INTERNATIONAL
PUBLIC
PARTNERSHIPS

Annual Report and
Financial Statements

2016

COMPANY FACTS

- *London Stock Exchange trading code: INPP.L*
- *Member of the FTSE 250 and FTSE All-Share indices*
- *£1,735 million market capitalisation at 31 December 2016*
- *1,127 million shares in issue at 31 December 2016*
- *Eligible for ISA/PEPs and SIPPs*
- *The Company's shares are excluded from the Financial Conduct Authority's ('FCA') restrictions, which apply to non-mainstream investment products, and can be recommended by independent financial advisers to their clients*

WWW.INTERNATIONALPUBLICPARTNERSHIPS.COM

International Public Partnerships Limited
Registered number: 45241

Cover image:
Criminal Courts of Justice, Dublin, Ireland
Inside front cover image:
Wellington Primary School, London, U.K.

HIGHLIGHTS

We aim to provide our investors with sustainable, long-term and inflation-linked returns. We do this through growing dividends and by creating the potential for capital appreciation. Our approach is supported by robust investment cash flows.

DIVIDENDS

6.65p

2016 full-year distribution[1] per share

6.82p

2017 full-year distribution target[2] per share

7.00p

2018 full-year distribution target[2] per share

2.5%

Average annual dividend increase[2]

1.2x

Cash dividend covered[3]

NET ASSET VALUE ('NAV')

£1.6bn

NAV Directors valuation at 31 December 2016[4] (2015: £1.3bn)

142.2p

NAV per share at 31 December 2016[4] (2015: 130.2p)

24.3%

Increase in NAV

9.2%

Increase in NAV per share

PORTFOLIO ACTIVITY

£489.3m

Investment or commitment during 2016

TOTAL SHAREHOLDER RETURN ('TSR')

148.5%

TSR since inception[5]

9.4%

Compound annual growth in TSR since inception[5]

PROFIT

£175.3m

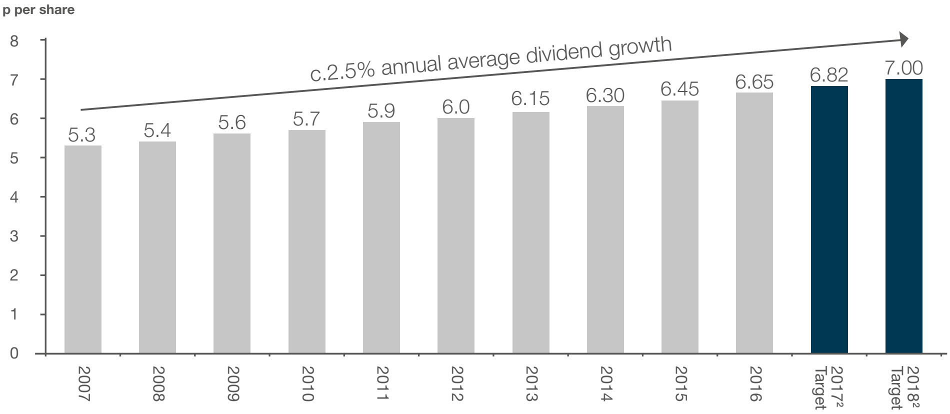
Profit before tax (2015: £79.9m)

1 The forecast date for payment of the dividend relating to the half year ending 31 December 2016 is 7 June 2017.
2 Future profit projection and dividends cannot be guaranteed. Projections are based on current estimates and may vary in future.
3 Cash dividend payments to investors are paid from net operating cash flow (after taking into account financing costs).
4 The methodology used to determine investment fair value is incorporated within the NAV as described in detail on pages 23 to 29.
5 Since inception November 2006. Source: Bloomberg. Share price plus dividends assumed to be reinvested.

COMPANY OVERVIEW

TRACK RECORD OF STABLE AND GROWING RETURNS TO INVESTORS

INPP Dividend Payments



Compound annual growth rate in TSR of 9.4% p.a.[1]

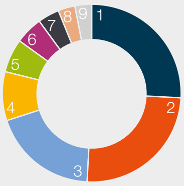
Over a decade INPP has grown from £300m market capitalisation to £1.74bn (December 2016)

Dividend growth has averaged 2.5% since inception[2]

High degree of inflation linkage

A WELL DIVERSIFIED PORTFOLIO

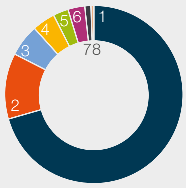
Sector Breakdown



1 Energy Transmission	**26%**
2 Education	**25%**
3 Transport	**19%**
4 Waste Water	**9%**
5 Health	**6%**
6 Courts	**5%**
7 Military Housing	**4%**
8 Police Authority	**3%**
9 Other	**3%**

126 investments in infrastructure projects across a variety of sectors

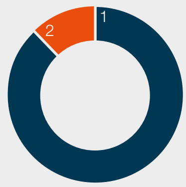
Geographic Split



1 UK	**71%**
2 Belgium	**12%**
3 Australia	**6%**
4 US	**4%**
5 Germany	**3%**
6 Canada	**3%**
7 Ireland	**1%**
8 Italy	**<1%**

Invested in selected global regions that meet INPP's specific risk and return requirements

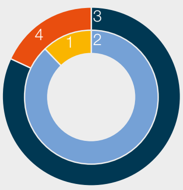
Investment Type



1 Investments with third party senior debt	**87%**
2 Investments with no third party senior debt[4]	**13%**

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

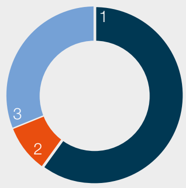
Mode of Acquisition/Asset Status



1 Construction	**12%**
2 Operational	**88%**
3 Early Stage Investor[5]	**82%**
4 Later Stage Investor[6]	**18%**

Early stage investment gives first mover advantage and maximises primary capital growth opportunities

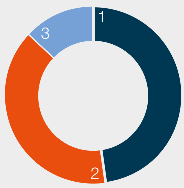
Project Ownership



1 100%	**60%**
2 50%–100%	**9%**
3 <50%	**31%**

Preference to hold majority stakes

Investment Life



1 <20 years	**48%**
2 20–30 years	**39%**
3 >30 years	**13%**

Weighted average portfolio life of 31 years[7]

1 Since inception November 2006. Source: Bloomberg. Share price plus dividends assumed to be reinvested.
2 Future dividends cannot be guaranteed. Projections based on current estimates and may vary in the future.
3 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.
4 Investments where the Company holds both the Risk Capital and the senior debt or the senior debt has been repaid.
5 Early stage investor – asset developed or originated by the Investment Adviser or predecessor team in the primary market as a new investment opportunity.

International Public Partnerships invests in high-quality, predictable, long-duration infrastructure projects.

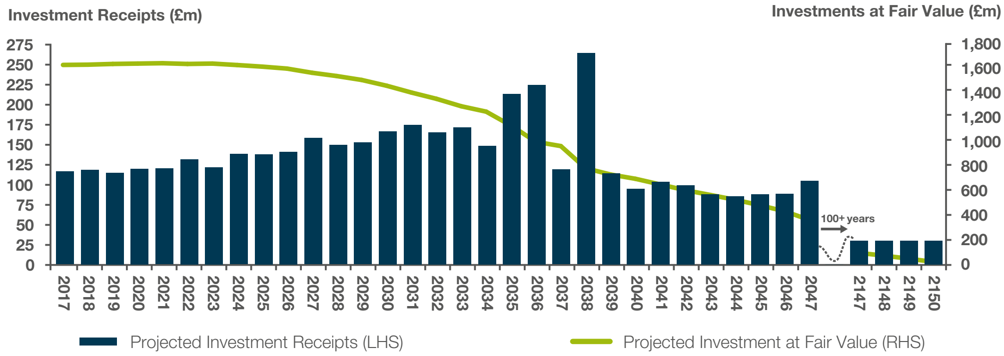
Long-dated, contractual, predictable cash flows

Regulated revenues or government-backed counterparties

Investments focused on high-quality, OECD countries

PREDICTABLE, SECURE, LONG-TERM CASH FLOWS

INPP Projected Cash Flow Profile[3]



Note: This chart is not intended to provide any future profit forecast. Cash flows shown are projections based on the current individual asset financial models and may vary in the future. Only investments committed as at 31 December 2016 included.

INTERNATIONAL PUBLIC PARTNERSHIPS WITH AMBER INFRASTRUCTURE – A STRONG PARTNERSHIP

- Experienced independent Board and strong corporate governance
- INPP's Investment Adviser, Amber Infrastructure, is a leading originator, asset and fund manager
- Amber has one of the largest independent teams in the sector with over 90 employees working internationally with INPP's assets
- We have a long-standing relationship – Amber has managed INPP's assets since its inception in 2006
- Amber has a strong track record of originating and developing opportunities for new investment
- Amber's active management approach to underlying asset investments supports sustainable performance

Relationship with the Investment Adviser and its Group

See more on page 08

See more on page 20

6 Later stage investor – asset acquired from a third party investor in the secondary market.
7 Includes non-concession entities which have potentially a perpetual life but assumed to have finite lives for this illustration.

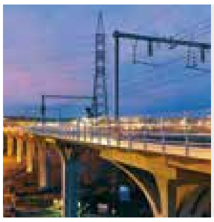
TOP 10 INVESTMENTS

INPP's top ten investments by fair value at 31 December 2016 are summarised below.

A complete listing of the Group's investments is in note 21 of the financial statements, with further information available on the Company's website (www.internationalpublicpartnerships.com).

LINCS OFFSHORE TRANSMISSION

Location	**Lincolnshire, United Kingdom**
Sector	**Energy Transmission**
Status at 31 December 2016	**Operational**
% Holding at 31 December 2016	**100% Risk Capital[1]**
% Investment Fair Value 31 December 2016	**11.7%**
% Investment Fair Value 31 December 2015	**14.1%**



DIABOLO RAIL LINK[2]

Location	**Brussels, Belgium**
Sector	**Transport**
Status at 31 December 2016	**Operational**
% Holding at 31 December 2016	**100% Risk Capital[1]**
% Investment Fair Value 31 December 2016	**11.5%**
% Investment Fair Value 31 December 2015	**11.4%**

THAMES TIDEWAY TUNNEL[2]

Location	**London, United Kingdom**
Sector	**Waste Water**
Status at 31 December 2016	**Under Construction**
% Holding at 31 December 2016	**16% Risk Capital[1]**
% Investment Fair Value 31 December 2016	**9.1%**
% Investment Fair Value 31 December 2015	**4.9%**

ORMONDE OFFSHORE TRANSMISSION

Location	**Cumbria, United Kingdom**
Sector	**Energy Transmission**
Status at 31 December 2016	**Operational**
% Holding at 31 December 2016	**100% Risk Capital[1] and 100% senior debt**
% Investment Fair Value 31 December 2016	**8.9%**
% Investment Fair Value 31 December 2015	**11.0%**

ANGEL TRAINS[2]

Location	**Various, United Kingdom**
Sector	**Transport**
Status at 31 December 2016	**Operational**
% Holding at 31 December 2016	**5% Risk Capital[1]**
% Investment Fair Value 31 December 2016	**4.5%**
% Investment Fair Value 31 December 2015	**4.9%**

U.S. MILITARY HOUSING[2,3]

Location	**Various, United States**
Sector	**Military Housing**
Status at 31 December 2016	**Operational**
% Holding at 31 December 2016	**100% Risk Capital[1]**
% Investment Fair Value 31 December 2016	**4.0%**
% Investment Fair Value 31 December 2015	**2.7%**

ROYAL CHILDREN'S HOSPITAL[2]

Location	**Victoria, Australia**
Sector	**Health**
Status at 31 December 2016	**Operational**
% Holding at 31 December 2016	**100% Risk Capital[1]**
% Investment Fair Value 31 December 2016	**2.8%**
% Investment Fair Value 31 December 2015	**3.4%**

BeNEX RAIL[2]

Location	**Various, Germany**
Sector	**Transport**
Status at 31 December 2016	**Operational**
% Holding at 31 December 2016	**49% Risk Capital[1]**
% Investment Fair Value 31 December 2016	**2.5%**
% Investment Fair Value 31 December 2015	**2.9%**

NORTHAMPTON SCHOOLS

Location	**Northamptonshire, United Kingdom**
Sector	**Education**
Status at 31 December 2016	**Operational**
% Holding at 31 December 2016	**100% Risk Capital[1]**
% Investment Fair Value 31 December 2016	**2.1%**
% Investment Fair Value 31 December 2015	**2.7%**

HEREFORD & WORCESTER COURTS

Location	**Worcestershire, United Kingdom**
Sector	**Courts**
Status at 31 December 2016	**Operational**
% Holding at 31 December 2016	**100% Risk Capital[1] and 100% senior debt**
% Investment Fair Value 31 December 2016	**2.0%**
% Investment Fair Value 31 December 2015	**2.7%**

Significant movements in the Group's portfolio for the year ended 31 December 2016 can be found on page 14 of the Strategic Report.

1 Risk Capital includes both project level equity and subordinated shareholder debt.
2 These projects contain revenues that 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.
3 Includes two tranches of investment into U.S. military housing.

CHAIRMAN'S LETTER

Dear Shareholders,
I am pleased to report that 2016 represented International Public Partnerships' ('INPP', 'the Company') tenth anniversary of listing.

Over the past decade, we have generated a Total Shareholder Return of 148.5%. This is equivalent to an average annual return of 9.4% and ahead of our long-term target of 8%–9% returns[1]. We are positive about the Company's ability to continue to deliver predictable, inflation-linked returns in the future.

Despite operating in an environment of increased political uncertainty, the combination of strong and sustained portfolio performance, growth in capital deployed into complementary assets, and robust investor demand for the stock, has resulted in an increase of INPP's market capitalisation to over £1.7 billion at the end of 2016, up from £1.4 billion at the end of the previous year.

The infrastructure investment market remains buoyant, driven by increasing numbers of investors seeking access to long-duration, low-volatility, robust-yielding assets with inflation protection and low correlation to the broader market. In 2016, we made and committed record levels of investment into global infrastructure projects and are pursuing a healthy pipeline of new opportunities.

GROWTH IN INVESTOR RETURNS

Every year for the past ten years, we have achieved annual growth in dividend distributions, broadly in line with longer-term inflation expectations at an average rate of approximately 2.5%. The past year has been no exception; we achieved our targeted dividend of 6.65 pence, representing a 3.1% growth over 2015 (6.45 pence).

The Board is pleased to reaffirm its minimum dividend target for 2017 of 6.82 pence per share and guidance of 7.00 pence per share for 2018. We have good forward visibility of investment cash flows and, given the predictable nature of the Company's investments, we are confident of our longer-term prospects to pay out a dividend linked to long-term average inflation. By providing two-year forward guidance, we hope to provide shareholders with additional visibility[2].

INVESTMENT ACTIVITY

Over 2016, INPP made and committed to seven new and eleven follow-on investments across the regulated utility, education, electricity transmission and transport infrastructure sectors, totalling £209.9 million of investment and £280 million of commitments.

Our ability to access high-quality infrastructure investments is testament to the combined expertise of INPP and that of our Investment Adviser, Amber Fund Management Limited ('Amber').

The largest commitment in 2016 was an agreement to invest up to £275 million, as part of a consortium of leading international investors, to acquire a share of a 61% stake in National Grid's gas distribution network ('GDN'). This investment highlights INPP's and Amber's strong industry relationships and expertise and will augment INPP's high-quality, long-duration, inflation-linked returns.

We expect more regulated assets to come to the market and, as a well-established investor in this space, INPP is well positioned to capitalise on future opportunities.

Through leveraging our status as a significant owner of education investments, we acquired interests in an additional ten U.K. schools projects from Balfour Beatty, the construction firm, for £72.3 million in 2016. This investment was secured on a bilateral basis through INPP's pre-emptive rights position – gained in 2011 when we acquired the U.K. Government's stake in such schemes, avoiding a competitive auction process.

One of INPP's most significant projects is the unique £4.2 billion Thames Tideway Tunnel project ('Tideway'). It will deliver a 25-kilometre 'super-sewer' under the River Thames in London and it provides predictable, inflation-linked returns. I am delighted that this project continues to progress through construction on plan, due for completion in 2023, and our £129.1 million investment to date (including £70.2 million invested during 2016) continues to provide positive cash flow yield.

1 Since inception. Source: Bloomberg. Share price plus dividends assumed to be reinvested.
2 Future dividends cannot be guaranteed. Projections are based on current estimates and may vary in the future.

CHAIRMAN'S LETTER
CONTINUED

CAPITAL RAISING AND CORPORATE CREDIT FACILITY

INPP has strong financial support for its investment strategy, using capital sourced from a combination of internally-generated cash resources, its corporate debt facility and proceeds from new share issuances. To support portfolio growth, we conducted capital raisings in July 2016 and December 2016, securing £125 million and £75 million respectively. Both placements were concluded at narrow discounts to the market price, and were supported by existing and new investors.

We have increased our corporate credit facility to £400 million, to support the strong pipeline of new potential investment opportunities in regulated and other public infrastructure. Our three-year credit facility provides INPP with the flexibility to invest in appropriate opportunities and acts as an efficient bridging facility between capital raisings (rather than serving as long-term, structural leverage).

PORTFOLIO PERFORMANCE

As well as new asset acquisitions, we continue to focus on achieving consistently-strong performance from our existing portfolio. The Board believes that an active asset management approach, together with the proven ability of Amber, the Investment Adviser to originate and structure new opportunities, is fundamental to INPP's long-term success.

We ensure major activities such as construction schemes or project variations are tracking to schedule and budget and 'everyday' aspects of our projects are monitored, as well as ensuring we maintain strong relationships with partners and clients.

The value of this approach is demonstrated by INPP's strong growth in Net Asset Value ('NAV'), which increased 24.3% to £1,603.7 million, or 9.2% to 142.2 pence on a NAV per share basis in 2016.

> *"As well as new asset acquisitions, we continue to focus on achieving consistently strong performance from our existing portfolio."*

BREXIT

The INPP Board has closely monitored the market and political reactions following the U.K.'s referendum on its membership of the European Union ('EU') on 23 June 2016. While the decision to leave the EU has led to uncertainty and associated market-related volatility, the full impact of Brexit is extremely difficult to forecast.

However, we believe that the Company's existing investments are unlikely to be significantly impacted in the long-term as: 1) counterparties to the concessions in which we invest will continue to use and require our assets; 2) there are no 'Brexit-specific' clauses that would lead to the cessation of our concession agreements; and, 3) as a Guernsey-domiciled Company, we are not subject to significant uncertainty surrounding changes to EU regulation as in the main such rules have not been applicable.

There is still much that is unknown about the process and implications of Brexit and we will continue to monitor the effects on INPP as the terms of the Brexit negotiations emerge. In the context of the uncertainty created by Brexit, we believe that demand will stay high for assets in which INPP invests, with stable, inflation-linked distributions.

BASE EROSION AND PROFIT SHIFTING ('BEPS')

During the year, the Company continued to monitor proposals by national governments to implement the OECD-led initiative aimed at tackling base erosion and profit shifting ('BEPS').

In the U.K., the Company and its Investment Adviser have been particularly active in responding to Her Majesty's Treasury and Her Majesty's Revenue and Customs, to consultations and to draft legislation with regard to BEPS Action Point 4, related to restricting the tax deductibility of corporate interest. Legislation on this subject was published in March 2017 as part of the Finance (No. 2) Bill 2016–17 and, subject to receiving Royal Assent expected later this year, is due to become effective as of 1 April 2017.

We are pleased to report that this legislation addressed a significant proportion of the concerns the Company had with initial consultations. Whilst, given the number of elective options and other features of the legislation, the Company and its Investment Adviser continue to work through the full implications, at this stage it is not expected that these rules will have a significant impact on portfolio valuation.

CORPORATE GOVERNANCE

INPP continues to comply with the Association of Investment Companies Code of Corporate Governance and the U.K. Corporate Governance Code as set out on page 46.

The Board values good corporate governance and this is reflected throughout the business. As part of its ongoing review of control risks, the Board recently commissioned an external review of the Company's security protocols and controls in respect of cyber-security. This review did not identify any material defect in our controls; however, we continue to monitor proposed improvements to further improve robustness in this area.

During the year, the Board also decided to procure an external review of the process for monitoring and reporting of asset availability, as this is an important metric for public sector clients. We expect to report the findings from this review in the half-year financial report.

As part of INPP's risk management process, the strength of the Company's underlying cash flows were reaffirmed through its viability risk assessment, first introduced a year ago. Full details of this assessment can be found in the Risk Management section of this report. In addition to these above points, further information on INPP's corporate governance developments over the year can be found in the Corporate Governance section of this report.

