INTERNATIONAL
PUBLIC
PARTNERSHIPS

Annual Report and
Financial Statements

2017

COMPANY FACTS

- London Stock Exchange trading code: INPP.L
- Member of the FTSE 250 and FTSE All-Share indices
- £2.2 billion market capitalisation at 31 December 2017
- 1,405 million shares in issue at 31 December 2017
- Eligible for ISA/PEPs and SIPPs
- International Public Partnerships (the 'Company', 'INPP') 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:
Cadent (Gas Distribution Network), Manchester, U.K.
Inside front cover image:
Chambers Wharf, Thames Tideway Tunnel Project, London, U.K.

HIGHLIGHTS

We aim to provide our investors with sustainable, long-term and inflation-linked returns.

We expect to do this through growing our dividend and by creating the potential for capital appreciation.

Our approach is supported by robust investment cash flows.

DIVIDENDS

6.82p

2017 full-year distribution[1] per share

2.5%

Average annual dividend increase[2]

7.00p

2018 full-year distribution target[2] per share

1.2x

Cash dividend covered[3]

7.18p

2019 full-year distribution target[2] per share

NET ASSET VALUE ('NAV')

£2.0bn

NAV at 31 December 2017[4]
(2016: £1.6bn)

145.0p

NAV per share at 31 December 2017[4]
(2016: 142.2p)

27.1%

Increase in NAV

2.0%

Increase in NAV per share

PORTFOLIO ACTIVITY

£464.0m

Cash investments made during 2017

PROFIT

£106.4m

Profit before tax
(2016: £175.3m)

TOTAL SHAREHOLDER RETURN ('TSR')

165.4%

TSR since inception[5]

9.2%

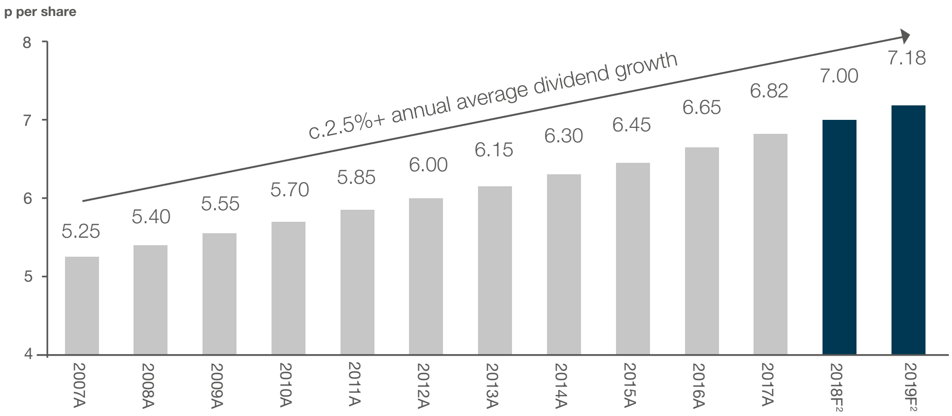
Compound annual growth in TSR since inception[5]

1 The forecast date for payment of the dividend relating to the six months to 31 December 2017 is 15 June 2018.
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 before non-recurring operating costs as detailed on pages 22 and 23.
4 The methodology used to determine investment fair value is incorporated within the NAV as described in detail on pages 24 to 30.
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

INNP Dividend Payments



Compound annual growth rate in TSR of 9.2% p.a.[1]

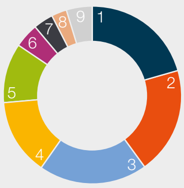
Since listing, INPP has grown from £300m market capitalisation to £2.2bn (December 2017)

Dividend growth has averaged 2.5% since inception[2]

High degree of inflation linkage

A WELL DIVERSIFIED PORTFOLIO

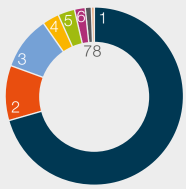
Sector Breakdown



1 Transport	**21%**
2 Education	**20%**
3 Energy Transmission	**19%**
4 Gas Distribution	**14%**
5 Waste Water	**11%**
6 Health	**4%**
7 Courts	**4%**
8 Military Housing	**3%**
9 Other	**4%**

129 investments in infrastructure projects across a variety of sectors

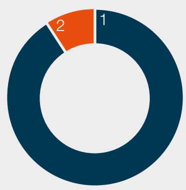
Geographic Split



1 U.K.	**71%**
2 Australia	**10%**
3 Belgium	**10%**
4 U.S.	**3%**
5 Germany	**3%**
6 Canada	**2%**
7 Ireland	**1%**
8 Italy	**<1%**

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

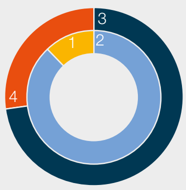
Investment Type



1 Investments with third party senior debt	**91%**
2 Investments with no third party senior debt[4]	**9%**

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

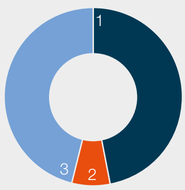
Mode of Acquisition/Asset Status



1 Construction	**12%**
2 Operational	**88%**
3 Early Stage Investor[5]	**73%**
4 Later Stage Investor[6]	**27%**

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

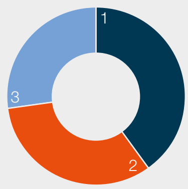
Project Ownership



1 100%	**47%**
2 50%–100%	**7%**
3 <50%	**46%**

Preference to hold majority stakes

Investment Life



1 <20 years	**40%**
2 20–30 years	**33%**
3 >30 years	**27%**

Weighted average portfolio life of 37 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 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 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 primary or early phase investments.
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.

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

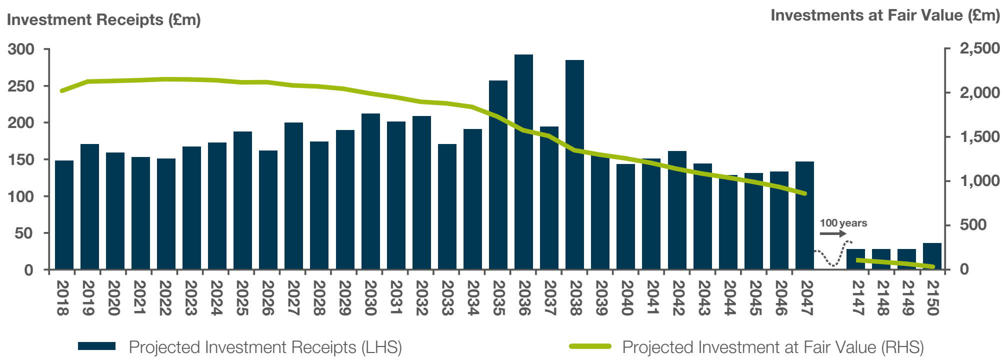
Strong: long-dated, contractual, predictable cash flows

Secure: mainly from regulated 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 2017 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 100 employees working internationally managing our 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
- INPP has first right over qualifying infrastructure assets developed by Amber and for U.S. investments, its main shareholder, U.S. Group, Hunt Companies LLC.

Relationship with the Investment Adviser and its Group

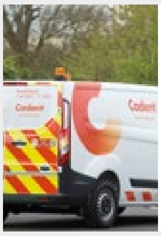
See more on page 8

See more on page 20

TOP 10 INVESTMENTS

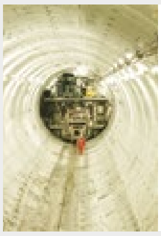
International Public Partnerships' ('INPP's) top ten investments by fair value at 31 December 2017 are summarised below.

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).



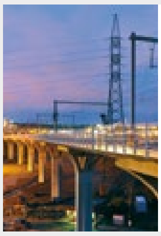
CADENT (GAS DISTRIBUTION NETWORK)[1]

Location	**Various, United Kingdom**
Sector	**Gas Distribution**
Status at 31 December 2017	**Operational**
% Holding at 31 December 2017	**4% Risk Capital[2]**
% Investment Fair Value 31 December 2017	**14.0%**
% Investment Fair Value 31 December 2016	**N/A**



THAMES TIDEWAY TUNNEL[1]

Location	**London, United Kingdom**
Sector	**Waste Water**
Status at 31 December 2017	**Under Construction**
% Holding at 31 December 2017	**16% Risk Capital[2]**
% Investment Fair Value 31 December 2017	**10.8%**
% Investment Fair Value 31 December 2016	**9.1%**

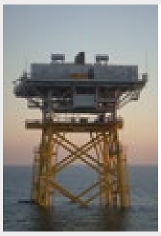


DIABOLO RAIL LINK[1]

Location	**Brussels, Belgium**
Sector	**Transport**
Status at 31 December 2017	**Operational**
% Holding at 31 December 2017	**100% Risk Capital[2]**
% Investment Fair Value 31 December 2017	**10.0%**
% Investment Fair Value 31 December 2016	**11.5%**

LINCS OFFSHORE TRANSMISSION[1]

Location	**Lincolnshire, United Kingdom**
Sector	**Energy Transmission**
Status at 31 December 2017	**Operational**
% Holding at 31 December 2017	**100% Risk Capital[2]**
% Investment Fair Value 31 December 2017	**9.0%**
% Investment Fair Value 31 December 2016	**11.7%**

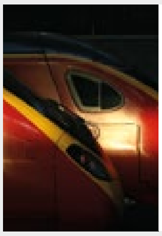


ORMONDE OFFSHORE TRANSMISSION[1]

Location	**Cumbria, United Kingdom**
Sector	**Energy Transmission**
Status at 31 December 2017	**Operational**
% Holding at 31 December 2017	**100% Risk Capital[2] and 100% senior debt**
% Investment Fair Value 31 December 2017	**6.5%**
% Investment Fair Value 31 December 2016	**8.9%**

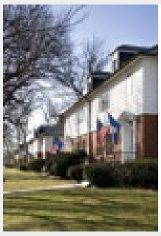
RELIANCE RAIL

Location	**Sydney, Australia**
Sector	**Transport**
Status at 31 December 2017	**Operational**
% Holding at 31 December 2017	**33% Risk Capital[2]**
% Investment Fair Value 31 December 2017	**4.4%**
% Investment Fair Value 31 December 2016	**0.0%**



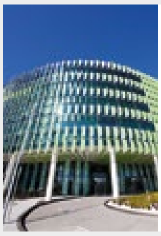
ANGEL TRAINS[1]

Location	**Various, United Kingdom**
Sector	**Transport**
Status at 31 December 2017	**Operational**
% Holding at 31 December 2017	**5% Risk Capital[2]**
% Investment Fair Value 31 December 2017	**3.4%**
% Investment Fair Value 31 December 2016	**4.5%**



U.S. MILITARY HOUSING[1,3]

Location	**Various, United States**
Sector	**Military Housing**
Status at 31 December 2017	**Operational**
% Holding at 31 December 2017	**100% Risk Capital[2]**
% Investment Fair Value 31 December 2017	**3.0%**
% Investment Fair Value 31 December 2016	**4.0%**



ROYAL CHILDREN'S HOSPITAL[1]

Location	**Victoria, Australia**
Sector	**Health**
Status at 31 December 2017	**Operational**
% Holding at 31 December 2017	**100% Risk Capital[2]**
% Investment Fair Value 31 December 2017	**2.0%**
% Investment Fair Value 31 December 2016	**2.8%**

BeNEX RAIL[1]

Location	**Various, Germany**
Sector	**Transport**
Status at 31 December 2017	**Operational**
% Holding at 31 December 2017	**49% Risk Capital[2]**
% Investment Fair Value 31 December 2017	**2.0%**
% Investment Fair Value 31 December 2016	**2.5%**

Significant movements in the Group's portfolio for the year ended 31 December 2017 can be found on page 14 of the Strategic Report.

1 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 have regulatory periodic reviews. All other investments receive entirely availability based revenues.
2 Risk Capital includes both project level equity and subordinated shareholder debt.
3 Includes two tranches of investment into U.S. military housing.

CHAIRMAN'S LETTER

> *The Company was once again able to achieve annual growth in dividend distributions, broadly in line with longer-term inflation expectations at an average rate of approximately 2.5%.*

Dear Shareholders,
I am pleased to report that 2017 was a strong year for the Company. It delivered robust financial performance in addition to making over £460 million of new investment, committing to invest up to a further £225 million and raising over £400 million of additional capital.

Since listing in 2006, the Company has generated a Total Shareholder Return ('TSR') of 165.4%. This is equivalent to an average annual return of 9.2% and is ahead of our long-term target of an 8% to 9% return[1]. We remain positive about the Company's future ability to deliver predictable, inflation-linked returns to our shareholders.

The Company's combination of strong and sustained performance, growth in capital deployed into complementary assets and continued robust investor demand for new stock resulted in an increase of INPP's market capitalisation to over £2.2 billion at the end of 2017 – up from £1.7 billion at the end of the previous year.

