have not, in the view of the Board, materially changed year to year, largely due to the contractual and long-term nature of the investments with similar risk profiles. Changes in the macroeconomic environment and broader global regulatory and tax environment can impact on fund returns and are a permanent feature of the risk appraisal process.

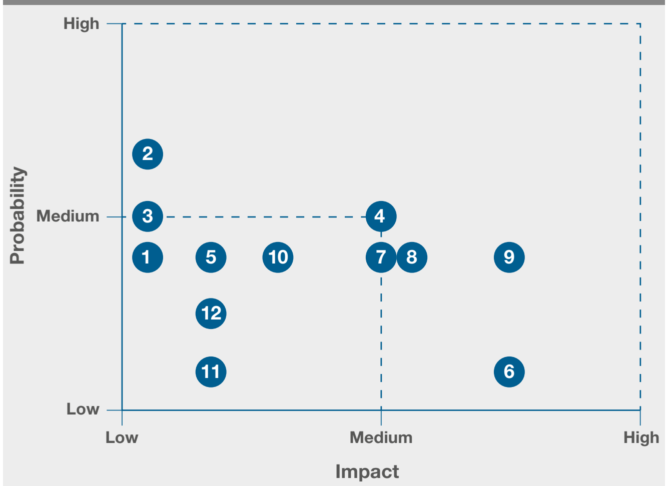
The Board's views on the principal risks and uncertainties for the Company and the relevance of these risks to meeting the Company's objectives, together with movement of those risks in the period, are set out in detail in the table on pages 38 to 44. This is not intended to highlight all the potential risks to the business. There may be other risks that are currently unknown or regarded as less material which could turn out to be material. Any of these could have the potential to impact materially the performance of the Company, its assets, capital resources and reputation.

A description of broader risk factors relevant to investors is disclosed in the latest Company prospectus available on the Company's website www.internationalpublicpartnerships.com.

Whilst the Company has applied mitigation processes as highlighted below it is unlikely that the techniques applied will fully mitigate the risk.

The chart below provides a summary of the Board's view of the probability and potential impact of the Company's principal risks:

Risk Heat Map



Risk	Description	Mitigation/Approach
Macroeconomic Risks		
1 Inflation	Inflation may be higher or lower than expected. Investment cash flows are positively correlated to inflation therefore increases/decreases to inflation would impact positively or negatively on the Company's future projected cash flows. Negative inflation (deflation) will reduce the Company's future cash flows in absolute terms. The Company's portfolio has been developed in anticipation of continued inflation at or above the levels used in the Company's valuation assumptions. Where inflation is at levels below the assumed levels investment performance may be impaired. The level of inflation linkage across the investments held by the Company varies and is not consistent. Some investments have no inflation linkage and some have a geared exposure to inflation. The consequences of higher or lower levels of inflation than that assumed by the Company will not be uniform across its portfolio. The Company is also exposed to the risk of changes to the manner in which inflation is calculated by the relevant authorities.	The Company monitors the effect of inflation on its portfolio through its twice yearly valuation process and reports on this to investors. The Company also provides sensitivities to investors indicating the projected impact on the Company's NAV of a number of alternative inflation scenarios, offering investors an ability to anticipate the likely effects of some inflation scenarios on their investment. The Company utilises a long-term view of inflation within its forecasts, benchmarked where possible to independent analysis.

Key

- Risk exposure has increased in the period
- Risk exposure has reduced in the period
- No significant change in risk exposure since last reporting period

Risk	Description	Mitigation/Approach
Macroeconomic Risks continued		
2 Foreign Exchange Movements Reduction in overall exposure to foreign exchange originated assets mainly due to substantial increase in NAV driven by new GBP investments and capital raised in the year.	The Company indirectly holds part of its investments in entities in jurisdictions with currencies other than Sterling but borrows corporate level debt, reports its NAV and pays dividends in Sterling. Changes in the rates of foreign currency exchange are outside the control of the Company and may impact positively or negatively on Company cash flows and valuation.	The Company uses forward foreign exchange contracts to mitigate the risk of short-term volatility in foreign exchange on significant investment returns from overseas investments. These may not be fully effective and rely on the strength of the counterparties to those contracts to be enforceable. The Company monitors the effect of foreign exchange on its portfolio through its twice yearly valuation process and reports this to investors. The Company also provides sensitivities to investors indicating the projected impact on the Company's NAV of a limited number of alternative foreign exchange scenarios, offering investors an ability to anticipate the likely effects of some foreign exchange scenarios on their investment.
3 Interest rates	Changes in market rates of interest can affect the Company in a variety of different ways:	
	Valuation Discount Rate The Company, in valuing its investments, uses a discounted cash flow methodology. Changes in market rates of interest (particularly government bond rates) will directly impact the discount rate used to value the Company's future projected cash flows and thus its valuation. Higher rates will have a negative impact on valuation while lower rates will have a positive impact.	In determining the discount rate used to value the Company's investments the Company generally uses nominal interest rates. Where the Company's cash investment inflows are linked to inflation, higher interest rates can often be precipitated by higher inflation expectations, and therefore any inflation linkage may partly mitigate the effect of interest rate changes.
	Corporate Debt Facility The Company has a corporate level debt facility that may be drawn from time to time. Interest is charged on a floating rate basis, so higher than anticipated interest rates will increase the cost of this facility, potentially adversely impacting on cash flow and the Company's valuation.	In the event that the interest rate increases then the Company has the option of repaying that facility at any time with minimal notice, providing sufficient funds are available.
	Cash Holdings The Company and underlying investment entities typically choose or can be required to hold various cash balances, including contingency reserves for future costs (such as major lifecycle maintenance or debt service reserves). These are generally held on interest-bearing accounts and under the contractual terms applicable to certain investments which in many cases are projected to be held for the long-term. The Company assumes that it will earn interest on such deposits over the long-term. Changes in interest rates may mean that the actual interest receivable by the Company is less than projected. If the Company receives less interest than it projects this will impact cash flows and NAV adversely.	As presented in the sensitivity analysis, variations in cash deposit rates have little impact on the Company's NAV. Due to the spread of cash holdings within ringfenced Special Purpose Vehicle ('SPV') structures and relatively smaller balances in the SPVs, it is not economically feasible to hedge against adverse deposit rate movements. The Company monitors the effect of historical and projected interest rates on its portfolio through its twice yearly valuation process and reports this to investors. The Company also provides sensitivities to investors indicating the projected impact on the Company's NAV of a limited number of alternative scenarios, offering investors an ability to anticipate the likely effects of some deposit interest rate scenarios on their investment.

Strategic Report

Risk Report continued

Risk	Description	Mitigation/Approach
Macroeconomic Risks continued		
4 Taxation	**Change in Legislation** Changes in tax legislation across the multi-jurisdictions in which the Company has investments can reduce returns, impacting on the Company's cash flow and valuation.	The diversified jurisdictional mix of the Company's investments may provide some mitigation to tax changes in any one jurisdiction.
Increased uncertainty over future tax policy across a number of geographies mainly driven by OECD recommendations on BEPS.	**Change in Tax Rates** Most recently the Company has benefited from reductions in the headline rates of UK corporation tax positively impacting its UK based investments, however there is a risk that this could be reversed if there were a change in government or policy. Such changes may occur in all jurisdictions in which the Company operates.	The Company believes it takes a conservative approach to tax planning. The Board monitors changes in tax legislation and takes advice as appropriate from external, independent, qualified advisers. Whilst the Board and the Company's Investment Adviser seek to minimise the impact of adverse changes in tax requirements, its ability to do so is naturally limited.
	Base Erosion and Profit Shifting The OECD's Action Plan on Base Erosion and Profit Shifting ('BEPS'), published in 2013, seeks to address perceived flaws in international tax rules. It sets out 15 actions to counter BEPS in a comprehensive and coordinated way. These actions may result in fundamental changes to the international tax standards and potentially have unintended consequences for domestic tax standards too. If widely drawn they may have negative implications for the Company.	The Company's Investment Adviser has responded to the OECD BEPS consultation process but there can be no guarantee that any enactment of BEPS into national legislation within those countries where the Group operates will not have a negative impact, whether direct or indirect, on the Company's performance.
5 Accounting	Accounting changes can have the effect of reducing distributable profits in investee entities and holding entities and may impact the Company's cash flows and thus valuation adversely.	A significant portion of the Company's income is received in the form of shareholder debt interest income i.e. from pre-tax cash flows and therefore not constrained by distributable profits tests.
Market Risk		
6 Political and Regulatory Increasing pressures on public sector bodies globally have the potential to impact the infrastructure industry.	The nature of the businesses in which the Company invests exposes the Company to potential changes in policy and legal requirements. All investments have a public sector infrastructure service aspect. Some are subject to formal regulatory regimes. All are exposed to political scrutiny and the potential for adverse public sector or political criticism. Moreover, all are either dependent ultimately on public sector expenditure or dependent on regulatory or other similar frameworks for most of their revenues. The Company is therefore potentially highly exposed to changes in policy, law or regulations including adverse or punitive changes of law.	The Company's existing investments mainly benefit from long-term service and asset availability based pricing contracts and the countries in which the Company operates do not tend to have a tradition of penal retrospective legislation. The countries where the Company operates tend to be long-term supporters of infrastructure and similar investment and recognise the risk of deterring future investment in the event that penal or disproportionate steps are taken in respect of existing contractual engagements.

Risk	Description	Mitigation/Approach
Market Risk continued		
	Termination of Contracts Often contracts between public sector bodies and the Company's investment entities contain rights for the public sector to voluntarily terminate contracts in certain situations. Whilst the contracts typically provide for some compensation in such cases, this could be less than required to sustain the Company's valuation, causing loss of value to the Company. There have been instances of contracts being voluntarily terminated in the UK (although not affecting the Company).	The Company maintains strong and positive relationships with its public sector clients where it can. The Company engages with its public sector clients in developing cost saving initiatives and acting as a 'good partner' where it can. None of the Company's investments have been identified, by any government audit or public sector report, as being poor value-for-money or not in the public interest. The Investment Adviser is a signatory to the Code of Conduct for Operational PFI/PPP contracts in the UK. The voluntary code of conduct sets out the basis on which public and private sector partners agree to work together to make savings in operational PPP contracts. Compensation on termination clauses within such contracts serves to partially mitigate the risk of voluntary termination. Furthermore, in the current financial climate where voluntary termination leads to a requirement to pay compensation, such compensation is likely in many cases to represent an unattractive immediate call on the public finances for the public sector.
	Change in Law/Regulation Changes in law or regulation may increase costs of operating and maintaining facilities or impose other costs or obligations that indirectly adversely affect the Company's cash flow from its investments and/or valuation of them.	Some investments maintain a reserve or contingency designed to meet change in law costs and/or have a mechanism to allow some change in law costs (typically building maintenance related) to be passed back to the public sector.
	Change in Political Policy Political policy and financing decisions may also impact on relationships on existing investments and on the Company's ability to source new investments at attractive prices or at all.	Current policy trends in the UK and elsewhere continue to support the use of private sector capital to finance public infrastructure.
	UK European Union ('EU') Membership Impact resulting from 'in-out' referendum in respect of UK EU Membership on 23 June 2016.	Possible period of volatility in the months preceding the referendum due to uncertainty with respect to the outcome. If the UK were to exit the EU there is the potential for this to impact UK gilt rates and the credit rating of the UK government and continuing market volatility, including stock markets. This could include a negative impact on Sterling, however this could be partially mitigated by the Company's non-Sterling denominated projects.

Strategic Report

Risk Report continued

Risk	Description	Mitigation/Approach
Market Risk continued		
	Change in Regulations The Company is subject to changes in regulatory policy that relate to its business and that of its Investment Adviser both in terms of its investments and in terms of itself. The Company is supervised by the Guernsey Financial Services Commission and is required to comply with the UK Listing Rules applicable to 'Premium' listings. The Investment Adviser is regulated by the FCA in the UK in accordance with the Financial Services and Markets Act 2000.	The Company and its Investment Adviser monitor regulatory developments and seek independent professional advice in order to manage compliance with changing regulatory requirements.
	Recent Regulatory Changes Recent regulatory changes have included the transposition of the European Union's Alternative Investment Fund Managers Directive ('AIFMD') into UK and other EU countries' national laws which will impact the Company by increasing its regulatory burden.	The Board considers the Company is self-managed (i.e. it is its own Alternative Investment Fund Manager ('AIFM')). It is therefore subject to a lighter regulatory regime than if it were to appoint an AIFM from within the EU. However, it is not possible to entirely mitigate the risk the Company may be deemed or choose to be managed by an EU AIFM in the future.
Operational and Valuation Risk		
7 **Asset Performance**	**Asset Availability** The Company's investments' entitlement to receive income is generally dependent on the underlying physical assets remaining available for use and continuing to meet certain performance standards. Failure to maintain assets available for use or operating in accordance with pre-determined performance standards may dis-entitle (wholly or partially) the continued receipt of income that the Company has projected to receive.	The Board reviews underlying investment performance of each investment quarterly, allowing asset performance to be monitored in close to real time. Historically, the Company has seen very high levels of asset performance which suggests a positive trend for the future. Contractual mechanisms also allow for significant pass-down of unavailability and performance risk to sub-contractors in many cases.
	Termination In serious cases where the terms of the underlying contract with the public sector are breached due to default or force majeure then that contract can usually be terminated without compensation. Failure to receive the amount of revenue projected or termination of a contract will have a consequential impact on the Company's cash flow and value.	In the event of significant and continuing unavailability across the Company's portfolio the Company is able to terminate the IAA. This serves to reinforce alignment of interest between the Company and the Investment Adviser.

Risk	Description	Mitigation/Approach
Operational and Valuation Risk continued		
8 Counterparty Risk New investment activity by the Company in the year has decreased the level of risk within the portfolio through diversification of counterparties.	The Company's investments are dependent on the performance of a series of counterparties to contracts including public sector bodies, construction contractors, facilities management and maintenance contractors, asset and investment managers (including the Investment Adviser), banks and lending institutions and others. Failure by one or more of these counterparties to perform their obligations fully or as anticipated could adversely affect the performance of affected investments. Replacement counterparties, where they can be obtained, may only be obtained at a greater cost. These risks would negatively impact the Company's cash flows and valuation.	The Company has a broad range of suppliers and believes that supplier counterparty risk is diversified across its investments. All contracts include the provision of a security package from counterparties to mitigate the impact of supplier failure. In addition, generally payments are made in arrears to service providers giving the Company some protection against failures in performance. The credit quality of supplier counterparties is reviewed as part of the Company's due diligence at the time of making its investments. Most of the services provided to the Company's investments are reasonably generic and therefore there can be expected to be a pool of potential replacement supplier counterparties in the event that a service counterparty fails, albeit not necessarily at the same cost.
	Where borrowings exist in respect of the Company's investments, interest rates are generally fixed through the use of interest rate swaps. The Company is therefore exposed if the counterparties of these swaps were to default or the swaps otherwise become ineffective.	The credit risk of such swap counterparties is considered at the time of entering into these arrangements and are regularly reviewed. However, there is a risk of credit deterioration which could impact affected investments.
9 Physical Asset Risk	The Company indirectly invests in physical assets used by the public and thus is exposed to possible risks, both reputational and legal, in the event of damage or destruction to such assets and their users including loss of life, personal injury and property damage. While the assets the Company invests in benefit from insurance policies these may not be effective in all cases.	The Company's investments benefit from regular risk reviews and external insurance advice which is intended to ensure that those assets continue to benefit from insurance cover that is standard for such assets.
10 Contract Risk	The performance of the Company's investments is dependent on the complex set of contractual arrangements specific to each investment continuing to operate as intended. The Company is exposed to the risk that such contracts do not operate as intended, are incomplete, contain unanticipated liabilities, are subject to interpretation contrary to the Company's expectation or otherwise fail to provide the protection or recourse anticipated by the Company.	Such contracts have been entered into usually only after lengthy negotiations and with the benefit of external legal advice. A legal review of contract documentation is undertaken as part of the Company's due diligence at the time of making new investments.

Strategic Report

Risk Report continued

Risk	Description	Mitigation/Approach
Operational and Valuation Risk continued		
11 **Financial Forecasts**	The Company's projections depend on the use of financial models to calculate future projected investment returns for the Company. These are in turn dependent on the outputs from other financial model forecasts at the underlying investment entity level. There may be errors in any of these financial models including calculation errors, incorrect assumptions, programming, logic or formulaic errors and output errors. Once corrected, such errors may lead to a revision in the Company's projections for its cash flows and thus impact on its valuation.	Financial forecasts are generally subject to model audit by external accountancy firms, which is a process designed to identify errors. The comparison of past actual performance of investments against past projected performance also gives confidence in financial models where actual performance has closely matched projected performance. However, there can be no assurance that forecast results will be realised.
	Sensitivities The Company publishes information relating to its portfolio including projections of how portfolio performance and valuation might be impacted by changes in various factors e.g. interest rates, inflation, deposit rates etc. The sensitivity analysis and projections are not forecasts and actual performance is likely to differ (possibly significantly) from that projection as in practice the impact of changes to such factors will be unlikely to apply evenly across the portfolio or in isolation from other factors.	Sensitivities are produced for the information of investors and are accompanied by disclaimers and guidance explaining that limited reliance can be placed upon them.
12 **Cyber-security** Increasing levels of sophistication are being used in cyber-attacks targeting businesses.	Cyber-security is an issue of increasing relevance across all businesses as a response to the growing levels of sophistication being used in carrying out cyber-attacks targeting businesses. Cybercrime could impact the Company in a number of ways including financially, operationally or through reputational impact.	A number of control layers are in place across the Company structure to mitigate as far as possible against the risk of a cyber-security issue occurring in the Company's operational or investment activities.