OUTLOOK

The market outlook is positive. Infrastructure ranks highly on many government agendas; this asset class is a key economic driver to growth and delivering positive social benefits. The global scale of the capital investment ambition of governments is significant and we anticipate this will generate more investment opportunities.

Political uncertainty and consequential economic risk present potential market-wide challenges, which need to be analysed and assessed as and when they materialise. The nature of INPP's investment portfolio and the active approach we have adopted to asset management both provide a firm foundation from which to react to any emerging risks.

INPP remains focused on delivering completion of its investments into Tideway and National Grid GDN, while continuing to develop and appraise potential investment opportunities that meet its risk-return profile. Amber continues to track and develop opportunities at various stages of development in regulated utilities (including offshore transmission), health, judicial, other accommodation and transport projects.

All opportunities are appraised on a case-by-case basis and pursued in a disciplined way. This ensures that INPP's strong platform, carefully developed over the past ten years, continues to be enhanced.

More information and a detailed pipeline of opportunities is set out in the Current Market Environment and Future Opportunities section.

Rupert Dorey
Chairman
29 March 2017

BUSINESS MODEL

DELIVERING INVESTOR RETURNS

OUR OBJECTIVES

INTERNATIONAL PUBLIC PARTNERSHIPS

International Public Partnerships ('INPP') invests in high-quality, predictable, long-duration public infrastructure projects internationally

We aim to provide our investors with sustainable long-term returns through growing dividends, with the potential for capital appreciation

This is supported by a robust investment cash flow with inflation linkage

Through the active management of our existing asset portfolio, new investments and the prudent use of gearing, we target an internal rate of return ('IRR') equal to or greater than 8% per annum[1]

See more on investment policy on page 43

OUR STRENGTHS

APPROACH

- Long-term alignment of interests between INPP, Amber and other key suppliers
- A vertically-integrated model with a direct link to our public sector customers
- One of the largest independent teams of over 90 people, experts in all aspects of infrastructure development, investment and management
- Ability to access the 'primary market' with enhanced returns
- Geographic presence in every country in which we invest, providing local insight and relationships
- 'Hands-on' approach to asset management – the breadth and depth of our experience makes us a specialist among asset managers

STRONG RELATIONSHIPS

Public Sector Client

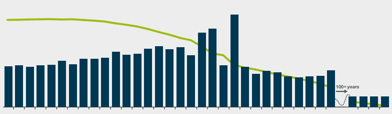
Construction Contractor

Debt Providers

Facilities Management Contractor

Consortium Partners

STABLE PROJECTED CASH FLOW[2]



See more on page 25

OUR OPERATING MODEL

INTERNATIONAL PUBLIC PARTNERSHIPS LIMITED
Strong independent Board leadership and governance

VALUE-FOCUSED PORTFOLIO DEVELOPMENT

We seek new investments that:
- enhance secure, long-term cash flow
- provide opportunities for capital appreciation
- exhibit low risk relative to returns

IDENTIFY
The insights, knowledge and relationship of Amber's local teams are used to identify attractive new investments.

We also monitor opportunities to grow the existing portfolio.

ASSESS
We seek investments with low risks relative to returns, acknowledging financial, macroeconomic, regulatory and country risks.

ACCESS
Amber's strong origination team develops unique primary asset investment opportunities for the portfolio.

APPROVAL
A rigorous framework includes substantive input from Amber and external advisers, with INPP Boards providing final approval.

OPTIMISE RETURNS
We seek to balance risk and return, using detailed research and analysis to optimise returns from each investment.

EFFECTIVE FINANCIAL MANAGEMENT

EFFECTIVE RISK MANAGEMENT

1 On the Initial Public Offer issue price of 100 pence per ordinary share.
2 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 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.
3 See page 28 for information relating to the Company's use of sensitivity analysis.
4 See pages 23 to 29 for the methodology used to determine NAV.
5 Future profit projection and dividends cannot be guaranteed. Projections are based on current estimates and may vary in future.
6 Source: Bloomberg. Share price plus dividends assumed to be reinvested.
7 Asset under management represents INPP's proportional ownership of each project's Total Development Value at inception.

- Governance
- Strategy settings
- Investment decisions
- Risk management

ACTIVE ASSET MANAGEMENT

We actively manage investments to:
- deliver target returns
- enhance prospects for growth
- maintain client satisfaction

ENTITY MANAGEMENT
Where possible, we manage the day-to-day activities of each of our projects to ensure we have line of sight over project cash flows.

DRIVE GROWTH
We actively work with our public sector clients to ensure projects are managed in the most efficient manner – optimising investor returns.

MONITOR PERFORMANCE
Extensive monitoring includes board and management meetings, reviewing data and following industry trends, and obtaining formal and informal feedback through Amber.

REPORT
We robustly measure and report our performance to key stakeholders to inform and feed back into our decision-making process and operating model.

- Ensuring cash covered dividends
- Hedging against short-term foreign exchange rate movements
- Managing investment capital flows

- Managing risks throughout the investment cycle
- Robust risk assessment and mitigation process

OUR VALUE CREATION

INVESTOR RETURNS

We focus on the following Key Performance Indicators to track the value we provide to shareholders:
- Growing dividends to shareholders
- Total Shareholder Returns
- Net Asset Value and Net Asset Value per share

6.65p
2016 dividends per share
(2015: 6.45p)

0.78%
Real returns
Portfolio inflation linkage[3]

142.2p
NAV per share[4]
(2015: 130.2p)

2.5%
Average dividend growth since IPO[5]

9.4%
Compound annual growth in TSR[6] since inception

£175.3m
Profit before tax
(2015: £79.9m)

BROADER VALUE CREATION

Our investments enable the development and ongoing operation of valuable infrastructure for the public and end users

£7.1bn
Assets under management[7]

1050mw
Energy transported

126
Number of investments

>98%
Asset availability

335
Schools and other public building sites

27.7km
Rail/Tram networks

PERFORMANCE AGAINST STRATEGIC PRIORITIES

STRATEGIC PRIORITIES	DESCRIPTION
VALUE-FOCUSED PORTFOLIO DEVELOPMENT	
INVEST IN ASSETS THAT ENHANCE PORTFOLIO RETURNS RELATIVE TO RISK AND MAINTAIN A WELL-BALANCED INVESTMENT PORTFOLIO	– Make new primary/early stage investments that enhance prospects for future value growth
	– Make additional acquisitions off-market or through preferential access (e.g. sourced through pre-emption rights or via Amber/Hunt)
	– Manage portfolio composition with complementary investments, in line with the Company's Investment Policy and enhancing at least one of the following aspects: • Blend of risk to return • Inflation linkage • Cash flow profile • Capital attributes (such as construction risk and residual value growth potential)
ACTIVE ASSET MANAGEMENT	
ACTIVE AND EFFECTIVE MANAGEMENT OF ASSETS	– Focus on delivery of target returns from existing investments – Maintain high levels of public sector client satisfaction and asset performance – Deliver additional value from existing assets through management of construction risk and delivery of operational improvements to meet client requirements – Enhance prospects for capital growth by investing in construction phase assets where available
EFFECTIVE FINANCIAL MANAGEMENT	
EFFECTIVE MANAGEMENT OF COMPANY'S FINANCES	– Provide efficient management of cash holdings and debt facilities available for investment and appropriate hedging policies – Efficient management of INPP's overall finances, with the intention to reduce ongoing charges where possible – Manage portfolio in a cost-efficient manner

INPP's strategy covers three interlinked areas of focus. This three-pronged approach helps us to manage our assets and finances throughout the investment cycle and also to identify new opportunities that meet our investment objectives. We link Key Performance Indicators to these Strategic Priorities and review our performance against these KPIs twice a year. We also assess the risks relating to each KPI (as identified in the Risk Management section of this Report).

KEY PERFORMANCE INDICATORS	PERFORMANCE IN 2016
– Value of new early stage investments	– Early stage investments of £31.9 million into Westermost Rough offshore transmission project and Priority Schools Building Aggregator Programme – Batch 5
– Value of additional investments acquired off market or through preferred access	– Acquisitions totalling £81.1 million secured through pre-emption rights – Acquisition of investments into U.S. sourced through strong relationship with Hunt
– Improvement of risk/return, inflation linkage and diversification of cash flows, including geographical diversification	– Investments in Australia and U.S. adding to geographical diversification – All assets acquired exhibited robust cash flow profiles – Further investment into TTT and OFTOs complemented the capital attributes of the portfolio
– Proportion of investments in construction	– Most investments in 2016 are forecast to generate inflation-linked cash flows. Overall portfolio inflation linkage increased from 0.76% to 0.78% for every 1% increase in the assumed inflation rate
– Availability for all controlled investments at 98% or above – returns from investments in line with expectations – Performance deductions below 3% for all projects – Number of change requests from existing contracts – Management of investments during the course of construction projects in line with overall delivery timetable – Number of investments in construction	– Availability for investments at 98% or greater – Performance reductions below 3% for all projects – Over 680 change requests undertaken – Majority of construction projects managed on time and to budget. Costs of small project delays absorbed by construction partners
– Dividends paid to investors covered by operating cash flow – New investments made from available cash (after payment of dividend) ahead of using corporate debt – Competitive cash deposit rates – Use of appropriate hedging strategies – Management of ongoing charges	– Dividends paid to investors 1.2 times covered by net operating cash flow – All investments in 2016 funded through excess cash in priority to the corporate debt facility – Market tested cash deposit rates and reset where possible – £39.7 million of foreign exchange forward contracts in place to mitigate short-term foreign exchange cash flow volatility – Ongoing charges 1.13%

CASE STUDY

OFFSHORE TRANSMISSION

INPP was one of the first investors into offshore transmission assets ('OFTOs') in the U.K., where investment is made into the cables and substations that link offshore wind farms to the national electricity grid. It is now a leading investor in procuring, owning and operating OFTOs, a core infrastructure sector in the U.K. with an attractive risk/return profile.

DIFFERENTIATION OF THE OPERATING MODEL

INPP, through its Investment Adviser, Amber, takes an active investor role to deliver best value for its shareholders.

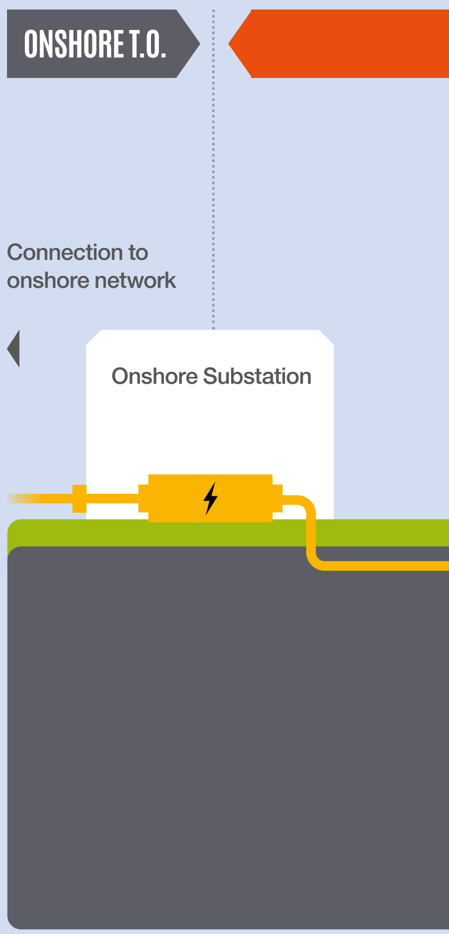
Amber employs more than 90 staff to support INPP (and its investment portfolio entities) with project origination, financial and asset management services. This operating model contrasts with that of other market participants, which often use investment advisers with smaller teams, and outsource asset management activities.

Amber also identifies, develops and originates investment opportunities that meet INPP's risk/return profile, and puts these forward for initial consideration and, where appropriate, investment approval.

Under the terms of the Investment Advisory Agreement with Amber, INPP has the right of 'first look' at investments that are being realised by Amber. This includes certain opportunities being identified by Hunt Companies (a U.S.-based group and 50% shareholder in Amber). INPP's access to these 'primary' opportunities (alongside access to 'secondary' opportunities) broadens the base for new investments.

Certain market opportunities take years to gestate; Amber researches and tracks particular investment opportunities from conception, through to development and consultation stages, long in advance of an investment formally coming to market. This 'developer' approach gives INPP significant early-mover advantages. At 31 December 2016, 82% of projects by value were acquired by INPP as an early stage investor.

Amber's ability in forming partnerships with like-minded investors, both domestic and international, enables INPP to participate in large-scale infrastructure projects such as Tideway and National Grid GDN.



> *Recently, INPP was shortlisted for the Burbo Bank Extension OFTO project, which is targeting completion at the end of 2017*

INPP – AN EARLY STAGE INVESTOR INTO OFFSHORE TRANSMISSION

Two years ahead of the official launch of the OFTO programme by Ofgem, the electricity and gas regulator, Amber created a targeted team to track the sector; this included a strategic technical partner, Transmission Investment LLP, former colleagues and ex-National Grid employees. This team helped to design the structure of the OFTO investment regime in consultation with Ofgem and industry experts.

INPP was the first investor to close an OFTO project in 2011 and has since invested in six OFTO projects. INPP holds a number of other 'firsts' in the offshore transmission sector: the first to deploy an innovative capital structure; the first to access rating agencies with an OFTO; the first to access the private institutional debt market.

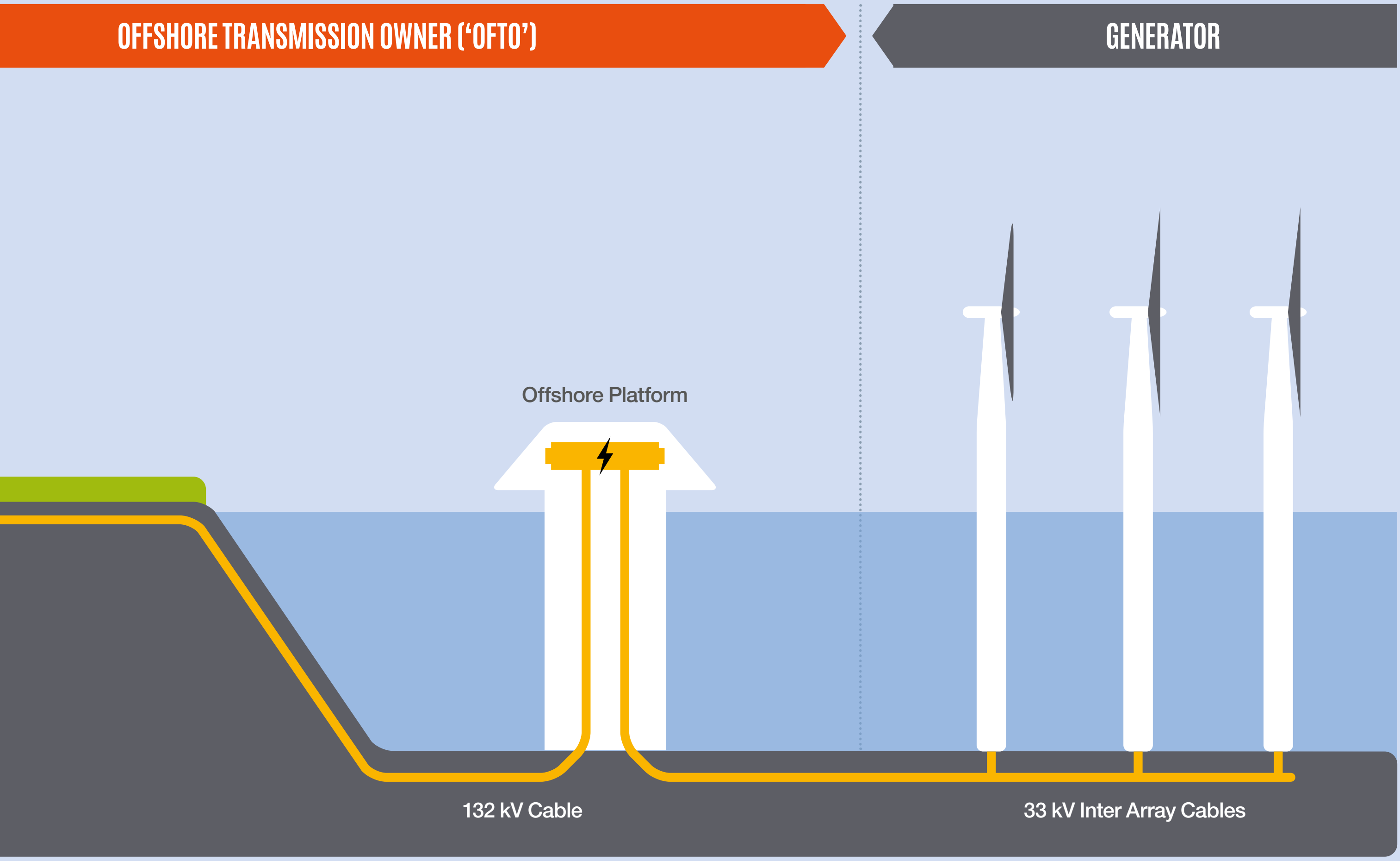
Key OFTO investment features include:

- A 20-year revenue term, with the potential for extension after this initial period
- Revenues with protected downside (potential deductions capped at 10% of base revenue in any year), and fully linked to U.K. RPI
- An availability-based revenue stream with no exposure (either revenue or penalties) to wind farm performance or credit
- Revenues contracted by National Grid Electricity Transmission plc ('NGET'), a subsidiary of National Grid, in its statutory, ring-fenced role as national electricity systems operator (quasi-government revenue risk)
- A robust financial structure with no refinancing risk

OFTOs now represent 26% of INPP's portfolio. Recently, INPP was shortlisted for the Burbo Bank Extension OFTO project, which is targeting completion at the end of 2017, and it has successfully pre-qualified for the next three projects, also to be tendered during 2017.

From its first-mover advantage and in-depth knowledge of the OFTO sector, INPP has created significant value for its investors.

More information can be found in the Business Model section.



OPERATING REVIEW

VALUE-FOCUSED PORTFOLIO DEVELOPMENT

New investments that meet the Company's Investment Policy are made after assessing their risk and return profile relative to the existing portfolio. In particular, we seek investments to complement the existing portfolio through enhancing long-term, predictable cash flows and/or to provide the opportunity for higher capital growth.

Desirable key attributes include:

1. **Long-term, stable returns**
2. **Inflation-linked investor cash flows**
3. **Primary/early stage investor (e.g. the Company is an early stage investor in a new asset developed by Amber)**
4. **Preferential access (e.g. sourced through pre-emptive rights or directly from Amber/Hunt)**
5. **Enhanced capital attributes (e.g. potential for additional capital growth through construction "de-risking" or the potential for residual/terminal value growth)**

During the year to 31 December 2016, INPP invested a record £209.9 million and made commitments of £279.4 million across 18 projects. The majority of these projects were sourced by Amber, the Investment Adviser, either from the start of the project (i.e. primary/early stage developments in response to an initial government procurement process); through increasing its interest in existing assets; or as part of a larger consortium, building on the Company's experience and credibility to participate in multi-billion pound regulated infrastructure transactions.

These three procurement approaches are INPP's preferred route to market; and avoid bidding in the competitive secondary PPP market.

Details of investments made during 2016 are provided below.

INVESTMENTS MADE DURING 12 MONTHS TO 31 DECEMBER 2016

		KEY ATTRIBUTES							
	LOCATION	1	2	3	4	5	OPERATIONAL STATUS	INVESTMENT/ COMMITMENT	INVESTMENT/ COMMITMENT DATE
Westermost Rough OFTO	U.K.	✓	✓	✓		✓	Operational	£26.8 million	4 February 2016
Thames Tideway Tunnel	U.K.	✓	✓	✓		✓	Under construction	£70.2 million	Various
Priority School Building Aggregator Programme – Batch 5	U.K.	✓		✓			Under construction	£5.1 million	26 April 2016
Wolverhampton Building Schools for the Future	U.K.	✓	✓		✓		Operational	£7.1 million	29 June 2016
Halton Place Building Schools for the Future	U.K.	✓	✓		✓		Operational	£2.2 million	July – September 2016
Building Schools for the Future Portfolio	U.K.	✓	✓		✓		Operational	£72.3 million	22 August 2016
U.S. Military Housing	U.S.	✓			✓		Operational	£24.6 million[1]	28 September 2016
Gold Coast Light Rail – Phase 1	Australia	✓	✓		✓		Operational	£1.6 million[1]	22 December 2016
								£209.9 million	

INVESTMENT COMMITMENTS MADE DURING THE 12 MONTHS TO 31 DECEMBER 2016

		KEY ATTRIBUTES							
	LOCATION	1	2	3	4	5	OPERATIONAL STATUS	INVESTMENT/ COMMITMENT	INVESTMENT/ COMMITMENT DATE
Gold Coast Light Rail – Phase 2	Australia	✓	✓		✓	✓	Phase 2 – Under construction	£4.4 million[1]	28 April 2016, 22 December 2016
National Grid Gas Distribution Network[2]	U.K.	✓	✓			✓	Operational	Up to £275 million	8 December 2016
								£279.4 million	

1 GBP translated value of investment.
2 Acquisition expected to reach financial close in early 2017.

See more on the Company's pipeline investments on page 19

WESTERMOST ROUGH OFFSHORE TRANSMISSION PROJECT ('OFTO')

In February 2016, Transmission Capital Partners (a consortium with INPP, Amber Infrastructure and Transmission Investment), reached financial close for the long-term licence and operation of its sixth U.K. offshore transmission project, Westermost Rough OFTO. Westermost Rough OFTO connects a wind farm containing 35 turbines, generating 6mw, located 8km off the coast of Yorkshire to the onshore grid network, providing enough electricity to power around 150,000 U.K. homes. INPP made a £26.8 million investment for 100% of the equity and subordinated debt of the OFTO. The asset is fully operational and is expected to provide investment returns over its 20-year concession life and potential for additional capital value with the Company retaining the residual interest in the assets.