GROWTH IN INVESTOR RETURNS

The Company was once again able to achieve annual growth in dividend distributions, broadly in line with longer-term inflation expectations at an average rate of approximately 2.5%. We achieved our targeted dividend of 6.82 pence per share for 2017, representing a c.2.5% growth over 2016 (6.65 pence per share).

The Board is pleased to reaffirm its minimum dividend target for 2018 of 7.00 pence per share and to provide new guidance of 7.18 pence per share for 2019. We have good forward visibility of investment cash flows and, given the continued predictability of the Company's investments, we are confident of our longer-term prospects to continue to increase our dividend. By disclosing two-year forward guidance, we hope to provide shareholders with additional clarity of our future intentions[2].

INVESTMENT ACTIVITY

During 2017, INPP completed a record level of new investment activity, making £464 million of new cash investments into four new and four follow-on investments and entered into up to £225 million of new investment commitments and binding offers across the energy distribution, waste water, education and transport infrastructure sectors.

Our ability to access high-quality infrastructure investments is testament to the collective expertise of INPP and that of our Investment Adviser, Amber Fund Management Limited ('Amber'). We continue to capitalise on the combination of our origination capability, leading technical expertise and strong industry relationships that allow us to deliver real value for money to both our shareholders and our clients. All opportunities are appraised on a case-by-case basis and pursued in a disciplined fashion. We aim to ensure that INPP's strong platform, which has been carefully developed over the 11 years since listing continues to be enhanced.

The largest investment in 2017 was £272.5 million, as part of a consortium which acquired a 61% stake in Cadent (formerly known as National Grid's gas distribution networks). This landmark acquisition was originated along with a group of leading, long-term U.K. and international institutional investors. In addition, the acquisition of a further 14% interest in Cadent was negotiated between the consortium and National Grid and is subject to put and call options between the parties, exercisable from 2019. This investment illustrates our ability to convert strong industry relationships and technical expertise to augment further the Company's projected returns.

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

Progress on the Thames Tideway Tunnel ('Tideway') is continuing in line with our expectations, with construction scheduled to complete in 2022. A further £78.2 million of scheduled investment was made into the Tideway project during 2017, including the Company's final commitment to the project, which was invested in December.

In November 2017, the Company invested approximately A$154 million (£86.8 million) to acquire an additional interest in the Australian rolling stock public private partnership, known as the Reliance Rail Project. The additional investment was part of a broader asset refinancing which will also provide an attractive level of return compared to the existing portfolio.

CAPITAL RAISING AND CORPORATE CREDIT FACILITY

To support portfolio growth, we conducted capital raisings in May 2017 and December 2017 in which we secured £330 million and £80 million respectively (before costs). Both placings were oversubscribed with demand from existing and new investors.

The Company's £400 million corporate credit facility continued to provide additional capacity to support the strong pipeline of potential new investment opportunities in regulated and other public infrastructure. It acts as a bridging facility between capital raising rather than serving as long-term, structural leverage. The net proceeds of the 2017 issuances were used to reduce the drawn element of the debt facility as well as finance new acquisitions. At year end, the corporate credit facility was largely undrawn, providing the Company with some financial flexibility to consider new investments.

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 is fundamental to INPP's long-term success, as well as ensuring that we maintain strong relationships with partners and clients. This strength of relationship translates into high rates of client satisfaction with facilities and services delivered. We continue to ensure that the existing portfolio meets or exceeds performance metrics.

The value of this approach, together with the capital raising undertaken in 2017, is demonstrated by INPP's strong growth in Net Asset Value ('NAV'), which increased 27.1% to £2,038.3 million, or 2.0% to 145.0 pence on a NAV per share basis in 2017.

The Company had an exposure to Carillion plc where the Company received construction/facilities management services from Carillion subsidiaries on 3% of the portfolio, across 24 projects. Carillion entered liquidation in January 2018 and following its collapse Amber implemented contingency plans to transition projects to new providers and manage broader project-level relationships. Services have now been transitioned on 17 of these projects and there is a high level of confidence of successful transition on the remainder. Full transition is expected to occur on all projects over the following six months to new providers on substantially the same terms as the existing contracts. Pleasingly, all on-site ex-Carillion personnel will be offered continuity of employment on the same terms and all projects have been fully operational throughout the period. The Company's expectation is that the cost of transitioning to these new arrangements will be immaterial to the Company (up to c.£1.5 million although likely to be substantially less), and that, overall there will be minimal impact on the Company's valuation and the expectation is that there will be no additional cost to the public sector.

CORPORATE GOVERNANCE

The Board values good corporate governance and 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 48. During the year, the Board undertook an external-facilitated evaluation of its own practices and the Management Engagement Committee formally reviewed the performance of the Investment Adviser and other key service providers to the Company. As part of the Board's ongoing review of operation processes, we also procured an external review of the process for monitoring and reporting of asset availability, as this is an important metric both for our public sector clients and for the Board.

To ensure that there is continuity of Board oversight and sufficient resource, the Board undertook a search for an additional Director, resulting in Ms Julia Bond being appointed on 1 September 2017. Ms Bond has 27 years' experience in the financial capital markets and has held senior management positions, including at Credit Suisse. After a successful career in financial services, Julia brings a wealth of board experience in Investment Trusts, the public sector, professional bodies as well as the voluntary sector. Julia's skills and knowledge are complementary to the current Board and will allow for an orderly process of Board succession in due course.

In anticipation of my retirement from the Board, we are actively seeking a candidate for the Chairmanship of the Company. While this process is ongoing, my fellow Board members and I have agreed that I should continue in the role until a suitable replacement has been identified and an appropriate transition taken place. We are confident that there are a number of high-quality candidates with the relevant experience and we look forward to updating our shareholders in due course.

In addition, further information on INPP's corporate governance developments and operational reviews over the year can be found in the Corporate Governance section of this report.

OUTLOOK

The market outlook for the Company remains positive as enhanced capital investment into infrastructure continues to rank highly on government agendas globally as a key economic driver. We anticipate that this will over time generate more investment opportunities in the developed countries in which the Company invests.

INPP also remains focused on the completion of its committed investments while continuing to develop, track and appraise other potential opportunities that are at various stages of development. Amber has identified a pipeline of potential opportunities that meet the Company's risk-return profile in sectors, such as regulated utilities (including offshore transmission), health, judicial, waste, and other accommodation and transport projects, that may be progressed as investment opportunities for the Company.

The Company continues to closely monitor the market reaction during the U.K.'s planned withdrawal from the European Union ('E.U.'). Whilst the immediate market-related volatility has not persisted to the scale widely anticipated by many industry participants, there remains uncertainty about the true impact of Brexit on the U.K. economy. As outlined in our 2016 Annual Report, we do not anticipate that there will be significant impact on the Company's existing investments, however given the high degree of uncertainty the Board continues to monitor developments as the Brexit negotiations progress.

The Company also notes the heightened attention in the U.K. paid to the assessment of the economic and social value that private sector investment brings to public infrastructure projects, including suggestions by the Labour party to seek to renationalise key public infrastructure assets, companies and private finance contracts operating in the U.K. As a long-standing and leading originator, investor and operator of public infrastructure projects internationally, the Company firmly believes that the close partnerships between public clients and private investment brings significant benefits to the public sector and ultimately the end-users and relevant parties. We also recognise that it is incumbent upon project owners and the broader investment industry to demonstrate the value we bring, not only to our investors but the communities in which our projects serve.

Overall, we believe that 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 and that we remain well positioned to add high-quality investments to the portfolio in the short-to-medium term.

More information and a detailed pipeline of opportunities is set out in the Current Market Environment and Future Opportunities section. The Company's approach to Corporate, Social and Environmental Responsibility is set out in more detail on page 42.

I would like to take this opportunity to thank our shareholders for their support for the Company throughout 2017 and we look forward to this continuing in the coming year.

Rupert Dorey
Chairman
20 March 2018

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 progressive 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 Company Investment Policy on page 45

OUR STRENGTHS

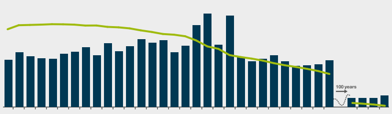
APPROACH

- Long-term alignment of interests between INPP, Amber and other key suppliers
- A vertically-integrated model with direct relationships with public sector customers
- One of the largest independent teams of over 100 people, experts in all aspects of infrastructure development, investment and management
- Physical presence in all the major countries in which we invest which provides local insights 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 footnote 2 and Company Overview, page 3 for full data 'INPP projected cash flow profile'

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 risk relative to returns, taking into account financial, macroeconomic, regulatory and country risks.

ACCESS
Amber's strong origination team develops unique investment opportunities that can lead to enhanced returns.

APPROVAL
Our rigorous framework includes substantive input from Amber and external advisers, with the INPP Board 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 29 for information relating to the Company's use of sensitivity analysis.
4 See pages 24 to 30 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 Assets under management represents INPP's proportional ownership of each project's Total Development Value at inception.

- Governance
- Strategy setting
- 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, through Amber we manage the day-to-day activities of each of our projects internally to ensure we have line of sight over project cash flows.

DRIVE GROWTH
We actively work with our public sector clients to ensure that projects are being managed in an efficient manner - optimising returns for our investors.

MONITOR PERFORMANCE
Extensive monitoring includes asset level 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:

- Maintain and enhance distributions to shareholders
- Total Shareholder Returns
- Net Asset Value and Net Asset Value per share

6.82p
2017 dividends per share
(2016: 6.65p)

0.79%
Real returns
Portfolio inflation linkage[3]

145.0p
NAV per share[4]
(2016: 142.2p)

2.5%
Average dividend growth since IPO[5]

9.2% p.a.
Annualised Total Shareholder Return[6] since inception

£106.4m
Profit before tax
(2016: £175.3m)

BROADER VALUE CREATION

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

£8.1bn
Development value[7]

129
Number of investments

>99.6%
Asset availability

1,050MW
Energy transported

336
Number of schools and public building sites

>1Mm²
Total floor area under management

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 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 2017
– Value of new investments	– Continued investment into the Thames Tideway Tunnel, Victoria Schools, Gold Coast Light Rail and Offenbach Police Centre which are currently under construction
– Proportion of investments in construction	– 12% of portfolio currently under construction
– Value of additional investments acquired off-market or through preferred access	– Acquisitions totalling £92.2 million secured through pre-emption rights including additional stakes in the Wolverhampton BSF, Reliance Rail and Gold Coast Light Rail (Phase 2) projects – Appointed as the preferred bidder for the Dudgeon Offshore Transmission Project ('OFTO') in the U.K.
– Improvement of risk/return, inflation linkage and diversification of cash flows, including geographical diversification	– Investments in Australia and Germany adding to geographical diversification – All assets acquired exhibited robust cash flow profiles – Investment into projects including Cadent in the U.K. enhance inflation linkage within the portfolio – Overall portfolio value inflation linkage increased from 0.78% to 0.79% for every 1.00% p.a. increase over assumed inflation rates (calculated by running a 'plus 1.00%' inflation sensitivity for each investment and solving each investment's discount rate to return the original valuation. The inflation linkage is the increase in the portfolio weighted average discount rate)
– Availability for all controlled investments at 98% or above - returns from investments in line with expectations	– Availability for investments at 99.6% or greater
– Performance deductions below 3% for all projects	– Performance deductions below 1% for all projects
– Number of change requests from existing contracts	– Over 900 change requests undertaken
– Management of investments during the course of construction projects in line with overall delivery timetable	– 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	– Cash dividends paid to investors 1.2 times covered by operating cash flow before one-off costs
– New investments made from available cash (after payment of dividend) ahead of using corporate debt	– All investments in 2017 funded through excess cash in priority to the corporate debt facility
– Competitive cash deposit rates	– Market-tested cash deposit rates
– Use of appropriate hedging strategies	– £54.6 million of foreign exchange forward contracts in place to mitigate short-term foreign exchange cash flow volatility
– Management of ongoing charges	– Ongoing charges 1.15% p.a. (2016: 1.13%)

CASE STUDY

CADENT GAS DISTRIBUTION NETWORK

INPP has a 4.4% interest in National Grid's gas distribution networks ('GDNs'), acquired as part of the Quad Gas Group consortium's purchase of a 61% interest in the GDNs on 31 March 2017 (now known as Cadent). The Consortium has also established the right to acquire an additional 14% equity interest in the GDNs from National Grid in due course

DIFFERENTIATION OF THE OPERATING MODEL

Our key differentiator is that the Company's Investment Adviser, Amber, supports INPP (and its investment portfolio entities) with project origination and financial and asset management services to deliver the best value for its shareholders. Amber employs over 100 experienced professionals focused on development, financing and investment in public infrastructure. Collectively, we identify, develop and originate investment opportunities that meet INPP's risk-return profile. Amber can research and track investment opportunities from conception through to development and consultation stages, often in advance of an investment formally coming to market. In managing the whole lifecycle of the Company's investment in any one asset, Amber delivers a consistent level of oversight and control over the projects the Company invests in.