Viability Statement

In accordance with provision C.2:2 of the 2014 revision of the UK Code of Corporate Governance, we have considered the Company's viability as summarised below. Due to the very long-term and contractual nature of our investments, we have a significant level of confidence over the endurance and longevity of our business however it is difficult to assess the regulatory, tax and political environment on a long-term basis. Therefore, whilst we consider the valuation of investment cash flows for the purposes of NAV over a considerably longer period than five years, we view five years as an appropriate timeframe for assessing the Company's viability given these inherent uncertainties.

In 2015, the viability assessment process was embedded within the Company's annual risk review cycle and involves the following:

1) An Audit and Risk Committee review and assessment of the risks facing the Company. A summary of the review process is detailed on pages 36 to 37

2) Identification of those principal risks that are deemed more likely to occur and have a potential impact on the Company's viability over the viability period (this exercise has included consideration of a persistent low inflation rate environment, a persistent weak currency environment impacting on overseas investments, and the impact from the loss of income from investments (whether due to key sub-contractor default or other asset underperformance)). We note that a number of risks identified during the risk review process in step one above may have implications for the Company's valuation but may be considered insignificant from a five-year viability perspective

3) Quantification analysis of the potential impact of those principal risks occurring in isolation and under plausible combined sensitivity scenarios over the viability period

4) Assessment of potential mitigation strategies to mitigate the potential impact of principal risks over the viability period. This exercise has considered the potential to liquidate investments and/or refinance investments if necessary

The viability assessment is approved by the Board. Following the assessment, the Board have a reasonable expectation that the Company will be able to continue in operation and meet all its liabilities as they fall due up to March 2021. This assessment is based on the following assumptions which are not within the Company's control:

- No retrospective changes to government policy, laws and regulations affecting the Company or its investments
- Continued availability of sufficient capital and market liquidity to allow for the refinancing/repayment of any short-term recourse debt facility obligations as they become due

Board of Directors

Background and Experience

Rupert Dorey[1]
Chairman
Chairman, Investment Committee

Aged 55 and a resident of Guernsey, Rupert has over 30 years of experience in financial markets, including 17 years at CSFB where he specialised in credit-related products.

Rupert's expertise was principally in the areas of debt distribution, origination and trading, where he held a number of senior positions at CSFB, including Fixed Income Credit product coordinator for European offices and head of UK Credit and Rates Sales.

Since 2005 Rupert has been a non-executive director for a number of Hedge Funds, Private Equity & Infrastructure Funds.

He is a member of the Institute of Directors.

John Whittle[1]
Senior Independent Director
Chairman, Audit and Risk Committee

Aged 60, John is a resident of Guernsey. John is a Chartered Accountant and holds the Institute of Directors Diploma in Company Direction. John holds non-executive positions on a number of other boards.

John was previously Finance Director of Close Fund Services, a large independent fund administrator.

Prior to moving to Guernsey, John was at Price Waterhouse in London before embarking on a career in business services, predominantly telecoms.

John Le Poidevin[1]

Aged 45, and a resident of Guernsey, John has over 20 years of business experience.

John is a Fellow of the Institute of Chartered Accountants in England and Wales and a former partner of BDO LLP, where as Head of Consumer Markets, he developed an extensive breadth of experience and knowledge across the leisure and retail sectors in the UK and overseas.

John is a non-executive on several plc boards and chairs a number of Audit Committees.

Date of Appointment

Rupert Dorey	John Whittle	John Le Poidevin
2 August 2006	6 August 2009	1 January 2016

Listed Company and Other Relevant Directorships

Rupert Dorey

AP Alternative Assets LP, AAA Guernsey Ltd

Cinven Capital Management III, IV, V, VI Ltd, General Partner Ltd, Cinven Ltd

NB Global Floating Rate Income Fund Ltd

M&G General Partner Inc, Episode LLP & Episode Inc.

Partners Group Global Opportunities Ltd

Tetragon Financial Group Ltd/Tetragon Financial Group Master Fund Ltd

John Whittle

Advance Frontier Markets Fund Ltd

Globalworth Real Estate Investments Ltd

GLI Finance Ltd (Alternate)

India Capital Growth Fund Ltd and Advance Frontier Markets Fund Ltd

Starwood European Real Estate Finance Ltd

Toro Ltd

John Le Poidevin

Challenger Acquisitions Ltd

Market Tech Holdings Ltd

Safecharge International Group Ltd

Stride Gaming plc

1 All of the Independent Directors are members of all committees.

Background and Experience

John Stares[1]
Chairman, Risk Sub-Committee
Chairman, Nomination and Remuneration Committee

Aged 64 and a resident of Guernsey since 2001, John has over 40 years' business experience.

Before moving to Guernsey, John worked for 23 years as a management consultant with Accenture where he held a wide variety of leadership roles.

He currently holds non-executive positions on the boards of several other companies.

John is a Fellow of the Institute of Chartered Accountants in England and Wales, a member of the Worshipful Company of Management Consultants and a Freeman of the City of London.

Claire Whittet[1]
Chairman, Management Engagement Committee

Aged 60 and a resident of Guernsey, Claire has over 38 years' experience in the banking industry. Since 2003 Claire has been a director and, more recently, Managing Director and Co-Head of Rothschild Bank International Ltd and Director of Rothschild Bank (CI) Ltd. Claire was previously with Bank of Scotland and was latterly Global Head of Private Client Credit at Bank of Bermuda.

Claire is a non-executive director on a number of other funds, is a member of the Chartered Institute of Bankers in Scotland, a member of the Chartered Insurance Institute, a Chartered Banker, a member of the Institute of Directors and holds the Institute of Directors Diploma in Company Direction.

Giles Frost

Aged 53, resident in the United Kingdom, Giles is a founder and director of Amber and has worked in the infrastructure investments sector for over 20 years. Giles qualified as a solicitor and partner in the law firm Wilde Sapte (now Dentons).

Giles is a director of Amber Infrastructure Group Holdings Ltd, the ultimate holding company of the Investment Adviser to the Company and various of its subsidiaries.

Date of Appointment

John Stares	Claire Whittet	Giles Frost
28 August 2013	10 September 2012	2 August 2006

Listed Company and Other Relevant Directorships

John Stares

JT Group (Chairman)

Terra Firma (Guernsey-based entities)

Governor of More House School

New Philanthropy Capital (Trustee)

Claire Whittet

BH Macro Ltd

Eurocastle Investment Ltd

Riverstone Energy Ltd

TwentyFour Select Monthly Income Fund Ltd

Giles Frost

Giles is also a director of a number of the Company's subsidiary and investment holding entities and of other entities in which the Company has an investment. He does not receive directors' fees from such roles for the Company.

1 All of the Independent Directors are members of all committees.

Corporate Governance Report

Introduction

The Board of Directors is committed to high standards of corporate governance and has put in place a framework for corporate governance which it believes is appropriate for an investment company.

Compliance with Corporate Governance Codes

All companies with a Premium Listing on the London Stock Exchange are required to confirm their compliance with (or explain departures from) the UK Corporate Governance Code issued in September 2014 (the 'UK Code'). This requirement applies regardless of where the Company is incorporated.

The Company is a member of the Association of Investment Companies (the 'AIC'). The Financial Reporting Council acknowledges that the AIC Corporate Governance Code issued in February 2015 (the 'AIC Code') can assist externally managed companies in meeting their obligations under the UK Code in areas that are of specific relevance to investment companies.

The Guernsey Financial Services Commission has also confirmed that companies that report against the UK Code or AIC Code are deemed to meet the Guernsey Code of Corporate Governance.

The AIC Code is available from the AIC website (www.theaic.co.uk). The UK Code is available from the Financial Reporting Council website (www.frc.co.uk).

The Company has complied throughout the year with all the provisions of the AIC Code and as such also meets the requirements of the UK Code except to the extent highlighted below. In particular the Company notes the following departures from the Code (for part or all of the year) for the reasons as set out below:

1. The role of the Chief Executive and Executive Directors' remuneration

As an investment company, most of the Company's day-to-day responsibilities are delegated to third parties. The Company does not have any Executive Directors. The UK Code's two separate principles of setting out the responsibilities of the Chief Executive and disclosing the remuneration of executive directors (Section 12 – A.2 of the UK Code) are therefore not applicable.

2. Re-election of all Directors

The Board notes that the AIC Code and UK Code suggest it would be good practice for all Directors to be offered for re-election at regular intervals subject to continued satisfactory performance. In accordance with the Company's articles of incorporation, at least one-third of the Independent Directors and Mr Frost (treated for the purposes of the AIC Code as a Non-Independent Director) will retire at each Annual General Meeting ('AGM') (Principle 3 – AIC Code). The Company considers that putting forward all Independent Directors for re-election annually as is recommended for FTSE 350 companies under the AIC Code would not be in the best interests of shareholders, given the long-term nature of the Company's assets that benefit from a consistent approach across years both in terms of management and independent Board supervision.

As such the Company takes the view that the benefits to shareholders arising from the Directors' long-term knowledge and experience of these underlying assets and their management (including their ongoing ability to review the performance of the Investment Adviser and other advisers) outweighs the benefit of more frequent re-election being applied to all Directors.

However, as detailed in the 'Board Tenure and Re-election' section below, as Mr Dorey's tenure reached nine years in August 2015, the Board determined that it would be appropriate that he offer himself for re-election on an annual basis.

Other Directors seeking re-election this year are detailed in the sections below.

The Board of Directors

The Board of Directors currently consists of six Non-Executive Directors, whose biographies, on pages 46 to 47, demonstrate a breadth of investment and business experience.

The Board consists solely of Non-Executive Directors and is chaired by Mr Dorey who is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. Mr Dorey met the independence criteria of the AIC Code and UK Code upon appointment and has continued to meet this condition throughout his term of service. Mr Whittle was appointed as Senior Independent Director on 31 December 2013 and, as such, is an alternative point of contact for shareholders and he leads in matters where it is not appropriate for the Chairman to do so.

For the purposes of the AIC Code Mr Frost is treated as not being an Independent Director, due to his relationship with the Company's Investment Adviser. In accordance with the AIC Code all other Non-Executive Directors are independent of the Company's Investment Adviser.

Board Tenure and Re-election

Directors do not have service contracts. Directors are appointed under letters of appointment, copies of which are available at the registered office of the Company. The Board considers its composition and succession planning on an ongoing basis.

In accordance with the UKLA Rules, Mr Frost will retire and stand for re-election at the 2016 AGM.

In accordance with the AIC Code, when and if any Director has been in office (or on re-election would at the end of that term of office have been in office) for more than nine years the Company will consider further whether there is a risk that such a Director might reasonably be deemed to have lost independence through such long service.

Mr Dorey has been a Board member since August 2006 and in August 2015 had served as a Board member for over nine years. While the Board is confident that Mr Dorey remains independent, he has agreed to offer himself for re-election on an annual basis until his intended retirement from the Board at the Company's 2018 AGM.

Also, on a rotational basis, one-third of the remaining Directors retire and put themselves up for re-election at every AGM; Mrs Whittet will make herself available for re-election at the 2016 AGM.

Any Directors appointed to the Board since the previous AGM also retire and stand for re-election. Mr Le Poidevin was appointed to the Board on 1 January 2016 and will therefore offer himself for re-election at the 2016 AGM.

Taking the above into account, Mr Dorey, Mr Frost, Mr Le Poidevin and Mrs Whittet will all retire and stand for re-election at the 2016 AGM.

Directors' Duties and Responsibilities

The Directors have adopted a set of reserved powers, which establish the key purpose of the Board and detail its major duties. These duties cover the following areas of responsibility:

- Statutory obligations and public disclosure
- Approval of investment decisions
- Strategic matters and financial reporting
- Board composition and accountability to shareholders
- Risk assessment and management, including reporting, compliance, monitoring, governance and control
- Other matters having material effects on the Company

These reserved powers of the Board have been adopted by the Directors to demonstrate clearly the importance with which the Board takes its fiduciary responsibilities and as an ongoing means of measuring and monitoring the effectiveness of its actions.

The Board monitors the Company's share price and NAV and regularly considers ways in which shareholder value may be enhanced. These may include implementing marketing and investor relations activities, appropriate management of share price premium/discount and the relative positioning and performance of the Company to its competitors. The Board is also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. The Company maintains appropriate Directors' and Officers' liability insurance in respect of legal action against its Directors on an ongoing basis and the Company has maintained appropriate cover throughout the period.

All new Directors receive introductory support and education about the infrastructure sector and the Company from the Investment Adviser on joining the Board and, in consultation with the Chairman, all Directors are entitled to receive other relevant ongoing training as necessary.

Board Diversity

The Board is committed to maintaining the appropriate balance of skills, gender, knowledge and experience among its members to ensure strong leadership of the Company. When appointing Board members, its priority will always be based on merit, but will be influenced by the strong desire to maintain Board diversity. The Board currently has one female Director.

Board Remuneration

The Nomination and Remuneration Committee considers matters relating to the Directors' remuneration, taking into account benchmark information (including taking into account fees paid to directors of comparable companies, although such a review does not necessarily result in any changes to the fees paid) and based upon the amount of work performed by the Board members. In 2015 no advice or services were provided by any external persons in respect of its consideration of Directors' remuneration and no changes were made to Board remuneration.

All fees payable to the Directors should reflect the time spent by the Directors on the Company's affairs and the responsibilities borne by the Directors and be sufficient to attract, retain and motivate Directors of a quality required to run the Company successfully. The Chairman of the Board is paid a higher fee in recognition of additional responsibilities, as is the Chairman of the Audit and Risk Committee. The Chairmen of the Nomination and Remuneration, Management Engagement, and Investment Committees, respectively do not receive additional fees for these roles.

There are no long-term incentive schemes provided by the Company and no performance fees, or bonuses, paid to Directors. Any changes to Directors' remuneration are considered at the AGM of the Company.

During the year, serving Directors were paid the following emoluments:

Director	**2015 Fees paid/ accrued[1] £**	2014 Fees paid £
Rupert Dorey[2]	**70,000**	60,000
Giles Frost[3]	**42,000**	32,000
John Whittle[4]	**60,000**	50,000
Claire Whittet	**47,500**	37,500
John Stares	**47,500**	37,500
John Le Poidevin[5]	**–**	–

1 Includes £10,000 fee payable to Board members with respect to the October 2015 Placing, Open Offer and Offer for Subscription and Placing Programme, paid in January 2016.

2 Mr Dorey became Chairman of the Board on 31 December 2013, for which he receives a higher fee.

3 The emoluments for Mr Frost are paid to his employer, Amber Infrastructure Limited, a related company of the Company's Investment Adviser.

4 Mr Whittle became Chairman of the Audit and Risk Committee on 31 December 2013, for which he receives a higher fee.

5 Mr Le Poidevin was appointed to the Board on 1 January 2016.

Corporate Governance Report continued

Directors' Interests

Directors, who held office at 31 December 2015, had the following interests in the shares of the Company:

Director	31 December 2015 Number of Ordinary Shares[1]	31 December 2014 Number of Ordinary Shares[1]
Rupert Dorey[2]	**793,687**	643,687
Giles Frost	**448,745**	298,745
John Whittle[3]	**52,198**	40,256
Claire Whittet[3]	**50,000**	–
John Stares	**75,000**	–
John Le Poidevin[4]	**N/A**	N/A

1 All shares are beneficially held.
2 Shares owned by Mr Dorey's spouse.
3 Holds shares through a Retirement Annuity Trust Scheme.
4 Mr Le Poidevin was appointed to the Board on 1 January 2016 and had no interests in the shares of the Company prior to his appointment.

There have been no changes to any of the above holdings between 31 December 2015 and the date of this report.

Mr Frost is also a director of International Public Partnerships Lux 1 SARL, a wholly owned subsidiary undertaking of the Company, and a director of a number of other companies in which the Company directly or indirectly has an investment, although he does not control or receive remuneration in relation to these entities.

In December 2015, Mr Whittle was appointed as director of International Public Partnerships Lux 1 Sarl and International Public Partnerships Lux 2 Sarl. The appointment is effective from January 2016. No director fees have been accrued or paid for the year ended 31 December 2015.

Committees of the Board

The Board has established four committees consisting of the independent Non-Executive Directors. The responsibilities of these committees are described below. Terms of reference for each committee have been approved by the Board and are available in full on the Company's website.

Audit and Risk Committee

The Audit and Risk Committee is comprised of the full Board with the exception of Mr Frost as the Non-Independent Director.

Mr Whittle is Chairman of the Audit and Risk Committee and Mr Stares has lead responsibility for Risk within that committee. As a consequence, the Company Chairman is a member of the Audit and Risk Committee, which the Board believes is appropriate as Mr Dorey brings significant independent expertise in investment trusts and finance for the benefit of that committee.

The duties of the Audit and Risk Committee in discharging its responsibilities are outlined in the Audit and Risk Committee Report.