TIDEWAY PROJECT UPDATE

The Tideway investment relates to the design, build and operation of a 25-kilometre 'super-sewer' under the River Thames in London. The Company is part of a consortium committed to investing £4.2 billion in developing this asset regulated by Ofwat. The project is currently under construction.

During the year, Tideway made good progress against the project's indicative construction timetable, including the development of a new pier at Blackfriars Bridge, which will allow hard construction works to begin at the site of the former Millennium Pier. Over 2016, the Company invested £70.2 million into the Tideway project, leaving £78.2 million committed to be invested by early 2018 (currently supported by a letter of credit).

PRIORITY SCHOOLS BUILDING PROGRAMME 'AGGREGATOR'

The Priority Schools Building Programme ('PSBP') is a U.K. Government initiative to develop new schools under the ('PF2') Private Finance 2 framework. These projects use an innovative financing model based upon an 'Aggregator' funding vehicle which can warehouse loans and thereby aggregate total financing requirements across all five schools' batches. The Aggregator is financed by a consortium including the Company, with Aviva Investors and the European Investment Bank providing senior debt. During 2016, the Company invested £5.1 million into the fifth and final batch of schools being delivered through PSBP.

ADDITIONAL INVESTMENT IN BUILDING SCHOOLS FOR THE FUTURE ('BSF') PROJECTS

Building Schools for the Future is a U.K. Government programme for the redevelopment of all secondary schools in the U.K., financed using a combination of design and build contracts and private finance initiative arrangements. The programme for new developments was cancelled in July 2010. Since August 2011, INPP has been increasing its minority stakes in the majority of these projects. During 2016, the Company continued to build on its BSF expertise with three education infrastructure transactions.

In June, INPP acquired an additional 72% investment in the Wolverhampton BSF concession, increasing its 10% investment in the project to 82%. It has invested £7.1 million into two secondary schools, Heath Park Academy in the Fallings Park area and St. Matthias School in the Wardle area of Wolverhampton. Both schools are a mixture of new build and refurbished pre-existing buildings. INPP has also purchased a 45% share of the subordinated debt and equity cash flows of HTP Grange Limited, a BSF project in Halton, Cheshire for £2.2 million.

In August 2016, INPP invested £72.3 million to acquire investment interests in ten U.K. schools projects. The investment opportunity was secured through pre-emption rights that INPP gained as part of its ownership of Building Schools for the Future Investments ('BSFI'), acquired from the Department of Education and Partnerships U.K. in August 2011.

ADDITIONAL INVESTMENT IN U.S. MILITARY HOUSING

INPP's U.S. military housing interests are underpinned by junior ranking security over seven operational private-public-partnership ('PPP') military housing projects. These projects encompass 19 operational military bases in the U.S., with approximately 21,800 individual housing units.

In September 2016, the Company invested a further US$32.0 million (£24.6 million) in the U.S. military housing sector. The investment is in the form of interest-bearing subordinated debt and is secured on the same underlying military housing assets as those purchased in October 2015, but with higher ranking priority. The 36-year debt matures in 2052. The investment provides the Company with further exposure to one of the U.S. infrastructure market's most established sectors.

ADDITIONAL INVESTMENT IN GOLD COAST LIGHT RAIL PROJECT

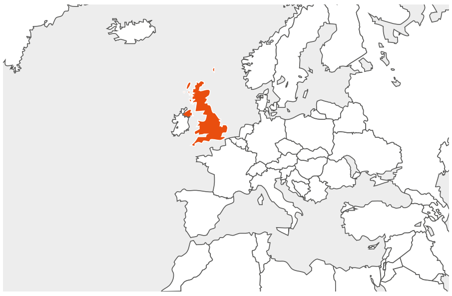
In April 2016, the Company committed to invest AUD$7 million (£3.8 million) into a 7.3km extension to the Gold Coast Light Rail PPP concession project in Queensland, Australia. The commitment is supported by a letter of credit provided by the Company.

In December 2016, INPP acquired a further 3.33% interest in the Gold Coast Light Rail project from Aveng Group. The follow-on investment arose from shareholder rights to acquire proportionate shares from fellow consortium members disposing of their interests. The acquisition increased the Company's total investment in the Gold Coast Light Rail project to 30% (previously 26.67%).

NATIONAL GRID GAS DISTRIBUTION NETWORK

The Company has agreed to acquire a 61% interest in the National Grid GDN as part of a consortium (see page 5). This investment strengthens the Company's performance in originating regulated assets with long-term, sustainable, inflation-linked revenues. INPP expects to invest up to £275 million, with the remaining risk capital funded by consortium partners (leading U.K. and international institutional investors).

CURRENT MARKET ENVIRONMENT AND FUTURE OPPORTUNITIES



UNITED KINGDOM

The U.K. remains committed to the development of infrastructure as a key component of its economic policy. Prime Minister May has positioned infrastructure as an integral component of her 'Productivity' agenda – viewing investment in the sector as a key driver of economic and social growth.

The U.K. Government's new £23 billion National Productivity Investment Fund will focus on housing, transportation and digital infrastructure. Its broader planning programme also positions energy, water and waste as key areas for the U.K.'s economic infrastructure development. It anticipates overall investment of £500 billion, with £300 billion committed into projects by 2020/21, with more than half of this funded by the private sector (National Infrastructure and Construction Pipeline, Autumn 2016).

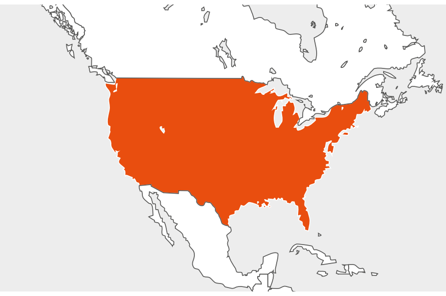
The U.K. Government is also committed to supporting private sector infrastructure development through stimulating demand through a number of approaches. It is continuing the U.K. Guarantees Scheme to assist in development and risk sharing of larger public infrastructure projects. In 2017, it is developing a new pipeline of projects structured as traditional PFI/PPP procurements (similar to those in which the Company has historically participated), through the Private Finance 2 ('PF2') initiative. We anticipate a variety of projects in which we could invest, with similar risk/return dynamics to its existing portfolio.

We are particularly interested in the U.K. Government's willingness to use the regulated asset model for infrastructure procurement, where investors receive a permitted and pre-specified return on capital invested as determined by the relevant regulator.

This methodology is used in the Thames Tideway Tunnel transaction and the water regulator, Ofwat, provides regulatory oversight. The regulated model could be used to procure other core infrastructure assets, which INPP and Amber are well placed to pursue.

INPP has analysed the attractive characteristics of offshore transmission ('OFTO'). These projects are some of the most attractive in the infrastructure sector, providing long-term income without demand risk. There is no exposure to volume of electricity generated by the wind farm. INPP is bidding for additional OFTO investments, although the positive sector dynamics have attracted new entrants, and bidding for new projects is expected to become more competitive.

INPP's experience in the energy sector and understanding of Ofgem's requirements positioned us well for the National Grid GDN transaction, and we expect similar high-quality and regulated projects will become available in the future.



NORTH AMERICA

The American Society of Civil Engineers ('ASCE') estimated in 2017 that the United States needed to spend, by 2025, US$4.6 trillion to ensure that infrastructure in the United States is brought to a good state of repair. To maintain the existing condition of infrastructure, ASCE estimated that an additional US$2.1 trillion was required beyond the funding that is currently in place. With such significant levels of investment required, there is a great deal of optimism and an emerging bipartisan commitment to foster a considerable pipeline of projects in the United States for many years.

A cornerstone of Donald Trump's campaign for U.S. Presidency was his 'America's Infrastructure First' policy, supporting investment into transportation, clean water, energy, telecommunications, security and other core domestic infrastructure. President Trump's Infrastructure Plan outlines a ten-year programme to direct $1 trillion of investment into major infrastructure projects[1]. A list of 50 'Emergency and National Security Priority' infrastructure projects has also been identified.

This Infrastructure Plan represents a departure from the typical infrastructure financing mechanism in the U.S. Historically, the country's infrastructure has been financed through state and local governments using a mix of their own revenues, federal aid and tax-exempt municipal bond proceeds. This new Plan places particular emphasis on the use of public-private partnerships as the primary funding and delivery mechanism. This reliance on public-private partnerships is motivated by a belief that construction costs tend to be higher and take longer when governments build projects, instead of the private sector.

The ability for the private sector to participate in more U.S. infrastructure projects provides INPP with many opportunities. It is well positioned to capitalise on these developments through its relationship with Hunt (described in more detail on page 12), where it has 'right of first look' over investment opportunities in the U.S. originated or sold by Hunt, which meet the Company's investment criteria.

Canada has a track record of investment into infrastructure. It is a highly-developed market and attractive to private investors. INPP has an ongoing presence in the country through two operational projects. In the 2016 Budget, the Canadian government announced that it would make immediate investment of C$11.9 billion in public transit, green infrastructure and social infrastructure. The 2016 Fall Economic Statement proposed an additional C$81 billion through to 2027–28 in public transit, green and social infrastructure, transportation infrastructure to support trade, and rural and northern communities. Taking into account existing infrastructure programs and these new initiatives, the Canadian government expects that investment of around C$180 billion will be made.

1 https://www.donaldjtrump.com/policies/an-americas-infrastructure-first-plan

CURRENT MARKET ENVIRONMENT AND FUTURE OPPORTUNITIES
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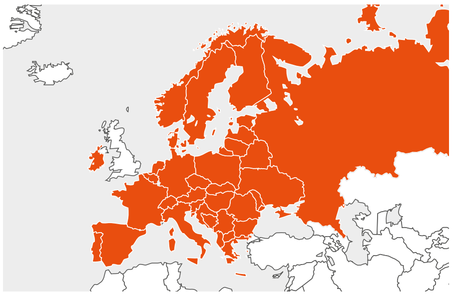
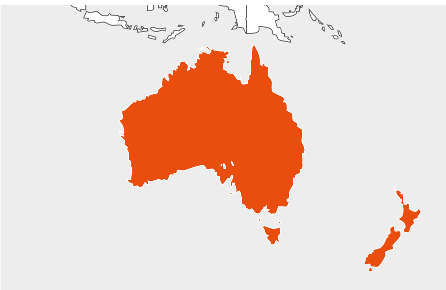


EUROPE
EXCLUDING UNITED KINGDOM

Demand for the PPP asset class remains strong, with steady volumes of transactions in the European market. In the first half of 2016, the European PPP Expertise Centre reported 49 PPP transactions had reached financial close in the European market (including the U.K.), totalling investment of €15.6 billion, with 40 transactions representing €7.8 billion of investment. While the U.K. is the largest market in Europe by value and number of transactions, Germany, France and the Netherlands continue to see substantial deal flow.

In Europe (excluding the U.K.), INPP is focusing on stable and well-structured Northern European economies including Belgium, the Netherlands, Germany, Austria, Ireland and parts of Scandinavia. These jurisdictions offer new primary market infrastructure opportunities across a range of sectors, including accommodation and transportation. Benelux, Germany and Norway are particularly attractive investment opportunities, given INPP's expertise and relationships with likely partners in those markets. Moreover, existing investments in central Europe allow for attractive and partly exclusive secondary opportunities, providing a source of growth to strengthen investments in those markets.

Future success will depend on securing opportunities through bid processes in primary and secondary markets, while ensuring that every opportunity fits within the Company's risk and reward parameters.



AUSTRALIA AND NEW ZEALAND

Australia has a history of private sector organisations providing and financing public sector infrastructure. It has a well-developed market for infrastructure investment and debt finance, with an active pool of domestic and overseas investors and banks.

Over the medium to long term, much of Australia's infrastructure development will be undertaken within the strategic and policy framework of Infrastructure Australia's 'Australian Infrastructure Plan' (February 2016). This Plan envisages a range of reforms to promote more efficient infrastructure markets and investments, and has received substantial support from Australia's Federal Government, which has accepted 69 out of 78 of the Plan's recommendations.

Infrastructure Australia has also published an Infrastructure Priority List, identifying key infrastructure projects. Many are large-scale (multi-billion A$) transport projects, responding to population growth in Australia's biggest cities. Over A$3 billion of PPP transport projects closed in Australia during 2016, with a further A$3.5 billion procured using public sector capital, with the intention of privatisation in the near term[1].

Australian States are also developing smaller-scale social-infrastructure projects in health, housing and education sectors. In keeping with policy recommendations in the Infrastructure Plan, some States are adopting infrastructure procurement models that outsource operator services to the private sector, as well as seeking private sector capital to develop the asset.

New Zealand is an important market and is privatising several Government-controlled energy and infrastructure businesses. Amber, the Investment Adviser, continues to monitor projects as they come to market, resourcing these opportunities from its Australian offices.

INPP is positive about the prospects for further investments in the region, although it is mindful of the recent significant depreciation of Sterling against the Australian and New Zealand Dollars giving rise to unattractive overall levels of return for new investments. INPP is also cautious of the refinancing risk prevalent within Australia's current primary PPP market.

1 Source: Infra Deals.

CURRENT PIPELINE

Selected opportunities identified by Amber are outlined below. INPP's performance does not depend upon additional investments to deliver projected returns. Further investment opportunities will be judged by their anticipated contribution to overall portfolio returns relative to risk.

CURRENT INVESTMENTS OPPORTUNITIES/SECTOR	LOCATION	ESTIMATED INVESTMENT OPPORTUNITY/PROJECT CAPITAL VALUE	EXPECTED CONCESSION LENGTH	INVESTMENT STATUS
THAMES TIDEWAY TUNNEL	U.K.	c.£78m investment Commitment remaining[1]	120 years	The Company is part of the Bazalgette consortium. Awarded a licence to finance and operate the project. Investment is being made in phases until early 2018
NATIONAL GRID GAS DISTRIBUTION	U.K.	Up to £275m investment committed[2]	Operational business	Expected to reach financial close H1 2017
DIGITAL	U.K.	c.£50m[2]	Various	Opportunities being reviewed
EDUCATION	Australia and U.K.	c.£70m[3]	Various	Opportunities through variations to existing PPP contracts and through Amber's wider relationships
HEALTH	U.K.	c.£10m[3]	Various	Currently under construction
POLICE	Germany	c.£140m[3]	30 years	One of two bidders
REGULATED	U.K.	c.£230m[3]	Various	OFTO and other regulated opportunities at varying stages
TRANSPORT	Germany, Australia and U.K.	c.£4.5bn[3]	Various	Variety of larger-scale projects. INPP is typically part of a consortium of investors. Includes follow-on opportunities

1 This project has reached financial close and the Company has committed to further investments of up to c.£78 million. The remaining value is supported by letter of credit.
2 Represents the current estimated total future investment commitment by the Company.
3 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 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 that 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.

OPERATING REVIEW
CONTINUED

ACTIVE ASSET MANAGEMENT

Ensuring that the Company's assets are available for use and are performing in accordance with contractual expectations is critical for INPP and its service providers. As the Investment Adviser acting on behalf of INPP, Amber closely monitors relationships between service providers and public sector clients. It is actively involved in managing assets to ensure performance standards are met, and works with public sector clients on variation projects as they arise. Amber has the flexibility and experience to quickly respond to the changing requirements of public sector clients.

OPERATIONAL PORTFOLIO DEVELOPMENT

During 2016, INPP's public sector clients commissioned over 680 variations under PPP resulting in over £9.4 million of additional project work, with individual variations ranging in value from £200 to over £1 million. These project variations were overseen by Amber as part of its day-to-day asset management activities, in conjunction with the project facilities manager and each public sector client.

Across the portfolio, Amber works with its public sector counterparties to ensure each project delivers ongoing value and savings. In 2016, a number of benchmarking exercises were performed. This included reviewing facilities management services delivered on the projects in order to assess value for money for the public sector. We also continued to focus on energy efficiency, resulting in savings to the public sector counterparties.

PROJECTS UNDER CONSTRUCTION

Progress on the Thames Tideway Tunnel construction schedule is ahead of the regulatory baseline plan; the main tunnel drive sites in the West, Central and East sections of the tunnel have been mobilised three to five months early with two of the six tunnel boring machines ('TBMs') on order from the manufacturer. Over 2016, the project team has continued its innovative approach to health and safety and are pleased to report no major injuries to date.

Construction work on the New Schools PPP Project in Australia (Victorian Schools 2) is also advancing well, with eight of the schools achieving construction completion in line with expectations. The remaining seven new build schools across twelve different sites in outer metropolitan Melbourne are under construction and are expected to complete in line with expectations by 1 January 2018.

The 7 kilometre Gold Coast Phase 2 light rail project extension in Australia is progressing in line with programme expectations.

In the U.K., there has been a mixed performance; three of the batches of schools financed through the Aggregator platform have completed in line with expectations; construction in the remaining batches of schools fell behind schedule. As INPP is debt only provider (and not equity provider) to these PSB schemes, the programme is largely determined by the supply chain, which takes the risk for delivery. Given the nature of INPP's investment, the delays will not have an impact on INPP's returns.

Projects under construction as at 31 December 2016 are set out in the table below.

ASSET	LOCATION	CONSTRUCTION COMPLETION DATE	DEFECTS COMPLETION DATE	STATUS	% OF FAIR VALUE OF INVESTMENT
Priority School Building Aggregator Programme	U.K.	2018	2019	Modest delays. No financial impact on Company[1]	2.60%
Thames Tideway Tunnel	U.K.	2024	2027	On Schedule	9.12%
Victorian Schools PPP Project	Australia	2018	2019	On Schedule	0.13%
Gold Coast Light Rail Phase Two	Australia	2018	2019	On Schedule	0.00%

1 Two batches are behind schedule at 31 December 2016, with one of these completing in January 2017. INPP is a debt only provider, the programme is largely determined by equity providers and their management supply chain.

EFFECTIVE FINANCIAL MANAGEMENT

The Company aims for effective financial management through a strategy of minimising its unutilised cash holdings, while maintaining the financial flexibility and ability to pursue its growth targets. This is achieved through active monitoring of cash, both held and generated from operations, appropriate hedging strategies, and prudent use of the Company's corporate debt facility ('CDF').

SUMMARY OF CASH FLOWS

Summary of Consolidated Cash Flow	Year to 31 December 2016 £ Million	Year to 31 December 2015 £ Million
Opening cash balance	**72.4**	29.4
Cash from investments	**94.7**	76.0
Operating costs (recurring)	**(16.1)**	(13.7)
Net financing costs	**(2.3)**	(3.5)
Net cash before non-recurring operating costs	**76.3**	58.8
Non-recurring operating costs	**(4.0)**	(2.8)
Net operating cash flows[1]	**72.3**	56.0
Cost of new investments	**(209.9)**	(143.1)
Net repayment of corporate debt facility	**–**	(16.3)
Proceeds of capital raisings (net of costs)	**198.1**	195.0
Distributions paid	**(61.9)**	(48.6)
Net cash at period end	**71.0**	72.4
Cash dividend cover	**1.2x**	1.2x

1 Net operating cash flows as disclosed above (c.£72.3 million) include net repayments from investments at fair value through profit and loss (c.£27.2 million), exchange gains and losses on cash and cash equivalents (c.£0.4 million) and finance costs paid (c.£2.3 million) which are not included in the net cash inflows from operations (c.£46.9 million) as disclosed in the statutory cash flow statement on page 69 of the financial statements.