In addition, Amber's experience and ability in forming partnerships with other long-term investors, both U.K. and international, enables INPP to participate in large scale infrastructure projects providing access to opportunities which broaden the base for new investments. 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, including opportunities identified by Hunt Companies (a U.S. based group and 50% shareholder in Amber) that meet INPP's investment criteria.

INPP – CONTINUED ABILITY TO SOURCE ATTRACTIVELY VALUED CORE INFRASTRUCTURE ASSETS

As part of the Company's diversification and move away from traditional private finance initiative ('PFI') models, INPP has grown its exposure within the portfolio to regulated assets, including Cadent.

INPP is part of a consortium, including other leading U.K. and international investors, which acquired a 61% interest in Cadent, a gas distribution company formerly wholly owned by National Grid plc. The Company invested £272.5 million into the project for a 4.4% stake with the remaining Risk Capital funded by consortium partners.

Cadent spans over four GDNs each with the right to distribute gas in the East and North West of England, North London and the West Midlands, respectively. The networks service approximately 50% of the country's connected households through 130,000km of gas pipeline. The GDNs are well-established, predictable and strongly cash yielding businesses whose characteristics are consistent with and complementary to other regulated and non-regulated assets in the Company's portfolio.

The key attributes include:

- Stable, RPI-linked revenues deriving from a regulated asset base with long-term cash flows expected to enhance the degree of inflation linkage inherent in the Company's overall portfolio;
- Critical elements of the U.K.'s infrastructure base;
- Proven, well-established, highly stable and transparent regulatory regime overseen by Ofgem;
- A mature underlying asset base with an established operating history and no exposure to commodity or consumer demand risk; and
- An experienced management team and a strong minority shareholder partner in National Grid.

INPP's investment in GDNs, through Cadent, strengthens the Company's focus on regulated assets which deliver long-term, sustainable, inflation-linked revenues. This began with INPP's ongoing investment programme investing in the offshore transmission ('OFTO') sector and continued with INPP's investment into the Tideway project in 2015. These assets operate in an established, highly respected and predictable regulatory regime, overseen by Ofgem and Ofwat, respectively.

THE FACTS

130,000km

Length of gas pipeline network

c.50%

Proportion of U.K. population served

THE COVERAGE

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. **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 through the activities of our Investment Adviser)**
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 2017, INPP invested a record £464.0 million. The majority of these projects were sourced by Amber, the Investment Adviser, either from the start of the project (i.e. 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, as they avoid bidding in the competitive secondary public private partnership ('PPP') market.

Details of investment activity during 2017 are provided below.

PROJECT	LOCATION	KEY ATTRIBUTES 1	2	3	4	5	OPERATIONAL STATUS	INVESTMENT	INVESTMENT DATE
Cadent gas distribution network	U.K.	✓	✓		✓	✓	Operational	£272.5 million	31 March 2017
Thames Tideway Tunnel	U.K.	✓	✓	✓	✓	✓	Under construction	£78.2 million	Various
Wolverhampton Building Schools for the Future	U.K.	✓	✓		✓		Operational	£1.5 million	5 May 2017
Gold Coast Light Rail – Phase 2	Australia	✓	✓	✓	✓		Operational	£3.9 million[1]	Various
Victoria Schools Project	Australia	✓	✓	✓	✓		Operational	£20.8 million[1]	Various
Reliance Rail	Australia	✓	✓	✓	✓		Operational	£86.8 million[1]	28 November 2017
Other investments								£0.3 million[2,3]	
								£464.0 million[2,3]	

1 GBP translated value of investment.
2 A subsidiary affiliated with the project construction contractor will assume responsibility for financing the construction of the Offenbach Police Centre. As such, INPP's financial commitment is not due until satisfactory construction completion, anticipated to occur in mid-2020. £0.1 million was invested at financial close.
3 An investment commitment of up to £45.0 million was made to the National Digital Infrastructure Fund. During the period £0.2 million pre-investment was called by the fund.

In addition, up to £225 million of investment commitments or binding offers were made during the period including into the Offenbach Police Centre, Germany, the National Digital Infrastructure Fund, Dudgeon OFTO and a further investment in the Cadent gas distribution networks.

CADENT (GAS DISTRIBUTION NETWORK), U.K.

The Company is part of a consortium which includes other leading U.K. and international institutional investors which acquired a 61% interest in Cadent (owner of gas distribution networks ('GDNs')). In 2017, the Company invested £272.5 million into the project for a 4.4% stake with the remaining Risk Capital funded by consortium partners. In addition to the 61% interest acquired by the consortium, a further 14% interest in the GDNs has been negotiated with the National Grid and is subject to put and call options between National Grid and the consortium. The consortium also has pre-emption arrangements over the residual 25% investment that National Grid will continue to hold after the exercise of the 14% option. The investment demonstrates the Company's performance in originating regulated assets with long-term, sustainable, inflation-linked revenues.

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

THAMES TIDEWAY TUNNEL, U.K.

The Tideway investment relates to the design, build and operation of a 25km '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 which is regulated by Ofwat.

Construction of the Thames Tideway Tunnel is continuing with work having started ahead of schedule at the key drive sites and overall construction completion is scheduled for 2022. During the period, an additional £1,050 million of long-term financing was successfully raised by Tideway to support its construction activities, bringing total long-term financing raised since the project reached financial close to £2.2 billion. During 2017, the Company invested a further £78.2 million into the project, completing the c.£207 million investment commitment it made when the consortium was awarded the licence to own and finance the project in 2015.

ADDITIONAL INVESTMENT IN BUILDING SCHOOLS FOR THE FUTURE ('BSF') PROJECTS, U.K.

BSF is a former U.K. Government programme for the redevelopment of secondary schools in the U.K. financed using a combination of design and build contracts and private finance type arrangements. The programme for further developments was cancelled in July 2010.

In 2017, the Company acquired an additional interest in the Wolverhampton BSF schools project committing a further £1.5 million to acquire a further 8% indirect investment in the scheme. As a result, the Company's existing 82% investment in the project grew to 90%.

ADDITIONAL INVESTMENT IN GOLD COAST LIGHT RAIL, AUSTRALIA

In April 2016, the Company committed to invest c.£4.8 million into the second stage of the Gold Coast Light Rail PPP concession project in Queensland, Australia, the first stage of which was already part of the portfolio. £3.9 million of investment was made directly into the project during the period with an additional £0.7 million supported by a letter of credit. Construction of the 7.3km extension reached completion ahead of schedule and opened for passenger services in December 2017, in time for the opening of the Gold Coast Commonwealth Games in April 2018.

VICTORIA SCHOOLS PROJECT, AUSTRALIA

In October 2015, the Company, as part of a consortium, was selected to design, build, finance and maintain the New Schools Public Private Partnership Project in Victoria, Australia. The project comprises the delivery of 15 schools across 12 sites. The Company provides 100% of the project Risk Capital and in 2017, £20.8 million of investment was made into the project and construction completed in December 2017.

ADDITIONAL INVESTMENT IN RELIANCE RAIL, AUSTRALIA

The Reliance Rail Project is a public private partnership with Transport for New South Wales, an executive agency of the New South Wales Government relating to the provision of rolling stock. In November 2017, INPP invested c.A$154 million (£86.8 million) and now owns a 33% interest in the project.

INPP has held a small minority interest in the project since 2006, but since 2012 this has been carried at nominal value only. Whilst the operational performance of the project has been excellent, equity value had been suppressed by the complexity of the project's original structure. The 2017 investment and associated refinancing restores the original value of the Company's existing investment, and on a blended basis of the new and existing capital is expected to provide the Company with an attractive return in comparison with other operational PPP projects in the portfolio.

OFFENBACH POLICE CENTRE, GERMANY

The Company has committed to invest in the new public private partnership police centre of South-East Hesse in Offenbach which is approximately 5km from Frankfurt, Germany. It is anticipated that the project will take two and a half years to construct after which it will have a 30-year operational term. INPP has committed to invest c.€8 million for a 45% shareholding in the project. A subsidiary affiliated with the project's construction contractor will assume responsibility for financing during the construction period. As such, aside from a small initial investment, INPP's financial commitment is not due until satisfactory construction completion, anticipated to occur in mid-2020.

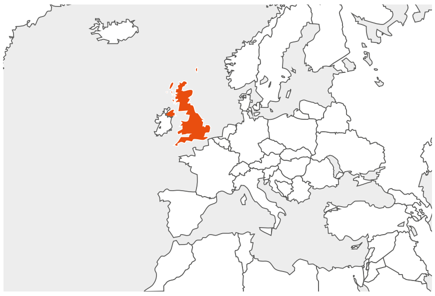
DIGITAL INFRASTRUCTURE, U.K.

The Company committed jointly with HM Government to make an investment in digital infrastructure and particularly fibre optic broadband connections through the National Digital Infrastructure Fund ('NDIF'), a vehicle also managed by Amber. The Company sees the prospect of long-term parallels between the essential nature of broadband connectivity to the home and workplace, and the established businesses of gas and electricity distribution and transmission with which it already has experience. INPP has committed up to £45 million into NDIF, with HM Government committing up to £150 million.

DUDGEON OFFSHORE TRANSMISSION PROJECT (OFTO), U.K.

Transmission Capital Partners, the consortium comprising INPP, Amber Infrastructure and Transmission Investment was appointed in November 2017 as preferred bidder for the long-term licence and operation of its seventh OFTO project. The project relates to the transmission cable connection to the offshore wind farm located 32km off the coast of Cromer in North Norfolk, U.K. The Company takes no exposure to electricity production or price risk but is paid a pre-agreed, availability-based revenue stream over 20 years which is fully linked to U.K. inflation (RPI). The Company expects to invest c.£50 million, with financial close estimated in the second quarter of 2018.

CURRENT MARKET ENVIRONMENT AND FUTURE OPPORTUNITIES



UNITED KINGDOM

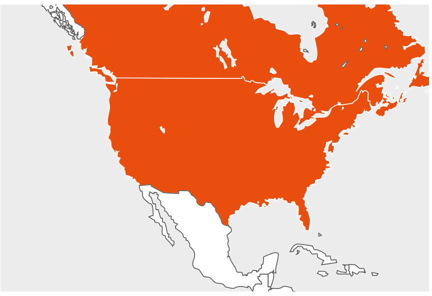
The U.K. Government remains committed to the development of public infrastructure as a key component of its long-term economic policy.

The U.K. Government recognises infrastructure as a central pillar of its industrial strategy, and in 2017 it updated the National Infrastructure and Construction Pipeline ('NICP'). The NICP details £460 billion of planned infrastructure investment across the public and private sectors, projecting total public and private investment in U.K. infrastructure to be around £600 billion over the next ten years. This is enhanced by the U.K. Government increasing the National Productivity Investment Fund to £31 billion at the end of 2017, which will support private sector investment in transport, housing and digital infrastructure, in particular.

In December 2017, the Infrastructure and Projects Authority ('IPA') launched the Transforming Infrastructure Performance ('TIP') programme to help improve the delivery and performance of social and economic infrastructure and boost construction sector productivity. A ten-year programme, the TIP is designed to enhance the way infrastructure is designed, procured, delivered and operated to help drive efficiency and productivity gains. This is not only about benchmarking capital efficiency – which the Company and its Investment Adviser, as long-term investors, have always been actively engaged in, and how to drive better asset performance over the whole lifecycle, but what role technology can also play in maximising the benefits of public infrastructure in daily life.

Whilst infrastructure spending and procurement has remained a constant policy objective, it has increasingly become a political imperative too. The Company notes the increasing public attention paid to the assessment of the value for money private sector investment that U.K. public infrastructure provides. Whilst the greater volume of commentary has been levelled at historical PFI projects associated with large, acute hospitals in the U.K. – to which the Company has no exposure – the Company continues to believe that PFI/PF2 brings significant benefits to the project's public sectors partners, and ultimately their end-users. These include the benefits of contracts covering the whole of the life of the asset and the risk transfer to the private sector arising through detailed payment mechanisms imposing penalties where standards fall below those required by the project contracts. Such arrangements have demonstrated the effectiveness of incentives for the private sector to build new infrastructure on time and to budget and to lower the overall cost of capital through the competitive procurement process.