In respect of its risk management function, the Audit and Risk Committee is also responsible for reviewing the Company's risk management framework including the acquisition and disposal of assets, the valuation of assets and ensuring that the risk management function of the Investment Adviser, Administrator and other third party service providers are adequate and to seek assurance of the same. More detail is provided within the Risk Report.

The Audit and Risk Committee was satisfied that the key risks that could impact the Company and its investments were effectively mitigated and reported upon and were broadly in line with those of the Company's more relevant industry peers.

Management Engagement Committee

The Management Engagement Committee is comprised of the full Board, with the exception of Mr Frost as the Non-Independent Director, and is chaired by Mrs Whittet. The duties of the Management Engagement Committee in discharging its responsibilities are outlined in the diagram on page 51.

The Management Engagement Committee carries out its review of the Company's advisers through consideration of a number of objective and subjective criteria and through a review of the terms and conditions of the advisers' appointments with the aim of evaluating performance, identifying any weaknesses and ensuring value for money for the Company's shareholders.

During the year the Management Engagement Committee formally reviewed the performance of the Investment Adviser and other key service providers to the Company and no material weaknesses were identified. Overall, the Committee confirmed its satisfaction with the services and advice received. The external evaluation of the Board referred to above also considered the effectiveness of the Board's relationship with the Company's advisers including the Investment Adviser and concluded positively on the these relationships.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is comprised of the full Board with the exception of Mr Frost as the Non-Independent Director, and is chaired by Mr Stares.

The Committee is formally charged by the Board to consider the structure, size, remuneration and composition of the Board. It also oversees the appointment and re-appointment of Directors, taking into account the expertise of the candidates and their independence (see pages 46 to 47 for more detail on the Committee).

As part of its ongoing remit, the Nomination and Remuneration Committee undertook an evaluation of the performance of the Board and Chairman. Each Director was asked to provide written feedback regarding the performance of the Board as a whole and the Chairman set against a range of best practice corporate governance criteria. A report of this feedback was considered by the Nomination and Remuneration Committee. No material issues were identified by the Directors regarding the performance of the Board and Chairman. The Board notes that in accordance with the Corporate Governance Code for FTSE 350 companies, the Company undertakes an externally facilitated evaluation every three years. The last external evaluation was undertaken in 2014.

As part of the Board's ongoing succession planning, ahead of Mr Dorey's planned retirement in 2018 and potential anticipated changes in chairmanship roles of the existing Board at that time, the Nomination and Remuneration Committee were charged with recruiting an additional Board member. The Board's search for a suitable director canvassed its advisers and other market participants for a list of suitable candidates. Given the high calibre of applicants through this process the Board did not engage a search consultancy. The candidates were considered against various criteria, notably the breadth of experience and background of the existing Directors to ensure that the new appointee both complemented and enhanced the skill set of the existing Board while also being able to bring a fresh perspective to Company

Committees of the Board

Board

Responsibilities

— Statutory obligations and public disclosure
— Approval of investment decisions
— Strategic matters and financial reporting
— Board composition and accountability to shareholders
— Risk assessment and management including reporting compliance, monitoring, governance and control
— Responsible for financial statements

Audit and Risk Committee

Delegated Responsibilities

— Monitor the integrity of financial statements
— Review the effectiveness and internal control policies and procedures over financial reporting and identification, assessment and reporting of risk
— Review the effectiveness of the Company's risk management framework, including in relation to the investment policy and the risk management procedures of the Investment Manager and other third party providers
— Review the Company's financial and accounting policies
— Advise the Board on appointment of the external auditors and is responsible for oversight and remuneration of the external auditor

Management Engagement Committee

Delegated Responsibilities

— Review on a regular basis the performance of the Investment Adviser and the Company's other advisers and major service suppliers to ensure that performance is satisfactory and in accordance with the terms and conditions of the respective appointments

Investment Committee

Delegated Responsibilities

— Review investment proposals including ensuring that proposals are properly prepared and that the investment approval process has been followed
— Ensure proposals are compliant with the Company's investment policy and strategy
— Ensure that proposals do not breach Articles of Incorporation, Prospectus or other constitutional documents
— Determine whether proposals are appropriate for investment and then, assuming the investment is approved, authorise the Investment Adviser to make the investment

Nomination and Remuneration Committee

Delegated Responsibilities

— Review, and change as necessary, structure, size and composition of the Board
— Identify and appoint suitable Board candidates as vacancies arise and ensure succession planning is in place
— Articulate the roles of the Chairman and Non-Executive Directors
— Conduct induction training for new Board members
— Undertake annual Board performance evaluation
— Review remuneration of the Board and its committees having regard to maximum aggregate remuneration including benchmarking to third parties

Corporate Governance Report continued

business. One-on-one meetings between the shortlisted candidates and the Directors and senior personnel at the Investment Adviser were conducted and the Nomination and Remuneration Committee recommended the appointment of Mr Le Poidevin. This recommendation was accepted and approved by the Board and Mr Le Poidevin was appointed to the Board on 1 January 2016.

Investment Committee

The Investment Committee is comprised of the full Board with the exception of Mr Frost as the Non-Independent Director, and is chaired by Mr Dorey. The Committee considers proposals relating to the acquisition and disposal of investments and, if thought fit, approves those proposals. Details of the transactions it invested in during the period are outlined on pages 27 to 29 of the Strategic Report.

Board and Committee Meeting Attendance

The full Board meets at least four times per year and in addition there is regular contact between the Board, the Investment Adviser, the Administrator and the Company Secretary. The agenda and supporting papers are distributed in advance of quarterly Board and Committee meetings to allow time for appropriate review and to facilitate full discussion at the meetings.

In addition, as part of its commitment to maintaining an active dialogue with investors, in May 2015 the Board was pleased to meet with a number of investors and sell-side analysts at an investor briefing in London. The briefing provided attendees with an overview of current market conditions, case studies on the Company's approach to investment and asset management, current pipeline opportunities, and gave investors the opportunity to meet members of the Board and the Investment Adviser.

The table below lists Directors' attendance at Board and Committee meetings during the year, to the date of this report.

Relationship with Administrator and Company Secretary

Heritage International Fund Managers Limited acts as Administrator and Company Secretary and is responsible to the Board under the terms of the Administration Agreement. The Administrator is also responsible for ensuring compliance with the Rules and Regulations of Guernsey Law, London Stock Exchange listing requirements, anti-money laundering regulations and observation of the Reserved Powers of the Board and in this respect the Board receives detailed quarterly reports.

The Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are followed and that it adheres to applicable legislation, rules and regulations under Guernsey Law, the Guernsey Financial Services Commission and the London Stock Exchange.

Relationship with the Investment Adviser

The Directors are responsible for the overall management and direction of the affairs of the Company. Under the IAA, AFML acts as Investment Adviser to the Company to review and monitor investments and to advise the Company in relation to strategic management of the investment portfolio. Details of the Investment Adviser's relationship with the Company are provided on page 15 within the Strategic Report.

In accordance with its normal practice the Board continues to hold discussions relating to the future strategy of the Company with the Investment Adviser and regular formal and informal discussions are held on this subject. The Directors confirm that they believe that it is in shareholders' best interests to continue the appointment of AFML as the Company's Investment Adviser.

Directors	Quarterly Board	Ad-hoc Board	Audit and Risk Committee	Management Engagement Committee	Investment Committee	Remuneration and Nomination Committee
Maximum number:	**4**	**6**	**5**	**1**	**10**	**2**
Rupert Dorey	4	6	5	1	10	2
Giles Frost[1]	4	1	N/A	N/A	N/A	N/A
John Whittle	4	5	5	1	10	2
Claire Whittet	4	4	5	1	9	2
John Stares	4	5	5	1	9	2
John Le Poidevin[2]	N/A	N/A	N/A	N/A	N/A	N/A

1 Mr Frost is not a member of the Audit and Risk Committee, Management Engagement Committee or Investment Committee. Mr Frost does not attend Ad-hoc Board meetings as a Director where recommendations from the Investment Adviser are under consideration.

2 Mr Le Poidevin was appointed to the Board on 1 January 2016 and as such did not attend any meetings during 2015.

Making New Investments

As outlined above, the Investment Committee, comprised only of independent Directors of the Company, make investment decisions with respect to new investments after reviewing recommendations made by the Company's Investment Adviser. The Investment Adviser has a detailed set of procedures and approval processes in relation to the recommendation of new investments to the Board.

It is expected that further investments will be sourced by the Investment Adviser. It is likely that some of these investments will have been originated and developed by, and in certain cases may be acquired from, other members of the Investment Adviser's group. Where that is the case the conflicts management process summarised below is followed.

Managing Conflicts of Interest

The Company has established detailed procedures to deal with conflicts of interest that may arise on investments acquired from the Investment Adviser's group, and manage conduct in respect of any such acquisitions. As previously mentioned, the Company's Board has a majority of independent members and a Chairman who is independent of the Investment Adviser. Each Director is required to inform the Board of any potential or actual conflicts of interest prior to Board discussions.

The potential conflicts of interest that may arise include when an Amber entity is an existing investor in the target entity while an associated company, AFML, acts on the 'buyside' as Investment Adviser to the Company. The IAA contains procedures with the intention of ensuring that the terms on which the vendors of such assets dispose of their assets are fair and reasonable to the vendors; and on the 'buyside' the Company as Investment Adviser must be satisfied as to the appropriateness of the terms for and the price of the acquisition.

Key features of these procedures include:

– The creation of separate committees representing the interests of the vendors on the one hand (the 'Sellside Committee') and the Company on the other (the 'Buyside Committee'), to ensure arm's length recommendation and approval processes. The membership of each committee is restricted in such a way as to ensure its independence and to minimise conflicts of interest arising
– A requirement for the Buyside Committee to conduct and report to the Company on an independent due diligence process on the assets proposed to be acquired prior to making an offer
– A requirement for any offer made for the assets to be supported by advice on the fair market value for the transaction from an independent expert
– The establishment of 'information barriers' between the Buyside and Sellside Committees to ensure information is kept confidential to one or the other side
– The provision of a 'release letter' to each employee of the relevant associate of the Investment Adviser who is a member of the Buyside and Sellside Committees. The release letter confirms that the employee shall be treated as not being bound by his/her duties as an employee to the extent that such duties conflict with any actions or decisions which are in the employee's reasonable opinion necessary for him/her to carry out as a member of the Buyside Committee or Sellside Committee
– Individuals with material direct or indirect economic interests in the relevant assets will not participate in Buyside Committee and Sellside Committee discussions regarding the relevant assets
– A requirement that the financial statements, policies and records of any such asset offered to the Company be compliant with the Company's accounting policies and procedures

The acquisition of all assets, including those from any associate of the Investment Adviser, is considered and approved in advance by the Investment Committee. In considering any such acquisition, the Committee will, as it deems necessary, review and ask questions of the Buyside Committee of the Investment Adviser and the Group's other advisers and the acquisition will be approved by the Committee on the basis of this advice. The purpose of these procedures is to ensure that the terms upon which any investment is acquired from a member of the Amber group is on an arm's length basis.

Risk Management and Internal Controls

The Board is responsible for overall risk management with delegation provided to the Audit and Risk Committee. The system of risk management and internal control has been designed to manage, rather than eliminate, the risk of failure to meet the business objectives. Regard is given to the materiality of relevant risks and therefore the system of internal control cannot provide absolute assurance against material misstatement or loss.

This process is outlined in further detail in the Risk Report found on pages 36 to 37.

Relations with Shareholders

The Board welcomes shareholders' views and places great importance on communication with shareholders. It has responsibility for communication with the investor base and is directly involved in major communications and announcements.

The Board receives regular reports on the views of shareholders and the Chairman and other Directors, including the Chairman of the Remuneration and Nomination Committee, are available to meet shareholders as required.

Corporate Governance Report continued

In addition to more formal investor events, such as the Investor Briefing mentioned on page 52 above and results presentations, the Investment Adviser conducts the day-to-day investor relations activities for the Company. It meets with major shareholders on a regular basis and reports to the Board on these meetings. During 2015 the Investment Adviser and members of the Board held formal meetings with around 100 individual shareholders in addition to day-to-day interaction, including calls and other forms of correspondence. The Board is also informed on a regular basis of all relevant market commentary on the Company by the Investment Adviser, Administrator and the Company's Broker.

The AGM of the Company provides a forum for shareholders to meet and discuss issues with the Directors and with the Investment Adviser of the Company. It is the Board's policy to publish the results of the voting at the AGM via Regulatory News Service at the completion of the meeting.

To promote a clear understanding of the Company, its objectives and financial results, the Board aims to ensure that information relating to the Company is disclosed in a timely manner. The Company has an investor relations section on its website (www.internationalpublicpartnerships.com) where it makes available all its publicly disclosed documents including Annual Reports and RNS announcements together with additional background information on its assets and corporate practices. Investors can register to receive notification (via email) of RNS announcements the Company issues. The Board encourages investors to utilise this useful online resource.

Any shareholder issues of concern, including on corporate governance or strategy, can be addressed in writing to the Company at its registered office address (see back cover).

Corporate Social and Environmental Responsibility

Introduction

The Company is committed to its responsibility to the environment and having a positive role in the local and global community in which it operates. The Company encourages high standards in sustainability through an integrated approach to managing and influencing our indirect environmental and social impacts. The Company recognises the value of active management in delivering quality services, risk management and resource efficiency.

The Company's most material impacts are indirect, relating to the environmental and social performance of the construction and operation of the buildings and infrastructure which make up its portfolio. Additionally, it recognises the importance of managing its relationship with its Investment Adviser (and associated asset management operations) including the energy and resources used within its operations and their contribution to the local and global community.

The Company's Investment Adviser focuses on sustainability commitments, both within its operations and through the management of the projects and assets within the Company's portfolio. The Investment Adviser operates a Sustainability Policy which looks beyond legislative and regulatory requirements to promote best practice and continual improvement in environmental management and social responsibility.

The Investment Adviser is certified to The Planet Mark and is committed to measuring and reducing its carbon footprint and wider sustainability metrics. It also supports best practice in responsible investment.

The Company sees its key sustainability stakeholders as its Investment Adviser and its employees, and the service providers it works with to deliver and manage infrastructure projects. As a result, the Company encourages its partners to report on sustainability performance.

Many investment entities in which the Company holds investments achieve high standards in sustainability, including building certifications such as BREEAM, LEED and Green Star.

Focus project

Thames Tideway Tunnel ('Tideway'), UK – Tideway is a major new development under the Thames River in London. Tideway is committed to be a responsible business, a good neighbour and to give back to local communities as part of delivering a lasting legacy for London. Its Corporate Social Responsibility activities began to widen in 2015 as it prepared for the start of construction in 2016.

- The beginning of 2015 marked the first full year of Thames River Watch, a pioneering citizen science project to monitor the heath of the river. Funded by Tideway and run by environmental charity Thames 21, it measures water quality, quantity and types of litter, and the spread of invasive non-native species. The data collected aims to raise awareness of the threats facing the Thames. The water quality results for year one showed coliform bacteria were in the majority of samples, a key sign of the pollution from sewer overflows that will be drastically reduced by the tunnel.
- As more staff joined the project, Tideway became the first company outside the financial industry to launch a Returners programme to help professionals back into work after a career break. Working with Women Returners, who help professional women re-launch their careers, the project offered twelve-week paid assignments for professionals who have been out of the workforce for two years or more. As a result of the programme, seven 'returners' landed roles with the project, which included opportunities in business planning, legal, stakeholder engagement, operations management, asset management and financial modelling.
- One of the highlights of our community programme was the Row4Results partnership with London Youth Rowing, a schools project that aims to establish an indoor rowing programme and competition across London boroughs that border the River Thames. The scheme forms part of Tideway's efforts to encourage young people to reconnect with the river and take advantage of the leisure opportunities it provides. In July 2015 Kingsford School from Newham were presented with the Row4Results trophy in the presence of the Duke of Edinburgh after they retained their title.

Other project highlights

German Ministry of Education and Research BMBF, Germany – The project was awarded 'Gold Status' for the Evaluation Scheme for Sustainable Construction of Federal Buildings in Germany by the German Federal Ministry of Environment, Nature Conservation, Building and Nuclear Safety.

Pforzheim Schools, Germany – The project was designed for resource efficiency, cost effectiveness and sustainability over the concession term. Since the commencement of operations in 2008 the innovative low energy heating, cooling and ventilation system has resulted in significant savings for the public sector.

Durham Schools, UK – Two combined heat and power plants operate to serve two secondary and one primary school. Pure plant oil verified as being obtained from sustainable sources is used as the fuel source. Surplus electricity that is not used is fed back into the national electricity grid.

South Tyneside and Gateshead Schools, UK – Rainwater harvesting is operational and the water re-used within the building, with ground water being directed into a lagoon where plant and insect life has developed.

Moray Schools, UK – Elgin Academy, situated at the base of the Cairngorm Mountains, is designed in a unique shape, providing protection within the inner playground courtyard from the elements whilst helping to retain heat within the school. Despite harsh conditions, utility savings of 10% have been achieved with a 'gain share' for using less than the target consumption of utilities.

Highfields/Pennfields Schools, UK – The project incorporates a renewable combined heat and power unit ('CHP') which meets 62-67% of the schools' total energy requirements and saves 620 tonnes per annum in carbon emissions. The CHP unit is fuelled by sustainable rapeseed oil that is cultivated and crushed in the UK and generates both renewable heat and power for the schools. Excess 'green' electrical energy is supplied onto the grid network, benefitting both the schools and the associated local authority.