The Company's cash balance of £71.0 million at 31 December 2016 was broadly consistent with the cash held at 31 December 2015 of £72.4 million. Cash balances include amounts anticipated to be invested in the early part of 2017.

Cash receipts from investments increased in the year to £94.7 million (2015: £76.0 million), reflecting the continued growth of the portfolio, and include distributions from recent investments such as Thames Tideway Tunnel. This growth was partially offset by an increase in recurring operating costs to £16.1 million (2015: £13.7 million). These costs, which include management fees paid to the Investment Adviser, grew in the year reflecting the growth seen in the value of the portfolio.

The Company funded its acquisitions during the year through cash draw-downs on its corporate debt facility, which were subsequently repaid using the proceeds from share capital issuances. Therefore, there was no overall movement in the cash drawn balance of the facility in the year. It is the Company's policy not to have long-term corporate level debt – the facility is intended to be drawn only as a short-term arrangement to fund acquisitions, with equity funding by means of capital raising sought to repay outstanding debt balances as soon as practicable where market conditions allow.

In November 2016, the Company increased the size of its corporate debt facility to £400 million (2015: £300 million). As at 31 December 2016, the facility was £nil cash drawn, £107.4 million was issued as letters of credit and £292.6 million remained uncommitted and available for investment in new and existing projects (noting that the Company has agreed to invest up to £275 million in the National Grid GDN in early 2017. The interest rate margin on the corporate debt facility is 175 basis points over Libor. The loan facility matures in November 2019 and is secured over the assets of the Group.

Net financing costs paid reduced in the year to £2.3 million (2015: £3.5 million), reflecting a reduced level of cash drawn under the corporate debt facility during 2016.

OPERATING REVIEW
CONTINUED

Cash investments made in 2016 (detailed in note 12) totalled £209.9 million (2015: £143.1 million), with further amounts also being committed for future investment. This increased investment activity contributed to higher one-off operating costs of £4.0 million (2015: £2.8 million).

Cash dividends paid in the year of £61.9 million (31 December 2015: £48.6 million) were in respect of the six-month periods ended 31 December 2015 and 30 June 2016. INPP seeks to generate dividends paid to investors through its operating cash flows and in 2016 cash dividends were 1.2 times covered by net cash flow from operations. The Company remains confident of its ability to continue to grow dividends going forward.

SUMMARY OF CORPORATE EXPENSES AND ONGOING CHARGES

Corporate Expenses	Year to 31 December 2016 £ Million	Year to 31 December 2015 £ Million
Management fees	(14.4)	(12.5)
Audit fees	(0.3)	(0.2)
Directors' fees	(0.3)	(0.2)
Other running costs	(1.1)	(0.8)
Operating costs (ongoing)	**(16.1)**	(13.7)

Ongoing Charges	Year to 31 December 2016 £ Million	Year to 31 December 2015 £ Million
Annualised Ongoing Charges[1]	(16.1)	(13.7)
Average NAV[2]	1,421.8	1,143.3
Ongoing Charges	**(1.13%)**	(1.20%)

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.

INVESTOR RETURNS

INPP delivered another successful year with strong performance against all investor return benchmarks. The Company continues to deliver consistent dividend growth, NAV growth, Total Shareholder Return and inflation linkage from underlying cash flows.

DIVIDEND GROWTH AND PERFORMANCE

INPP targets predictable and, where possible, growing dividends. During the year, the Company delivered a 6.65 pence per share dividend (2015: 6.45 pence) and forecasts to pay 6.82 pence per share and 7.00 pence per share for 2017 and 2018 respectively. Since inception, the Company has delivered an impressive c.2.5% per annum average dividend increase. INPP's dividend growth is illustrated in the chart on page 2.

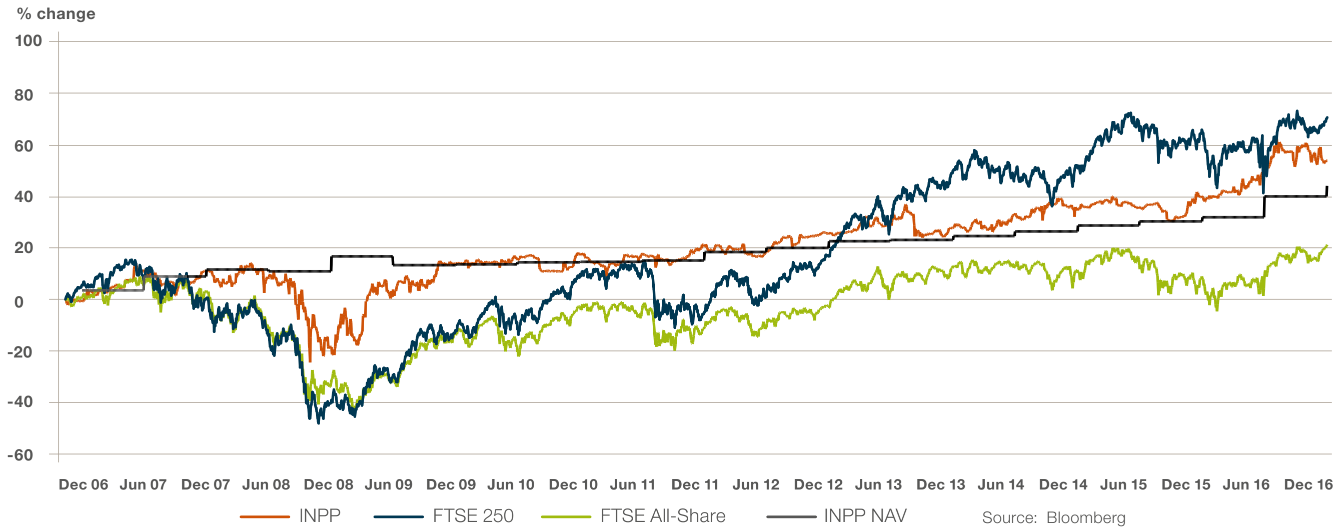
This was achieved through a strong financial performance in the year. Profit before tax was £175.3 million (2015: £79.9 million) with Earnings per Share of 17.18 pence (2015: 9.54 pence).

Returns from portfolio investments (investment income) in the year was £206.8 million (2015: £100.2 million) including fair value movements, dividends and interest. These returns were partially offset by operating expenses (including finance costs) of £24.6 million (2015: £21.6 million) and other operating expenses of £6.8 million (2015: other operating income of £1.3 million) as shown in the Consolidated Statement of Comprehensive Income.

TOTAL SHAREHOLDER RETURN

INPP's Total Shareholder Return (share price growth plus reinvested distributions) for investors since IPO in November 2006 to 31 December 2016 has been 148.5% (9.4% on an annualised basis). This compares to a FTSE All-Share index total return over the same period of 74.3% (5.6% on an annualised basis). INPP has exhibited relatively low levels of volatility compared to the market, as evidenced by the graph below showing the Company's share price since IPO against the price performance of the major FTSE indices.

INPP SHARE PRICE PERFORMANCE



INFLATION-LINKED CASH FLOWS

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 2016, the majority of assets in the portfolio had some degree of inflation linkage and, in aggregate, the weighted NAV return of the portfolio would be expected to increase by 0.78% per annum in response to a 1.00% per annum inflation increase across the whole portfolio over the currently assumed rates.

OPERATING REVIEW
CONTINUED

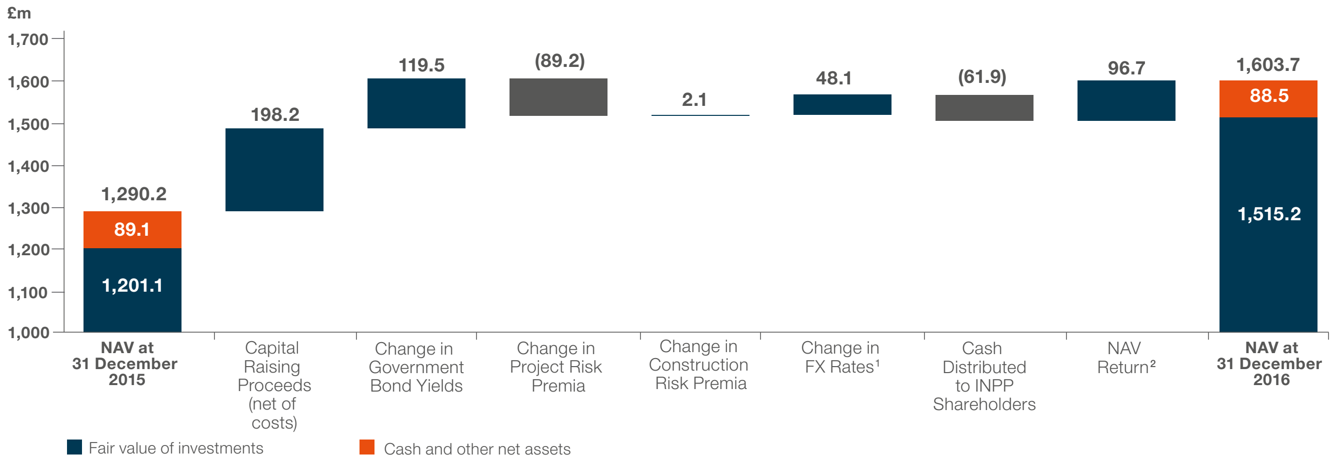
NET ASSET VALUATION AND NAV PER SHARE

The Company reported a 24.3% increase in NAV, up to £1,603.7 million at 31 December 2016 (2015: £1,290.2 million). This represented an increase of 9.2% in the NAV per share, increasing to 142.2 pence at 31 December 2016 (2015: 130.2 pence).

The NAV represents the fair value of the Company's 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 2015 and 31 December 2016 are highlighted in the graph that follows and are described in more detail below.

Net Asset Value Movement (£m)



1 Represents movements in the forward rates used to translate forecast non-GBP investment receipts and the spot rates used to translate non-GBP cash balances.
2 The NAV Return represents, amongst other things: (i) variances in both realised and forecast investment cash flows; (ii) the unwinding of the discount factor applied to those future investment cash flows; and (iii) changes in the Company's other net assets.

During 2016, approximately £200 million of new capital was raised (before costs) from capital raising and a subsequent 'tap' issue. Proceeds were used to repay the cash drawn balance of the corporate debt facility and acquire new investments.

For the twelve months to 31 December 2016, government bond yields decreased in all countries in which INPP holds investments, with the exception of the U.S., resulting in a net positive impact on the NAV. This was partly offset by an increase in the project premium applied, reflecting a lack of observable market-based evidence to justify revaluing the Company's assets in line with the reduction in bond yields. The portfolio also benefited from a reduction in discount rate risk premia applied with respect to particular assets that moved out of the construction/defects liability phase and into full operation.

Sterling weakened significantly against all major currencies in which the Company holds its overseas investments, particularly after the results of the U.K. referendum on EU membership. The net impact over the year to 31 December 2016 was a positive impact on NAV, with the most pronounced impact on Euro-denominated investments.

In 2016, two cash dividends were paid to INPP shareholders totalling £61.9 million.

The NAV Return of £96.7 million captured the impact from 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 utilisation of Group tax loss relief
- Updated cash flow forecasts – updated operating and macroeconomic assumptions to reflect current expectations of future cash flows
- Movements in the Company's working capital position

INVESTMENT VALUATION
PROJECTED FUTURE CASH FLOWS

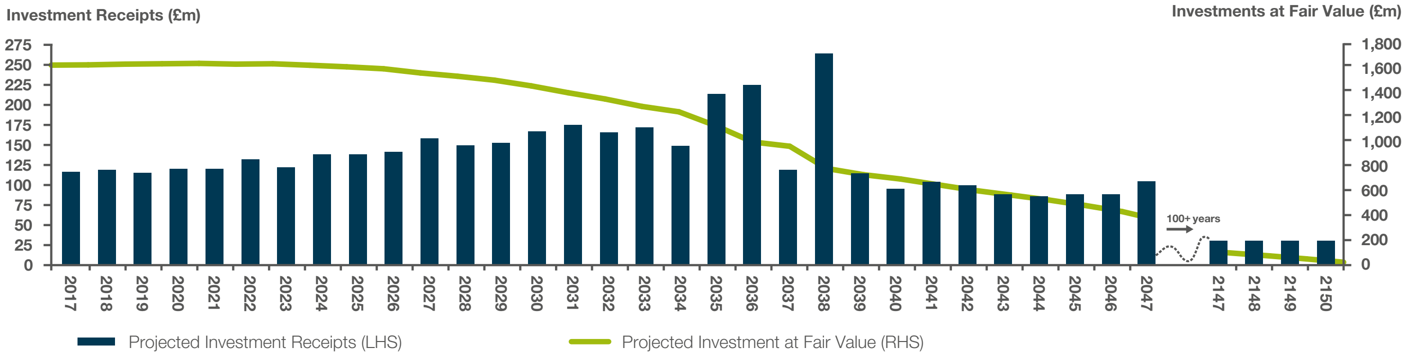
The Company's investments are expected to continue to exhibit predictable cash flows. As the Company has a large degree of visibility over the forecast cash flows of its current investments, the chart below sets out the Company's forecast investment receipts from its current portfolio.

The majority of the forecast investment receipts are in the form of dividends or interest, and principal payments from senior and subordinated debt investments.

The Company's portfolio comprises both investments with finite lives (determined by concession or licence terms) and perpetual investments (including, for example, ownership interests in regulated trading companies).

Over the life of concession-based investments, the Company's receipts from these investments represent a return of capital as well as income. The fair value of the Company's concession-based investments is expected to reduce to zero over time.

INPP Projected Cash Flow

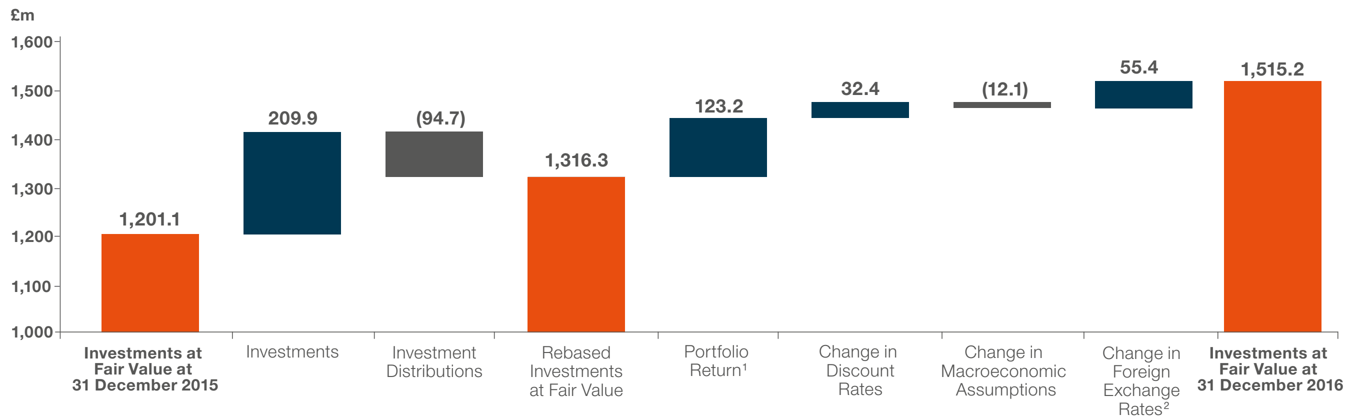


Note: There are many factors that may influence the actual achievement of long-term cash flows to the Company. These include both internal as well as external factors and investors should not treat the chart above as being more than an indicative profile and not a projection, estimate or profit forecast. The actual achieved profile will almost certainly be different and may be higher or lower than indicated. No new investments other than those committed as at 31 December 2016 have been included.

PORTFOLIO PERFORMANCE AND RETURN

The valuation of the Company's investment portfolio is determined by the Board, with the benefit of advice from the Investment Adviser and auditors and is considered quarterly for approval by the Company's Directors. Investments at fair value as at 31 December 2016 were £1,515.2 million, an increase of 26.2% since 31 December 2015 (£1,201.1 million).

Investments at Fair Value Movements (£m)



1 The Portfolio Return represents, amongst other things: (i) variances in both realised and forecast investment cash flows; and (ii) the unwinding of the discount factor applied to those future investment cash flows.
2 Represents movements in the forward rates used to translate forecast non-GBP investment receipts and the spot rates used to translate non-GBP cash balances.

OPERATING REVIEW
CONTINUED

The Portfolio Return of £123.2 million represents a 9.4% increase in the rebased Investments at Fair Value and can be attributed to:
- 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 optimising project cash flows to ensure cash can be extracted from the underlying investments earlier than forecast and utilisation of Group tax losses
- Updated cash flow forecasts – updated operating and macroeconomic assumptions to reflect current expectations of future cash flows

In addition, there was:
- An increase of £209.9 million in the Investments held at Fair Value owing to new investments that were made during the year
- A decrease of £94.7 million due to investment cash flows that were paid out of the portfolio
- A net decrease in the discount rates across jurisdictions in which the Company invests, leading to a £32.4 million increase in the fair value of investments
- A net decrease of £12.1 million, which reflects the changes made to the macroeconomic assumptions
- A net increase of £55.4 million due to foreign exchange rate movements in all four currencies the Company has exposure to

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 below with further details provided in note 11. Across the portfolio, the weighted average long-term inflation assumption as at 31 December 2016 was 2.58% (2015: 2.57%) and the weighted average deposit rate assumption was 2.07% (2015: 3.11%). 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 2016	31 December 2015
Inflation	U.K.	2.75%	2.75%
	Australia	2.50%	2.50%
	Europe	2.00%	1.0% in 2016, then 2.00%
	Canada	2.00%	2.00%
	U.S.[2]	N/A	N/A
Long-term Deposit Rates[1]	U.K.	2.00%	3.00%
	Australia	3.00%	4.50%
	Europe	2.00%	3.00%
	Canada	2.00%	3.00%
	U.S.[2]	N/A	N/A
Foreign Exchange	GBP/AUD	1.86	2.13
	GBP/CAD	1.71	2.02
	GBP/EUR	1.12	1.28
	GBP/USD	1.30	1.49
Tax Rate	U.K.	17.00%–20.00%[3]	18.00%–20.00%
	Australia	30.00%	30.00%
	Europe	Various (12.50%–33.99%)	Various (12.50%–33.99%)
	Canada	Various (26.50%–27.00%)	Various (26.50%–27.00%)
	U.S.[2]	N/A	N/A

1 The portfolio valuation assumes actual current deposit rates are maintained until 31 December 2019 before adjusting to the long-term rates noted in the table above.
2 The Company's U.S investments is in the form of subordinated debt and therefore not directly impacted by inflation, deposit and tax rate assumptions.
3 The reduction in U.K. tax rates reflects the latest substantively enacted rates at 31 December 2016 and therefore captures the reduction to 19.00% from 1 April 2017 and 17.00% from 1 April 2020.

DISCOUNT RATES

The discount rate used to value each investment comprises the appropriate long-term government bond yield plus an investment-specific risk premium. The risk premiums take into account the perceived risks and opportunities associated with each investment.

The majority of the Company's portfolio (87%) is comprised of investments where the Company only holds the Risk Capital in the underlying investments. The remaining portfolio (13%) is comprised of investments where the Company holds both the Risk Capital and the senior debt or the senior debt has been fully repaid. 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, which captures the discount rates of all investments including the senior debt interests.

The weighted average discount rates are presented in the table below. These rates need to be considered against the assumptions and projections upon which the Company's forecast cash flows are based.

Metric	31 December 2016	30 June 2016	31 December 2015	Movement 31 December 2015– 31 December 2016
Weighted Average Government Bond Rate (Nominal) – Risk Capital and senior debt	1.55%	2.00%	2.31%	(0.76)%
Weighted Average Project Premium over Government Bond Rate – Risk Capital and senior debt (Nominal)	5.82%	5.37%	5.22%	0.60%
Weighted Average Discount Rate – Risk Capital and senior debt	7.37%	7.37%	7.53%	(0.16)%
Weighted Average Discount Rate – Risk Capital only[1]	7.90%	7.88%	8.09%	(0.19)%
NAV per share	142.2p	138.2p	130.2p	12.0p

1 Risk Capital includes both equity and subordinated debt investments.

The changes in both the Portfolio and Risk Capital weighted average discount rates are principally due to the reduction in government bond yields during the period.

For accurate comparison to peer group valuations, these rates need to be considered against the assumptions and projections upon which a company's anticipated cash flows are based.

In the Company's view, comparisons of average discount rates between competitor investment portfolios or funds are 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 any focus on average discount rates without an assessment of these and other factors would be incomplete and could therefore derive misleading conclusions. For transparency and to aid comparability, the Company's approach to such cash flows is set out below.