Whilst political uncertainty will likely continue to pose potential economic risk and potential market-wide challenges, the strength of the Company's geographically and sector diversified portfolio gives the Board confidence in its position as a long-term custodian on public infrastructure projects in the face of enhanced public scrutiny in the U.K. As it invests into differentiated areas of infrastructure including regulated assets, the Company notes that as at 31 December 2017 only 8% of its assets were PFIs in the U.K. with a further 16% having similar characteristics, but were developed under different programmes. More information on the Company's evolution into regulated assets is set out in the Case Study on page 12.



NORTH AMERICA

Infrastructure in the U.S. continues to come under pressure and is significantly underfunded. The American Society of Civil Engineers ('ASCE') gave America's infrastructure a grade D+ on its 2017 report card, falling to twelfth in the world according to the World Economic Forum, estimating that the United States needed to spend US$4.6 trillion by 2025, with a funding gap of US$1.5 trillion, to rebuild the United States, public infrastructure from its current state of disrepair.

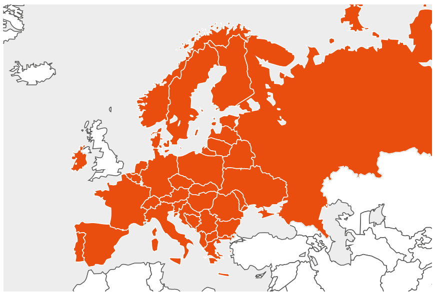
To address this, infrastructure has been flagged as a top priority and an agenda item of the 2018 budget, as part of President Donald Trump's 'Rebuild America's Infrastructure' plan seeking reforms for how infrastructure projects are regulated, funded, delivered and maintained. Over the next 10 years, the President's target is to invest US$1.5 trillion into national infrastructure including US$200 billion of federal funding commitment with the remainder to be funded by state and local governments and private investors. There are also initiatives to shorten the process for approving projects to two years or less (White House Infrastructure Proposal, 2018). The funds will be allocated to various projects to not only address traditional infrastructure but other needs, such as drinking and waste water systems, waterways, resources, energy, rural infrastructure, public lands and veterans' hospitals.

Increasing private investment to reach the targets proposed is a theme that runs throughout the Infrastructure Plan, in addition to incentives and amendments to existing limitations to encourage private investment. The plan encourages a move away from financing the country's infrastructure through government and tax-advantage schemes to using public private partnerships, as the principal method of funding.

The ability for the private sector to participate in more U.S. infrastructure projects provides INPP with a broad variety of investment opportunities. It is well-positioned to capitalise on these developments through its relationship with Hunt (described in more detail on page 3), 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 strong track record of infrastructure investment and in 2017, it expanded on the commitments made in the 2016 budget and the 2016 Fall Economic Statement by proposing an additional C$81 billion through to 2027–28 in public transit, green and social infrastructure, and transportation infrastructure to support trade and rural and northern communities. The Investing in Canada long-term infrastructure plan expects C$180 billion of infrastructure investment to be made over 12 years. One element of the 2017 budget will be delivered through integrated bilateral agreements between the federal government and each of the provinces and territories across four funding streams: public transit, green infrastructure, community, culture and recreation infrastructure and rural and northern communities. INPP has an ongoing presence in the country through two operational projects. The continued focus on expanding the infrastructure plan over the next decade allows INPP to capitalise on this opportunity and develop the already existing relationships.

CURRENT MARKET ENVIRONMENT AND FUTURE OPPORTUNITIES
CONTINUED



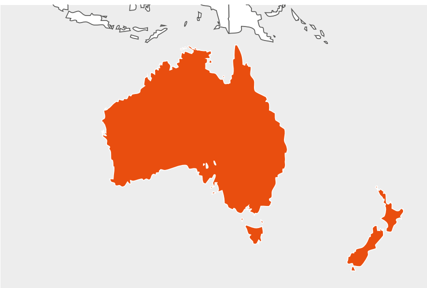
EUROPE
EXCLUDING UNITED KINGDOM

Investment into European infrastructure continues to be strong and is supported by broader E.U. frameworks. As part of the Investment Plan for Europe, known as the 'Juncker Plan', which was announced in November 2014, the European Fund for Strategic Investment was launched by the European Investment Bank and the European Commission. Its initial focus was on infrastructure, including energy, digital, transport and social infrastructure with a current investment target to the end of 2020 of €500 billion.

Demand for the PPP asset class also remains strong, with steady volumes of transactions in the European market. In 2017, the European PPP Expertise Centre reported 42 PPP transactions had reached financial close in the European market (including the U.K.), totalling investment of €14.4 billion. While the U.K. is the largest market in Europe by number of transactions, Germany and France 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 and Ireland. These jurisdictions offer a steady flow of new primary market opportunities across a range of sectors, including accommodation, schools, police facilities and transportation. Benelux, Germany and Austria 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 an additional source of growth to strengthen INPP's position in those markets.

Future success will depend on securing opportunities through the bid process 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' (updated February 2017). Australia's population is expected to grow to more than 30 million people by 2031 and this plan has become the reference point for the most important infrastructure investments over the next 15 years, with a total capital value of around A$60 billion. Many are large-scale (multi-billion A$) transport projects, responding to population growth in Australia's biggest cities. This projected growth in major transport projects is consistent with the current trends in Australia with A$3.0 billion of PPP transport projects closed in 2016 and A$7.8 billion during 2017.

Australian states are also developing smaller scale social infrastructure projects in health, social housing and education sectors. In keeping with policy recommendations in the Infrastructure Plan, some states are also 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 remains an important market although the recent change in government is expected to limit the number of PPP projects and government privatisations. Amber, the Investment Adviser, continues to monitor projects as they come to market, and would resource the pursuit of these opportunities from its Australian offices should they offer enhanced returns.

INPP is positive about the prospects for further investments in the region and, whilst mindful of the recent improvement in the value of sterling since the announcement of Brexit, will continue to monitor currency volatility in respect to new transactions. Although INPP remains cautious of the refinancing risk prevalent within Australia's current primary PPP market, there is an increasing appetite in the debt markets for longer tenor debt compared to previous years.

CURRENT PIPELINE

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. Selected opportunities that may be considered for investment in due course as identified by Amber are outlined below.

KNOWN/COMMITTED OPPORTUNITIES	LOCATION	ESTIMATED INVESTMENT	EXPECTED CONCESSION LENGTH	INVESTMENT STATUS
DUDGEON OFTO	U.K.	c.£50m[1]	c.20 years	Preferred bidder
CADENT	U.K.	Commitment as part of a consortium to acquire additional 14% interest	Operational business	Subject to put and call option expected to be exercised during 2019
DIGITAL	U.K.	Up to £45m[1]	Various	Commitment to National Digital Infrastructure Fund, investment opportunities being reviewed by Amber
OFFENBACH POLICE HEADQUARTERS	Germany	c.£7m[2]	30 years	Investment commitment made. Expected to be funded mid 2020

SECTOR OF INVESTMENT OPPORTUNITY	LOCATION	ESTIMATED PROJECT CAPITAL COMMITMENT VALUE	EXPECTED CONCESSION LENGTH	INVESTMENT STATUS
OTHER, INCLUDING REGULATED INVESTMENTS	U.K.	c.£4.5bn[3]	Various including operational businesses	Regulated opportunities including in energy and waste sectors at varying stages
OFTO	U.K.	c.£1.7bn[3]	c.20 years	Shortlisted on four OFTOs
EDUCATION	U.K., Europe	c.£240m[3]	Various	Opportunities through variations to existing PPP contracts and through Amber's wider relationships
HEALTH	Australia	c.£230m[3]	Various	
TRANSPORT	Australia, Europe	c.£590m[3]	Various	Includes follow-on opportunities
ACCOMMODATION	U.K., Europe, U.S., Australia	c.£680m[3]	Various	Variety of opportunities mainly PPP-style investments

1 Represents the current estimate total future investment commitment by the Company.
2 Project has reached financial close. Commitment to invest once construction has completed, expected to be mid 2020.
3 Represents the estimated current unaudited value of the project and includes both debt and equity.

The above includes commitments and 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

The Company's focus has been, and will continue to be, to procure and manage assets which carry little demand-based risk, however increasingly the Company has shifted away from pure availability based assets recognising the value in risk-adjusted returns regulated assets can drive. The delivery of expected outcomes for all parties to our investments is critical, whether this is a courthouse cleaned to the specified contractual standards or the delivery of a 'super sewer' under London on time and within budget.

Through Amber, as a long-term, responsible private investor, we closely monitor relationships between our service providers and our clients, the Regulator and the operating business, and the operating business and the end user. Amber has the flexibility and experience to quickly respond to the changing requirements of all its clients and counterparties.

We are not a passive investor and where possible manage project origination, financial and asset management in-house through our Investment Adviser. We are actively involved in managing service providers and operating businesses to deliver the expected outcomes and in the event the assets under our management require remedial or improvements works, we work collectively with our service providers, operating businesses and clients to ensure end-users receive the outcomes they expect.

OPERATIONAL PORTFOLIO DEVELOPMENT

Amber continues to engage with its public sector clients to manage variations to the existing scheme to support positive business change. During 2017, INPP's public sector clients commissioned over 900 contract variations in its projects resulting in over c.£8.6 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 relevant project facilities manager and each public sector client. Amber assesses each case on its individual merits and ensures there is no material change to the risk profile or financial return, whilst assisting their client to achieve their operational or facilities objectives.

Amber seeks to actively manage and add value to the portfolio where it is able to do so. For instance, the Company undertook two debt refinancings of its education assets under the BSF programme in 2017, with others planned over the course of 2018. The refinancings generate improved financial returns which are shared with the public sector counterparty and demonstrate an important pillar of our active asset management approach – delivering benefits to our clients and the end-users, whilst not increasing the charge paid by the public sector.

Amber works with its public sector counterparties to deliver ongoing value and operational savings. In 2017, nine benchmarking exercises were performed in its social accommodation projects, which included reviewing facilities management services delivered on the projects in order to assess value for money for the public sector. Amber also continued to focus on energy efficiency, resulting in savings to public sector counterparties.

Safety is at the core of Amber's approach to asset management. Following the tragic events at Grenfell Tower in June 2017, Amber carried out a review of INPP's portfolio of assets to assess whether it had construction elements of a similar nature. This review focused on whether the INPP facilities were clad and insulated in the same materials as Grenfell Tower. The findings of the review confirmed that the specific combination of cladding and insulation material used at Grenfell Tower was not present on any of the assets managed on behalf of INPP. The review also considered the height of facilities, whether the facilities have more than one means of escape, times of use of the facilities, and whether the facilities had sprinklers. The outcome of the review indicated that the facilities INPP invests in are suitable for their intended use.

As noted in the Chairman's letter, the Company has paid particular attention to the portion of the portfolio where subsidiaries of Carillion plc provided construction and/or facilities management services; 3% of the portfolio (across 24 projects) received construction/facilities management services from Carillion. Following the collapse of Carillion in January this year, Amber implemented its contingency plan to transition projects to new providers and manage broader project-level relationships. 17 of these projects have now been transitioned to new facilities managers on an interim basis. Full transition is expected to occur over the following six months and will be on substantially the same terms as the original Carillion contracts and all on-site ex-Carillion personnel will be offered continuity of employment on the same terms.

PROJECTS UNDER CONSTRUCTION

Four projects, representing approximately 12% of the Company's portfolio were under construction at 31 December 2017.

Tideway continued to make good progress in line with its scheduled construction programme. Works commenced in April 2017 to enable the tunnel boring machines ('TBMs') to be located ahead of the tunnelling commencing in 2018. One of the drive sites, Chambers Wharf, once completed will create the largest new public outdoor area in London for over a decade.

During 2017, the construction works on the New Schools PPP Project in Australia (Victorian Schools 2) progressed in line with expectations, with the remaining seven schools achieving construction completion during 2017.

The seven kilometre Gold Coast Phase 2 light rail project extension reached completion and opened for passenger services on 17 December, approximately two weeks earlier than the planned completion date.

Construction on the first three of the Priority Schools Building Aggregator Programme projects are complete although some post completion works remain. While all the new schools on the fourth batch were completed by September 2017, a sports hall at one of the schools is due to be completed towards the end of 2018[2]. Batch five is on schedule to complete construction in April 2018.

Projects under construction as at 31 December 2017 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 (batch 4 & 5)	U.K.	2018	2019	Modest delays. No financial impact on Company[1]	0.9%
Thames Tideway Tunnel	U.K.	2024	2027	On schedule	10.8%
Offenbach Police Headquarters	Germany	2020	2025	On schedule	0.0%

1 Two batches are behind schedule at 31 December 2017. INPP is a debt only provider and the programme is largely determined by equity providers and their management supply chain.
2 Subject to a new construction provider being appointed to replace Carillion.