Derby Courts, UK – Energy saving initiatives have included the fitting of LED lights to the office area together with passive infrared sensors in all retiring and interview rooms. The facilities are utilised to provide a venue for the Court's Magistrates' Court Mock Trial competition, held in conjunction with Derbyshire Secondary Schools, which aims to introduce the legal system to young people in an innovative and exciting way, giving them the opportunity to gain hands-on experience.

Northampton Schools, UK – The Project Company, through its designers and contractors, has worked with Northamptonshire County Council and the Building Research Establishment to optimise systems and introduce energy efficient and low carbon technologies to the construction of new classrooms at eleven of the project sites. An apprenticeship programme has seen three apprentices taken on with commitment to award two apprenticeships and one graduate place in 2015. Locally 50% of orders are with suppliers and subcontractors based in Northamptonshire and a minimum of 13 days of free time will be given under the 'Give a Day of Your Time' programme.

Audit and Risk Committee Report

The Audit and Risk Committee (the 'Committee') is an essential part of the Company's governance framework to which the Board has delegated oversight of the Company's financial reporting, internal controls, compliance and external audit. I have set out below an overview of the work of the Committee and details of how we have discharged our duties during the year.

The terms of reference for the Committee, together with details of the standard business considered by the Committee, have been approved by the Board and are available on the Company's website.

Committee Meetings

Our Committee meetings were attended by the Investment Adviser and Administrator by invitation during the year. A representative of the Company's external Auditor, Ernst and Young LLP ('EY'), also attended those meetings at which the financial reporting planning and the Annual Report and Financial Statements and Half-yearly Financial Report were considered.

All of the Committee's members are considered to be appropriately experienced to fulfil their role, having significant, recent and relevant financial experience in line with the AIC Code. Biographies of the Committee members can be found on pages 46 and 47.

Committee Agenda

Our Committee's agenda during the year included:

- Review of the Annual Report and Financial Statements and Half-yearly Financial Report and matters raised by management and external Auditor (including significant financial reporting judgements therein)
- Review of the appropriateness of the Company's accounting policies
- Review of the effectiveness of the Company's internal control systems
- Review of the effectiveness, objectivity and independence of the external Auditor and the terms of engagement, cost effectiveness and the scope of the audit
- Approving the external Auditor's plan for the current year end
- Review of the policy on the provision of non-audit services by the external Auditor
- Consideration and challenge of the draft valuation of the Company's investments prepared by the Investment Adviser and recommendations made to the Board on the appropriateness of the valuation
- Review of the Company's risk profile, specific risks and mitigation practices
- Review of the Company's exposure to cybercrime risks

Key Activities Considered During the Year

We undertook the following activities in discharging our responsibilities during the year:

Financial reporting

The Committee reviewed the Company's Annual Report and Financial Statements, the Half-yearly Financial Report and interim management statements prior to approval by the Board and advised the Board with respect to meeting the Company's financial reporting obligations. We reviewed the Company's accounting policies and practices, including: approval of critical accounting policies; consideration of the appropriateness of significant judgements and estimates; and advising the Board as to their views on whether the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable.

We considered the most significant accounting judgements exercised in preparing the financial statements continued to be: the application of investment entity amendments as required by IFRS 10 (Applying the Consolidation Exemption); and the basis for determining the fair value of the Company's investments as detailed below.

Investment entity and service entities accounting considerations

A company which qualifies as an investment entity in accordance with IFRS 10 is required to prepare financial statements on an investment basis, that is carry underlying investments (including controlled, jointly controlled or entities over which it has significant influence) in its accounts at fair value.

Service entities that provide services in connection with the investment entity's activities but that are not themselves investment entities under IFRS 10 continue to be consolidated within the investment entity's group accounts rather than accounted for at fair value.

We considered reports from the Investment Adviser setting out the basis on which the Company continues to meet the investment entity definition and certain subsidiary entities continue to meet the service entity definition of IFRS 10 (but are not themselves investment entities), and agreed this with the Company's Auditor. We accordingly recommended that the Board approve the financial statements on this basis (i.e. that investment entities are accounted for at fair value and service entities are consolidated). Further details on the application of investment entity amendments and service entity considerations are detailed in note 1 to the financial statements.

Fair Value of Investments

The Company's investments are typically in unlisted securities, hence market prices for such investments are not typically readily available. Instead the Company uses a discounted cash flow methodology and benchmarks to market comparables to derive the Directors' valuation of investments.

This methodology requires a series of judgements to be made, as explained in note 12 to the financial statements.

The valuation process and methodology were discussed with the Investment Adviser regularly during the year and with the Auditor as part of the year-end audit planning and interim review processes. We challenged the Investment Adviser on the year-end fair value of investments as part of our consideration of the audited financial statements.

During the period, we reviewed the Investment Adviser's quarterly valuation reports, reports on the performance of the underlying assets and the Investment Adviser's assessment of macroeconomic assumptions. The Investment Adviser confirmed that the valuation methodology has been applied consistently with the prior years. We also reviewed and challenged the valuation assumptions (discount rates, deposit rates, foreign exchange rates, inflation rates and tax rates).

The external Auditor explained the results of their review of the valuations, including their assessment of management's underlying cash flow projections and assumptions; macroeconomic assumptions; and discount rate methodology and output. On the basis of their audit work the Auditor confirmed no material adjustments were proposed.

The Committee, having considered the major assumptions applied, especially on larger investments, recommended their appropriateness to the Board.

Revenue recognition
The Audit and Risk Committee have considered the risk of inappropriate accounting recognition of revenue to be a relatively low risk given the nature of the Company's activities.

Internal controls over financial reporting
The Committee satisfied itself that the system of internal control and compliance over financial reporting was effective, through consideration of regular reports from the Investment Adviser and Administrator.

We also considered the adequacy of resources, qualifications and experience of staff in the finance function and had direct access and independent discussions with the external Auditor during the course of the year.

Fair, balanced and understandable
We reviewed the Company's 2015 Annual Report and Financial Statements and advised the Board that, in our opinion, the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the Company's performance, operating model and strategy.

Cybercrime review
As part of the Company's rolling annual controls and processes review, an independent assessment of the Company's exposure to cybercrime is in progress.

Viability assessment
During 2015, we carried out a robust assessment of the key risks faced by the Company with a view to identifying risks which may impact the Company's viability. Detailed stress tests, including impact assessment on the Company's forecasted cash flows, showed significant resilience in the Company's ability to remain viable. The results of the risk assessment process are detailed in the Viability Statement on page 45.

External Auditor
We recommended to the Board the scope and terms of engagement of the external Auditor. We considered Auditor objectivity and independence, audit tenure and audit tendering and Auditor effectiveness as detailed below:

– **Objectivity and independence**
In assessing the objectivity of the Auditor, we considered the terms under which the external Auditor may be appointed to perform non-audit services. Work expected to be completed by an external Auditor includes formal reporting for shareholders, regulatory assurance reports and work in connection with new investments.

Under the policy there is a specific list of services for which the external auditor cannot be engaged as we consider that the provision of such services would impact their independence. Any potential services to be provided by the external Auditor that have an expected value of up to £50,000 and which are not prohibited by the policy must be pre-approved by the Chairman of the Committee; any services above this require pre-approval by the full Audit and Risk Committee.

Non-audit fees represented 11.0% of total audit fees, reflecting the relatively low level of non-audit work conducted.

EY undertook its standard independence and objectivity procedures in relation to non-audit engagements and confirmed compliance with these to the Committee. Further details on the amounts of non-audit fees paid to EY are set out in note 8 to the financial statements. These were reported to us and were considered not to be significant as to risk impacting the objectivity and independence of EY external Auditors.

– **Audit tendering and tenure**
The Committee considers the reappointment of the external Auditor, including rotation of the audit partner. The external Auditor is required to rotate the audit partner responsible for the Group audit every five years and the year to 31 December 2015 will be the last year for the current lead audit partner. We have challenged EY on its process to transition to a new lead audit partner and are satisfied with progress to date and with the level of continuity of other key audit team members.

In October 2010, the Company put out to full tender the audits of the Group and its controlled investee entities. In addition to complying with good practice and satisfying new corporate governance requirements, the tender enabled the Board to benchmark competitiveness and value for money. Following the tender, EY were appointed Auditor of the Company.

As part of our annual review of the objectivity and effectiveness of the audit, the Committee conducted an in-depth review of their performance. There were no matters arising from the review in the current year, which require the service to be tendered immediately.

Audit and Risk Committee Report continued

During the year, we reviewed the competitiveness and performance of the Auditor across the Group and this led to a small number of changes in auditor at subsidiaries to KPMG LLP.

In accordance with the relevant Corporate Governance Code principles, the Committee will continue to review the effectiveness of the external Auditor and seek to retender in line with best practice.

– Review of Auditor effectiveness

For the year ended 31 December 2015 we reviewed the effectiveness and independence of the external Auditor. This was facilitated through the completion of a questionnaire by relevant stakeholders (including members of the Committee and senior members of the Investment Adviser's finance team), review and challenge of the audit plan for consistency with the Company's financial statement risks, and review of the audit findings report.

– Review of Auditor's remuneration

Following the end of a four-year fixed scope fee arrangement (negotiated at the time of the last audit tender in 2010), the Committee carried out a fresh review of the proposed audit fees for 2015. This resulted in an increase at the Group level driven by changes in the underlying accounting standards, higher audit regulatory requirements, changes to scope of work being carried out and general cost inflation. This was partially mitigated through reductions in fees of underlying investee entities (consolidated subsidiary entities), including a number that, following a benchmarking exercise, will be audited for the first time by KPMG LLP. We consider the audit fees for 2015 to be cost effective and present good value for money for the Company's shareholders.

Regulatory environment

We received regular reports from the Administrator and Investment Adviser on regulation and regulatory developments.

– Common Reporting Standard

In recent years, governments have become much more aware of the large amounts of undisclosed wealth held in offshore accounts. Governments see an opportunity to boost revenue by collecting tax relating to these accounts. Implementation of Common Reporting Standard ('CRS') is a step in that direction. All qualifying entities are required to comply with the requirements of CRS from 2016. The Company through its registrar (Capita) has appropriate systems and procedures in place to comply with these regulations. We will continue to review compliance with these rules as the staged implementation continues throughout 2016.

– Retail distribution of unregulated collective investment schemes

FCA rules came into force on 1 January 2014 relating to the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes came into effect. The Company continues to confirm that its shares will qualify as an 'excluded security' under these rules and will therefore be excluded from the FCA's restrictions which apply to non-mainstream pooled investment products. As such, the Company's shares can continue to be recommended by independent financial advisers to ordinary retail investors in accordance with the FCA's rules.

The Company is advised that the basis of being excluded from these restrictions is principally due to the Company conducting its affairs in such a manner that it would have qualified for approval by HMRC as an investment that had been resident in the UK in its previous accounting periods. The Company intends to conduct its affairs so that this remains the case for the foreseeable future.

– Foreign Account Tax Compliance Act ('FATCA')

The legislation is aimed at determining the ownership of US assets in foreign accounts and improving US tax compliance with respect to those assets. The Company continues compliance with the legislation and is registered with IRS.

– Alternative Investment Fund Management Directive ('AIFMD')

The Company is deemed to be an internally managed non-EU fund. An internally managed non-EU fund is outside the full scope of AIFMD and is the subject of lighter AIFMD requirements at the point of marketing within the EU. The Company registered as a non-EU AIF with the FCA in 2014 and commenced quarterly reporting from 31 December 2014.

Focus for 2016

In addition to our routine matters and continued monitoring of areas above, the Committee will select a new process for an independent review in 2016 as part of the Company's annual internal controls and procedures rolling review programme.

The Committee will also review compliance with new regulations such as Common Reporting Standards and continue to monitor ongoing tax and regulatory developments such as Base Erosion and Profit Shifting.

John Whittle
23 March 2016
Chairman, Audit and Risk Committee

Directors' Report

Introduction

The Directors present their Annual Report on the performance of the Company and Group for the year ended 31 December 2015.

Principal Activity

The Company is a limited liability, Guernsey incorporated authorised closed-ended investment company under The Companies (Guernsey) Law, 2008. The Company's shares have a premium listing on the Official List of the UKLA and are traded on the main market of the London Stock Exchange.

The Chairman's Statement and Strategic Report contain a review of the business during the year. A Corporate Governance Report is provided on pages 48 to 55.

Directors' Indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors which were made during the period and remain in force at the date of this report.

Substantial Shareholdings

As at 31 December 2015, the Company had been notified, in accordance with chapter five of the Disclosure and Transparency Rules, of the following interests in 5% or more of the Company's Ordinary Shares to which voting rights are attached:

Name of holder	% Issued Capital	No. of Ordinary Shares	Date notified
Schroder plc	13.97%	116,774,275	4 Dec 2014
Investec Wealth & Investment Limited	9.85%	97,616,757	19 Nov 2015

As at 23 March 2016, being the most current information available, no further notifications had been received.

Directors' Authority to Buy Back Shares and Treasury Shares

The Company did not purchase any shares for treasury or cancellation during the year.

The current authority of the Company to make market purchases of up to 14.99% of the issued Ordinary Share capital expires on 2 June 2016. The Company will seek to renew such authority at the AGM to take place on 2 June 2016. Any buy back of Ordinary Shares will be made subject to Guernsey law and within any guidelines established from time to time by the Board and the making and timing of any buy backs will be at the absolute discretion of the Board.

Purchases of Ordinary Shares will only be made through the market at prices below the prevailing NAV of the Ordinary Shares (as last calculated) where the Directors believe such purchases will enhance shareholder value. Such purchases will also only be made in accordance with the Listing Rules of the UKLA which provide that the price to be paid must not be more than 5% above the average of the middle market quotations for the Ordinary Shares for the five business days before the shares are purchased (unless previously advised to shareholders). No such shares were bought back by the Company in the period from 2 June 2015.

In accordance with the Company's Articles of Association up to 10% of the Company's shares may be held as treasury shares.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 8 to 45. The financial position of the Group, its cash flows, liquidity position and borrowing are described in the financial statements from page 66.

The Directors have considered significant areas of possible financial risk and comprehensive financial forecasts have been prepared and submitted to the Board for review. The Directors have, based on the information contained in these forecasts and the assessment of the committed banking facilities in place, formed a judgement, at the time of approving the financial statements, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

After consideration, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

Director Declaration

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

So far as the Director is aware, there is no relevant audit information of which the Company's external Auditor is unaware.

Each Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of The Companies (Guernsey) Law, 2008.

By order of the Board

Rupert Dorey
23 March 2016
Chairman

John Whittle
23 March 2016
Director

Directors' Responsibilities Statement

The Directors are responsible for preparing financial statements for each year which give a true and fair view, in accordance with applicable Guernsey law and International Financial Reporting Standards as adopted by the European Union, of the state of affairs of the Group and of the profit or loss of the Group for that year. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Group and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law and regulations.

The maintenance and integrity of the Company's website is the responsibility of the Directors; the work carried out by the Auditor does not involve considerations of these matters and, accordingly, the Auditor accepts no responsibility for any change that may have occurred to the financial statements since they were initially presented on the website. Legislation in Guernsey governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors' in respect of the Consolidated Annual Report and Financial Statements

The Directors each confirm to the best of their knowledge that:

- The Consolidated Financial Statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and net return of the Group
- The Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties faced

Directors' Statement under the UK Corporate Governance Code

The Board, as advised by the Audit and Risk Committee, has considered the Annual Report and Financial Statements and, taken as a whole, considers them to be fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Rupert Dorey
23 March 2016
Chairman

John Whittle
23 March 2016
Director

Independent Auditor's Report to the Members of International Public Partnerships Limited

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

What we have audited

International Public Partnerships Limited (the 'Group') financial statements comprise:

- consolidated statement of comprehensive income for the year ended 31 December 2015;
- consolidated balance sheet as at 31 December 2015;
- consolidated statement of changes in equity for the year ended 31 December 2015;
- consolidated cash flow statement for the year ended 31 December 2015; and
- related notes 1 to 22 to the consolidated financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the European Union.

Overview of our audit approach

Risks of material misstatement	– Misstatement or manipulation of investment fair value – Revenue recognition
Audit scope	– We performed an audit of the Group for the year ended 31 December 2015 – The Company has determined that it is an investment entity under the requirements of IFRS 10 amendments for Investment Entities ('IFRS 10 amendments') and therefore only consolidates service entities as explained in note 2. Service entities are audited to Group materiality threshold – Procedures were performed by the Group audit team
Materiality	– Overall Group materiality of £12.9 million which represents 1% of Equity

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	**Misstatement or manipulation of investment fair value** Investments comprise a portfolio of assets measured at fair value through profit or loss. The fair values of these investments are determined using the income approach which discounts the expected cash flows at a rate appropriate to the risk profile of each investment. In determining the discount rate, the relevant long-term government bond yields, specific investment risks and the evidence of recent transactions are considered. Details of the valuation process and key sensitivities are provided in note 12 of the financial statements and are discussed in the report of the Audit Committee on pages 56 to 58. The valuation risk includes the risk of an inappropriate valuation model being applied including the risk of manipulation or error in both the assumptions applied and the amount and timing of expected cash flows.