PORTFOLIO LEVEL CASH FLOW 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. INPP regards its key cash flow and broad valuation assumptions and principles as:

- Key macroeconomic variables (outlined in the section above) continue to be applicable
- Concession contracts under which payments are made to the Company and its subsidiaries remain on track and are not terminated before their contractual expiry date
- Any deductions suffered under such contracts are fully passed down to subcontractors
- Lifecycle costs/risks are either not borne by the Company and are passed down to a third party such as a facilities management contractor or where borne by the Company are incurred per current expectations
- 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

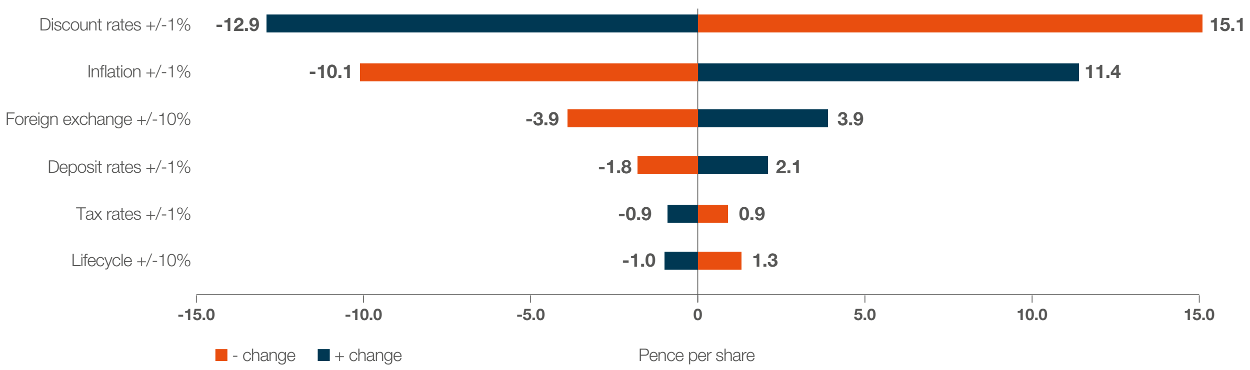
OPERATING REVIEW
CONTINUED

- 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 31 December 2016 four-year forward rates, and that hedging only applies in relation to short-term forecast cash flows, not NAV valuation
- There are no tax or regulatory changes in the future which negatively impact cash flow forecasts
- Perpetual investments are assumed to have a finite life and therefore residual/terminal value

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 11. 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.

IMPACT OF CHANGES IN KEY MACROECONOMIC VARIABLES TO 31 DECEMBER 2016 NAV 142.2P PER SHARE



INFLATION

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, invariably, 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. The impact of a 10% increase or decrease in these rates is provided for illustration. The Company does not hedge exposure to foreign exchange rate risk on long-term cash flows and therefore changes in NAV are to be expected from changes in the foreign exchange forward curve against Euros, Australian Dollars, Canadian Dollars and U.S. Dollars.

DEPOSIT RATES

The long-term weighted average deposit rate assumption across the portfolio is 2.07% 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. The impact of a 1% increase or decrease in these rates is provided for illustration.

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. The impact of a 1% increase or decrease in these rates is provided for illustration. Other potential tax changes are not covered by this scenario.

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 90% of the Company's assets (by value) currently 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.

FUTURE GROUP TAX LOSS RELIEF

Under current U.K. group tax loss relief rules, losses within the U.K. group companies can be, subject to U.K. tax law, offset against taxable profits in other U.K. 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. Changes to U.K. tax loss relief rules are expected to come into force from April 2017; however, these are not expected to a have a significant impact on the portfolio valuation.

By order of the Board

Rupert Dorey
Chairman
29 March 2017

John Whittle
Senior Independent Director
29 March 2017

RISK MANAGEMENT

EFFECTIVE RISK MANAGEMENT

RISK MANAGEMENT AND INTERNAL CONTROLS

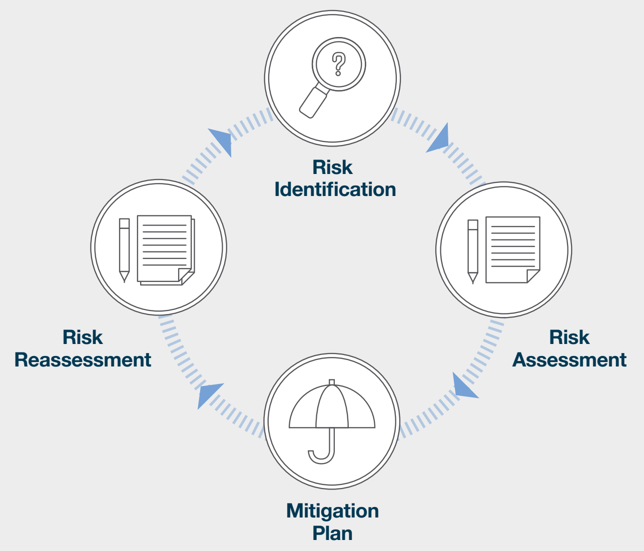
The Board is responsible for overall risk management, with delegation provided to the Audit and Risk Committee. The system of risk management and internal control has been designed to manage, rather than eliminate, the risk of failure to meet the business objectives. Regard is given to the materiality 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.

INPP 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 most significant risks 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. While 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

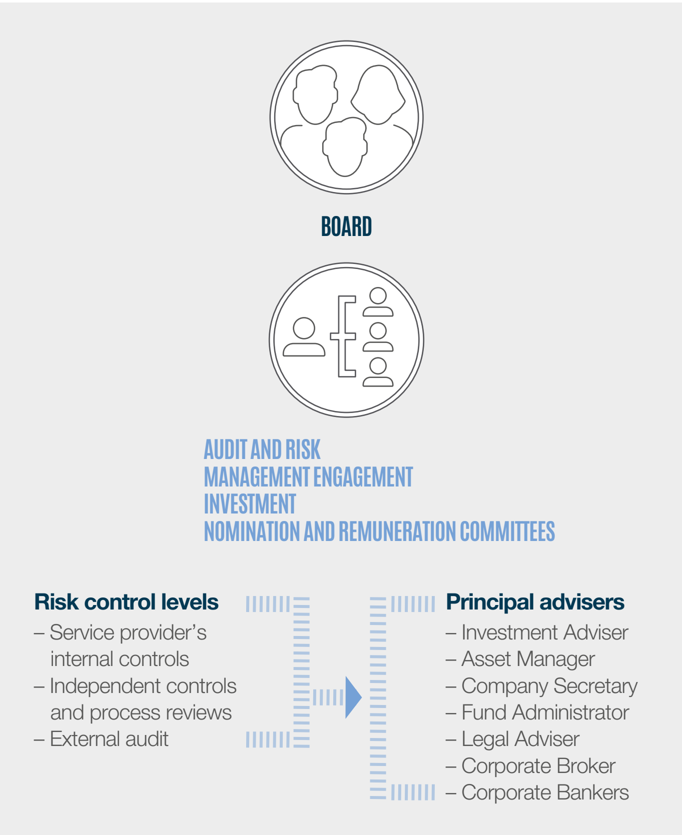
Each identified risk is assessed in terms of probability of occurrence, potential impact on financial performance and movements in the relative significance of each risk from period to period. A robust assessment of the principal risks facing the Company is performed. See the Viability Statement on page 39 for more information of this assessment.

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.



Direct communication between the Company and its Investment Adviser, and the entity level asset manager, is 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 Business Model on page 8.

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 view of principal risks and how the relative significance may have changed in the period are set out on the following pages.

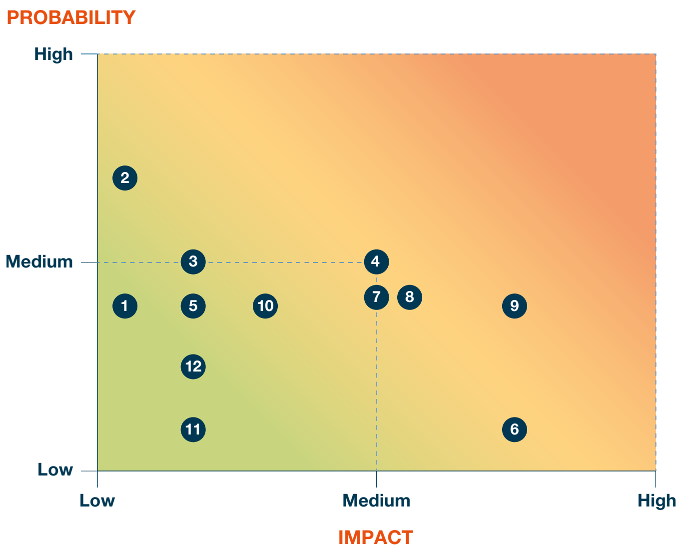
This section is not intended to highlight all the potential risks to the business. There may be other risks that are currently unknown or regarded as less material, which could turn out to materially impact the performance of the Company, its assets, capital resources and reputation.

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

While the Company has applied mitigation processes (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



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RISK MANAGEMENT
CONTINUED

The following key is used in the table below to highlight the Board's view on movement of risk exposures during the period:

- 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		
1 **INFLATION** Whilst we hold a stable view, we note an increase in inflation would have a positive impact on investment cash flows	Inflation may be higher or lower than expected. Investment cash flows are positively correlated to inflation; therefore, increases/decreases to inflation compared to current projections 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.	INPP monitors the effect of inflation on its portfolio through its biannual valuation process and reports on this to investors. It also provides sensitivities to investors indicating the projected impact on the Company's NAV of a number of alternative inflation scenarios, offering investors the ability to anticipate the likely effects of some inflation scenarios on their investment. INPP uses a long-term view of inflation within its forecasts, benchmarked where possible to independent analysis.
2 **FOREIGN EXCHANGE MOVEMENTS** Increased likelihood of exchange rate volatility is possible in light of international political change and the U.K.'s planned withdrawal from the European Union	INPP 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 INPP's control and may impact positively or negatively on cash flows and valuation.	INPP 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. INPP monitors the effect of foreign exchange on its portfolio through its biannual valuation process and reports this to investors. The Company also provides sensitivities to investors indicating the projected impact on its NAV of a limited number of alternative foreign exchange scenarios, offering investors the ability to anticipate the likely effects of some foreign exchange scenarios on their investment.

RISK	DESCRIPTION	MITIGATION/APPROACH
MACROECONOMIC RISKS CONTINUED		
3 **INTEREST RATES** Slight increase to reflect changes in the underlying portfolio with higher sensitivity to changing 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) may 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 its investments, INPP 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 INPP 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 adversely impacting on cash flow and the Company's valuation.	In the event that the interest rate increases, INPP has the option of repaying its corporate level debt facility at any time with minimal notice, providing sufficient funds are available.
	Underlying Portfolio Considerations Changes in interest rates have potential impacts on the portfolio at underlying investee entity level. Portfolio 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 INPP is different to that projected. If INPP receives less interest than it projects this will impact cash flows and NAV adversely. Certain assets within the portfolio contain refinancing assumptions. Increases in lending rates available to these projects would have the potential to increase their cost of financing and therefore impact the overall returns from these assets.	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 ring-fenced SPV structures and relatively smaller balances in the SPVs, it is not economically feasible to hedge against adverse deposit rate movements. INPP monitors the effect of historical and projected interest rates on its portfolio through its biannual valuation process and reports this to investors. It also provides sensitivities to investors indicating the projected impact on the Company's NAV of a limited number of alternative scenarios, offering investors the ability to anticipate the likely effects of some deposit interest rate scenarios on their investment. The risk of adverse movements in debt interest rates for unhedged debt within regulated entities is limited through protections provided by the regulatory regime.

RISK MANAGEMENT
CONTINUED

RISK	DESCRIPTION	MITIGATION/APPROACH
MACROECONOMIC RISKS CONTINUED		
4 TAXATION Continued incidence of tax reform impacting in most major jurisdictions in which the Company has operations	**Change in Legislation** Changes in tax legislation across the multi-jurisdictions in which INPP has investments can reduce returns impacting on the Company's cash flow and valuation.	The diversified jurisdictional mix of INPP's investments may provide some mitigation to tax changes in any one jurisdiction. INPP 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. While 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.
	Change in Tax Rates Most recently INPP has benefited from reductions in the headline rates of U.K. corporation tax positively impacting its U.K. 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 it operates.	INPP incorporates changes in tax rates within its forecast cash flows and NAV only once substantively enacted.
	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. Countries in which INPP invests have been assessing their compliance or otherwise with this guidance and, in the case of the U.K., seeking to bring into law from April 2017 fundamental changes in certain areas. Of particular relevance to the Company are rules to restrict the tax deductibility of interest payments. These proposals, once actioned by governments, may have negative implications for the Company.	The Company's Investment Adviser has responded to corporate interest deductibility consultations in the U.K. during the year and continues to monitor developments in other relevant geographies. Whilst our initial assessment of the U.K. Finance (No. 2) Bill 2016–17, issued in March 2017, is that we are not expecting the legislation to have a significant impact on portfolio valuation, there can be no guarantee that responses to the OECD proposals by other governments will not have a negative impact 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 portion of INPP's income is received in the form of shareholder debt interest income i.e. from pre-tax cash flows and not constrained by distributable profits tests. However, changes in accounting rules could potentially have an impact on distributable profits and, following the implementation of BEPS rules mentioned above, on post-tax cash flows.

RISK	DESCRIPTION	MITIGATION/APPROACH
MARKET RISK		
6 **POLITICAL AND REGULATORY**	The nature of the businesses in which INPP 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. INPP is therefore potentially highly exposed to changes in policy, law or regulations including adverse or punitive changes of law.	Most of INPP's existing investments 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. They 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.
	Termination of Contracts Often contracts between public sector bodies and INPP's investment entities contain rights for the public sector to voluntarily terminate contracts in certain situations. While the contracts typically provide for some compensation in such cases, this could be less than required to sustain the INPP's valuation causing loss of value. There have been instances of contracts being voluntarily terminated in the U.K. (although not affecting INPP).	INPP maintains strong and positive relationships with its public sector clients where possible. It engages with its public sector clients in developing cost-saving initiatives and seeks to act as a 'good partner'. None of INPP's investments have been identified, by any government audit or public sector report, as 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 U.K. 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 serve 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 INPP'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 INPP's ability to source new investments at attractive prices or at all.	Current policy trends in the U.K. and elsewhere continue to support the use of private sector capital to finance public infrastructure, despite recent developments in the political landscape in the U.K. and more generally in the U.S. and EU in particular.

RISK MANAGEMENT
CONTINUED

RISK	DESCRIPTION	MITIGATION/APPROACH
MARKET RISK CONTINUED		
	Change in Regulations INPP is subject to changes in regulatory requirements that relate to its business and that of its Investment Adviser (both in terms of its investments and in terms of itself). It is supervised by the Guernsey Financial Services Commission and is required to comply with the U.K. Listing Rules applicable to 'Premium' listings. The Investment Adviser is regulated by the Financial Conduct Authority in the U.K. in accordance with the Financial Services and Markets Act 2000.	The Company and Amber, its Investment Adviser, monitor regulatory developments and seek independent professional advice in order to manage compliance with changing regulatory requirements.
OPERATIONAL AND VALUATION RISK		
7 **ASSET PERFORMANCE** New investments made into construction stage assets	**Construction** For the Company's assets under construction, the element of construction risk takes the form of cost overruns that could impact on project returns.	Contractual mechanisms allow for significant pass-down of construction cost overrun risk to subcontractors or consumers.
	Asset Availability The entitlement of INPP's PPP and OFTO investments to receive income is generally dependent on 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 predetermined performance standards may disentitle (wholly or partially) the continued receipt of income that INPP 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, INPP has seen very high levels of asset performance, which suggests a positive trend for the future. Contractual mechanisms and underlying regulatory frameworks 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 INPP's cash flow and value.	In the event of significant and continuing unavailability across INPP's portfolio, it is able to terminate the Investment Advisory Agreement. This serves to reinforce alignment of interest between the Company and the Investment Adviser. Regarding any potential impact from the U.K.'s planned withdrawal from the EU, there are no specific Brexit clauses in INPP's underlying project contracts.

RISK	DESCRIPTION	MITIGATION/APPROACH
OPERATIONAL AND VALUATION RISK CONTINUED		
8 **COUNTERPARTY RISK** Potential increased risk from large consortium investments where INPP holds non-controlling interest	INPP's investments are dependent on the performance of a series of counterparties to contracts including public sector bodies, consortium partners, 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 impact 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.	INPP 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 INPP'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 a pool of potential replacement supplier counterparties can be expected in the event that a service counterparty fails albeit not necessarily at the same cost.
	Where borrowings exist in respect of INPP's investments, interest rates are generally fixed through the use of interest rate swaps. INPP 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**	INPP 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 INPP invests in benefit from insurance policies, these may not be effective in all cases.	INPP'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. INPP is exposed to the risk that such contracts do not operate as intended, are incomplete, contain unanticipated liabilities, are subject to interpretation contrary to its expectations or otherwise fail to provide the protection or recourse anticipated.	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 INPP's due diligence at the time of making new investments.

OVERVIEW
CHAIRMAN'S LETTER
STRATEGIC REPORT
CORPORATE GOVERNANCE
FINANCIAL STATEMENTS

RISK MANAGEMENT
CONTINUED

RISK	DESCRIPTION	MITIGATION/APPROACH
OPERATIONAL AND VALUATION RISK CONTINUED		
11 **FINANCIAL FORECASTS**	INPP's projections depend on the use of financial models to calculate its future projected investment returns. 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 projected cash flows and thus impact 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 INPP 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. 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**	Cyber-security continues to be an issue of 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 INPP in a number of ways including financially, operationally or through reputational impact.	A number of control layers are in place across INPP's structure to mitigate as far as possible against the risk of a cyber-security issue occurring in the Company's operational or investment activities. The Company has procured an external independent review of its cyber-security control environment and is monitoring implementation of proposed enhancements.

VIABILITY STATEMENT

In accordance with provision C2:2 of the 2014 revision of the U.K. Code of Corporate Governance, we have considered the Company's viability as summarised below. Due to the 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. While 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 2016, 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 30 to 31.
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 (noting that a high rate environment would be positive for the Company's investment cash flows), large currency fluctuations impacting on receipts from overseas investments, and the impact from the loss of income from investments (whether due to key subcontractor 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 has 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 2022. 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

Rupert Dorey
Chairman
29 March 2017

John Whittle
Senior Independent Director
29 March 2017

CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Social responsibility and corporate citizenship remain core to our values, creating value for clients, investors, shareholders, employees, communities and society alike. This is achieved by taking responsibility for our actions, outcomes and reputation and is fully embedded into INPP's core business objectives and day-to-day business culture and operations.

Our most material impacts are indirect, relating to the environmental and social performance of the construction and operation of the buildings and infrastructure that make up the Company's portfolio. This ranges from the social utility derived from modern school environments for children to learn; to quality public buildings such as libraries and local health practices; to new efficient trains and light rail systems providing better connectivity; and to offshore power networks enabling the transmission of green energy from offshore wind farms for wider distribution to homes and businesses. Additionally, we recognise the importance of managing our relationship with Amber, our Investment Adviser, (and associated asset management operations) including the energy and resources used within all our operations and our contribution to the local and international community.

Wherever we operate, we seek to integrate within the neighbourhood, supporting the local community, its businesses and its workforce.

Amber operates a Sustainability Policy, which looks beyond legislative and regulatory requirements to promote best practice and continual improvement in environmental management and social responsibility. It 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.

A selection of the social responsibility initiatives provided through our investment portfolio are described below.

SUPPORTING PUBLIC SECTOR PARTNERS

The Dublin Courts PPP project provides the people of Dublin with a landmark, exemplary facility, which has recently hosted a series of distinguished guests and international conferences. Events have included a visit by the Supreme People's Court of China, European Circuit of the Bar of England and Wales International, a visit by the International Academy of Trial Judges and it also participated in Open House Dublin.

Liverpool Library has also proved to be a valuable resource to the local community and has become a focal point for a series of high-profile events. It has hosted Liverpool Pride, Beatles Week, exhibitions of rare books and performing arts events.

The redevelopment of Olga School in Tower Hamlets has joined the 'Considerate Contractors' scheme, a voluntary code of conduct intended to successfully embed the construction works in the community. Positive outcomes include direct employment of residents from the local area and using the project to tie in with the curriculum at the school through presentations and site visits for the pupils and staff. This project aims to educate and inspire participants in the process of developing their new school and inspire them to consider a future career in construction.