OPERATING REVIEW
CONTINUED

EFFECTIVE FINANCIAL MANAGEMENT

The Company aims to manage its finances effectively by minimising its unutilised cash holdings, while maintaining the financial flexibility to pursue new investment opportunities. This is achieved through active monitoring of cash 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 2017 £ Million	Year to 31 December 2016 £ Million
Opening cash balance	**71.0**	72.4
Cash from investments	**118.9**	94.7
Operating costs (recurring)	**(21.5)**	(16.1)
Net financing costs	**(4.1)**	(2.3)
Net cash before non-recurring operating costs	**93.3**	76.3
Non-recurring operating costs	**(10.3)**	(4.0)
Net operating cash flows[1]	**83.0**	72.3
Cost of new investments	**(464.0)**	(209.9)
Net movement of corporate debt facility	**17.8**	–
Proceeds of capital raisings (net of costs)	**404.4**	198.1
Distributions paid	**(76.2)**	(61.9)
Funds advanced to affiliate entities	**(2.1)**	–
Net cash at period end	**33.9**	71.0
Cash dividend cover	**1.2x**	1.2x

1 Net operating cash flows as disclosed above (c.£83.0 million) include net repayments from investments at fair value through profit and loss (c.£25.8 million), and finance costs paid (c.£4.1 million) which are not included in the net cash inflows from operations (c.£61.3 million) as disclosed in the statutory cash flow statement on page 71 of the financial statements.

SUMMARY OF CORPORATE EXPENSES AND ONGOING CHARGES

Corporate Expenses	Year to 31 December 2017 £ Million	Year to 31 December 2016 £ Million
Management fees	**(19.4)**	(14.4)
Audit fees	**(0.3)**	(0.3)
Directors' fees	**(0.3)**	(0.3)
Other running costs	**(1.5)**	(1.1)
Operating costs (ongoing)	**(21.5)**	(16.1)

Ongoing Charges	Year to 31 December 2017 £ Million	Year to 31 December 2016 £ Million
Annualised Ongoing Charges[1]	**(21.5)**	(16.1)
Average NAV[2]	**1,865.0**	1,421.8
Ongoing Charges	**(1.15%)**	(1.13%)

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.

The Company's cash balance of £33.9 million at 31 December 2017 was £37.1 million lower than the cash held at 31 December 2016 of £71.0 million. This reflected the volume of investment activity in the year, as opening cash included proceeds from capital raised of £41.7 million that were used to part-fund investment during the first quarter of 2017. In comparison, the 31 December 2017 cash balance included only £1.2 million remaining from the December 2017 capital raising.

Cash receipts from investments increased by £24.2 million, reflecting the further growth of the portfolio. This was partially offset by higher ongoing charges and net financing costs. Management fees paid to the Investment Adviser totalled £19.4 million (2016: £14.4 million), with increases over the prior year amount driven mainly by portfolio growth as well as a contractual alignment of the timing of fee payments in the year (see also below). The Company was able to achieve a £17 million positive increase in operating cash flows before non-recurring operating costs compared with 2016.

Higher net financing costs reflect higher investment activity and a larger corporate debt facility following an increase in November 2016 from £300 million to £400 million. The benefits of the larger facility were seen during the year, as the Company was able to part-fund the investment in Cadent whilst continuing to support investment commitments under letters of credit. The facility is intended to be drawn only as a short-term arrangement to fund acquisitions, and in line with this policy, the facility was repaid following the Cadent investment. This was achieved by utilising proceeds of a £330 million (before issues costs) capital raise in May 2017, whilst a further capital raising of £80 million (before issue costs) in December 2017, enabled the Company to repay further amounts that had been drawn to part-fund cash investments during the second half of the year.

During 2017, the timing of management fee payments was aligned with the contractual quarterly payment cycle (rather than the previous biannual payment practice). This resulted in a £2.9 million additional payment being made during 2017 to accommodate this change. This differential is shown within non-recurring operating costs given it reflects a one-off adjustment year with five quarterly payments rather than four. The one-off costs in 2017 did not impact the reported cash dividend coverage of 1.2x. Other non-recurring operating costs were predominantly transaction costs, £6.8 million (2016: £3.2 million) settled during the year related to new investments, with total non-recurring costs amounting to £10.3 million (2016: £4.0 million).

Cash investments made during 2017 (detailed in note 12) totalled £464.0 million (2016: £209.9 million). Funds advanced to affiliate entities (£2.1 million) relate to monies used to fund investments that reached financial close around the year end.

Cash dividends paid in the year of £76.2 million (2016: £81.9 million) were in respect of the six-month periods ended 31 December 2016 and 30 June 2017, the reduction being due to higher scrip uptake by investors in the current year. INPP seeks to generate dividends paid to investors through its operating cash flows, and in all periods shown above cash dividends were at least 1.2 times covered by the Company's net cash flow from operations before non-recurring operating costs. The Company remains confident of its ability to continue to grow dividends going forward as demonstrated through its forward guidance of 7.00 pence in 2018 and 7.18 pence in 2019.

OPERATING REVIEW
CONTINUED

INVESTOR RETURNS

INPP has continued to deliver consistent dividend growth, NAV growth 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 6.82 pence per share dividend (2016: 6.65 pence) and forecasts to pay 7.00 pence per share and 7.18 pence per share for 2018 and 2019 respectively[2]. Since inception, the Company has delivered a c.2.5% per annum average dividend increase. INPP's dividend growth is illustrated in the chart on page 2.

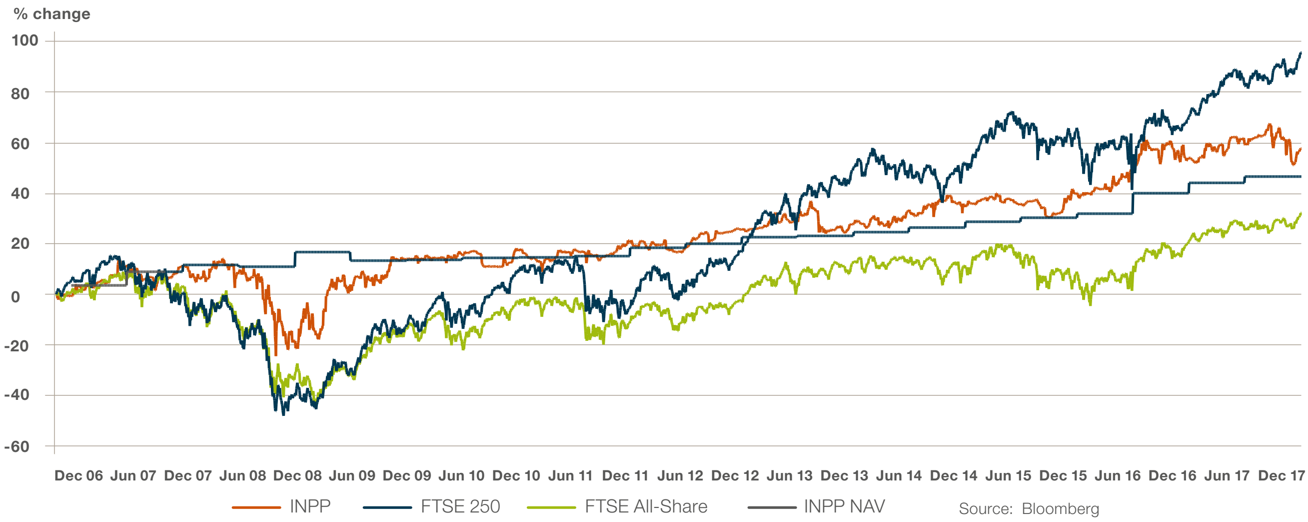
Profit before tax was £106.4 million, reduced from the previous year (2016: £175.3 million) which saw one-off valuation gains mainly as a result of foreign exchange movements following the U.K. referendum to leave the European Union. Earnings per share were 8.36 pence (2016: 17.18 pence).

Returns from portfolio investments (investment income) in the year were £139.8 million (2016: £206.8 million) including fair value movements, dividends and interest. These returns were partially offset by operating expenses (including finance costs) of £34.0 million (2016: £24.6 million) and other operating income of £0.6 million (2016: other operating expense of £6.8 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 its Initial Public Offering ('IPO') in November 2006 to 31 December 2017 is 165.4% (9.2% on an annualised basis). This compares to a FTSE All-Share Index total return over the same period of 97.1% (6.3% 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 2017, the majority of assets in the portfolio had some degree of inflation linkage and, in aggregate, the weighted average return of the portfolio (before fund-level costs) would be expected to increase by 0.79% per annum in response to a 1.00% per annum increase in the currently assumed inflation rates across the whole portfolio[1].

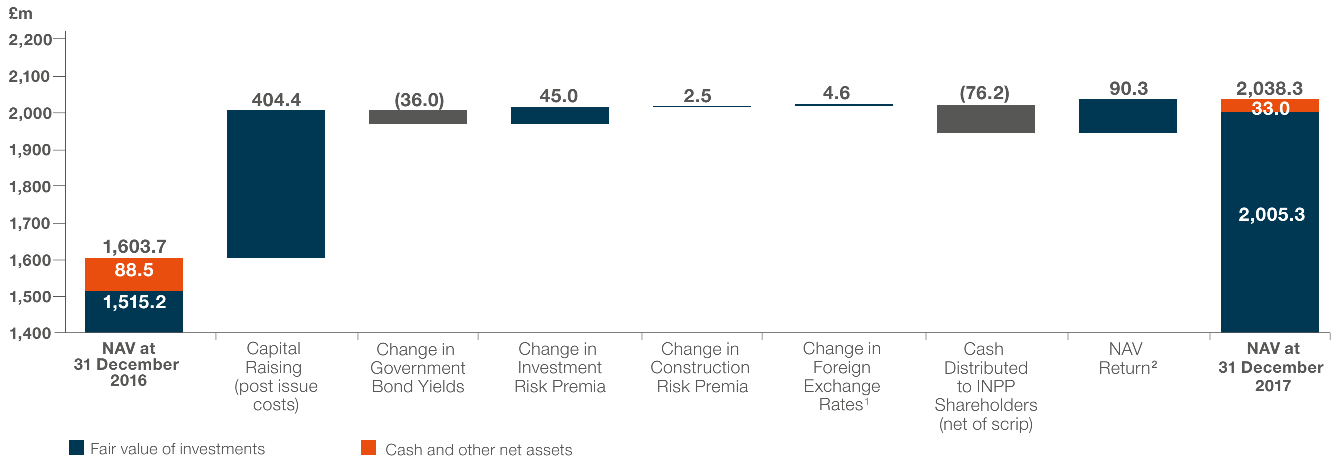
1 Calculated by running a 'plus 1.00%' inflation sensitivity for each investment and solving each investment's discount rate to return the original valuation. The inflation linkage is the increase in the portfolio weighted average discount rate.
2 Future profit projection and dividends cannot be guaranteed. Projections are based on current estimates and may vary in future.

NET ASSET VALUATION AND NAV PER SHARE

The Company reported a 27.1% increase in NAV, up to £2,038.3 million at 31 December 2017 (2016: £1,603.7 million). This represented an increase of 2.0% in the NAV per share, increasing to 145.0 pence at 31 December 2017 (2016: 142.2 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 2016 and 31 December 2017 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 cash flows 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 cash flows; and (iii) changes in the Company's net assets.