Independent Auditor's Report to the Members of International Public Partnerships Limited continued

Our response to the risk	We have tested the effectiveness of controls in operation over the investment acquisitions, forecasting cash flows, distributions and model integrity and we have placed reliance on control over these processes. We selected a sample of investments to provide coverage over the key geographies the Group operates in and to address significant demand risk and performed the following procedures: **Valuation assumption:** We engaged our EY valuation specialists to assess the discount rates (sub-debt and equity and senior debt), inflation rates and deposit rate assumptions used in the models by comparing these to market data. **Model integrity:** We engaged our EY financial modelling specialists to sample test the logical operation of the financial models. **Model inputs:** We agreed a sample of contractual cash flows to contractual terms and actual cash flows. We engaged EY valuation specialists to assess demand based cash flows which require significant judgement. For all other investments we performed the following procedures: – We tested historical accuracy of forecasting by comparing the historical forecast distributions from the projects to the actual distributions. – We developed our own expectations for changes in investment values. For each investment outside our expected range we obtained and corroborated reasons for the difference. – Consistency of assumptions: We tested that material macro-economic assumptions (discount rates, inflation rates, foreign exchange rates, deposit rates and tax rates) were applied consistently to each investment.
What we concluded to the Audit Committee	We confirmed that there were no matters arising from our work that we wanted to bring to the Audit Committee's attention.
Risk	**Revenue recognition** For the purposes of our risk assessment, dividend and interest income is treated as 'revenue' and as it is material we have treated 'revenue recognition' as a significant risk. Given the nature of the work we previously performed and the sources of revenue, the impact of increasing our risk assessment on our audit strategy was limited. Management may seek to inflate revenue in order to improve the Group's reported performance.
Our response to the risk	We updated our understanding of the Group's processes and policies for revenue recognition including our understanding of the systems and controls implemented. We agreed a sample of dividend and interest receipts to documentation from investees and we checked the calculation of interest amounts and the allocation thereof to the appropriate period.
What we concluded to the Audit Committee	We confirmed that there were no matters identified during our audit work on revenue recognition that we wanted to bring to the attention of the Audit Committee.

The scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope. Taken together, this enables us to form an opinion on the consolidated financial statements.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

Materiality is the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £12.9 million (2014: £10.6 million), which is 1% (2014: 1%) of equity. We believe that total equity provides us with an appropriate basis for audit materiality as net asset value is a key published performance measure and is a key metric used by management in assessing and reporting on the overall performance of the Group.

During the course of our audit, we reassessed initial materiality and noted that total equity had increased from approximately £1.1 billion at 30 June 2015 to £1.3 billion as at 31 December 2015 mainly due to the capital raise in November 2015. This resulted in a higher materiality of £12.9 million compared to £10.8 million that was originally determined at the audit planning stage.

A lower materiality of £2.9 million (2014: £1.9 million) has been applied to interest income, dividend income and management costs to be responsive to the expectations of the users of the financial statements with regard to misstatements in these balances of a lesser amount than the Group materiality.

Performance materiality

'Performance materiality' is the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 50% of materiality, namely £6.4 million (2014: 50% of materiality, namely £5.3 million). The performance materiality percentage is consistent with last year. Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences in the financial statements did not exceed our materiality level.

Reporting threshold

'Reporting threshold' is an amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.6 million (2014: £0.5 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent Auditor's Report to the Members of International Public Partnerships Limited continued

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 60, 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.

This report is made solely to the Group's members, as a body, in accordance with Section 262 of the Companies Law. Our audit work has been undertaken so that we might state to the Group'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 Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or – otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' statement that they consider the Annual Report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the Annual Report appropriately addresses those matters that we communicated to the Audit Committee that we consider should have been disclosed.
	Conclusion We have no exceptions to report.
Listing Rules review requirements	We are required to review: – the Directors' statement in relation to going concern, set out on page 59, and longer-term viability, set out on page 45; and – the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.
	Conclusion We have no exceptions to report.
Companies (Guernsey) Law, 2008 requirements	We are required to report to you if, in our opinion: – proper accounting records have not been kept; or – the financial statements are not in agreement with the accounting records; or – we have not received all the information and explanations we require for our audit.
	Conclusion We have no exceptions to report.

Statement on the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the entity

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: – the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; – the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated; – the Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and – the Directors' explanation in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures, drawing attention to any necessary qualifications or assumptions.
	Conclusion We have nothing material to add or to draw attention to.

Michael Bane
for and on behalf of Ernst & Young LLP,
Guernsey
Channel Islands
23 March 2016

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	Notes	Year ended 31 December 2015 £'000s	Year ended 31 December 2014 £'000s
Interest income	4	**44,026**	32,200
Dividend income	4	**16,397**	23,605
Net change in fair value of investments at fair value through profit or loss	4	**39,784**	32,187
Realised gain on disposal of investments	4,5	**–**	2,104
Total investment income		**100,207**	90,096
Other operating income/(expense)	6	**1,276**	(599)
Total income		**101,483**	89,497
Management costs	18	**(13,470)**	(11,608)
Administrative expenses		**(1,181)**	(930)
Transaction costs	7	**(2,145)**	(2,874)
Directors' fees		**(231)**	(248)
Total expenses		**(17,027)**	(15,660)
Profit before finance costs and tax		**84,456**	73,837
Finance costs	9	**(4,523)**	(2,668)
Profit before tax		**79,933**	71,169
Tax credit	10	**1,926**	2,042
Profit for the year		**81,859**	73,211
Earnings per share			
From continuing operations			
Basic and diluted (pence)	11	**9.54**	9.49

All results are from continuing operations in the year.

All income is attributable to the equity holders of the parent. There are no non-controlling interests within the Consolidated Group.

There are no other Comprehensive Income items in the current year (2014: nil). The profit for the year represents the Total Comprehensive Income for the year.

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Notes	Share capital £'000s	Other distributable reserve £'000s	Retained earnings £'000s	Total £'000s
Balance at 31 December 2014		**625,289**	**182,481**	**254,298**	**1,062,068**
Total comprehensive income		**–**	**–**	**81,859**	**81,859**
Issue of Ordinary Shares	16	**203,207**	**–**	**–**	**203,207**
Issue costs applied to new shares	16	**(3,134)**	**–**	**–**	**(3,134)**
Distributions in the year	16	**–**	**–**	**(53,798)**	**(53,798)**
Balance at 31 December 2015		**825,362**	**182,481**	**282,359**	**1,290,202**

Year ended 31 December 2014

	Notes	Share capital £'000s	Other distributable reserve £'000s	Retained earnings £'000s	Total £'000s
Balance at 31 December 2013		524,393	182,481	228,517	935,391
Total comprehensive income		–	–	73,211	73,211
Issue of Ordinary Shares	16	101,688	–	–	101,688
Issue costs applied to new shares	16	(792)	–	–	(792)
Distributions in the year	16	–	–	(47,430)	(47,430)
Balance at 31 December 2014		625,289	182,481	254,298	1,062,068

Consolidated Balance Sheet
As at 31 December 2015

	Notes	31 December 2015 £'000s	31 December 2014 £'000s
Non-current assets			
Investments at fair value through profit or loss	12	**1,201,107**	1,032,941
Total non-current assets		**1,201,107**	1,032,941
Current assets			
Trade and other receivables	12,14	**23,099**	19,529
Cash and cash equivalents	12	**72,391**	29,391
Derivative financial instruments	12	**1,719**	2,948
Total current assets		**97,209**	51,868
Total assets		**1,298,316**	1,084,809
Current liabilities			
Trade and other payables	12,15	**8,114**	6,414
Total current liabilities		**8,114**	6,414
Non-current liabilities			
Bank loans	9,12	**–**	16,327
Total non-current liabilities		**–**	16,327
Total liabilities		**8,114**	22,741
Net assets		**1,290,202**	1,062,068
Equity			
Share capital	16	**825,362**	625,289
Other distributable reserve	16	**182,481**	182,481
Retained earnings	16	**282,359**	254,298
Equity attributable to equity holders of the parent		**1,290,202**	1,062,068
Net assets per share (pence per share)	17	**130.2**	127.0

The financial statements were approved by the Board of Directors on 23 March 2016.

They were signed on its behalf by:

Rupert Dorey
23 March 2016
Chairman

John Whittle
23 March 2016
Director

Consolidated Cash Flow Statement

Year ended 31 December 2015

	Notes	Year ended 31 December 2015 £'000s	Year ended 31 December 2014 £'000s
Profit from operations		**81,859**	73,211
Adjusted for:			
Gain on investments at fair value through profit or loss	4	**(39,784)**	(32,187)
Unrealised exchange loss/(gain)		**665**	(528)
Finance costs	9	**4,523**	2,668
Net income tax credit	10	**(1,926)**	(2,042)
Fair value movement on derivative financial instruments	6,12	**1,229**	716
Realised gain on disposal of investments	5	**–**	(2,104)
Working capital adjustments			
Increase in receivables		**(6,146)**	(5,830)
Increase in payables		**1,700**	80
		42,120	33,984
Income tax received[1]		**2,662**	1,033
Net cash inflow from operations		**44,782**	35,017
Investing activities			
Acquisition of investments at fair value through profit or loss	13	**(143,077)**	(188,228)
Net repayments from investments at fair value through profit or loss		**14,695**	11,628
Cash received from disposal of investments	5	**–**	22,332
Net cash outflow from investing activities		**(128,382)**	(154,268)
Financing activities			
Proceeds from issue of shares net of issue costs	16	**195,002**	94,208
Dividends paid	16	**(48,587)**	(40,742)
Finance costs paid		**(3,482)**	(1,879)
Net loan (repayments)/drawdowns	9,12	**(16,327)**	16,327
Net cash provided by financing activities		**126,606**	67,914
Net increase/(decrease) in cash and cash equivalents		**43,006**	(51,337)
Cash and cash equivalents at beginning of year		**29,391**	80,609
Exchange (loss)/gain on cash and cash equivalents		**(6)**	119
Cash and cash equivalents at end of year[2]		**72,391**	29,391

1 Cash flows received from unconsolidated subsidiary entities in respect of surrender of tax losses.
2 Includes restricted cash of £51.5 million (2014: nil) which can only be utilised for new investments.

Notes to the Financial Statements

For the year ended 31 December 2015

1. Basis of Preparation

International Public Partnerships Limited is a closed-ended authorised investment company incorporated in Guernsey under the Companies (Guernsey) Law, 2008. The address of the registered office is given on page 93. The nature of the Group's operations and its principal activities are set out on pages 2 and 8 to 11 respectively.

These financial statements are presented in pounds Sterling as this is the currency of the primary economic environment in which the Group ('Parent and consolidated subsidiary entities') operates and represents the functional currency of the Parent and all values are rounded to the nearest (£'000), except where otherwise indicated.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), adopted by the European Union; interpretations issued by the International Financial Reporting Interpretations Committee; applicable legal and regulatory requirements of Guernsey; and the Listing Rules of the UK Listing Authority. The financial statements follow the historical cost basis, except for financial assets held at fair value through profit or loss and derivatives that have been measured at fair value. The principal accounting policies adopted are set out in relevant notes to the financial statements.

The Directors have determined that International Public Partnerships Limited is an investment entity as defined by IFRS 10 on the basis that the Company:

a) obtains funds from one or more investor(s) for the purpose of providing those investor(s) with investment management services;
b) commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

Accordingly, these financial statements consolidate only those subsidiaries that provide services relevant to its investment activities, such as management services, strategic advice and financial support to its investees. Subsidiaries that do not provide investment-related services are required to be measured at fair value through profit or loss in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Going concern

As set out in the Directors' Report, the Directors have reviewed cash flow forecasts prepared by management. Based on those forecasts and an assessment of the Group's committed banking facilities, it has been considered appropriate to prepare the financial statements of the Group on a going concern basis.

In arriving at their conclusion that the Group has adequate financial resources, the Directors were mindful that the Group had unrestricted cash of £21 million as at 31 December 2015. In May 2015, the Company's corporate debt facility was renewed to £300 million (2014: £175 million) of which £131 million was uncommitted as at 31 December 2015, and is available for investment in new and existing projects until May 2018. The new facility is forecast to continue in full compliance with the associated banking covenants. The Company also continues to fully cover operating costs and distributions from underlying cash flows from investments.

Accounting policies

The annual financial statements of International Public Partnerships Limited are prepared in accordance with IFRS as adopted by the European Union.

The same accounting policies, presentation and methods of computation are followed in this set of annual financial statements as applied in the previous financial year. The new and revised IFRS and interpretations becoming effective in the period have had no impact on the accounting policies of the Group. Note 21 sets out a comprehensive listing of all new standards applicable from 1 January 2016.

2. Significant Judgements and Estimates

Service entities and consolidation group

Following the adoption of IFRS 10 Investment Entity Amendments, the consolidated financial statements incorporate the financial statements of the Company and service entities controlled by the Company up to 31 December 2015, that themselves do not meet the definition of an investment entity. Typically a service entity provides management services, strategic advice and financial support to investee entities. Judgement is therefore required in assessing which entities meet these definitional requirements. The Directors have reviewed and assessed the criteria applied in the assessment of services entities based on the guidance in place as at 31 December 2015 and are satisfied with the resulting conclusion.

2. Significant Judgements and Estimates continued

Fair valuation of investments at fair value through profit or loss

Fair values are determined using the income approach which discounts the expected cash flows at a rate appropriate to the risk profile of each investment. In determining the discount rate, relevant long-term government bond yields, specific investment risks and the evidence of recent transactions are considered. Details of the valuation process and key sensitivities are provided in note 12.

3. Segmental Reporting

Based on a review of information provided to the chief operating decision makers of International Public Partnerships Limited, the Group has identified four reportable segments based on the geographical risk associated with the Group. The factors used to identify the Group's reportable segments are centred on the risk-free rates and the maturity of the Infrastructure sector (particularly PFI/PPP) within each region. Further, foreign exchange and political risk is identified, as these also determine where resources are allocated. Management has concluded that the Group is currently organised into four operating segments being UK, Europe (non-UK), Australia and North America.

	Year ended 31 December 2015				
	UK £'000s	Europe Non-UK £'000s	North America £'000s	Australia £'000s	Total £'000s
Segmental results					
Dividend and interest income	**46,088**	**6,983**	**2,717**	**4,635**	**60,423**
Fair value gain/(loss) on investments[1]	**55,429**	**(7,045)**	**(3,495)**	**(5,105)**	**39,784**
Total investment income/(loss)	**101,517**	**(62)**	**(778)**	**(470)**	**100,207**
Reporting segment profit/(loss)[2]	**81,893**	**(111)**	**53**	**24**	**81,859**
Segmental financial position					
Investments at fair value	**845,746**	**202,968**	**67,023**	**85,370**	**1,201,107**
Current assets	**97,209**	**–**	**–**	**–**	**97,209**
Total assets	**942,955**	**202,968**	**67,023**	**85,370**	**1,298,316**
Total liabilities	**(8,114)**	**–**	**–**	**–**	**(8,114)**
Net assets	**934,841**	**202,968**	**67,023**	**85,370**	**1,290,202**

	Year ended 31 December 2014				
	UK £'000s	Europe Non-UK £'000s	North America £'000s	Australia £'000s	Total £'000s
Segmental results					
Dividend and interest income	47,798	1,178	1,906	4,923	55,805
Fair value gain/(loss) on investments	8,272	16,994	(1,787)	8,708	32,187
Realised gain on disposal of investments	2,103	1	–	–	2,104
Total investment income	58,173	18,173	119	13,631	90,096
Reporting segment profit[2]	41,336	17,792	184	13,899	73,211
Segmental financial position					
Investments at fair value	690,071	210,962	38,858	93,050	1,032,941
Current assets	51,868	–	–	–	51,868
Total assets	741,939	210,962	38,858	93,050	1,084,809
Total liabilities	(22,741)	–	–	–	(22,741)
Net assets	719,198	210,962	38,858	93,050	1,062,068

1 Investment fair value losses for non-UK sectors are primarily the result of adverse foreign exchange movements in the year impacting valuation assumptions.
2 Reporting segment results are stated net of operational costs including management fees.

Revenue from investments which represents more than 10% of the Group's interest and dividend income approximates £12.0 million (2014: £17.0 million).

Notes to the Financial Statements continued

For the year ended 31 December 2015

4. Investment Income

Accounting policy

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time-apportioned basis, using the effective interest rate of the instrument concerned as calculated at the acquisition or origination date. Interest income is recognised gross of withholding tax, if any.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, when appropriate, a shorter period). When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but excludes future credit losses.

Dividend income

Dividend income is recognised gross of withholding tax in the Consolidated Statement of Comprehensive Income on the date the right to receive payment is established. This is the date when the Directors of the underlying project entity approve the payment of a dividend.

Net gain from financial instruments at fair value through profit or loss

Net gain from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes (including foreign exchange movements) other than interest and dividend income recognised separately.

	Year ended 31 December 2015 £'000s	Year ended 31 December 2014 £'000s
Interest income		
Interest on investments	**43,984**	31,862
Interest on bank deposits	**42**	338
Total interest income	**44,026**	32,200
Dividend income	**16,397**	23,605
Net change in fair value of financial assets at fair value through profit or loss	**39,784**	32,187
Realised gain on disposal of investments (see note 5)	**–**	2,104
Total investment income	**100,207**	90,096

All dividend and interest income has resulted from transactions with unconsolidated subsidiary entities. Gains on investments at fair value through profit or loss are also recognised on the Group's investments in unconsolidated subsidiaries.