Pupils from Elizabeth Garrett Anderson School visited the Pevensey Bay Sea Defence project on a field trip. The geography field trip, funded by the Local Education Partnership, provided the opportunity for 71 pupils from the school to visit sea defence systems in place around Pevensey and Eastbourne to protect and preserve the coastline from erosion. The field trip was arranged to prepare the students for the SDME (Sustainable Decision Making Exercise) exam. In 2015 52% of EGA students achieved grades A*-C in the SDME exam. In 2016 this rose to 61%, an increase of 9% that the school considered to be a direct result of the field trip.

PROMOTING SUCCESSFUL CONTRACTOR PARTNERSHIPS

Facilities managers ('FM') provide day-to-day operations and maintenance services at many of INPP's PPP projects and, like INPP, are encouraged to actively support local and environmental initiatives.

For example, the FM provider at the Strathclyde Police Training College was randomly selected by their own internal auditors to participate in a procedural review. This encompassed a range of elements across the business and service delivery model from hard services compliance to environmental impact and staff engagement. The results were positive, of note is the 100% scoring for hard FM maintenance and the 'Everyone has a voice' staff fulfilment scores, well above the company average. Resultant actions for early 2017 include the employment of two apprentices for administration and engineering, the Give a Day of Your Time ('GADOYT') scheme where staff can offer day of company time to benefit the local community, and an Energy Efficiency Opportunity survey to further identify areas where the environmental impact can be reduced.

The FM provider at INPP's Northampton Schools project supported a charity event called the Big Sleepout on behalf of the Hope Centre, Northampton. This involved sleeping rough overnight in a local park to raise awareness and money for the homeless across Northampton, with the total amount of money raised by staff matched by their employer.

Staff from the FM provider installed a retail unit for a charity free of charge at Bootle Government offices scheme. The support provided included labour, flooring and a replacement door.

COMMITMENT TO THE ENVIRONMENT

All three schools at INPP's Building Schools for the Future scheme in Kent have had biomass boiler heating systems installed and are currently being investigated for their potential eligibility for the 20-year Renewable Heat Incentive ('RHI') tariff, which will reduce carbon emissions as well as providing an income for the Local Authority. The RHI is a government financial incentive to promote the use of renewable heat, or switching or maintaining heating systems that use eligible energy sources to help the U.K. reduce its carbon emissions and meet its renewable energy targets.

An energy saving scheme at INPP's Abingdon Police PPP project has seen overall energy consumption fall by 5% and CO_2 emissions by 6.8%. This has been achieved by installing the latest energy efficient LED lighting and voltage optimisers.

Where changes to a project are required by the client, INPP and Amber actively work to achieve high standards in sustainability, including building certifications such as BREEAM, LEED and Green Star. Olga School, for example, is currently having a new building added which will achieve a BREEAM 'Excellent' rating.

INPP's investment into OFTOs enables the transmission of green energy generated by offshore wind farms to the National Grid.

INPP's investment into the Thames Tideway Tunnel will have a significant environmental impact on the water quality of the River Thames in London, U.K. as a consequence of diverting sewage and waste water away from the Thames and directly to a water treatment facility.

INVESTING IN THE COMMUNITY

Thames Tideway Tunnel project leads the industry in demonstrating how a construction project should integrate into and deliver real benefits to adjacent communities. The project team is helping deliver its vision of 'Reconnecting London, and Londoners, with the River Thames' through supporting community activities in the Boroughs where works are to be delivered. Specific events have included education programmes, supporting of local clubs and societies and working in partnership with local schools and colleges.

A study has recently been carried out on INPP's Moray Schools project to identify how Elgin Academy can be further used to benefit the local community. A draft policy identifies a first outcome for using the building to store 600 bicycles overnight for Ride the North, a two-day 175-mile cycling challenge that benefits local charities.

As part of a coordinated sustainability programme, schools in the Derby Schools portfolio have been supported by the project staff donating their time to carry out works to enhance the local community. To date, the programme has been used to improve the remembrance garden at Tupton School and create of a sensory garden at Long Eaton School to support children with additional learning needs.

CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY
CONTINUED

INPP continues to support the Community Partnerships Programme at the Royal Children's Hospital ('RCH'), an investment in Melbourne, Australia. The key objectives of this programme include:
- Providing partnerships and attractions that reflect the RCH's standing as being one of the world's great children's hospitals
- Bringing the Victorian community into the RCH and creating partnerships with iconic Victorian institutions; reinforcing the image of the facility as uniquely Victorian
- Supporting the 'pain-free experience for children' through entertainment and distraction
- Creating a dynamic, wellness-promoting environment for patients, families and staff
- Integrating education outcomes with entertainment
- Incorporating evidence-based outcomes in developing the programme of events and activities
- Activating the spaces within the new RCH, creating a living, breathing environment

The Community Partnerships Programme is being delivered as a result of the scheme design for RCH, which includes a range of internal and external spaces designed to accommodate the Community Partnerships Programme including performance, displays and activities. The vision behind this is to create an open environment to bring a range of people and activities to the RCH.

At the heart of the programme is the opportunity to bring people into the 'Street' and other public areas, creating a sense of community and stimulating interaction between patients, families and staff. The Street has seen a range of fun and interesting activities at the hospital, including:
- Travelling exhibitions associated with major events, e.g. the Grand Prix and the Royal Agriculture Show
- Visiting sports stars (international cricket and soccer teams, Australian Football League, basketball and stars from the performing arts)
- Live street entertainers including dragons celebrating Chinese New Year

In addition, INPP has developed wider relationships with third party supporters to bring further variety to the hospital, including the Royal Melbourne Zoo, Scienceworks (Museums Victoria), Sea Life Melbourne Aquarium and HOYTS Bean Bag Cinema.

SUMMARY OF INVESTMENT POLICY

OVERVIEW
INPP invests in public or social infrastructure assets and related businesses located in the U.K., Australia, Europe, North America and other parts of the world where the risk profile meets the Company's risk and return requirements.

The Company has a long-term view and invests in operational and construction phase assets for the life of the asset or concession, unless there is a strategic rationale for earlier realisation. INPP seeks to enhance the capital value and the income derived from its investments to optimise returns for its investors. The Investment Policy is summarised below and available in full at www.internationalpublicpartnerships.com.

INVESTMENT PARAMETERS
Maintaining the performance of the existing portfolio is the Company's key focus. However, it will also seek attractive opportunities to expand its portfolio, including:
- Investments with characteristics similar to the existing portfolio
- Investments in other assets or concessions having a public or social infrastructure character with either availability, property rental or user paid payment mechanisms
- 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 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. It does not expect to invest in projects in non-OECD countries.

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 on the suitability of the investment from a risk and return perspective. The Company Overview on page 2 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 total assets in any one investment in order to limit the risk of any one investment to the overall portfolio.

As a London Stock Exchange-listed Company, INPP is also subject to certain restrictions pursuant to the UKLA Listing Rules.

MANAGING CONFLICTS OF INTEREST
Further investments will continue to be sourced by the Investment Adviser, Amber Fund Management Limited. 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 Corporate Governance Report sets out more details on the conflicts management process.

FINANCIAL MANAGEMENT
The Company may also 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 Gross Asset Value ('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. Details of the Company's corporate debt facility can be found on page 21.

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 U.K. Listing Rules.

BOARD OF DIRECTORS

BACKGROUND AND EXPERIENCE

RUPERT DOREY[1]
Chairman
Chairman, Investment Committee

Aged 56 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 U.K. 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 61, 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 46, 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 U.K. and overseas.

John is a non-executive director 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 IV, V, VI Ltd

Cinven General Partner 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:

Aberdeen Frontier Markets Investment Company Ltd

Globalworth Real Estate Investments Ltd

GLI Finance Ltd

India Capital Growth Fund Ltd

Starwood European Real Estate Finance Ltd

Toro Ltd

John Le Poidevin:

BH Macro Ltd

Market Tech Holdings Ltd

Safecharge International Group Ltd

Specialist Investment Properties Plc

Stride Gaming plc



BACKGROUND AND EXPERIENCE

JOHN STARES[1]
Chairman, Risk Sub-Committee
Chairman, Nomination and Remuneration Committee

Aged 65 and a resident of Guernsey since 2001, John has over 40 years of 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 61 and a resident of Guernsey, Claire has nearly 40 years' experience in the banking industry. In 2003, Claire joined Rothschild Bank International Limited as a director and was, latterly, managing director and co-head until may 2016 when she became a non-executive director of the bank. Claire was previously with Bank of Scotland and was then global head of Private Client Credit at Bank of Bermuda.

Claire is a non-executive director of another four listed 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 54 and 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	Claire Whittet	Giles Frost
JT Group (Chairman)	BH Macro Ltd	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.
Terra Firma (Guernsey-based entities)	Eurocastle Investment Ltd	
Governor of More House School	Riverstone Energy Ltd	
New Philanthropy Capital (Trustee)	TwentyFour Select Monthly Income Fund Ltd	

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 that is a constituent of the FTSE 250 Share Index.

The Board is responsible to shareholders for the overall management and oversight of the Company, for agreeing its strategy, monitoring its financial performance, and setting and monitoring its risk appetite.

This section describes how INPP is governed. It explains how the Board is organised and operates, including the roles and composition of each of its Committees, and provides details on our Board members and how they are remunerated. As an investment company, the Company has no employees and relies on the advice and expertise of its key suppliers, notably its Investment Adviser, Amber Fund Management Limited. This section therefore also explains the nature of the Company's relationship with Amber, and how this is managed including the remuneration of the Adviser.

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 U.K. Corporate Governance Code issued in September 2014 (the 'U.K. 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 U.K. 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 U.K. Code or AIC Code are deemed to meet the Guernsey Code of Corporate Governance.

The AIC Code is available from the Association of Investment Companies website (www.theaic.co.uk). The U.K. 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 U.K. Code. However, 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 U.K. 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 U.K. Code) are therefore not applicable.

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.

BOARD OF DIRECTORS

The Board of Directors currently consists of six Non-Executive Directors, whose biographies, on pages 44 to 45, 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 U.K. Code upon appointment and has continued to meet this condition throughout his term of service. Mr Whittle holds the role of Senior Independent Director. He is an alternative point of contact for shareholders and leads in matters where it is inappropriate 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-Executives 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.

With effect from 2017, all Directors have agreed to offer themselves for re-election on an annual basis.

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. The Board is confident that Mr Dorey remains independent, by virtue of his behaviour and judgement which remains challenging and unbiased. He has agreed to offer himself for re-election on an annual basis since 2015.

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 has one female Director.

BOARD REMUNERATION

The Nomination and Remuneration Committee considers matters relating to the Directors' remuneration, taking into account benchmark information (including 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 2016 no advice or services were provided by any external persons in respect of its consideration of Directors' 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 Annual General Meeting of the Company.

CORPORATE GOVERNANCE REPORT
CONTINUED

In November 2016, the Nomination and Remuneration Committee undertook a review of Board remuneration. The review took into account the remuneration of members of the peer group as well as the growth of the Company since the last review of remuneration in 2013 and the commensurate increases in the number of meetings required and workload generally. At the recommendation of the Nomination and Remuneration Committee, the Board resolved to increase remuneration.

The changes to Board remuneration are:

Position	Previous	From 1 January 2017
Board Chairman	£60,000	£67,500
Audit Committee Chairman	£50,000	£55,000
Director (Independent and Non-Independent)	£37,500/£32,000	£43,000

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

Director	2016 Fees paid £	2015 Fees paid/ accrued[1] £
Rupert Dorey[2]	60,000	70,000
John Whittle[3]	50,000	60,000
Claire Whittet	37,500	47,500
John Stares	37,500	47,500
John Le Poidevin	37,500	–
Giles Frost[4]	32,000	42,000

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 Mr Whittle became Chairman of the Audit and Risk Committee on 31 December 2013 for which he receives a higher fee.
4 The emoluments for Mr Frost are paid to his employer Amber Infrastructure Limited, a related company of the Company's Investment Adviser.

DIRECTORS' INTERESTS

Directors who held office at 31 December 2016 had the following interests in the shares of the Company:

DIRECTOR	**31 December 2016 Number of ordinary shares[1]**	31 December 2015 Number of ordinary shares[1]
Rupert Dorey[2]	**793,687**	793,687
John Whittle[3]	**52,198**	52,198
Claire Whittet[3]	**52,257**	50,000
John Stares	**75,000**	75,000
John Le Poidevin[4]	**–**	N/A
Giles Frost	**513,274**	448,745

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 2016 and the date of this report.

Mr Frost is also 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 all Luxembourg subsidiary entities of International Public Partnerships Limited. The appointment is effective from January 2016. Director fees of £3,000 per entity have been paid for the year ended 31 December 2016.

COMMITTEES OF THE BOARD

BOARD

Responsibilities
- Statutory obligations and public disclosure
- Sets overall strategy for investments
- 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
- Review the Terms of the Investment Advisory Agreement and recommend any changes considered necessary
- Ensure there are no conflicts of interest between service partners

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

CORPORATE GOVERNANCE REPORT
CONTINUED

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 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.

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 49.

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.

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 reappointment of Directors, taking into account the expertise of the candidates and their independence (see page 49 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 externally facilitated evaluation every three years. The last external evaluation was undertaken in 2014 and the Board has agreed that an external review will be carried out in 2017.

Ahead of the anticipated changes in chairmanship role of the existing Board following Mr Dorey's retirement as Chairman at the 2018 AGM, the Board also discussed succession planning.

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, as Chairman of the Company. The Committee considers proposals relating to the acquisition and disposal of investments and, if thought fit, approves those proposals. Details of the transactions invested in during the period are outlined on page 14 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.

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

Directors	Quarterly Board	Ad-hoc Board	Audit and Risk Committee	Management Engagement Committee	Investment Committee	Remuneration and Nomination Committee
Maximum number	**4**	**7**	**5**	**2**	**6**	**2**
Rupert Dorey	4	6	5	2	6	2
John Le Poidevin	4	6	5	2	6	2
Giles Frost[1]	4	N/A	N/A	N/A	N/A	N/A
John Stares	4	4	5	2	4	2
John Whittle	4	5	5	2	6	2
Claire Whittet	4	5	5	2	6	2

1 Mr Frost is not a member of the Audit and Risk Committee, Management Engagement Committee or Investment Committee. While Mr Frost attended the majority of ad-hoc Board and Committee meetings, as these meetings considered recommendations from the Investment Adviser, his presence does not count towards the quorum so has been excluded from this tally.

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 Guernsey Company Law, London Stock Exchange listing requirements, the regulatory requirements of the Guernsey Financial Services Commission, 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 Investment Advisory Agreement ('IAA'), Amber Fund Management Limited (a member of the Amber Infrastructure Group Holdings Limited group of companies) 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.

CONTRACTUAL ARRANGEMENTS AND FEES

The IAA allows for the provision of investment advisory and certain other financial services to the Board. In return, the Investment Adviser receives fees based on the Gross Asset Value ('GAV') and composition of the investment portfolio as well as a contribution to expenses. The annual base fees are detailed in note 17 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 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, 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 the flexibility to remove the Investment Adviser.

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.

CORPORATE GOVERNANCE REPORT
CONTINUED

MAKING NEW INVESTMENTS

As outlined above, the Investment Committee, comprised 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 Investment Advisory Agreement 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 30 to 39.

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.

In addition to more formal investor events, such as 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 2016, the Investment Adviser and members of the Board held formal meetings with over 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 Annual General Meeting ('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 RNS 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).

AUDIT AND RISK COMMITTEE REPORT

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

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 during the year were attended by the Investment Adviser and Administrator by invitation. A representative of the Company's external Auditor, Ernst and Young LLP ('EY'), also attended those meetings considering financial reporting planning, the Annual Report and financial statements, and the half-yearly financial report.

All Committee 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 44 to 45.

COMMITTEE AGENDA

The 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
– 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 effectiveness of the Company's internal control systems, including specific focus on cyber-security and asset availability reviews in the year
– Review of the Company's risk profile, specific risks and mitigation practices
– 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
– Review of the regulatory environment the Company operates within

KEY ACTIVITIES CONSIDERED DURING THE YEAR

The Committee undertook the following activities in discharging our responsibilities during the year:

FINANCIAL REPORTING

We reviewed the Company's Annual Report and financial statements, the half-yearly financial report and interim management reports 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 its views on whether the Annual Report and financial statements, taken as a whole, is 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 that qualifies as an investment entity in accordance with IFRS 10 is required to prepare financial statements on an investment basis; 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 Auditors. 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 11 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 prior years. We also reviewed and challenged the valuation assumptions (discount rates, interest rates, foreign exchange rates, inflation rates and tax rates).

The external Auditor explained the results of its review of the valuations, including its 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.

As the valuation of investments is one of the most significant areas of judgement for the Company, during the year two members of the Committee met with the audit and EY valuation specialists to focus on this aspect of their audit work. This was a productive meeting examining the methods and processes applied in their valuation reviews and we left reassured by the holistic, detailed and independent methodology being adopted.

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

REVENUE RECOGNITION

We 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

Following extensive dialogue with management, we reviewed the Company's 2016 Annual Report and financial statements. We 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.

CYBER-SECURITY REVIEW

As part of the Company's rolling annual controls and processes review, an independent assessment of Company's exposure to cyber-security was completed in 2016. The security protocols and controls in place were found to be fit for purpose for the Company. We have requested service providers to keep us informed of actions taken based on further improvements proposed as part of the review. We have also added cyber-security reporting to our regular risk review process.

ASSET AVAILABILITY REVIEW

It was agreed that the Company's annual controls and processes review for the forthcoming year will focus on asset availability reporting. We consider this an important non-financial KPI for a number of our investments with consequential implications on returns if such assets become unavailable for public use. The review is being scoped to ensure sufficient controls are operating in relation to the accurate capture and reporting of such information.

VIABILITY ASSESSMENT

We carried out a robust assessment of the principal risks facing the Company with a view to identify 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 39.

AUDIT AND RISK COMMITTEE REPORT
CONTINUED

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 its independence. Any potential services to be provided by the external auditor with 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 value require pre-approval by the full Audit and Risk Committee. Non-audit fees represented 12% of total audit fees.

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 7 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 2016 will be the first year for the current lead audit partner. We have challenged EY on its process for transitioning key current audit team members reaching the end of their rotation terms 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 was appointed auditor of the Company. In line with the new auditor rotation requirements for listed companies, the next full tender is expected to commence by 2020.

Review of auditor effectiveness

As part of our annual review of the objectivity and effectiveness of the audit, the Committee conducted an in-depth review in 2016 of the auditor's performance and we were satisfied in this regard. 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. There were no significant matters arising which require the service to be immediately retendered.

During the year, we also continued to review the competitiveness and performance of the auditor across the broader controlled Group. As a result of a benchmarking exercise for a particular entity in the underlying portfolio, KPMG LLP was appointed as the auditor of this portfolio entity.

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.

During the year, the FRC's Audit Quality Review ('AQR') team reviewed the audit of the Company's 2015 financial statements. No significant issues were raised. The FRC report was reviewed by the Committee and the findings in the report, along with the proposed responses in the 2016 audit plan, have been discussed with the auditor.

Review of Auditor's remuneration

The Committee carried out a review of the proposed audit fees for 2016. There was an increase at Group level, driven by changes to scope of work being carried out and general cost inflation. This was partially mitigated through reductions in fees through changes to scope of work being carried out for underlying unconsolidated investee entities. We consider that the audit fees for 2016 are cost-effective and present good value for money for the Company's shareholders.

REGULATORY AND TAX ENVIRONMENT

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

Base Erosion and Profit Shifting ('BEPS')

We continue to monitor the developments around the OECD-led BEPS initiative across our geographies. In the U.K., the Finance (No. 2) Bill 2016–17, incorporating legislation around corporate interest deductibility into law, was issued in March 2017 and is expected to become effective from April 2017.

Group losses carried forward

In the U.K., proposed legislation to restrict the availability of carried forward losses was released in 2016. The Finance (No. 2) Bill 2016–17, incorporating this legislation into law, was issued in March 2017 and is expected to become effective from April 2017.

Common Reporting Standard
All qualifying entities are now required to comply with the requirements of the Common Reporting Standard ('CRS'). The Company through its registrar (Capita) has implemented appropriate systems and procedures for compliance with these regulations. CRS reporting for the end of 2016 is on course to be submitted by June 2017.

Tax Strategy reporting
Legislation requiring large businesses to publish a Tax Strategy document became effective from 1 January 2017. The Company is not currently required to comply with this legislation; however, it intends to publish its Tax Strategy document during 2017 and will continue to monitor compliance going forward.

Retail distribution of unregulated collective investment schemes
Financial Conduct Authority ('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 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 ('IFAs') 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 U.K. in its previous accounting periods. The Company intends to conduct its affairs so that this remains the case for the foreseeable future.

FOCUS FOR 2017
As highlighted above, alongside routine matters, the Committee will progress this year with an independent review of the Company's internal controls and procedures in relation to availability reporting and track the impact from the implementation of forthcoming tax and regulatory legislation.