During 2017:
- Over £400 million of new capital was raised (before costs). The proceeds of the capital raisings were used to repay the cash drawn balance of the corporate debt facility and acquire new investments
- Government bond yields increased in all countries in which INPP holds investments, with the exception of Italy and the U.S., resulting in a net negative impact on NAV. This was more than offset by an unwinding of the investment premia, reflecting a lack of observable market-based evidence to justify revaluing the investments in line with the net increase in government bonds and a reduction in the risk profile of certain investments
- The portfolio also benefited from a reduction in discount rate risk premia applied to assets that moved out of the construction/defects liability phase and into full operations
- Sterling weakened against the Australian dollar and the euro but strengthened against the Canadian and U.S. dollars. The net impact was a positive impact on NAV, with the most significant impact on euro-denominated investments
- In line with forward guidance provided previously, two cash dividends were paid to INPP shareholders totalling £76.2 million

The NAV Return of £90.3 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 investment cash flows and 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

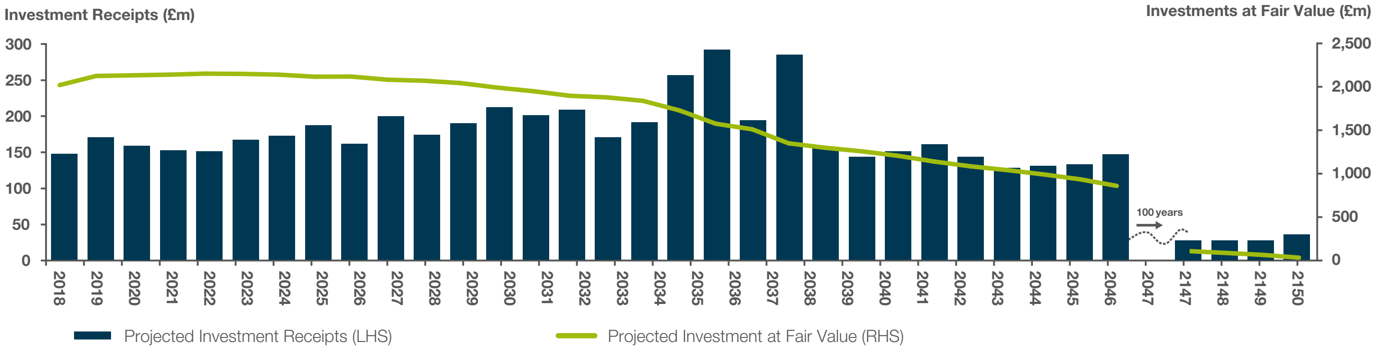
OPERATING REVIEW
CONTINUED

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 before fund-level costs. 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), that may be held for a much longer term before being sold. 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

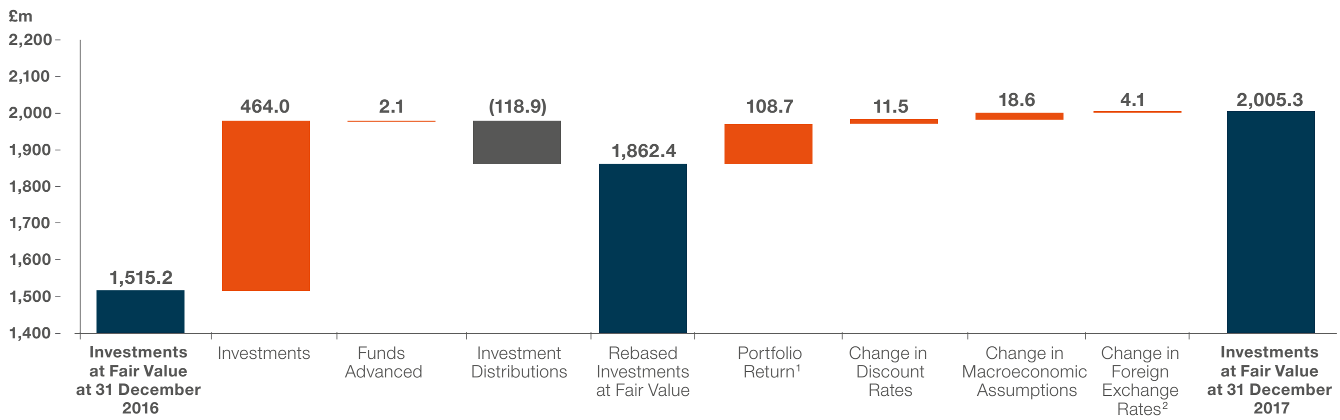


Note: There are many factors that may influence the actual achievement of long-term cash flows to the Company. These include both internal as well as external factors and investors should not treat the chart above as being more than an indicative profile and not a projection, estimate or profit forecast. 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 2017 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 review by the Company's auditor. It is considered quarterly for approval by the Company's Directors. Investments at fair value as at 31 December 2017 were £2,005.3 million, an increase of 32.3% since 31 December 2016 (£1,515.2 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.

The Portfolio Return of £108.7 million represents a 5.8% 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 investment cash flows and utilisation of Group tax loss relief
- Updated cash flow forecasts – updated operating and macroeconomic assumptions to reflect current expectations of future cash flows

In addition, there was:
- An increase of £464.0 million in the Investments held at Fair Value owing to new investments made during the year
- A decrease of £118.9 million due to investment cash flows that were paid out of the portfolio as distributions of interest, principal and dividends
- A net decrease in the weighted average discount rates across jurisdictions in which the Company invests, leading to a £11.5 million increase in the fair value of investments
- An increase of £18.6 million which reflects the changes made to the macroeconomic assumptions
- A net increase of £4.1 million due to foreign exchange rate movements in all four currencies the Company is exposed 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 at 31 December 2017 was 2.60% (2016: 2.58%) and the weighted average deposit rate assumption was 2.11% (2016: 2.07%). 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 2017	31 December 2016
Inflation	U.K.	2.75%	2.75%
	Australia	2.50%	2.50%
	Europe	2.00%	2.00%
	Canada	2.00%	2.00%
	U.S.[2]	N/A	N/A
Long-term Deposit Rates[1]	U.K.	2.00%	2.00%
	Australia	3.00%	3.00%
	Europe	2.00%	2.00%
	Canada	2.00%	2.00%
	U.S.[2]	N/A	N/A
Foreign Exchange	GBP/AUD	1.85	1.86
	GBP/CAD	1.78	1.71
	GBP/EUR	1.08	1.12
	GBP/USD	1.43	1.30
Tax Rate	U.K.	17.00%–19.00%[3]	17.00%–20.00%
	Australia	30.00%	30.00%
	Europe	Various (12.50%–25.00%)	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 are 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 2017 and therefore captures the reduction to 17.00% from 1 April 2020.

OPERATING REVIEW
CONTINUED

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 premia takes into account the perceived risks and opportunities associated with each investment.

The majority of the Company's portfolio (91%) comprises Risk Capital investments (comprising equity and subordinated debt investments), with the remaining portfolio (9%) comprising senior debt investments. 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 2017	30 June 2017	31 December 2016	Movement 31 December 2016 – 31 December 2017
Weighted Average Government Bond Yield (Nominal) – Portfolio	1.83%	1.74%	1.55%	0.28%
Weighted Average Investment Premium over Government Bond Yield (Nominal) – Portfolio	5.69%	5.72%	5.82%	(0.13)%
Weighted Average Discount Rate – Portfolio	7.52%	7.46%	7.37%	0.15%
Weighted Average Discount Rate – Risk Capital only[1]	7.87%	7.86%	7.90%	(0.03)%
NAV per share	145.0p	144.7p	142.2p	2.8p

1 Risk Capital includes both equity and subordinated debt investments.

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 homogeneous, 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

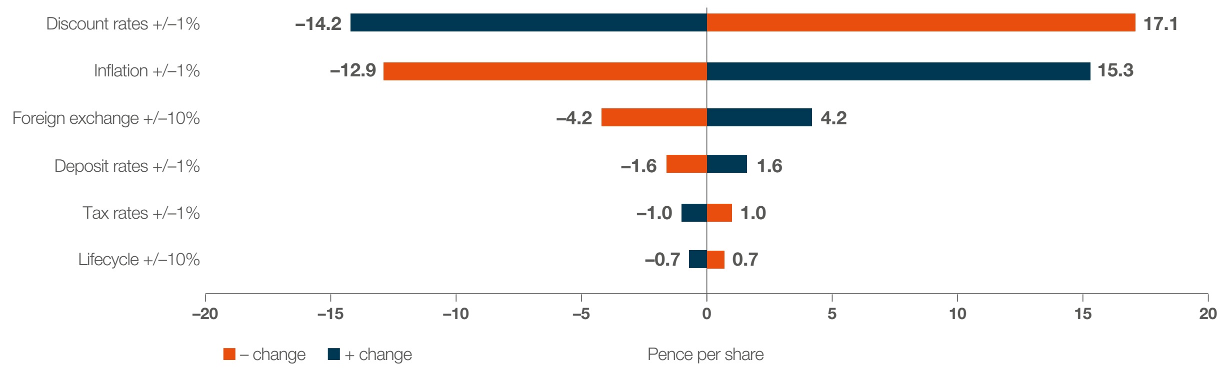
The Company is aware that there are subtle differences in approach to the valuation of portfolios of investments among different infrastructure funds. INPP regards its key cash flow and broad valuation assumptions and principles as:

- 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
- 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 2017 four-year forward rates
- 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 including discount rates. The Company has also provided sensitivity analysis showing an indication of the impact on NAV per share from changes in key 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 VARIABLES TO 31 DECEMBER 2017 NAV 145.0P 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, and 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. Additional inflation sensitivities (by region) are provided in note 11.5 of the financial statements.

FOREIGN EXCHANGE

The Company has a geographically varied 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 2.11% per annum. While operating cash balances tend to be low given the structured nature of the investments, project finance structures typically include reserve accounts to mitigate certain costs and therefore variations to deposit rates may impact the portfolio. The impact of a 1% increase or decrease in these rates is provided for illustration.

TAX RATES

The Company has a geographically varied 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.

OPERATING REVIEW
CONTINUED

LIFECYCLE SPEND
There is a process of renewal required to keep physical assets fit for use and at the standard required of them under the agreements with the relevant public sector bodies. The proportion of total cost that represents this 'lifecycle spend' will depend on the nature of the asset. To enhance the certainty around cash flows, and excluding the Company's regulated investments, around 76% of the Company's assets (by value) are currently 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.

Regulated assets, such as Tideway and Cadent are treated differently, due to the protections offered by the regulatory regime under which they operate. Regulated assets have their revenues determined for a known regulatory period and each settlement includes revenue sufficient to allow the owner to undertake the efficient lifecycle of its assets due in that regulatory period. It is common practice to employ reputable subcontractors to undertake lifecycle work under contracts which include incentive and penalty regimes aligned with equity's own regulatory targets. This approach ensures an alignment of interest and helps to mitigate the risk of increased lifecycle costs falling on the equity investor.

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 came into force retrospectively from April 2017, limiting the amount of loss carry forward but increasing the ability to utilise losses across the Group. We have not needed to adjust our portfolio valuation approach for this.

By order of the Board

Rupert Dorey
Chairman
20 March 2018

John Whittle
Senior Independent Director
20 March 2018

RISK MANAGEMENT

EFFECTIVE RISK MANAGEMENT

RISK MANAGEMENT AND INTERNAL CONTROLS

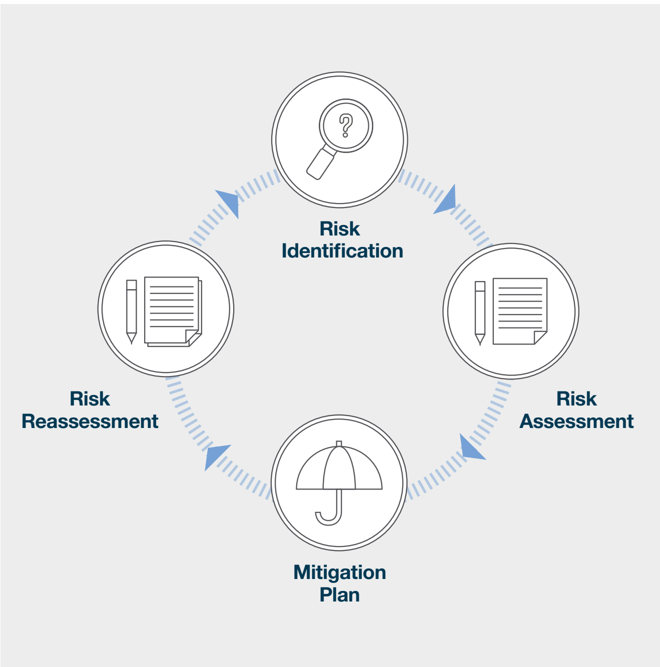
The Board is responsible for overall risk management, with delegation provided to the Audit and Risk Committee ('ARC'). The system of risk management and internal control has been designed to manage, rather than eliminate, the risk of failure to meet the business objectives. Regard is given to the materiality 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 a risk management framework in place, with a risk register that is reviewed and updated by the Board and Audit and Risk Committee on a quarterly basis. The ARC 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 through 2017 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 external controls process reviews performed annually, 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 ARC with input from the Management Engagement Committee. It is implemented through the following risk control processes.

RISK IDENTIFICATION

The Board and the ARC 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. The ARC also has an open dialogue with its advisers to assist with assessment of significant risks, if any, that might arise between reporting periods.

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. In terms of risks that might impact viability these are separately considered. See the viability statement on page 41 for more information on this assessment.

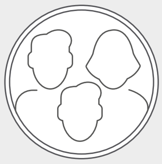
ACTION PLANS TO MITIGATE RISK

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.

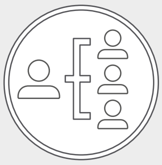
RISK MANAGEMENT
CONTINUED

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.



BOARD



AUDIT AND RISK
MANAGEMENT ENGAGEMENT
INVESTMENT
NOMINATION AND REMUNERATION COMMITTEES

Risk control levels
- Service provider's internal controls
- Independent controls and process reviews
- External audit

Principal advisers
- Investment Adviser
- Asset Manager
- Company Secretary
- Fund Administrator
- Legal Adviser
- Corporate Broker
- Corporate Bankers

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 pages 8 and 9.