5. Gain on Disposal of Investments

No disposals were carried out by the Group during the year ended 31 December 2015.

In the year ended 31 December 2014, the Group disposed of a number of non-strategic minority investments where there was no realistic scope to increase the investment in the future. The divestments predominantly related to a small number of minority interests in the Group's Building Schools for the Future ('BSF') project portfolio. The aggregate gains realised in the period are shown in the table below:

	Year ended 31 December 2014		
Divestment	Fair value of investment at disposal £'000s	Cash received at disposal £'000s	Net realised gain on disposal £'000s
Aggregate divestments	20,228	22,332	2,104

6. Other Operating Income/(Expense)

	Year ended 31 December 2015 £'000s	Year ended 31 December 2014 £'000s
Fair value loss on foreign exchange contracts	(1,229)	(716)
Other gains on foreign exchange movements	2,505	117
Total operating income/(expense)	**1,276**	(599)

7. Transaction Costs

	Year ended 31 December 2015 £'000s	Year ended 31 December 2014 £'000s
Investment advisory costs	2,145	2,818
Legal and professional costs	–	56
Total transaction costs	**2,145**	2,874

Details of investment advisory costs paid are provided in note 18.

8. Auditor's Remuneration

	Year ended 31 December 2015 £'000s	Year ended 31 December 2014 £'000s
Fees payable to the Group's Auditor for the audit of the Group's financial statements	250	93
Fees payable to the Group's Auditor and their associates for other services to the Group		
– The audit of the Group's consolidated subsidiaries	42	9
– The audit of the Group's unconsolidated subsidiaries	320	339
– Audit-related assurance services	35	20
Total audit fees	**647**	461
Other fees		
– Regulatory reporting	–	49
– Other services	80	9
Total non-audit fees	**80**	58

9. Finance Costs

Accounting policy

Borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the period in which they are incurred using the effective interest rate method. Arrangement fees are amortised over the term of the corporate borrowing facility.

Interest-bearing loans and overdrafts are recorded as the proceeds received net of any directly attributable issue costs.

Finance costs for the year were £4.5 million (2014: £2.7 million). In May 2015, the Group renewed the corporate debt facility with the existing providers, Royal Bank of Scotland and National Australia Bank Limited, and increased the facility from £175 million to £300 million. The drawdowns in the period were in the form of cash drawdowns and issuance of letters of credit. Cash drawdowns were used to partially fund investments and the letter of credit drawdowns were used to back the Group's commitment to a future pipeline of cash investments.

Following an equity capital raise in November 2015, the outstanding cash drawn balance on the facility was fully repaid (at 31 December 2014 the cash drawn balance on the facility was £16.3 million). As at 31 December 2015 the facility was notionally drawn via letters of credit supporting the Group's committed investments. The uncommitted balance of the facility as at 31 December 2015 was £131 million.

The interest rate margin on the corporate debt facility is 175 basis points over Libor. The loan facility matures in May 2018 and is secured over the assets of the Group.

Notes to the Financial Statements continued
For the year ended 31 December 2015

10. Tax
Accounting policy
Current tax is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Consolidated Statement of Comprehensive Income as it excludes items of income or expense that are taxable or deductible in past or future years and it further excludes items that are never taxable or deductible. The Group's asset/liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date. The current tax charge/credit in the Consolidated Statement of Comprehensive Income is recognised net of receivables recognised for losses surrendered to unconsolidated Group subsidiary entities.

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.

	Year ended 31 December 2015 £'000s	Year ended 31 December 2014 £'000s
Current tax:		
UK corporation tax credit – current year	**(2,030)**	(2,189)
UK corporation tax – prior year	**4**	(63)
Overseas tax – current year	**100**	210
Tax credit for the year	**(1,926)**	(2,042)

Reconciliation of effective tax rate

	Year ended 31 December 2015 £'000s	Year ended 31 December 2014 £'000s
Profit before tax	**79,933**	71,169
Expected tax on profit at Guernsey corporation rate – 0% (2014: 0%)	**–**	–
Application of overseas tax rates	**100**	210
Group tax losses surrendered to unconsolidated investee entities	**(2,030)**	(2,189)
Adjustments to previous year's assessment	**4**	(63)
Tax credit for the year	**(1,926)**	(2,042)

The income tax credit above does not represent the full tax position of the entire Group as the investment returns received by the Company are net of tax payable at the underlying investee entity level. As a consequence of the adoption of IFRS 10 investment entity consolidation exemption, underlying investee entity tax is not consolidated within these financial statements. Total forecasted corporation tax payable by the Group's underlying investments is £753 million over their full concession lives.

11. Earnings Per Share
The calculation of basic and diluted earnings per share is based on the following data:

	Year ended 31 December 2015 £'000s	Year ended 31 December 2014 £'000s
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	**81,859**	73,211
	Number	Number
Number of shares		
Weighted average number of Ordinary Shares for the purposes of basic and diluted earnings per share	**857,859,876**	771,578,934
Basic and diluted (pence)	**9.54**	9.49

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

12. Financial Instruments

Financial assets and financial liabilities are recognised when contractual provisions of the instrument are entered into. 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'. Financial liabilities are derecognised when the obligation is discharged, cancelled or expired. Specific financial asset and liability accounting policies are provided below.

12.1 Financial assets

	31 December 2015 £'000s	31 December 2014 £'000s
Investments at fair value through profit and loss[1]	**1,201,107**	1,032,941
Financial asset loans and receivables		
Trade and other receivables	**23,099**	19,529
Cash and cash equivalents	**72,391**	29,391
Derivative financial instruments		
Currency swaps	**1,719**	2,948
Total financial assets	**1,298,316**	1,084,809

1 Includes fair value of investments in associates amounting to £2.0 million (2014: £1.7 million). Movements in the period represent additional fair value gains offset by net repayments from investments.

Accounting policy

The Group classifies its financial assets as at fair value through profit or loss or as loans and receivables. The classification depends on the purpose for which the financial assets were acquired, with investments in unconsolidated subsidiaries (other than those providing investment-related services) being designated at fair value through profit and loss as required by IFRS 10.

Investments at fair value through profit or loss

Investments in underlying unconsolidated subsidiaries 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 debt investments in PPP assets together. All transaction costs relating to the acquisition of new investments are recognised directly in profit or loss. Subsequent to initial recognition, equity and debt investments are measured at fair value with changes in fair value recognised within operating income in the Consolidated Statement of Comprehensive Income.

Financial assets loans and receivables

Trade receivables, loans and other receivables that are non-derivative financial assets and that have fixed or determinable payments and 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. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instruments, but does not consider future credit losses. Financial assets with maturities less than 12 months are included in current assets, financial assets with maturities greater than 12 months after the balance sheet date are classified as non-current assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments with an original maturity of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Derivative financial instruments

Derivatives are recognised initially, and are subsequently remeasured at fair value. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. Derivative assets and liabilities arising from different transactions are offset only if the transactions are with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis. Fair value movements on derivative financial instruments held for trading are recognised in the Consolidated Statement of Comprehensive Income.

Impairment of financial assets

Financial assets, other than those classified as 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 adversely impacted.

Notes to the Financial Statements continued

For the year ended 31 December 2015

12. Financial Instruments continued

12.2 Financial liabilities

	31 December 2015 £'000s	31 December 2014 £'000s
Financial liabilities at amortised cost		
Trade and other payables	**8,114**	6,414
Bank loans	**–**	16,327
Total financial liabilities	**8,114**	22,741

Accounting policy

Trade and other payables

Financial liabilities, other than those specifically accounted for under a separate policy, are stated based on the amounts which are considered to be payable in respect of goods or services received up to the financial reporting date. The cost of other liabilities is considered to approximate their fair value.

12.3 Financial risk and management objectives

The Group's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Group's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Group's continuing profitability. The Group is exposed to market risk (which includes currency risk, interest rate risk and inflation risk), credit risk and liquidity risk arising from the financial instruments it holds. The Group's Investment Adviser is responsible for identifying and controlling risks. The Board of Directors supervises the Investment Adviser and is ultimately responsible for the overall risk management of the Group.

The Group's risk management framework and approach is set out within the Strategic Report (pages 36 to 45). The Board's considerations of key risks impacting the business are set out within the Strategic Report. The Board takes into account market, credit and liquidity risks in forming the Group's risk management strategy.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as changes in inflation, foreign exchange rates and interest rates.

Inflation risk

The majority of the Group's cash flows from underlying investments are linked to inflation indices. Changes in inflation rates can have a positive or negative impact on the Group's cash flows from investments. The long-term inflation assumptions applied in the Group's valuation of investments at fair value through profit or loss are disclosed in the fair value hierarchy section 12.4.

The Group's portfolio of investments has been developed in anticipation of continued inflation at or above the levels used in the Group's valuation assumptions. Where inflation is at levels below the assumed levels, investment performance may be impaired. The level of inflation linkage across the investments held by the Group varies and is not consistent.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows from underlying investments, therefore impacting the value of investments at fair value through profit or loss. The Group has limited exposure to interest rate risk as the underlying borrowings within the unconsolidated investee entities are either hedged through interest rate swap arrangements or are fixed rate loans. It is generally a requirement under a PFI/PPP concession that any borrowings are matched to the life of the concession. Hedging activities are aligned with the period of the loan, which also mirrors the concession period and are highly effective. The Group's corporate facility is unhedged on the basis it is utilised as an investment bridging facility and therefore drawn for a relatively short period of time. Therefore, the Group is not significantly exposed to cash flow risk due to changes in interest rates over its variable rate borrowings.

Interest income on bank deposits held at underlying investment level is included within the fair value of investments. Sensitivity analysis showing the impact of variations in interest income deposit rates on the fair value of investments is shown in section 12.5.

12. Financial Instruments continued

12.3 Financial risk and management objectives continued

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies and therefore is exposed to exchange rate fluctuations. Currency risk arises in financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured. The carrying amounts of the Group's foreign currency denominated monetary financial instruments at the reporting date are set out in the table below:

	31 December 2015 £'000s	31 December 2014 £'000s
Cash		
Euro	**871**	2,263
Canadian Dollar	**1,107**	824
Australian Dollar	**11**	1
US Dollar	**3**	–
	1,992	3,088
Current receivables		
Euro receivables	**393**	407
	393	407
Investments at fair value through profit or loss		
Euro	**202,968**	210,962
Canadian Dollar	**34,819**	38,858
Australian Dollar	**85,370**	93,050
US Dollar	**32,204**	–
	355,361	342,870
Total	**357,746**	346,365

The Group uses forward foreign exchange contracts to mitigate the risk of short-term volatility in foreign exchange on significant investment returns from overseas investments.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of dealing only with creditworthy counterparties at the underlying entity level. PFI/PPP and similar concessions are entered into with government, quasi government, other public or equivalent low-risk bodies.

Liquidity risk

Liquidity risk is defined as the risk that the Group would encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group invests in relatively illiquid investments (mainly non-listed equity and loans). As a closed-ended investment vehicle there are no automatic redemption of capital rights. The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities and by continuously monitoring the forecast and actual cash flows. Cash flow forecasts assume full availability of underlying infrastructure to the public sector entities. Failure to maintain assets available for use or operating in accordance with pre-determined performance standards may entitle the public sector to stop (wholly or partially) paying the income that the Group has projected to receive.

The Directors review the underlying performance of each investment on a quarterly basis, allowing asset performance to be monitored. Contractual mechanisms also allow for significant pass-down of unavailability and performance risk to sub-contractors.

Notes to the Financial Statements continued

For the year ended 31 December 2015

12. Financial Instruments continued

12.4 Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities
- Level 2 — Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)
- Level 3 — Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

During the period there were no transfers between Level 2 and Level 3 categories.

Level 1:

The Group has no financial instruments classified as Level 1.

Level 2:

This category includes derivative financial instruments such as interest rate swaps, RPI swaps and currency forward contracts. As at 31 December 2015, the Group's only derivative financial instruments were currency forward contracts amounting to an asset of £1.7 million (2014: asset of £2.9 million).

Financial instruments classified as Level 2 have been valued using models whose inputs are observable in an active market (spot exchange rates, yield curves, interest rate curves). Valuations based on observable inputs include financial instruments such as swaps and forward contracts which are valued using market standard pricing techniques where all the inputs to the market standard pricing models are observable.

Level 3:

This category consists of investments in equity and loan instruments in underlying unconsolidated subsidiary entities which are classified at fair value through profit or loss. At 31 December 2015, the fair value of financial instruments classified within Level 3 totalled £1,201.1 million (2014: £1,032.9 million).

Financial instruments are classified within Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price.

Valuation process

Valuations are the responsibility of the Board of Directors. The valuation of unlisted equity and debt investments is performed on a quarterly[1] basis by the Investment Adviser and reviewed by the senior members of the Investment Adviser. The valuations are also subject to quality assurance procedures performed by the Investment Adviser. The Investment Adviser verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to relevant project financial models and market information. In addition, the accuracy of the computation is tested. The latest valuation is also compared with the valuations in the preceding semi-annual and annual reporting periods. The senior members of the Investment Adviser consider the appropriateness of the valuation methods and inputs. On a quarterly basis, after the checks above have been performed, the Investment Adviser presents the valuation results to the Audit and Risk Committee. This includes a discussion of the major assumptions used in the valuations, with an emphasis on the more significant investments. Any changes in valuation methods and assumptions are discussed and agreed with the Group's Audit and Risk Committee for recommendation to the Board.

In addition, any investment acquisitions by the Group from related parties are also subject to an independent valuation provided to the Board.

1 Indicative valuations performed at 31 March and 30 September where cash flows are updated for asset performance. Macroeconomic assumptions are updated at 30 June and 31 December.

12. Financial Instruments continued

12.4 Fair value hierarchy continued

Valuation methodology

The valuation methodologies used are primarily based on discounting the underlying investee entities' future projected net cash flows at appropriate discount rates. Valuations are also reviewed against recent market transactions for similar assets in comparable markets observed by the Group or Investment Adviser and adjusted where appropriate.

Projected net future cash flows

Cash flow forecasts for each underlying investment are generated through detailed project-specific financial models. Financial models forecast the project-related cash flows for the full term of the underlying service concession. The cash flows included in the forecasts used to determine fair value are typically fixed under contracts, however there are certain variable cash flows which are based on management estimation. These models also forecast the dividend, shareholder loan interest payments, capital repayments and senior debt repayments (where applicable) expected from the underlying investments. Key macroeconomic inputs and assumptions utilised in projecting the Group's net future cash flows include:

	UK	Europe Non-UK	North America	Australia
Inflation	2.75%	1% in 2016; 2% thereafter	2.00%	2.50%
Long-term tax	20.00%–18.00%	12.50%–33.99%	26.00%–27.00%	30.00%
Foreign exchange rates	N/A	1.28	1.49–2.02	2.13
Long-term deposit rates	3.00%	3.00%	3.00%	4.50%

Discount rate

The discount rate used for valuation of each investment is the aggregate of the following:

- Yield on government bonds with an average life equivalent to the weighted average concession length of the Group, issued by the national government for the location of the asset ('government bond yield')
- A premium to reflect the inherent greater risk in investing in infrastructure assets over government bonds
- A further premium to reflect the state of maturity of the asset with a larger premium applied to immature assets and/or assets in construction and/or to reflect any current asset specific or operational issues. Typically this risk premium will reduce over the life of any asset as an asset matures, its operating performance becomes more established, and the risks associated with its future cash flows decrease
- A further adjustment reflective of market-based transaction valuation evidence for similar assets

Over the period, the weighted average government bond decreased by 0.48%. This was offset by a 0.53% increase in the weighted average project premium to reflect the transactions observed in the market and the decrease in risk premia relating to construction assets nearing, or that have reached, completion. Further details are provided within the Strategic Report (page 21).