John Whittle
Chairman, Audit and Risk Committee
29 March 2017

DIRECTORS' REPORT

INTRODUCTION
The Directors present their Annual Report on the performance of the Company and Group for the year ended 31 December 2016.

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

The Chairman's Letter and Strategic Report contain a review of the business during the year. A Corporate Governance Report is provided on pages 46 to 53.

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 2016, 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	14.995%	161,383,819	22 August 2016
Investec Wealth & Investment Limited Ltd	9.99%	98,983,886	26 May 2016
Newton Investment Management Ltd	5.17%	51,312,332	28 June 2016

As at 29 March 2017, being the most current information available, the following additional notices had been received:

Name of holder	% Issued capital	No. of Ordinary Shares	Date notified
Investec Wealth & Investment Limited Ltd	10.00%	112,765,447	12 January 2017

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 7 June 2017. The Company will seek to renew such authority at the Annual General Meeting to take place on 7 June 2017. Any buyback 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 buybacks 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 U.K. Listing Authority, 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 2016. 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 39. 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 person 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
Chairman
29 March 2017

John Whittle
Senior Independent Director
29 March 2017

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 ('IFRS') 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 consideration 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 IFRS 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 U.K. 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, consider it to be fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Rupert Dorey
Chairman
29 March 2017

John Whittle
Senior Independent Director
29 March 2017

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 2016 and of its profit for the year then ended
– Have been properly prepared in accordance with International Financial Reporting Standards ('IFRS's) as adopted by the European Union
– 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 2016
– Consolidated balance sheet as at 31 December 2016
– Consolidated cash flow statement for the year ended 31 December 2016
– Consolidated statement of changes in equity for the year ended 31 December 2016
– Related notes 1 to 21 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 2016 – 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 of the financial statements. Service entities are audited to Group materiality threshold. – All of the Group audits, including the consolidated service entities, were performed by the Group audit team
Materiality	– Overall Group materiality of £16 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 £1,515 million (2015: £1,201 million)** 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 11 of the financial statements and are discussed in the report of the Audit Committee on page 55. 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 variable cash flow risk and performed the following procedures: **Valuation assumption:** We have been supported in our testing of macro economic inputs and discount rates inputs by specialists from our EY Valuation & Business Modelling team (EYVBM). We engaged EY valuation specialists to assess the other assumptions used to determine the underlying variable cash flows, such as passenger numbers, rolling stock releasing assumptions, or are subject to complex regulation all of which require significant judgement. The assessment was based on a combination of market data and experience of valuing other similar investments **Model integrity:** We engaged our EY financial modelling specialists to sample test the following: – The year on year changes to the logical operation for a sample of financial models and – Management controls including management's use of third party audits of the initial model and analysis of yields **Model inputs:** We agreed a sample of contractual cash flows to contractual terms and actual cash flows. We engaged KPMG to perform this work for a part of our sample. We engaged EY valuation specialists to assess other demand-based cash flows based on their experience in the market place 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 fair values – For each investment fair value movement not in line with our expectation 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 material matters arising from our audit work on the valuation assumptions, model integrity or model inputs that we wished to bring to the attention of the Audit Committee. We confirmed that the valuation of the investments was not materially misstated and was in line with IFRSs as adopted by the European Union.
Risk	**Revenue recognition** Notwithstanding there is no revenue reported, we treat dividend and interest income as 'revenue' and as it is material we have considered 'revenue recognition' as a significant risk. Management may seek to overstate revenue as a result of seeking to report the desired level of return to investors.
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 unconsolidated subsidiaries and we checked the calculation of interest amounts and the allocation thereof to the appropriate period. We have performed cut off and completeness testing to conclude on accuracy.
Key observations communicated to the Audit Committee	We confirmed that there were no matters identified during our audit work that we wanted to bring to the attention of the Audit Committee.

THE SCOPE OF OUR AUDIT

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Group. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

The Group consists of the Company consolidated service entities as explained in note 2 of the 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 £16 million (2015: £12.9 million), which is 1% (2015: 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 £1.4 billion at 30 June 2016 to £1.6 billion as at 31 December 2016, mainly due to capital raise in July and December 2016. This resulted in a higher materiality of £16 million compared to £13.7 million that was originally determined at the audit planning stage.

A lower materiality of £2.2 million (2015: £2.9 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 £8 million (2015: 50% of materiality, namely £6.4 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 £0.8 million (2015: £0.6 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 groups 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 (U.K. 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 (Guernsey) Law, 2008. 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 (U.K. 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, on page 59, and longer-term viability, on page 39; and – The part of the Corporate Governance Statement relating to the company's compliance with the provisions of the U.K. 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 by the Company; 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 (U.K. 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 – 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.

for and on behalf of Ernst & Young LLP,
Guernsey
Channel Islands
29 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2016

	Notes	Year ended 31 December 2016 £'000s	Year ended 31 December 2015 £'000s
Interest income	4	**56,778**	44,026
Dividend income	4	**18,655**	16,397
Net change in investments at fair value through profit or loss	4	**131,369**	39,784
Total investment income		**206,802**	100,207
Other operating (expense)/income	5	**(6,836)**	1,276
Total income		**199,966**	101,483
Management costs	17	**(16,107)**	(13,470)
Administrative costs		**(1,259)**	(1,181)
Transaction costs	6, 17	**(3,219)**	(2,145)
Directors' fees		**(267)**	(231)
Total expenses		**(20,852)**	(17,027)
Profit before finance costs and tax		**179,114**	84,456
Finance costs	8	**(3,774)**	(4,523)
Profit before tax		**175,340**	79,933
Tax credit	9	**1,818**	1,926
Profit for the year		**177,158**	81,859
Earnings per share			
From continuing operations			
Basic and diluted (pence)	10	**17.18**	9.54

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 (2015: nil). The profit for the year represents the Total Comprehensive Income for the year.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2016

	Notes	Share Capital £'000s	Other Distributable Reserve £'000s	Retained Earnings £'000s	Total £'000s
Balance at 31 December 2015		**825,362**	**182,481**	**282,359**	**1,290,202**
Total comprehensive income		**–**	**–**	**177,158**	**177,158**
Issue of Ordinary shares	15	**205,869**	**–**	**–**	**205,869**
Issue costs applied to new shares	15	**(1,844)**	**–**	**–**	**(1,844)**
Distributions in the year	15	**–**	**–**	**(67,732)**	**(67,732)**
Balance at 31 December 2016		**1,029,387**	**182,481**	**391,785**	**1,603,653**

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	15	203,207	–	–	203,207
Issue costs applied to new shares	15	(3,134)	–	–	(3,134)
Distributions in the year	15	–	–	(53,798)	(53,798)
Balance at 31 December 2015		825,362	182,481	282,359	1,290,202

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

	Notes	31 December 2016 £'000s	31 December 2015 £'000s
Non-current assets			
Investments at fair value through profit or loss	11	**1,515,163**	1,201,107
Total non-current assets		**1,515,163**	1,201,107
Current assets			
Trade and other receivables	11,13	**32,506**	23,099
Cash and cash equivalents	11	**70,981**	72,391
Derivative financial instruments	11	**–**	1,719
Total current assets		**103,487**	97,209
Total assets		**1,618,650**	1,298,316
Current liabilities			
Trade and other payables	11,14	**10,370**	8,114
Derivative financial instruments	11	**4,627**	–
Total current liabilities		**14,997**	8,114
Total liabilities		**14,997**	8,114
Net assets		**1,603,653**	1,290,202
Equity			
Share capital	15	**1,029,387**	825,362
Other distributable reserve	15	**182,481**	182,481
Retained earnings	15	**391,785**	282,359
Equity attributable to equity holders of the parent		**1,603,653**	1,290,202
Net assets per share (pence per share)	16	**142.2**	130.2

The financial statements were approved by the Board of Directors on 29 March 2017.

They were signed on its behalf by:

Rupert Dorey
Chairman
29 March 2017

John Whittle
Director
29 March 2017

CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2016

	Notes	Year ended 31 December 2016 £'000s	Year ended 31 December 2015 £'000s
Profit from operating activities before tax		**175,340**	79,933
Adjusted for:			
Gain on investments at fair value through profit or loss	4	**(131,369)**	(39,784)
Unrealised exchange (gain)/loss		**(657)**	665
Finance costs	8	**3,774**	4,523
Fair value movement on derivative financial instruments	5,11	**6,346**	1,229
Working capital adjustments			
Increase in receivables		**(8,704)**	(6,146)
Increase in payables		**2,315**	1,700
		47,045	42,120
Income tax (paid)/received[1]		**(110)**	2,662
Net cash inflow from operations[2]		**46,935**	44,782
Investing activities			
Acquisition of investments at fair value through profit or loss	12	**(209,884)**	(143,077)
Net repayments from investments at fair value through profit or loss		**27,197**	14,695
Net cash outflow from investing activities		**(182,687)**	(128,382)
Financing activities			
Proceeds from issue of shares net of issue costs		**198,097**	195,002
Dividends paid	15	**(61,863)**	(48,587)
Finance costs paid		**(2,326)**	(3,482)
Net loan repayments		**–**	(16,327)
Net cash provided by financing activities		**133,908**	126,606
Net (decrease)/increase in cash and cash equivalents		**(1,844)**	43,006
Cash and cash equivalents at beginning of year		**72,391**	29,391
Exchange gain/(loss) on cash and cash equivalents		**434**	(6)
Cash and cash equivalents at end of year[3]		**70,981**	72,391

1 Cash flows received from unconsolidated subsidiary entities in respect of surrender of tax losses.
2 Net cash flows from operations above are reconciled to operating cash flows as shown in the Strategic Report on page 21.
3 Includes restricted cash of £41.7 million (2015: £51.5 million) which can only be utilised for new investments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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 the inside back cover. The nature of the Group's ('Parent and consolidated subsidiary entities') operations and its principal activities are set out on pages 2 and 8 respectively.

These financial statements are presented in pounds Sterling as this is the currency of the primary economic environment in which the Group 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 U.K. Listing Authority. These 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, and that are not themselves investment entities. 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 £29.3 million as at 31 December 2016. In November 2016, the Company's corporate debt facility was increased to £400 million (2015: £300 million) of which £292.6 million was uncommitted as at 31 December 2016, and is available for investment in new and existing projects until November 2019. In addition, a portion of the facility can be utilised for working capital purposes. 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 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 20 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 2016, 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 2016 and are satisfied with the resulting conclusion.

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 evidence of recent transactions are considered. Details of the valuation process and key sensitivities are provided in note 11.

3. SEGMENTAL REPORTING

Based on a review of information provided to the chief operating decision makers of INPP, the Group has identified four reportable segments based on the geographical risk associated with the jurisdictions in which the Group operates. The factors used to identify the Group's reportable segments are centred on the risk free rates and the maturity of the Infrastructure sector 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 U.K., Europe (excluding U.K.), North America and Australia.

	Year ended 31 December 2016				
	U.K. £'000s	Europe (Excl. U.K.) £'000s	North America £'000s	Australia £'000s	Total £'000s
Segmental results					
Dividend and interest income	**52,572**	**7,582**	**6,919**	**8,360**	**75,433**
Fair value gain on investments	**52,930**	**48,377**	**9,906**	**20,156**	**131,369**
Total investment income	**105,502**	**55,959**	**16,825**	**28,516**	**206,802**
Reporting segment profit[1]	**82,694**	**53,629**	**14,832**	**26,003**	**177,158**
Segmental financial position					
Investments at fair value	**1,069,397**	**247,388**	**100,721**	**97,657**	**1,515,163**
Current assets	**103,487**	**–**	**–**	**–**	**103,487**
Total assets	**1,172,884**	**247,388**	**100,721**	**97,657**	**1,618,650**
Total liabilities	**(14,997)**	**–**	**–**	**–**	**(14,997)**
Net assets	**1,157,887**	**247,388**	**100,721**	**97,657**	**1,603,653**

	Year ended 31 December 2015				
	U.K. £'000s	Europe (Excl. U.K.) £'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[2]	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)[1]	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

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

Revenue from investments which individually represent more than 10% of the Group's interest and dividend income approximates £12.2 million (2015: £12.0 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2016

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 investment 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 change in investments at fair value through profit or loss
Net change in investments 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 2016 £'000s	Year ended 31 December 2015 £'000s
Interest income		
Interest on investments	**56,730**	43,984
Interest on bank deposits	**48**	42
Total interest income	**56,778**	44,026
Dividend income	**18,655**	16,397
Net change in fair value of investments at fair value through profit or loss	**131,369**	39,784
Total investment income	**206,802**	100,207

Dividend and interest income includes that from transactions with unconsolidated subsidiary entities. Changes in investments at fair value through profit or loss are also recognised in relation to the Group's investments in unconsolidated subsidiaries.

5. OTHER OPERATING (EXPENSE)/INCOME

	Year ended 31 December 2016 £'000s	Year ended 31 December 2015 £'000s
Fair value loss on foreign exchange contracts	**(6,346)**	(1,229)
Other (losses)/gains on foreign exchange movements	**(490)**	2,505
Total other operating (expense)/income	**(6,836)**	1,276

6. TRANSACTION COSTS

	Year ended 31 December 2016 £'000s	Year ended 31 December 2015 £'000s
Investment advisory costs	**3,148**	2,145
Legal and professional costs	**71**	–
Total transaction costs	**3,219**	2,145

Details of total transaction costs paid are provided in note 17.

7. AUDITOR'S REMUNERATION

	Year ended 31 December 2016 £'000s	Year ended 31 December 2015 £'000s
Fees payable to the Group's auditor for the audit of the Group's financial statements	**286**	250
Fees payable to the Group's auditor and their associates for other services to the Group		
– The audit of the Group's consolidated subsidiaries	**41**	42
– The audit of the Group's unconsolidated subsidiaries	**323**	320
Total audit fees	**650**	612
Other fees		
– Audit related assurance services	**78**	35
– Other services	**–**	80
Total non-audit fees	**78**	115

8. FINANCE COSTS

ACCOUNTING POLICY

Interest bearing loans and overdrafts are initially recorded as the proceeds received net of any directly attributable issue costs. Subsequent measurement is at amortised cost, with borrowing costs 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 debt facility.

Finance costs for the year were £3.8 million (2015: £4.5 million). In November 2016, the Group increased its corporate debt facility from £300 million to £400 million. As part of this increase to the existing facility, the banking group was expanded in the year to include Barclays Bank and Sumitomo Mitsui Banking Corporation ('SMBC'), ranking alongside the existing banking group of Royal Bank of Scotland and National Australia Bank. 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 specific future cash investments.

Following a tap issue equity capital raise in December 2016, the outstanding cash drawn balance on the facility was fully repaid. As at 31 December 2016 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 2016 was £292.6 million.

The interest rate margin on the corporate debt facility is 175 basis points over Libor. The loan facility matures in November 2019 and is secured over the assets of the Group.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2016

9. 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 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 Group may be subject to withholding tax imposed in the country of origin of such income.

	Year ended 31 December 2016 £'000s	Year ended 31 December 2015 £'000s
Current tax:		
U.K. corporation tax credit – current year	**(1,918)**	(2,030)
U.K. corporation tax – prior year	**–**	4
Other overseas tax – current year	**100**	100
Tax credit for the year	**(1,818)**	(1,926)

Reconciliation of effective tax rate

	Year ended 31 December 2016 £'000s	Year ended 31 December 2015 £'000s
Profit before tax	**175,340**	79,933
Exempt tax status in Guernsey	**–**	–
Application of overseas tax rates	**100**	100
Group tax losses surrendered to unconsolidated investee entities	**(1,918)**	(2,030)
Adjustments to previous year's assessment	**–**	4
Tax credit for the year	**(1,818)**	(1,926)

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 exception, underlying investee entity tax is not consolidated within these financial statements. Total forecasted corporation tax payable by the Group's underlying investments is in excess of £824 million over their full concession lives.

10. EARNINGS PER SHARE

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

	Year ended 31 December 2016 £'000s	Year ended 31 December 2015 £'000s
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	**177,158**	81,859
	Number	Number
Weighted average number of Ordinary shares for the purposes of basic and diluted earnings per share	**1,031,394,086**	857,859,876
Basic and diluted (pence)	**17.18**	9.54

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.

11. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the instrument expire or the asset is transferred and the transfer qualifies for derecognition in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'. Financial liabilities are derecognised when the obligation is discharged, cancelled or expired. Specific financial asset and liability accounting policies are provided below.

11.1 FINANCIAL ASSETS

	31 December 2016 £'000s	31 December 2015 £'000s
Investments at fair value through profit and loss[1]	**1,515,163**	1,201,107
Financial asset loans and receivables		
Trade and other receivables	**32,506**	23,099
Cash and cash equivalents	**70,981**	72,391
Derivative financial instruments		
Foreign exchange contracts	**–**	1,719
Total financial assets	**1,618,650**	1,298,316

1 Includes fair value of investments in associates amounting to £2.3 million (2015: £2.0 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 and other non-controlled investments 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 underlying 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 total investment 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, 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2016

11. FINANCIAL INSTRUMENTS CONTINUED
11.1 FINANCIAL ASSETS CONTINUED
Impairment of financial assets

Financial assets, other than those classified 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.

11.2 FINANCIAL LIABILITIES

	31 December 2016 £'000s	31 December 2015 £'000s
Financial liabilities at amortised cost		
Trade and other payables	10,370	8,114
Derivative financial instruments		
Foreign exchange contracts	4,627	–
Total financial liabilities	14,997	8,114

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.

11.3 FINANCIAL RISK MANAGEMENT
The Group's objective in managing risk is the 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 30 to 39). 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 11.4.

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 for a sustained period of time, 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. For certain regulated assets, the risk of adverse movements in interest rates is limited through protections provided by the regulatory regime. The Group's corporate debt 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 within underlying investments is included within the fair value of investments.

11. FINANCIAL INSTRUMENTS CONTINUED

11.3 FINANCIAL RISK MANAGEMENT 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 Group uses forward foreign exchange contracts to mitigate the risk of short-term volatility in foreign exchange on significant investment returns from overseas investments. The Group doesn't hedge its exposure to foreign exchange in relation to foreign currency denominated investment balances. 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 2016 £'000s	31 December 2015 £'000s
Cash		
Euro	**791**	871
Canadian Dollar	**1,438**	1,107
Australian Dollar	**6**	11
U.S. Dollar	**3**	3
	2,238	1,992
Current receivables		
Euro receivables	**414**	393
U.S. Dollar receivables	**1,382**	–
	1,796	393
Investments at fair value through profit or loss		
Euro	**247,388**	202,968
Canadian Dollar	**39,135**	34,819
Australian Dollar	**97,657**	85,370
U.S. Dollar	**61,586**	32,204
	445,766	355,361
Total	**449,800**	357,746

Sensitivity analysis showing the impact of variations of the above risks on the fair value of investments is shown in section 11.5.

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 with creditworthy counterparties and reviewing this on a regular basis at the underlying entity level. The majority of underlying investments are in PFI/PPP and similar concessions which are entered into with government, quasi government, other public or equivalent low risk bodies. The maximum exposure of credit risk over financial assets as a result of counterparty default is the carrying value of those financial assets in the balance sheet.

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 capital redemption rights. The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities and by continuously monitoring 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 which may impact the investment 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 2016

11. FINANCIAL INSTRUMENTS CONTINUED
11.4 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 2016, the Group's only derivative financial instruments were currency forward contracts amounting to a liability of £4.6 million (2015: asset of £1.7 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 and other non-controlled investments which are classified at fair value through profit or loss. At 31 December 2016, the fair value of financial instruments classified within Level 3 totalled £1,515.2 million (2015: £1,201.1 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 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[1] 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 new investment acquisitions by the Group from related parties are subject to an independent valuation provided to the Board.

1 Indicative valuations performed at 31 March and 30 September.

11. FINANCIAL INSTRUMENTS CONTINUED

11.4 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.

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 investment. 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's 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:

	U.K.	Europe (Excl. U.K.)	North America	Australia
Inflation	2.75%	2.00%	2.00%	2.50%
Long-term tax	20.00% – 17.00%	12.50% – 33.99%	26.50% – 27.00%	30.00%
Foreign exchange rates	N/A	1.12	1.30–1.71	1.86
Long-term deposit rates	2.00%	2.00%	2.00%	3.00%

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 (or as close as available to) the weighted average concession length of the investments, issued by the national government for the location of the relevant investments ('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. However, the rate may increase in relation to investments with unknown residual values at the end of the relevant concession life as that date nears
- A further adjustment reflective of market-based transaction valuation evidence for similar assets

Over the period, the weighted average government bond decreased by 0.76%. This was offset by a 0.60% increase in the weighted average project premium reflecting observable market based evidence. Further details are provided within the Strategic Report (page 27).