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 notes the evolving political and economic environment, where certain risks are more pronounced in the period under review. Whilst the U.K. opposition party has publicly threatened to nationalise privately owned infrastructure including U.K. PFI, the Company believes that significant compensation would be required in order to do this legitimately within existing contractual arrangements.

Counterparty risk has been closely monitored over the year following issues affecting certain service providers to the Group, and contingency plans developed by the Investment Adviser in the event of counterparty failure. Following the collapse of Carillion plc in early 2018, the Company announced that the costs of transitioning to new facilities management providers and other associated costs would be up to c. £1.5 million. The Investment Adviser continues to closely monitor other service providers within the portfolio.

The U.K.'s departure from the E.U. also continues to be monitored for any associated risk to the Company, however there are no 'Brexit' specific clauses in INPP's underlying project contracts. Nevertheless, a certain degree of uncertainty remains at this stage over the eventual regulation which will cover the future relationship between the U.K. and the E.U., in particular the approach to cross-border AIFMD regulation and taxation of cross-border financing. We continue to monitor this on an ongoing basis.

As noted in the Audit and Risk Committee report (pages 56 to 59), the Board also considered the Company's controls and processes relating to asset availability reporting. Asset availability reporting was considered an important non-financial KPI for a number of the Company's investments, as there are consequential implications on returns if such assets become unavailable for public use. The review concluded that the Company had sufficient controls in operation for the accurate capture and reporting of such information and no weaknesses or control deficiencies were identified.

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.

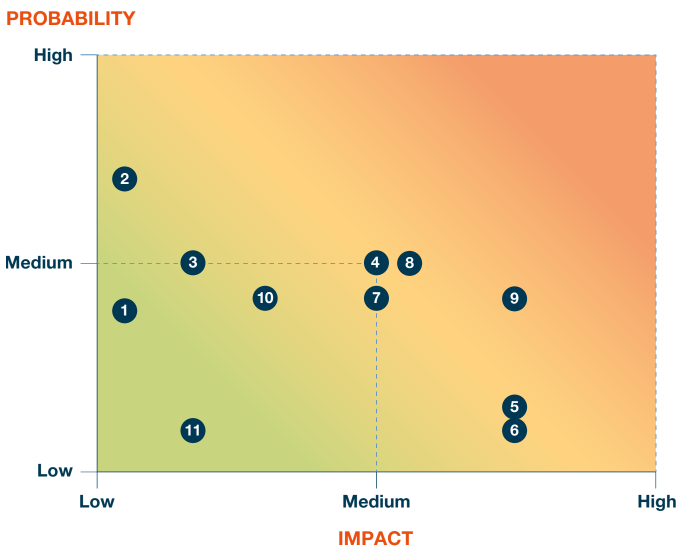
We note the potential impact of, and heightened focus on cybersecurity, which continues to be an issue of relevance across all businesses as a response to the growing levels of sophistication being used in carrying out cyber-attacks. The Company recently procured an external independent review of its cybersecurity control enforcement and continues to monitor resilience to these threats. Following careful consideration, it is not believed that cybersecurity represents a specific risk to the Company and is instead managed as a general risk to all businesses accordingly.

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

While the Company has applied mitigation processes (set out below) it is unlikely that the techniques applied will fully mitigate the risk.

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

RISK HEAT MAP



RISK TYPE

1 Inflation
2 Foreign Exchange Movements
3 Interest Rates
4 Tax and Accounting
5 Political Policy
6 Law and Regulation
7 Asset Performance
8 Counterparty Risk
9 Physical Asset Risk
10 Contract Risk
11 Financial Forecasts

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 inflows. 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. It also provides sensitivities to investors indicating the projected impact on the Company's NAV of a number of alternative inflation scenarios, offering investors an ability to anticipate the likely effects alternative inflation scenarios may have on their investment. INPP uses a long-term view of inflation within its forecasts, benchmarked where possible to independent analysis.
2 FOREIGN EXCHANGE MOVEMENTS ◀▶ Continued possibility of exchange rate volatility in light of international economic and political change including 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 the NAV of a limited number of alternative foreign exchange scenarios, offering investors an ability to anticipate the likely effects of some foreign exchange scenarios on their investment.

MACROECONOMIC RISKS CONTINUED

RISK	DESCRIPTION	MITIGATION/APPROACH
3 **INTEREST RATES** The sensitivity of the portfolio to interest rates is relatively static	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 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 special purpose vehicle ('SPV') structures and relatively smaller balances in the SPV's, 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 an 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 **TAX AND ACCOUNTING** The Company continues to monitor developments relating to tax reform across the jurisdictions in which the Company has operations but notes no overall increase in risk over the year	**Change in Tax Rates** Headline rates of tax have tended to reduce in recent years, both in the U.K. and overseas jurisdictions in which INPP operates. However, there is a risk that this trend could be reversed if government or policy were to change in the future.	INPP incorporates changes in tax rates within its forecast cash flows and NAV once substantively enacted.
	Change in Tax Legislation Changes in tax legislation across the multiple jurisdictions in which INPP has investments can reduce returns impacting on the Company's future cash flow returns and hence valuation (calculated on a discounted cash flow basis). 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.	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. The Company's Investment Adviser continues to monitor developments in relevant geographies. Significant legislation relating to corporate interest restriction was enacted in 2017 in the U.K. and Belgium, with no net adverse valuation impacts currently noted. There remains, however, no guarantee that responses to the OECD proposals by other governments' changes in approach to these rules, as a consequence of market practice or updated guidance, will not have a negative impact on the Company's performance.
	Accounting INPP and its portfolio of investments and holding entities form an international group structure. The Group uses long-term cash flow forecasts from its portfolio as part of its valuation process. These cash flow forecasts are dependent upon distribution profiles/cash tax profiles and therefore can fluctuate because of future changes in accounting standards, or challenges to accounting judgements. Therefore, future changes to accounting standards, or changes in interpretation and application of existing standards, have the potential to impact the distributable profits of entities in the portfolio and so the cash flows available to the Group and overall portfolio valuation.	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 standards or challenges to accounting judgements can potentially have an impact on distributable profits or post-tax cash flows.

RISK	DESCRIPTION	MITIGATION/APPROACH
POLITICAL AND REGULATORY RISKS		
	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 and are exposed to political scrutiny and the potential for adverse public sector or political criticism.	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.
5 **POLITICAL POLICY** Public debate around private sector involvement infrastructure provision has intensified assessment of public sector value and therefore increases the risk of reputational and/or economic impact	**Change in Political Policy** Political policy and financing decisions may adversely impact either on existing investments, or on INPP's ability to source new investments, at attractive prices or at all. This may impact the Company's reputation. A certain degree of reputational risk exists in this area as policy decisions adversely impacting INPP have the potential to be made as a direct or indirect result of reputational developments seen across the wider sector.	Current global policy practice continues to support the use of private sector capital to finance public infrastructure, despite challenge from some political parties, particularly in the U.K., around the role of the private sector in the provision of such services. INPP seeks to maintain strong and positive relationships with its public sector clients where possible. It also has an active relationship with other external stakeholders including investors.
	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 may be less than required to sustain 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 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. Regarding any potential impact from the U.K.'s planned withdrawal from the E.U., there are no 'Brexit' specific clauses in INPP's underlying project contracts.

RISK MANAGEMENT
CONTINUED

RISK	DESCRIPTION	MITIGATION/APPROACH
POLITICAL AND REGULATORY RISKS CONTINUED		
6 **LAW AND REGULATION**	**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.
	Regulatory Requirements 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. It is unclear currently what impact, if any, Brexit will have on regulatory requirements.
OPERATIONAL AND VALUATION RISKS		
7 **ASSET PERFORMANCE** New investment made in the year into construction stage assets	**Construction** For the Company's assets under construction, there is an element of construction risk that 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, subject to credit risk (see below).
	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 pre-determined performance standards may dis-entitle (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, subject to credit risk (see below).
	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. The risk of termination of contracts as a result of political policy is addressed in risk five above.

RISK	DESCRIPTION	MITIGATION/APPROACH
OPERATIONAL AND VALUATION RISKS CONTINUED		
8 **COUNTERPARTY RISK** Following the collapse of Carillion plc in early 2018, the Company continues to monitor the risk of any further developments occurring relating to any of its other significant counterparties. See page 20 in the Strategic Report for further information	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 affect the performance of affected investments. There may be disruption or delay to the services provided to investments, or 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 established with competing providers and therefore there are expectations there will be a pool of potential replacement supplier counterparties in the event that a service counterparty fails albeit not necessarily at the same cost.
	Where borrowings exist in respect of 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. Early 2018 saw the collapse of Carillion plc. Facilities management services were provided by Carillion FM to projects making up approximately 3% (by fair value) of the Company's portfolio. The Investment Adviser had been monitoring the issues affecting Carillion plc for some time and had developed contingency plans accordingly. The anticipated impact of transitioning projects to alternative service providers including transaction costs is expected to be less than £1.5 million. The Company continues to monitor the risk of any additional developments occurring in this space relating to its other more significant counterparties or without delay.
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.

RISK MANAGEMENT
CONTINUED

RISK	DESCRIPTION	MITIGATION/APPROACH
OPERATIONAL AND VALUATION RISKS CONTINUED		
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. See also Political Policy on page 37 for further commentary on contractual risk of voluntary termination.
11 **FINANCIAL FORECASTS** The nature of some recent investments in operational infrastructure businesses can result in more variability in performance	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. Recent investments in operating infrastructure businesses can result in more variability in performance than contracted concessions special purpose companies, and are therefore inherently more difficult to forecast accurately given the wider range of variables that apply.	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, particularly in relation to operational infrastructure businesses where more variables can impact forecast results.
	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, etc. The sensitivity analysis and projections are not forecasts and actual performance is likely to differ (possibly significantly) from that projection as in practice the impact of changes to such factors will be unlikely to apply evenly across the portfolio or in isolation from other factors.	Sensitivities are produced for the information of investors and are accompanied by disclaimers and guidance explaining that limited reliance can be placed upon them.

VIABILITY STATEMENT

In accordance with provision C2:2 of the 2014 revision of the U.K. Corporate Governance Code, we have considered the Company's viability as summarised below. Due to the long-term and/or 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.

The viability assessment process is 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 32 and 33
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 sub-contractor default or other asset underperformance). We note that a number of risks identified during the risk review process in step one above may have implications for the Company's valuation but may be considered insignificant from a five-year viability perspective
3. Quantification analysis of the potential impact of those principal risks occurring in isolation and under plausible combined sensitivity scenarios over the viability period
4. Assessment of potential mitigation strategies to mitigate the potential impact of principal risks over the viability period. This exercise has considered the potential to liquidate investments and/ or refinance investments if necessary

The viability assessment is approved by the Board. Following the assessment, the Board 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 2023. 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
20 March 2018

John Whittle
Senior Independent Director
20 March 2018

CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Social responsibility and corporate citizenship are core to our business, creating value for clients, investors, shareholders, 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.

INPP relies upon Amber and its Sustainability Policy to promote best practice and continued improvement in environmental management and social responsibility. Amber's Sustainability Policy looks beyond legislative and regulatory requirements and has three principles as its core:

1 Supporting projects which contribute to the long-term sustainable development of an area;
2 Factoring in the socio-economic and environmental impacts of its assets and their supply chain is embedded in its development and management decision making; and
3 Encouraging and promoting sustainable practices within Amber for its people, at its place of work and in the communities that it serves.

Over the course of 2017, Amber has expanded and enhanced its sustainability outlook by developing a clear set of aims that are measurable through its Key Performance Indicators ('KPIs') that are embedded across the business and the projects that it manages. Amber uses the UN Sustainable Development Goals ('UNSDGs') as the overarching sustainability framework to inform its strategies and target setting and has chosen to focus on seven of the 17 UNSDGs to prioritise its goals.

Amber is certified to The Planet Mark, an internationally-recognised and trusted sustainability certification programme, and is committed to measuring and reducing its carbon footprint and wider sustainability metrics. More information is available on Amber's website: www.amberinfrastructure.com.

Our values are based on the principles of responsible investment and finance that supports sustainable economic development, enhances quality of life and safeguards the environment. A selection of the social responsibility and environmental initiatives provided through our investment portfolio are described below demonstrating that wherever we operate, we seek to integrate within the neighbourhood, supporting the local community, its business and workforce.

INVESTING IN THE COMMUNITY

INPP seeks, through its projects, to work collaboratively with the local communities where it invests, recognising the economic benefits and contribution the projects can bring to the area, particularly as the Company is typically investing for in excess of 20 years. Examples of community engagement during the year are given below.