Valuation methodology	**31 December 2015**	31 December 2014	Movement
Weighted Average Government Bond Rate	**2.31%**	2.79%	(0.48%)
Weighted Average Project Premium	**5.22%**	4.69%	0.53%
Weighted Average Discount Rate	**7.53%**	7.48%	0.05%
Weighted Average Discount Rate[1]	**8.09%**	7.90%	0.19%

1 Weighted average discount rate on Risk Capital only (equity and subordinated debt).

Reconciliation of Level 3 fair value measurements of financial assets:	**£'000s**
Balance at 1 January 2015	**1,032,941**
Additional investments during the year	**143,077**
Net repayments during the year	**(14,695)**
Net change in fair value of investments at fair value through profit or loss	**39,784**
Balance at 31 December 2015	**1,201,107**

Notes to the Financial Statements continued

For the year ended 31 December 2015

12. Financial Instruments continued

12.5 Sensitivity analysis

The valuation requires management to make certain assumptions in relation to unobservable inputs to the model, the significant assumptions along with sensitivity analysis are provided below:

Significant assumptions	Weighted average rate applied in base case valuations	Sensitivity factor	Change in fair value of investment £'000s	Sensitivity factor	Change in fair value of investment £'000s
Discount rate	7.53%	+ 1.00%	(122,989)	– 1.00%	145,246
Inflation rate (overall)	2.57%	+ 1.00%	106,251	– 1.00%	(94,026)
UK	2.75%	+ 1.00%	64,013	– 1.00%	(55,802)
Europe	2.00%	+ 1.00%	30,134	– 1.00%	(25,105)
North America	2.00%	+ 1.00%	1,019	– 1.00%	(899)
Australia	2.50%	+ 1.00%	11,085	– 1.00%	(12,214)
FX rate	n/a	+ 10.00%	39,535	– 10.00%	(32,351)
Tax rate	21.64%	+ 1.00%	(7,502)	– 1.00%	7,528
Deposit rate	3.11%	+ 1.00%	13,706	– 1.00%	(13,035)

13. Investment Acquisitions

2015

Date of acquisition	Description	**Consideration £'000s**	% Ownership post acquisition
March–August 2015	The Group invested four batches of funding via the Aggregator Vehicle PLC into various PF2 schools procured under the UK government's Priority Schools Building Programme.	**36,316**	100%
17 April 2015	The Group made follow-on investments in four Lewisham Building Schools for the Future projects.	**14,286**	41–50%
30 June 2015	The Group made a follow-on investment for the remaining 19.9% stake in the Inspire Partnership Liverpool Library project.	**1,905**	100%
August–December 2015	The Group made its first three tranches of investment in the Thames Tideway Tunnel project.	**58,910**	15.99%
2 October 2015	The Group acquired a debt investment in the P3 US Military Housing sector.	**31,660**	–
Total capital spend on new acquisitions during the year		**143,077**	–

2014

Date of acquisition	Description	Consideration £'000s	% Ownership post acquisition
31 January 2014	The Group acquired an additional 48% interest in the Kent BSF education project	7,200	58%
15 January 2014	The Group acquired 10% of the share capital in Inspiredspaces Wolverhampton (Project Co 2) Ltd	453	10%
27 January 2014	The Group acquired a controlling interest in the new office building of the Federal German Ministry of Education and Research in Berlin (BMBF)	9,687	97%
27 June 2014	The Group acquired an additional 72% interest in BSF Nottingham phase 2	2,777	82%
4 November 2014	The Group acquired 100% of the equity in the Lincs offshore transmission project	168,111	100%
Total capital spend on new acquisitions during the year		188,228	

13. Investment Acquisitions continued

The BMBF interests were acquired by an unconsolidated subsidiary entity of the Group from an associate of the Investment Adviser on 27 January 2014.

14. Trade and Other Receivables

	31 December 2015 £'000s	31 December 2014 £'000s
Accrued interest receivable	17,363	13,045
Other debtors	5,736	6,484
Total trade and other receivables	**23,099**	19,529

Other debtors included £4.3 million (2014: £4.9 million) of receivables from unconsolidated subsidiary entities for surrender of Group tax losses.

15. Trade and Other Payables

	31 December 2015 £'000s	31 December 2014 £'000s
Accrued management fee	6,987	5,980
Other creditors and accruals	1,127	434
Total trade and other payables	**8,114**	6,414

16. Share Capital and Reserves

Share capital	31 December 2015 shares '000s	31 December 2014 shares '000s
In issue 1 January	836,159	760,642
Issued for cash	150,573	70,370
Issued as a scrip dividend alternative	3,902	5,147
In issue at 31 December – fully paid	**990,634**	836,159

	31 December 2015 £'000s	31 December 2014 £'000s
Opening balance	625,289	524,393
Issued for cash (excluding issue costs)	197,996	95,000
Issued as a scrip dividend alternative	5,211	6,688
Total share capital issued in the year	203,207	101,688
Costs on issue of Ordinary Shares	(3,134)	(792)
Balance at 31 December	**825,362**	625,289

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

On 9 June 2015, 1,846,353 new Ordinary fully paid shares were issued as a scrip dividend alternative in lieu of cash for the interim dividend in respect of the six months ended 31 December 2014.

On 9 September 2015, the Group raised an additional £18 million of equity through a tap issue of 13,430,202 Ordinary Shares at an issue price per share of 134.00p.

On 24 October 2015, 2,055,252 new Ordinary fully paid shares were issued as a scrip dividend alternative in lieu of cash for the interim dividend in respect of the six months ended 30 June 2015.

Notes to the Financial Statements continued

For the year ended 31 December 2015

16. Share Capital and Reserves continued

On 18 November 2015, the Group raised an additional £180 million of equity through its Placing and Offer for Subscription of 137,142,857 Ordinary Shares at an issue price per share of 131.25p.

Other distributable reserve	31 December 2015 £'000s	31 December 2014 £'000s
Opening balance	**182,481**	182,481
Movement in the year	**–**	–
Balance at 31 December	**182,481**	182,481

On 19 January 2007 the Company applied to the Royal Court of Guernsey, following the initial placing of shares, to reduce its share premium account. This was in order to provide a distributable reserve to enable the Company to repurchase its shares if and when the Board of Directors consider it beneficial to do so. Following court approval, the distributable reserve account was created.

Retained earnings	31 December 2015 £'000s	31 December 2014 £'000s
Opening balance	**254,298**	228,517
Net profit for the year	**81,859**	73,211
Dividends paid[1]	**(53,798)**	(47,430)
Closing balance	**282,359**	254,298

1 Includes scrip element of £5.2 million in 2015 (2014: £6.7 million).

Distributions

The Board is satisfied that, in every respect, the solvency test as required by the Companies (Guernsey) Law, 2008, was satisfied for the proposed dividend and the dividend paid in respect of the year ended 31 December 2015.

The Board has approved interim distributions as follows:

	Year ended 31 December 2015 £'000s	Year ended 31 December 2014 £'000s
Amounts recognised as distributions to equity holders for the year ended 31 December	**53,798[1]**	47,430
Declared		
Interim distribution for the period 1 January to 30 June 2015 was 3.225 pence per share (2014: 3.15 pence per share)	**27,459**	24,040
Interim distribution for the period 1 July to 31 December 2015 was 3.225 pence per share (2014: 3.15 pence per share[2])	**31,948**	26,339

1 Includes the 2014 interim distribution for the period 1 July to 31 December 2014.
2 The distribution for the period 1 July to 31 December 2015 was approved by the Board on 23 March 2016 and therefore has not been included as a liability in the balance sheet for the year ended 31 December 2015.

Capital risk management

The Group seeks to efficiently manage its financial resources to ensure that it is able to continue as a going concern while providing improved returns to shareholders through the management of the debt and equity balances. The capital structure consists of the Group's corporate facility and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. The Group aims to deliver its objective by investing available cash and using leverage whilst maintaining sufficient liquidity to meet ongoing expenses and dividend payments. The Group's Investment Policy is set out in the Strategic Report (pages 8 to 9).

The Group's Investment Adviser reviews the capital structure on a semi-annual basis. As part of this review, the Investment Adviser considers the cost of capital and the risks associated with each class of capital.

17. Net Assets per Share

	31 December 2015 £'000s	31 December 2014 £'000s
Net assets attributable to equity holders of the parent	**1,290,202**	1,062,068
	Number	Number
Number of shares		
Ordinary shares outstanding at the end of the year	**990,634,037**	836,159,373
Net assets per share (pence per share)	**130.2**	127.0

18. Related Party Transactions

During the period, Group companies entered into certain transactions with related parties that are not members of the Group but are related parties by reason of being in the same group as Amber Infrastructure Group Holdings Limited, which is the ultimate holding company of the Investment Adviser, Amber Fund Management Limited ('AFML').

Under the Investment Advisory Agreement ('IAA'), AFML was appointed to provide investment advisory services to the Group including advising the Group as to the strategic management of its portfolio of investments.

AFML is a subsidiary company of Amber Infrastructure Group Holdings Limited ('Amber Group'), in which Mr G Frost is a director and also a substantial shareholder.

Mr G Frost is also a director of International Public Partnerships Limited (the 'Company'); International Public Partnerships Lux 1 Sarl; (a wholly owned subsidiary of the Group); and the majority of other companies in which the Group indirectly has an investment. The transactions with the Amber Group are considered related party transactions under IAS 24 'Related Party Disclosures'.

The Director's fees of £42,000 (2014: £32,000) for Mr G Frost's directorship of the Company are paid to his employer, Amber Infrastructure Limited (a member of the Amber Group).

The amounts of the transactions in the year that were related party transactions are set out in the table below:

	Related party expense in the Income Statement		Amounts owing to related parties in the Balance Sheet	
	For the year ended 31 December 2015 £'000s	For the year ended 31 December 2014 £'000s	**At 31 December 2015 £'000s**	At 31 December 2014 £'000s
International Public Partnerships GP Limited	**13,470**	11,608	**6,987**	5,980
Amber Fund Management Limited[1]	**2,145**	2,818	**231**	–
Total	**15,615**	14,426	**7,218**	5,980

1 Represents amounts paid to related parties to acquire or make investments or advisory fees associated with investments which are subsequently recorded in the balance sheet.

Investment advisory arrangements

Investment advisory fees/profit share payable during the period are calculated as follows:

For existing construction assets:
– 1.2% per annum of gross asset value ('GAV') of investments bearing construction risk

For existing fully operational assets:
– 1.2% per annum of the GAV excluding uncommitted cash from capital raisings up to £750 million
– 1.0% per annum where GAV (excluding uncommitted cash from capital raisings) is between £750 million and £1.5 billion
– 0.9% per annum where GAV (excluding uncommitted cash from capital raisings) value exceeds £1.5 billion

Investment advisory fees in connection with new acquisitions are charged at a rate of 1.5% of the value of new acquisitions.

Notes to the Financial Statements continued

For the year ended 31 December 2015

18. Related Party Transactions continued

The IAA can be terminated where less than 95% of the Group's assets are available for use for certain periods and the Investment Adviser fails to implement a remediation plan agreed with the Group. The IAA may also be terminated by either party giving to the other five years' notice of termination, expiring at any time after ten years from the date of the IAA.

As at 31 December 2015, Amber Infrastructure held 8,002,379 (2014: 8,002,379) shares in the Company. The shares held by the Investment Adviser in the Company helps further strengthen the alignment of interests between the two parties.

Transactions with Directors

Shares acquired by Directors in the financial year ended 31 December 2015 are disclosed below:

Director	Number of New Ordinary Shares
John Whittle	11,942
Rupert Dorey (including spouse)	150,000
Claire Whittet	50,000
John Stares	75,000
Giles Frost	150,000
Total purchased	**436,942**

None of the Directors disposed of any shares during the year (2014: nil).

Remuneration paid to the Non-Executive Directors is disclosed on page 49.

19. Contingent Liabilities

As at 31 December 2015 the Group has committed investments supported by letters of credit amounting to £169 million which were notionally drawn on the Group's corporate debt facility.

There were no contingent liabilities at the date of this report.

20. Events after Balance Sheet Date

In February 2016, the Company reached financial close on its sixth UK offshore transmission project, Westermost Rough. The Company made a £26.8 million investment for 100% of the equity and subordinated debt.

21. Other Mandatory Disclosures

New standards that the Group has applied from 1 January 2015

Standards and amendments to standards that became effective during the period are listed below. These have no material impact on the reported performance or financial statements of the Group.

- Amendments to IAS 19: Defined Benefit Plans (effective date 1 February 2015)
- Annual improvements to IFRSs 2010-2012 cycle (effective date not later than 1 February 2015)
- Annual improvements to IFRSs 2011-2013 cycle (effective date 1 January 2015)

Standards issued but not yet effective

Standards issued and not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective. The Group does not currently anticipate the standards to have a significant impact on the Group's financial statements, however this will remain under consideration in light of interpretation notes as and when they are issued.

- IFRS 16 Leases (1 January 2019)
- IFRS 9 Financial Instruments (issued on 24 July 2014) (1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (1 January 2018)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of assets between an Investor and its Associate or Joint Venture (postponed)
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (1 January 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment entities: Applying the Consolidation Exception (1 January 2016)
- Annual improvements to IFRSs 2012-2014 cycle (1 January 2016)
- Amendments to IAS 1 Disclosure Initiative (1 January 2016)

21. Other Mandatory Disclosures continued

Standards issued but not yet effective continued

– Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (1 January 2017)
– Amendments to IAS 7: Disclosure Initiative (1 January 2017).

Unconsolidated subsidiaries

A list of the significant investments in unconsolidated subsidiaries, including the name, country of incorporation as at 31 December 2015 and proportion of ownership is shown below:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest %
Abingdon Limited Partnership	UK	100
Aggregator PLC	UK	100
Access Justice Durham Limited	Canada	100
AKS Betriebs GmbH & Co. KG	Germany	98
BBPP Alberta Schools Limited	Canada	100
BPSL No. 2 Limited Partnership	UK	100
Building Schools for the Future Investments LLP	UK	100
Calderdale Schools Partnership	UK	100
CHP Unit Trust	Australia	100
Derbyshire Courts Limited Partnership	UK	100
Derbyshire Schools	UK	100
Derbyshire Schools Phase Two Partnership	UK	100
H&W Courts Limited Partnership	UK	100
INPP Infrastructure Germany GmbH & Co. KG	Germany	100
Inspire Partnership Limited Partnership	UK	100
IPP CCC Limited Partnership	Ireland	100
Inspiredspaces Durham (Project Co 1) Limited	UK	91
Inspiredspaces Kent (Project Co 1) Limited	UK	58
Inspiredspaces Nottingham (Project Co 1) Limited	UK	82
Inspiredspaces Nottingham (Project Co 2) Limited	UK	82
Inspiredspaces STaG (Project Co 1) Limited	UK	90
Inspiredspaces STaG (Project Co 2) Limited	UK	90
Inspiredspaces Wolverhampton (Project Co 1) Limited	UK	82
IPP (Moray Schools) Holdings Limited	UK	100
Maesteg School Partnership	UK	100
Norfolk Limited Partnership	UK	100
Northampton Schools Limited Partnership	UK	100
Northern Diabolo N.V.	Belgium	100
Pinnacle Healthcare (OAHS) Trust	Australia	100
Plot B Partnership	UK	100
St Thomas More School Partnership	UK	100
PPP Solutions (Long Bay) Partnership	Australia	100
PPP Solutions (Showgrounds) Trust	Australia	100
Strathclyde Limited Partnership	UK	100
TH Schools Limited Partnership	UK	100
TC Robin Rigg OFTO Limited	UK	100
TC Barrow OFTO Limited	UK	100
TC Gunfleet Sands OFTO Limited	UK	100
TC Ormonde OFTO Limited	UK	100
TC Lincs OFTO Limited	UK	100

The entities listed above in aggregate represent 85.7% (2014: 85%) of investments at fair value through profit or loss. The remaining fair value is driven from joint ventures, associate interests and minority stakes held by the Group.

Notes to the Financial Statements continued
For the year ended 31 December 2015

21. Other Mandatory Disclosures continued
Consolidated subsidiaries

The principal subsidiary undertakings of the Company, all of which have been included in these consolidated financial statements, are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest %
International Public Partnerships Limited Partnership	UK	100
International Public Partnerships Lux 1 Sarl	Luxembourg	100
International Public Partnerships Lux 2 Sarl	Luxembourg	100
IPP Bond Limited	UK	100
IPP Investments Limited Partnership	UK	100

22. Investments
The Group holds 120 investments[1] across Accommodation, Custodial, Energy, Transport and Utilities sectors. The following table sets out the Group's investments that are recorded at fair value through profit or loss.

1 As at 31 December 2015, the Victoria Schools project was a committed investment backed by a letter of credit with equity investment due to be made on construction completion.

Project	Short description of investment	Start date	End date	No. of years	Construction value[1] 'millions
Abingdon – Thames Valley Police	Design, construction, financing and provision of facilities management services to a police facility including HQ, station and training base for Thames Valley Police Authority, UK	25 March 2000	09 March 2030	30	£6.90
Aggregator	Four investments through a funding vehicle to provide financing for the UK Priority Schools Building Programme (PSBP). As part of the programme, 46 schools under 5 PFI projects are being delivered using the PF2 private finance funding structure	10 March 2015	29 December 2041	26	£483.44
Alberta Schools	Design, construction, financing and provision of facilities management services for a new courthouse facility in Durham, Ontario, Canada	02 March 2007	30 November 2039	30	CAD490.00
Angel Trains	Angel Trains owns a mixture of passenger and freight trains, and leases them to train operating companies over a five to ten-year lease term in the UK	26 January 2005	31 December 2038	34	£699.00
Barnsley PFI SPV 1	Design, redevelopment, financing and provision of facilities management services to schools in Barnsley, UK	26 May 2011	26 April 2036	25	£105.87
Barnsley PFI SPV 2	Design, redevelopment, financing and provision of facilities management services to schools in Barnsley, UK	03 January 2012	31 December 2036	25	£58.54
Barnsley PFI SPV 3	Design, redevelopment, financing and provision of facilities management services to schools in Barnsley, UK	03 September 2012	02 September 2036	25	£141.72
Barking & Dagenham PFI SPV 1	Design, redevelopment, financing and provision of facilities management services to schools in Barking and Dagenham, UK	01 April 2012	19 March 2037	25	£30.68
BeNEX	BeNEX invests in companies holding rail and bus operating concessions as well as rolling stock for its operating subsidiaries in Germany	01 December 2000	01 December 2031	31[2]	€360.10

1 Represents the full construction/capex value of the underlying projects.
2 Benex acts as a holding company for a portfolio of rail and bus concessions. The start and end dates above represent the earliest and latest dates of operation of the portfolio of concessions.