Valuation Assumptions	**31 December 2016**	31 December 2015	Movement
Weighted Average Government Bond Rate	**1.55%**	2.31%	(0.76%)
Weighted Average Project Premium	**5.82%**	5.22%	0.60%
Weighted Average Discount Rate	**7.37%**	7.53%	(0.16%)
Weighted Average Discount Rate on Risk Capital[1]	**7.90%**	8.09%	(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 2016	**1,201,107**
Additional investments during the year	**209,884**
Net repayments during the year	**(27,197)**
Net change in fair value of investments at fair value through profit or loss	**131,369**
Balance at 31 December 2016	**1,515,163**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2016

11. FINANCIAL INSTRUMENTS CONTINUED
11.5 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 in base case valuations	Sensitivity factor	Change in fair value of investment £'000s	Sensitivity factor	Change in fair value of investment £'000s
Discount rate	7.37%	+1.00%	(144,963)	–1.00%	169,794
Inflation rate (overall)	2.58%	+1.00%	128,969	–1.00%	(113,352)
U.K.	2.75%	+1.00%	75,083	–1.00%	(66,584)
Europe	2.00%	+1.00%	39,423	–1.00%	(32,839)
North America	2.00%	+1.00%	1,230	–1.00%	(1,134)
Australia	2.50%	+1.00%	13,233	–1.00%	(12,795)
FX rate	N/A	+10.00%	44,161	–10.00%	(44,167)
Tax rate	20.78%	+1.00%	(10,193)	–1.00%	10,143
Deposit rate	2.07%	+1.00%	23,172	–1.00%	(19,782)

12. INVESTMENTS
2016

Date of investment	Description	Consideration £'000s	% Ownership post investment
4 February 2016	The Group invested in 100% of the equity and subordinated debt of the Westermost Rough offshore transmission project.	**26,837**	100%
April – December 2016	The Group funded four further tranches of investment in the Tideway project.	**70,219**	15.99%
26 April 2016	The Group invested its fifth batch of funding via the Aggregator Vehicle PLC into various PF2 schools procured under the U.K. Government's Priority Schools Building Programme.	**5,054**	100%
29 June 2016	The Group made a follow on investment for an additional 72% interest in the Wolverhampton phase two Building Schools for the Future ('BSF') project.	**7,149**	82%
22 August 2016	The Group made an investment to acquire or increase its interest in ten BSF projects across the U.K.	**72,297**	80-99%
July – September 2016	The Group made two investments to acquire an interest in the Halton BSF project.	**2,158**	45%
28 September 2016	The Group acquired a further debt investment in the P3 U.S. Military Housing sector[1].	**24,606**	–
22 December 2016	The Group acquired a further 3.33% interest in the Gold Coast Light Rail Project.	**1,564**	30%
Total capital spend on investments during the year		**209,884**	

1 Acquired debt only.

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12. INVESTMENTS CONTINUED

2015

Date of investment	Description	Consideration £'000s	% Ownership post investment
March – August 2015	The Group invested four batches of funding via the Aggregator Vehicle PLC into various PF2 schools procured under the U.K. 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 Tideway project.	58,910	15.99%
2 October 2015	The Group acquired a debt investment in the P3 U.S. Military Housing sector[1].	31,660	–
Total capital spend on investments during the year		143,077	

1 Acquired debt only.

13. TRADE AND OTHER RECEIVABLES

	31 December 2016 £ '000s	31 December 2015 £'000s
Accrued interest receivable	**24,773**	17,363
Other debtors	**7,733**	5,736
Total trade and other receivables	**32,506**	23,099

Other debtors included £6.2 million (2015: £4.3 million) of receivables from unconsolidated subsidiary entities for surrender of Group tax losses.

14. TRADE AND OTHER PAYABLES

	31 December 2016 £ '000s	31 December 2015 £'000s
Accrued management fee	**8,668**	6,987
Other creditors and accruals	**1,702**	1,127
Total trade and other payables	**10,370**	8,114

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2016

15. SHARE CAPITAL AND RESERVES

Share capital	31 December 2016 shares '000s	31 December 2015 shares '000s
In issue 1 January	**990,634**	836,159
Issued for cash	**132,792**	150,573
Issued as a scrip dividend alternative	**3,995**	3,902
In issue at 31 December – fully paid	**1,127,421**	990,634

	31 December 2016 £'000s	31 December 2015 £'000s
Opening balance	**825,362**	625,289
Issued for cash (excluding issue costs)	**200,000**	197,996
Issued as a scrip dividend alternative	**5,869**	5,211
Total share capital issued in the year	**205,869**	203,207
Costs on issue of Ordinary Shares	**(1,844)**	(3,134)
Balance at 31 December	**1,029,387**	825,362

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

On 27 May 2016, 1,969,282 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 2015.

On 18 July 2016, the Group raised an additional £125 million of equity through its Placing and Offer for Subscription of 83,612,040 Ordinary Shares at an issue price per share of 149.5 pence.

On 3 November 2016, 2,025,390 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 2016.

On 21 December 2016, the Group raised an additional £75 million of equity through a tap issue of 49,180,327 Ordinary Shares at an issue price per share of 152.5 pence.

Other distributable reserve	31 December 2016 £'000s	31 December 2015 £'000s
Opening balance	**182,481**	182,481
Movement in the year	**–**	–
Balance at 31 December	**182,481**	182,481

15. SHARE CAPITAL AND RESERVES CONTINUED

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 2016 £'000s	31 December 2015 £'000s
Opening balance	**282,359**	254,298
Net profit for the year	**177,158**	81,859
Dividends paid[1]	**(67,732)**	(53,798)
Closing balance	**391,785**	282,359

1 Includes scrip element of £5.9 million in 2016 (2015: £5.2 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 2016.

The Board has approved interim distributions as follows:

	Year ended 31 December 2016 £'000s	Year ended 31 December 2015 £'000s
Amounts recognised as distributions to equity holders for the year ended 31 December	**67,732**[1]	53,798
Declared		
Interim distribution for the period 1 January to 30 June 2016 was 3.325 pence per share (2015: 3.225 pence per share)	**35,784**	27,459
Interim distribution for the period 1 July to 31 December 2016 was 3.325 pence per share[2] (2015: 3.225 pence per share)	**37,487**	31,948

1 Includes the 2015 interim distribution for the period 1 July to 31 December 2015.
2 The distribution for the period 1 July to 31 December 2016 was approved by the Board on 29 March 2017 and therefore has not been included as a liability in the balance sheet for the year ended 31 December 2016.

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 debt 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 on-going expenses and dividend payments. The Group's investment policy is set out in the Corporate Governance Report (page 43).

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 associated risks.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2016

16. NET ASSETS PER SHARE

	31 December 2016 £'000s	31 December 2015 £'000s
Net assets attributable to equity holders of the parent	**1,603,653**	1,290,202
	Number	Number
Number of shares		
Ordinary shares outstanding at the end of the year	**1,127,421,076**	990,634,037
Net assets per share (pence per share)	**142.2**	130.2

17. 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 £32,000 (2015: £42,000) 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 2016 £'000s	For the year ended 31 December 2015 £'000s	**At 31 December 2016 £'000s**	At 31 December 2015 £'000s
International Public Partnerships GP Limited	**16,107**	13,470	**8,668**	6,987
Amber Fund Management Limited[1]	**3,219**	2,145	**311**	231
Total	**19,326**	15,615	**8,979**	7,218

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.

17. RELATED PARTY TRANSACTIONS CONTINUED

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 of investments bearing construction risk

For existing fully operational assets:
– 1.2% per annum of the gross asset value ('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

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

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 2016, Amber Infrastructure held 8,002,379 (2015: 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 2016 are disclosed below:

Director	Number of New Ordinary Shares
Claire Whittet	2,257
Giles Frost	64,529
Total purchased	66,786

None of the Directors disposed of any shares during the year (2015: nil)

Remuneration paid to the Non-Executive Directors is disclosed on page 48.

18. CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2016 the Group has committed investments supported by letter of credit amounting to £107.4 million which were notionally drawn against the Group's corporate debt facility.

In December 2016, as part of a consortium, INPP agreed to acquire a 61% interest in National Grid's GDN. INPP committed up to £275 million for the investment which is expected to reach financial close in 2017.

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

19. EVENTS AFTER BALANCE SHEET DATE

There were no events to report after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2016

20. OTHER MANDATORY DISCLOSURES

NEW STANDARDS THAT THE GROUP HAS APPLIED FROM 1 JANUARY 2016

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 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)

STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but 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)
- Clarifications to IFRS 15 Revenue from Contracts with Customers (April 2016) (1 January 2018)
- Amendments to IFRS 2 (June 2016) – Classification and Measurement of Share-based Payment Transactions (1 January 2018)
- 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 2016 and proportion of ownership is shown below:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest %
Abingdon Limited Partnership	U.K.	100
Aggregator PLC	U.K.	100
Access Justice Durham Limited	Canada	100
AKS Betriebs GmbH & Co. KG	Germany	98
BBPP Alberta Schools Limited	Canada	100
Blackburn with Darwen Phase 1 Limited	U.K.	80
Blackburn with Darwen Phase 2 Limited	U.K.	80
BPSL No. 2 Limited Partnership	U.K.	100
Building Schools for the Future Investments LLP	U.K.	100
Calderdale Schools Partnership	U.K.	100
CHP Unit Trust	Australia	100
Derby City BSF Limited	U.K.	80
Derbyshire Courts Limited Partnership	U.K.	100
Derbyshire Schools	U.K.	100
Derbyshire Schools Phase Two Partnership	U.K.	100
Future Ealing Phase 1 Limited	U.K.	80
4 Futures Phase 1 Limited	U.K.	80
4 Futures Phase 2 Limited	U.K.	80
Hertfordshire Schools Building Partnership Phase 1 Limited	U.K.	80
H&W Courts Limited Partnership	U.K.	100
INPP Infrastructure Germany GmbH & Co. KG	Germany	100
Inspire Partnership Limited Partnership	U.K.	100
IPP CCC Limited Partnership	Ireland	100

20. OTHER MANDATORY DISCLOSURES CONTINUED

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest %
Inspiredspaces Durham (Project Co 1) Limited	U.K.	91
Kent PFI (Project Co 1) Limited	U.K.	58
Inspiredspaces Nottingham (Project Co 1) Limited	U.K.	82
Inspiredspaces Nottingham (Project Co 2) Limited	U.K.	82
Inspiredspaces STaG (Project Co 1) Limited	U.K.	90
Inspiredspaces STaG (Project Co 2) Limited	U.K.	90
Inspiredspaces Wolverhampton (Project Co 1) Limited	U.K.	82
Inspiredspaces Wolverhampton (Project Co 2) Limited	U.K.	82
Transform Islington (Phase 1) Limited	U.K.	80
Transform Islington (Phase 2) Limited	U.K.	80
IPP (Moray Schools) Holdings Limited	U.K.	100
Maesteg School Partnership	U.K.	100
Norfolk Limited Partnership	U.K.	100
Northampton Schools Limited Partnership	U.K.	100
Northern Diabolo N.V.	Belgium	100
Oldham BSF Limited	U.K.	99
Pinnacle Healthcare (OAHS) Trust	Australia	100
Plot B Partnership	U.K.	100
St Thomas More School Partnership	U.K.	100
PPP Solutions (Long Bay) Partnership	Australia	100
PPP Solutions (Showgrounds) Trust	Australia	100
Strathclyde Limited Partnership	U.K.	100
TH Schools Limited Partnership	U.K.	100
TC Robin Rigg OFTO Limited	U.K.	100
TC Barrow OFTO Limited	U.K.	100
TC Gunfleet Sands OFTO Limited	U.K.	100
TC Ormonde OFTO Limited	U.K.	100
TC Lincs OFTO Limited	U.K.	100
TC Westermost Rough OFTO Limited	U.K.	100

The entities listed above in aggregate represent 79.9% (2015: 85.7%) 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.

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	U.K.	100
International Public Partnerships Lux 1 Sarl	Luxembourg	100
International Public Partnerships Lux 2 Sarl	Luxembourg	100
IPP Bond Limited	U.K.	100
IPP Investments Limited Partnership	U.K.	100

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2016

21. INVESTMENTS

The Group holds 126 investments across energy transmission, education, transport, health, courts, waste water, police, military housing and other sectors. The table overleaf sets out the Group's investments that are recorded at fair value through profit or loss.

Investment Name	Country	Status at 31 December 2016	Per cent. Risk Capital Owned by the Group[1]	Investment end date
U.K.				
U.K. PPP Assets				
Calderdale Schools	U.K.	Operational	100.0	30 April 2030
Derbyshire Schools Phase Two	U.K.	Operational	100.0	29 February 2032
Northamptonshire Schools	U.K.	Operational	100.0	31 December 2037
Derbyshire Courts	U.K.	Operational	100.0	2 September 2028
Derbyshire Schools Phase One	U.K.	Operational	100.0	28 April 2029
North Wales Police HQ	U.K.	Operational	100.0	31 December 2028
St Thomas More Schools	U.K.	Operational	100.0	30 April 2028
Tower Hamlets Schools	U.K.	Operational	100.0	31 August 2027
Norfolk Police HQ	U.K.	Operational	100.0	16 December 2036
Strathclyde Police Training Centre	U.K.	Operational	100.0[2]	30 September 2026
Hereford & Worcester Courts	U.K.	Operational	100.0[2]	5 September 2025
Abingdon Police Station	U.K.	Operational	100.0	30 April 2030
Bootle Government Offices	U.K.	Operational	100.0	30 June 2025
Maesteg Schools	U.K.	Operational	100.0	30 September 2033
Moray Schools	U.K.	Operational	100.0	26 February 2042
Liverpool Library	U.K.	Operational	100.0	7 November 2037
Priority Schools Building Aggregator Programme				
Batch 1 – Schools in North East England	U.K.	Operational	0.0[2]	31 August 2040
Batch 2 – Schools in Hertfordshire, Luton and Reading	U.K.	Construction	0.0[2]	9 November 2041
Batch 3 – Schools in North West of England	U.K.	Construction	0.0[2]	24 August 2041
Batch 4 – Schools in the Midlands Region	U.K.	Construction	0.0[2]	29 December 2041
Batch 5 – Schools in Yorkshire	U.K.	Construction	0.0[2]	30 September 2041
OFTOs				
Robin Rigg OFTO	U.K.	Operational	100.0	1 March 2031
Gunfleet Sands OFTO	U.K.	Operational	100.0	18 July 2031
Barrow OFTO	U.K.	Operational	100.0	26 March 2030
Ormonde OFTO	U.K.	Operational	100.0	9 July 2032
Lincs OFTO	U.K.	Operational	100.0	9 November 2034
Westermost Rough OFTO	U.K.	Operational	100.0	11 February 2036
Building Schools for the Future Portfolio				
Minority Shareholdings in 26 Building Schools for the Future Projects	U.K.	Mixed	Various	Various
Blackburn with Darwen Phase One	U.K.	Operational	80.0	31 September 2036
Blackburn with Darwen Phase Two	U.K.	Operational	80.0	30 September 2039
Derby City	U.K.	Operational	80.0	31 August 2037
Durham Schools	U.K.	Operational	91.0	3 January 2036
Ealing Schools Phase One	U.K.	Operational	80.0	31 March 2038
Halton Place	U.K.	Operational	45.0	31 March 2038
Hertfordshire Schools Phase One	U.K.	Operational	80.0	31 August 2037
Islington Phase One	U.K.	Operational	80.0	31 August 2034
Islington Phase Two	U.K.	Operational	80.0	31 March 2039
Oldham Schools	U.K.	Operational	99.0	31 August 2037

1 Risk Capital includes project level equity and/or subordinated shareholder debt.
2 Investment contains senior or mezzanine debt in addition to any Risk Capital ownership shown.

21. INVESTMENTS CONTINUED

Investment Name	Country	Status at 31 December 2016	Per cent. Risk Capital Owned by the Group[1]	Investment end date
Tameside Schools One	U.K.	Operational	46.0	31 August 2036
Tameside Schools Two	U.K.	Operational	46.0	31 August 2037
Nottingham Schools One	U.K.	Operational	82.0	31 August 2034
Nottingham Schools Two	U.K.	Operational	82.0	30 August 2038
South Tyneside and Gateshead Schools One	U.K.	Operational	90.1	25 October 2034
South Tyneside and Gateshead Schools Two	U.K.	Operational	86.5	4 September 2036
Southwark Phase One	U.K.	Operational	80.0	9 January 2036
Southwark Phase Two	U.K.	Operational	80.0	31 December 2036
Wolverhampton Schools Phase One	U.K.	Operational	82.0	2 September 2037
Wolverhampton Schools Phase Two	U.K.	Operational	82.0	31 August 2040
Kent Schools	U.K.	Operational	58.0	4 August 2035
NHS LIFT Portfolio				
Beckenham Hospital	U.K.	Operational	49.8	1 December 2033
Garland Road Health Centre	U.K.	Operational	49.8	1 December 2031
Alexandra Avenue Primary Care Centre, Monks Park Health Centre (two projects)	U.K.	Operational	49.8	1 June 2031
Gem Centre Bentley Bridge, Phoenix Centre (two projects)	U.K.	Operational	49.8	1 December 2030
Sudbury Health Centre	U.K.	Operational	49.8	1 November 2032
Mt Vernon	U.K.	Operational	49.8	1 December 2033
Lakeside	U.K.	Operational	49.8	1 November 2032
Fishponds Primary Care Centre, Hampton House Health Centre (two projects)	U.K.	Operational	33.4	1 January 2031
Shirehampton Primary Care Centre, Whitchurch Primary Care Centre (two projects)	U.K.	Operational	33.4	1 March 2032
Blackbird Leys Health Centre, East Oxford Care Centre (two projects)	U.K.	Operational	33.4	1 May 2031
Brierley Hill	U.K.	Operational	34.3	1 April 2035
Ridge Hill Learning Disabilities Centre, Stourbridge Health & Social Care Centre (two projects)	U.K.	Operational	34.3	1 October 2031
Harrow NRC (three projects)	U.K.	Operational	49.8	1 June 2034
Goscote Palliative Care Centre	U.K.	Operational	49.8	1 November 2035
South Bristol Community Hospital	U.K.	Operational	33.4	1 February 2042
East London LIFT Project One (four projects)	U.K.	Operational	30.0	1 October 2030
East London LIFT Project Two (three projects)	U.K.	Operational	30.0	1 April 2033
East London LIFT Project Three (Newby Place)	U.K.	Operational	30.0	7 May 2037
East London LIFT Project Four (two projects)	U.K.	Operational	30.0	1 August 2036
Other U.K.				
Angel Trains	U.K.	Operational	4.8	31 December 2038
Thames Tideway Tunnel	U.K.	Construction	15.99	31 March 2150
Australia				
Royal Melbourne Showgrounds	Australia	Operational	100.0	24 August 2031
Long Bay Forensic & Prisons Hospital Project	Australia	Operational	100.0	19 July 2034
Reliance Rail	Australia	Operational	12.75	11 February 2044
Royal Children's Hospital	Australia	Operational	100.0	31 December 2036
Orange Hospital	Australia	Operational	100.0	21 December 2035
NSW Schools	Australia	Operational	25.0	31 December 2035
Gold Coast Rapid Transport	Australia	Mixed	30.0	31 May 2029
Victoria Schools Two	Australia	Construction	100.0	31 December 2042

1 Risk Capital includes project level equity and/or subordinated shareholder debt.
2 Investment contains senior or mezzanine debt in addition to any Risk Capital ownership shown.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2016

21. INVESTMENTS CONTINUED

Investment Name	Country	Status at 31 December 2016	Per cent. Risk Capital Owned by the Group[1]	Investment end date
North America				
Alberta Schools	Canada	Operational	100.0	30 June 2040
Durham Courts	Canada	Operational	100.0	24 November 2039
U.S. Military Housing	U.S.	Operational	0.0[2]	25 October 2052
Europe (ex U.K.)				
Diabolo Rail Link Project	Belgium	Operational	100.0	30 June 2047
Dublin Courts	Ireland	Operational	100.0	30 June 2035
BeNEX (Bus and Rail)	Germany	Operational	49.0	31 December 2033
Federal German Ministry of Education and Research Headquarters	Germany	Operational	97.0	31 July 2041
Pforzheim Schools	Germany	Operational	98.0	11 September 2039
Brescia Hospital	Italy	Operational	37.0	7 November 2021

1 Risk Capital includes project level equity and/or subordinated shareholder debt.
2 Investment contains senior or mezzanine debt in addition to any Risk Capital ownership shown.

NOTES

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