Project	Short description of investment	Start date	End date	No. of years	Construction value[1] 'millions
Birmingham PFI SPV 1	Design, redevelopment, financing and provision of facilities management services to schools in Birmingham, UK	05 January 2011	30 September 2036	25	£56.58
Blackburn PFI SPV 1	Design, redevelopment, financing and provision of facilities management services to schools in Blackburn, UK	01 September 2011	31 August 2036	25	£28.85
Blackburn PFI SPV 2	Design, redevelopment, financing and provision of facilities management services to schools in Blackburn, UK	20 August 2012	19 August 2037	25	£47.04
BMBF	Design, construction, financing and provision of facilities management services to the Headquarters of the German Federal Ministry of Education and Research in Berlin, Germany	31 July 2014	31 July 2041	27	€96.00
Bootle	Design, construction, financing and provision of facilities management services to fully serviced accommodation in Bootle for the occupation of HM Revenue & Customs, UK	17 July 2000	16 July 2025	25	£4.10
Bradford PFI SPV 1	Design, redevelopment, financing and provision of facilities management services to schools in Bradford, UK	19 August 2006	18 August 2033	27	£90.73
Bradford PFI SPV 2	Design, redevelopment, financing and provision of facilities management services to schools in Bradford, UK	01 January 2011	14 March 2036	25	£181.55
Brescia Hospital	Refurbish, extend and provide facilities management services to the Brescia Hospital Campus, Italy	01 December 2002	07 November 2021	19	€24.00
Bristol PFI SPV 1	Design, redevelopment, financing and provision of facilities management services to schools in Bristol, UK	31 December 2008	30 September 2034	26	£47.79
Calderdale	Design, construction, financing and provision of facilities management services to five schools in Calderdale, UK	31 August 2004	17 March 2030	26	£44.60
Cambridgeshire PFI SPV 1	Design, redevelopment, financing and provision of facilities management services to schools in Cambridgeshire, UK	29 October 2012	03 January 2037	25	£36.90
Derby City PFI SPV 1	Design, redevelopment, financing and provision of facilities management services to schools in Derby, UK	01 September 2012	31 August 2037	25	£38.17
Derby Courts	Design, construction, financing and provision of facilities management services to two courthouses in Derbyshire, UK	04 June 2003	02 September 2028	25	£21.30
Derby Schools	Design, construction, financing and provision of facilities management services to two secondary schools in Derbyshire, UK	28 March 2003	28 March 2029	26	£25.30
Derby Schools 2	Design, build, finance and provision of facilities management services to two secondary schools in Derbyshire, UK	13 February 2006	12 February 2032	26	£28.30
Derbyshire PFI SPV 1	Design, redevelopment, financing and provision of facilities management services to schools in Derbyshire, UK	01 June 2011	31 October 2035	23	£38.52
Diabolo (T2 & T3 & T5)	Design, construction, financing and subsequent operation of a rail link, Belgium	02 October 2007	30 June 2047	40	£285.00

1 Represents the full construction/capex value of the underlying projects.

Notes to the Financial Statements continued

For the year ended 31 December 2015

Project	Short description of investment	Start date	End date	No. of years	Construction value[1] 'millions
Dublin Courts	Design, construction, financing and subsequent provision of facilities management services to a courthouse in Dublin, Ireland	18 April 2007	30 June 2035	28	£105.00
Durham Courts	Design, construction, financing and provision of facilities management services for a new courthouse facility in Durham, Ontario, Canada	02 March 2007	30 November 2039	32	CAD98.00
Durham PFI SPV 1	Design, redevelopment, financing and provision of facilities management services to Durham County, UK	14 August 2009	03 January 2036	27	£42.10
Essex PFI SPV 1	Design, redevelopment, financing and provision of facilities management services to schools in Essex, UK	01 October 2011	31 December 2036	25	£75.55
Essex PFI SPV 2	Design, redevelopment, financing and provision of facilities management services to schools in Essex, UK	01 April 2014	31 December 2036	23	£29.11
Gold Coast Light Rail	Design, construction, financing, operation and provision of facilities management services to a light rail public transportation system in Queensland, Australia	05 May 2011	31 May 2029	18	AUD578.00
Hereford & Worcester	Design, construction, financing and subsequent operation of four courthouses in Hereford & Worcester, UK	03 March 2003	05 March 2025	22	£23.50
Islington PFI SPV 1	Design, redevelopment, financing and provision of facilities management services to schools in Islington, UK	22 December 2009	31 August 2034	25	£42.36
Islington PFI SPV 2	Design, redevelopment, financing and provision of facilities management services to schools in Islington, UK	05 November 2012	31 December 2037	25	£30.95
Kent PFI SPV 1	Design, redevelopment, financing and provision of facilities management services to Kent, UK	30 September 2010	30 September 2037	27	£82.00
Lancashire PFI SPV 1	Design, redevelopment, financing and provision of facilities management services to schools in Lancashire, UK	31 December 2006	31 August 2033	27	£71.05
Lancashire PFI SPV 2	Design, redevelopment, financing and provision of facilities management services to schools in Lancashire, UK	31 December 2007	31 August 2034	27	£39.21
Lancashire PFI SPV 2A	Design, redevelopment, financing and provision of facilities management services to schools in Lancashire, UK	31 July 2008	31 March 2035	27	£55.05
Lancashire PFI SPV 3	Design, redevelopment, financing and provision of facilities management services to schools in Lancashire, UK	30 June 2009	31 August 2035	26	£36.79
Lewisham PFI SPV 1	Design, redevelopment, financing and provision of facilities management services to schools in Lewisham, UK	01 January 2009	31 December 2034	26	£67.91
Lewisham PFI SPV 2	Design, redevelopment, financing and provision of facilities management services to schools in Lewisham, UK	01 January 2011	31 August 2037	27	£24.10
Lewisham PFI SPV 3	Design, redevelopment, financing and provision of facilities management services to schools in Lewisham, UK	01 October 2012	31 August 2037	25	£33.65

1 Represents the full construction/capex value of the underlying projects.

Project	Short description of investment	Start date	End date	No. of years	Construction value[1] 'millions
Lewisham PFI SPV 4	Design, redevelopment, financing and provision of facilities management services to schools in Lewisham, UK	01 October 2012	31 March 2038	26	£64.60
LIFT – Bexley, Bromley, Greenwich 1	Design, construction, financing and subsequent operation of the redevelopment of LIFT hospital project, UK	26 January 2005	30 December 2033	29	£34.95
LIFT – Bexley, Bromley, Greenwich 2	Design, construction, financing and subsequent operation of the redevelopment of LIFT hospital project, UK	31 August 2005	10 December 2031	26	£3.23
LIFT – BBG Lakeside	Design, construction, financing and subsequent operation of the redevelopment of LIFT hospital project, UK	19 May 2006	30 June 2031	25	£6.98
LIFT – BHH Mt Vernon	Design, construction, financing and subsequent operation of the redevelopment of LIFT hospital project, UK	15 December 2006	30 June 2032	26	£16.87
LIFT – BHH Sudbury	Design, construction, financing and subsequent operation of the redevelopment of LIFT hospital project, UK	05 May 2006	30 June 2031	25	£7.59
LIFT – Brent, Harrow, Hillingdon	Design, construction, financing and subsequent operation of the redevelopment of 2 LIFT hospital projects, UK	22 December 2004	29 June 2031	27	£11.90
LIFT – Bristol Fishponds & Hampton House	Design, construction, financing and subsequent operation of the redevelopment of 2 LIFT hospital projects, UK	31 May 2004	31 March 2031	27	£11.43
LIFT – Bristol Shirehampton & Whitchurch	Design, construction, financing and subsequent operation of the redevelopment of 2 LIFT hospital projects, UK	30 November 2005	31 March 2032	26	£8.00
LIFT – Dudley Brierly Hill	Design, construction, financing and subsequent operation of the redevelopment of LIFT hospital project, UK	15 June 2007	31 March 2031	24	£32.94
LIFT – Dudley Ridge Hill & Stourbridge	Design, construction, financing and subsequent operation of the redevelopment of 2 LIFT hospital projects, UK	31 May 2004	30 June 2034	30	£13.82
LIFT – ELLAS	Design, construction, financing and subsequent operation of the redevelopment of 4 LIFT hospital projects, UK	29 May 2003	31 March 2032	29	£39.56
LIFT – ELLAS 2	Design, construction, financing and subsequent operation of the redevelopment of 3 LIFT hospital projects, UK	16 December 2005	30 September 2034	29	£34.99
LIFT – ELLAS 3	Design, construction, financing and subsequent operation of the redevelopment of LIFT hospital project, UK	10 September 2010	07 May 2037	27	£5.61
LIFT – ELLAS 4	Design, construction, financing and subsequent operation of the redevelopment of 2 LIFT hospital projects, UK	12 February 2010	03 October 2036	27	£8.19
LIFT – Goscote	Design, construction, financing and subsequent operation of the redevelopment of LIFT hospital project, UK	06 October 2009	30 November 2035	26	£5.43
LIFT – Harrow NRC	Design, construction, financing and subsequent operation of the redevelopment of 3 LIFT hospital projects, UK	26 March 2008	23 June 2034	26	£7.76
LIFT – Oxford Dunnock Way & East Oxford	Design, construction, financing and subsequent operation of the redevelopment of 2 LIFT hospital projects, UK	30 November 2004	30 September 2031	27	£16.95

1 Represents the full construction/capex value of the underlying projects.

Notes to the Financial Statements continued
For the year ended 31 December 2015

Project	Short description of investment	Start date	End date	No. of years	Construction value[1] 'millions
LIFT – South Bristol Community Hospital	Design, construction, financing and subsequent operation of the redevelopment of LIFT hospital project, UK	12 February 2010	13 February 2042	32	£43.79
LIFT – Wolverhampton & Walsall	Design, construction, financing and subsequent operation of the redevelopment of 2 LIFT hospital projects, UK	29 October 2004	08 April 2031	26	£12.38
Liverpool Library	Design, construction, financing and provision of facilities management services for the Central Library and Archive facility in Liverpool, UK	19 July 2010	07 November 2037	27	£40.80
Long Bay	Design, construction, financing and subsequent operation of a prison and a forensic hospital in Sydney, Australia	01 August 2006	31 May 2034	28	AUD147.00
Luton PFI SPV 1	Design, redevelopment, financing and provision of facilities management services to schools in Luton, UK	01 January 2011	31 December 2035	25	£28.46
Maesteg	Design, construction, financing and provision of facilities management services for new build schools in Maesteg, UK	29 July 2008	30 September 2033	25	£17.60
Moray Schools	Design, construction, financing and provision of facilities management services to two schools (Elgin Academy and Keith Primary School) under a 30-year non-profit distribution PPP concession agreement with The Moray Council, UK	26 February 2012	26 February 2042	30	£35.00
Newham PFI SPV 1	Design, redevelopment, financing and provision of facilities management services to schools in Newham, UK	01 January 2011	06 August 2035	25	£59.44
Norfolk	Design, construction, financing and subsequent provision of facilities management services for serviced accommodation for a new HQ and ancillary facilities to the Norfolk Police Authority, UK	17 December 2001	16 December 2036	35	£22.50
Northampton Schools	Design, construction (being a mixture of new build and refurbishment), financing and provision of facilities management services in respect of 30 existing schools and 11 new build schools in Northamptonshire, UK	31 December 2005	31 December 2037	32	£191.30
North Wales Police Authority	Design, construction, financing and subsequent supply of facilities management services to the North Wales Police HQ, UK	01 March 2004	08 December 2028	24	£13.20
Nottingham PFI SPV 1	Design, redevelopment, financing and provision of facilities management services to schools in Nottingham, UK	13 June 2008	31 August 2034	26	£35.30
Nottingham PFI SPV 2	Design, redevelopment, financing and provision of facilities management services to schools in Nottingham, UK	01 January 2013	30 September 2038	26	£20.47
NSW Schools	Design, construction, financing, operation, and maintenance of 10 new schools for the NSW Department of Education and Training (DET), Australia	01 March 2006	31 December 2035	29	AUD124.30
OFTO – Robin Rigg	Finance, operate and maintain onshore substations, onshore and under-sea cables connecting the mainland electricity grid network to offshore wind-farms, UK	02 March 2011	02 March 2031	20	£65.00

1 Represents the full construction/capex value of the underlying projects.

Project	Short description of investment	Start date	End date	No. of years	Construction value[1] 'millions
OFTO – Gunfleet Sands	Finance, operate and maintain onshore/offshore substations, onshore and under-sea cables connecting the mainland electricity grid network to offshore wind-farm, UK	19 July 2011	19 July 2031	20	£49.00
OFTO – Barrow	Finance, operate and maintain onshore/offshore substations, onshore and under-sea cables connecting the mainland electricity grid network to offshore wind-farm, UK	27 September 2011	27 March 2030	19	£33.50
OFTO – Ormonde	Finance, operate and maintain onshore/offshore substations, onshore and under-sea cables connecting the mainland electricity grid network to offshore wind-farm, UK	10 July 2012	09 July 2032	20	£103.90
OFTO – Lincs	Finance, operate and maintain onshore substations, onshore and under-sea cables connecting the mainland electricity grid network to offshore wind-farm, UK	11 July 2014	10 July 2034	20	£307.70
Orange Hospital	Design, construction, financing and provision of facilities management services to the Orange Hospital, Australia	21 December 2007	21 December 2035	28	AUD170.00
Pforzheim Schools	Construction, financing and provision of facilities management services in respect to two new secondary schools buildings and outside facilities in the City of Pforzheim, Germany	11 September 2009	11 September 2039	30	£47.10
Reliance Rail	Finance, design, manufacture and maintain 78 eight-car, air-conditioned suburban electric trains, plus two spare carriages with Sydney Trains, Australia	31 December 2006	29 February 2044	38	AUD2,081.00
Royal Children's Hospital	Design, construction, financing and provision of facilities management services to the Royal Children's Hospital, Australia	20 December 2007	31 December 2036	29	AUD1,400.00
Salford PFI SPV 1	Design, redevelopment, financing and provision of facilities management services to schools in Salford, UK	11 September 2011	31 August 2036	25	£64.17
Salford PFI SPV 2	Design, redevelopment, financing and provision of facilities management services to schools in Salford, UK	01 April 2012	01 September 2038	26	£81.17
Showgrounds	Design, construction, financing and subsequent operation of the redevelopment of Melbourne showgrounds, Australia	01 July 2005	01 August 2031	26	AUD103.00
Somerset PFI SPV 1	Design, redevelopment, financing and provision of facilities management services to schools in Somerset, UK	01 November 2012	29 October 2037	25	£48.90
Southwark PFI SPV 1	Design, redevelopment, financing and provision of facilities management services to schools in Southwark, UK	10 January 2011	09 January 2036	24	£20.30
Southwark PFI SPV 2	Design, redevelopment, financing and provision of facilities management services to schools in Southwark, UK	01 September 2014	31 December 2036	22	£39.57
STaG PFI SPV 1	Design, redevelopment, financing and provision of facilities management services to schools in South Tyneside & Gateshead County, UK	21 December 2009	04 September 2036	27	£21.40

1 Represents the full construction/capex value of the underlying projects.

Notes to the Financial Statements continued

For the year ended 31 December 2015

Project	Short description of investment	Start date	End date	No. of years	Construction value[1] 'millions
STaG PFI SPV 2	Design, redevelopment, financing and provision of facilities management services to schools in South Tyneside & Gateshead County, UK	21 December 2009	04 September 2036	27	£28.00
Strathclyde	Design, construction, financing and provision of facilities management services to the Strathclyde Police Training Centre, UK	17 October 2001	16 October 2026	25	£18.90
St Thomas More School	Design, construction, financing and provision of facilities management services to St Thomas More School, UK	28 March 2003	28 March 2028	25	£12.90
Tameside PFI SPV 1	Design, redevelopment, financing and provision of facilities management services to schools in Tameside, UK	01 January 2009	30 August 2036	27	£46.00
Tameside PFI SPV 2	Design, redevelopment, financing and provision of facilities management services to schools in Tameside, UK	01 April 2010	31 August 2037	27	£75.00
Thames Tideway Tunnel	Licence to finance the construction and facilities management of a sewerage tunnel underneath the River Thames, London, UK	01 August 2015	31 March 2147	132	£4,200.00
Tower Hamlets Schools	Design, construction (mix of new build and refurbishment) and provision of facilities management services in respect of 25 schools in Tower Hamlets, UK	28 June 2002	27 August 2027	25	£74.10
US Military Housing	Investment of finance into a pool of 7 projects procured through the Military Housing Privatisation Initiative, US	02 October 2015	25 October 2052	37	USD1,818.10
Victoria Schools 2 – Learning Communities Victoria[2]	Design, construction, financing, operation and maintenance of 15 new public schools in the developing suburbs around Melbourne, Australia	29 October 2015	31 December 2042	27	AUD321.06
Waltham Forest PFI SPV 1	Design, redevelopment, financing and provision of facilities management services to Waltham Forest, UK	31 August 2008	31 August 2033	25	£21.90
Wolverhampton PFI SPV 1	Design, redevelopment, financing and provision of facilities management services to Wolverhampton, UK	30 April 2010	04 September 2037	27	£43.50
Wolverhampton PFI SPV 2	Design, redevelopment, financing and provision of facilities management services to Wolverhampton, UK	01 September 2015	31 August 2040	25	£44.00

1 Represents the full construction/capex value of the underlying projects.
2 As at 31 December 2015, the Victoria School project was a committed investment backed by a letter of credit with equity investment due to be made on construction completion.

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