The Thames Tideway Tunnel project leads the construction industry in demonstrating how a large capital construction project should integrate into and deliver real benefits to adjacent communities. The project team are helping deliver their vision of 'Reconnecting London and Londoners with the River Thames'[1] through supporting community activities in the boroughs where works are to be delivered. Specific events have included education programmes, support of local clubs and societies working in partnership with local schools and colleges.

Salford and Wigan BSF worked with their local authority partners to identify specific areas of need. Walkden school was assisted in the purchase of books that are specifically aimed at encouraging fathers to read to their children and the provision of transportation to parents' evenings to encourage participation and partnership between the school and parents. Additionally, Moorside High School pupils were assisted by the facilities manager ('FM') provider to create videos warning of the dangers of drug and alcohol abuse.

We continue to support the Community Partnerships Programme at the Royal Children's Hospital ('RCH'), an investment in Melbourne, Australia, which aims to provide partnerships and attractions to reflect the RCH's standing as one of the world's great children's hospitals. The initiative includes bringing the community into the RCH and creating partnerships with iconic local institutions, supporting the 'pain free experience for children' through entertainment and distraction, integrating education outcomes with entertainment and incorporating evidence based outcomes in developing the programme of events and activities.

1 http://www.infrastructure-intelligence.com/article/aug-2015/historic-day-reconnecting-london-and-londoners-thames

COMMITMENT TO THE ENVIRONMENT

We continue to consider the environmental impact of our portfolio and have taken various steps to increase our commitment. This is illustrated by some of the initiatives set out below. We proactively work with the commissioning authorities and construction partners to achieve high standards in sustainability, including building certifications such as BREEAM, LEED and Green Star.

A scheme at Olga School, one of the schools in the Tower Hamlets Grouped Schools project, was successfully completed this year. The project involved the entire demolition of the existing one form entry school and the creation of a new three form entry school. The new school achieved a BREEAM Excellent status overall and was accredited with ISO 14001, an internationally recognised environmental management standard which monitors factors such as reduction in energy consumption, waste disposal and material use throughout the supply chain. The construction also incorporated the installation of photovoltaic panels, which met a 30% renewable energy target and will have an ongoing contribution towards sustainable energy generation.

Oakfield School in Nottingham (part of our Nottingham BSF 1 project) received a Gold Award in the annual Nottingham in Bloom competition, a nationwide gardening competition across Britain that helps bring the community together and show environmental responsibility. Staff of the facilities management provider gave unpaid support to the school to help promote the scheme. The school has been commended for horticultural excellence and its contribution to the environment, local landscape and character of Nottingham. Additionally, the school is currently evaluating the potential to reuse cooking oil from the kitchen in the CHP plant to power and heat the school, reducing both emissions and waste.

At the Royal Children's Hospital in Melbourne, project staff have worked with their project partners to develop a joint strategy for energy conservation. To date, 52 initiatives have been implemented; these initiatives are projected to reduce 60,000 tonnes of $C0_2$ emissions and could result in a saving of over A$8M. One such project includes the installation of an organic waste dehydrator in the commercial retail section of the facility which saves 55,000kg of waste from landfill and 87.6 tonnes of CO_2 emissions annually.

INPP's investment into OFTOs enables the transmission of green energy generated by offshore windfarms to the National Grid. In addition, INPP's investment into the Thames Tideway Tunnel will have a significant environmental impact on the water quality of the River Thames in London, as a result of both sewage and waste water being diverted away from the Thames and directly to a water facility.

SUPPORTING PUBLIC SECTOR PARTNERS

INPP investments by their very nature support public sector partners' engagement with the wider communities throughout the construction and operational phases of the portfolio's assets, and some examples of this are set out below.

Lewisham BSF project has provided over £10,000 of sponsorship to CSR initiatives across the project. Bonus Pastor School was supported in holding two awards evenings to celebrate success and encourage attainment. With a specific focus on sports and arts, the students displayed their work and were awarded trophies for individual success. Drumbeat School (for students with special needs) benefited from the installation of external surfacing and play equipment enabling safe outdoor play and motor skill development at no cost to the school. Similarly, Prendergast Vale School received a donation towards the purchase of play equipment. The project has received outstanding feedback from the public sector partner for tangibly enhancing the educational development of the young people who use the facilities.

The Waltham Forest project supported an 'Eco Garden' at Frederick Bremner School. The financial sponsorship provided facilities for an 'Outdoor Classroom' providing flowers, plants, vegetables and shrubs, and implements such as wheelbarrows, hand tools and protective clothing. It enhanced curriculum delivery in a number of areas such as healthy eating, employability and the natural environment. It was noted as being particularly beneficial for students with additional support needs who find traditional classroom environments challenging.

Stepney Green Sixth Form Centre, a large variation in the Tower Hamlets Schools project is nearing completion. As part of the scheme the building contractor supported the local educational community to provide careers talks and mock interviews at local schools to inspire the next generation of construction industry professionals. This led to the contractor employing six apprentices as part of the workforce, of which 23% lived in the local area. In addition, the contractor provided business support to ensure 400 SMEs were encouraged to bid for the project and were subsequently encouraged to bid for future construction opportunities in the local area. The programme comprised of an engagement and brokerage service for main contractors and buying organisations to help diversify their supply chains.

CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY CONTINUED

PROMOTING SUCCESSFUL PARTNERSHIPS

Our long-term partnerships with the operational business, construction firms and facilities managers who build and operate the investments within the portfolio are critical to the overall success of those projects. We work hand-in-hand with those firms and are pleased to provide examples of how they have engaged with the projects and their local communities during the year.

The facilities management provider staff at St Thomas More have been particularly proactive in partnering with the local community. Examples include charity support such as collecting Easter eggs for a local children's hospital and supporting the local homeless through clothing and financial donations. The wellbeing of staff has also been a particular focus with the establishment of an in-house health club which promotes healthy eating and exercise, including the participation of FM staff in a local running event.

Staff from the facilities management provider at Bootle Government offices have partnered with the local authority to offer work experience placements for young people. The two-week placements offered five young people in the area an insight into the world of work and increased their employability. In addition, the facilities management provider supported a local building training college with materials, expertise and work placements on local building sites through their construction division.

Cadent continues to offer a reliable, valued and trusted presence in local communities. Their strategy, 'Our Contribution' details specifically how the company will do business and create a sustainable legacy. Highlights from 2017 include:

– Employees continue to share time, skills and expertise through volunteering – in 2017 over 14,000 hours were dedicated to community projects
– Establishing the Alzheimer's Society as their first charity partnership following a staff vote in September 2016. To date, over £600,000 has been raised by staff to assist with the aim of assisting those living with dementia and their families
– Where assets are renewed, consideration is given to reducing costs, carbon and emissions. As an example, Bishops Wood Substation in the U.K. was refurbished resulting in an electricity consumption saving of 60%

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, unless it can get comfortable with the risk-return profile.

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 22.

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

From left to right

JOHN STARES[1]	**RUPERT DOREY**[1]	**CLAIRE WHITTET**[1]	**GILES FROST**	**JULIA BOND**[1]	**JOHN LE POIDEVIN**[1]	**JOHN WHITTLE**[1]
Chairman, Risk Sub-Committee Chairman, Nomination and Remuneration Committee	Chairman Chairman, Investment Committee	Chairman, Management Engagement Committee				Senior Independent Director Chairman, Audit and Risk Committee

Date of appointment

28 August 2013	2 August 2006	10 September 2012	2 August 2006	1 September 2017	1 January 2016	6 August 2009

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

RUPERT DOREY[1]

Background and experience

Aged 57 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 and Infrastructure Funds.

He is a member of the Institute of Directors.

Listed company and other relevant directorships

AP Alternative Assets LP
Cinven Capital Management IV, V, VI Ltd and Cinven General Partner Ltd
NB Global Floating Rate Income Fund Ltd
M&G General Partner Inc.
Tetragon Financial Group Limited

JOHN WHITTLE[1]

Background and experience

Aged 62 and a resident of Guernsey. John is a Fellow of the Institute of Chartered Accountants in England and Wales 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 administrator.

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

Listed company and other relevant directorships

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
Chenavari Toro Income Fund Ltd

JOHN LE POIDEVIN[1]

Background and experience

Aged 47 and a resident of Guernsey, John has over 25 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 he held a number of leaderships roles, including Head of Consumer Markets, where he developed an extensive breadth of experience and knowledge across the real estate, 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.

Listed company and other relevant directorships

Aurigny Air Services Ltd
BH Macro Ltd
Safecharge International Group Ltd
Stride Gaming plc

JOHN STARES[1]

Background and experience

Aged 66 and a resident of Guernsey since 2001, John has over 40 years of 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.

Listed company and other relevant directorships

JT Group (Chairman)
Terra Firma (Guernsey-based entities)
Governor of More House School
New Philanthropy Capital (Trustee)

CLAIRE WHITTET[1]

Background and experience

Aged 62 and a resident of Guernsey, Claire has nearly 40 years of experience in the banking industry with Bank of Scotland, Bank of Bermuda and Rothschild Bank International where latterly she was, Managing Director and co-Head until May 2016 when she became a non-executive director of the bank. She is also non-executive director of five other listed funds.

Claire is a member of the Chartered Institute of Bankers in Scotland, the Chartered Insurance Institute, is a Chartered Banker, a member of the Institute of Directors and holds the Institute of Directors Diploma in Company Direction.

Listed company and other relevant directorships

BH Macro Ltd
Eurocastle Investment Ltd
Riverstone Energy Ltd
TwentyFour Select Monthly Income Fund Ltd
Third Point Offshore Investors Ltd

GILES FROST

Background and experience

Aged 55 and a resident in the United Kingdom, Giles is a founder and Director of Amber Infrastructure 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.

Listed company and other relevant directorships

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.

JULIA BOND[1]

Background and experience

Aged 59 and a resident in the United Kingdom, Julia has 27 years of experience of capital markets in the financial sector and held senior positions within Credit Suisse including Head of One Bank Delivery and Global Head of Sovereign Wealth funds activity.

Julia is currently a non-executive director and trustee of several governmental bodies and charities including the Supervisory and Management Board of the British Foreign and Commonwealth Office and a non-executive adviser to the CEO of the Association of Certified Chartered Accountants.

Listed company and other relevant directorships

European Assets Trust ('EAT')

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 ('Amber'). This section therefore also explains the nature of the Company's relationship with Amber, and how this is managed, including the remuneration of the Investment Adviser.

COMPLIANCE WITH CORPORATE GOVERNANCE CODES AND REGULATIONS

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 April 2016 (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 July 2016 (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 A.2 of the U.K. Code) are therefore not applicable.

The Company is subject to a new European Union Regulation (2017/653) (the 'Regulation') which deems it to be a packaged retail and insurance-based investment product ('PRIIPS'). In accordance with the requirements of the Regulation, the Company published its first standardised three-page Key Information Document ('KID') on 22 December 2017. The KID is available on the Company's website www.internationalpublicpartnerships.com/investors and will be updated at least every 12 months.

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 six of the seven Directors are independent.

BOARD OF DIRECTORS

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

On 1 September 2017, the Board was pleased to announce that following an external recruitment process it had appointed Ms Julia Bond as an additional Non-Executive Director of the Board. Ms Bond brings a wealth of board experience in Investment Trusts, the public sector, professional bodies as well as the voluntary sector. Ms Bond's skills and knowledge are complementary to the current Board. As mentioned in the Chairman's Letter, the Board is actively seeking a candidate for Chairmanship following Mr Dorey's planned retirement from this role and the Board.

The Board consists solely of Non-Executive Directors and, for the period of this report, was chaired by Mr Dorey, who is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Board considered that Mr Dorey was independent upon appointment and remained independent throughout his term of service for the purposes of the AIC Code. For the period of this report, Mr Whittle held 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. All Directors offer themselves for re-election on an annual basis. The Board considers its composition and succession planning on an ongoing 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 and offers himself for re-election on an annual basis. Mr Dorey intends to retire following the successful search for a new Chairman and completion of a reasonable transition period. More information is available on page 6.

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 two female Directors.

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 2017, 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 Chairman of the Nomination and Remuneration, Management Engagement, and Investment Committees respectively do not receive additional fees for these roles.

CORPORATE GOVERNANCE REPORT
CONTINUED

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. The base remuneration, approved at the 2017 Annual General Meeting, for each Director role is set out below:

Position	
Board Chairman	£67,500
Audit Committee Chairman	£55,000
Director (Independent and Non-Independent)	£43,000

Director	2017 Fees paid[1] £	2016 Fees paid £
Rupert Dorey[2]	**77,500**	60,000
John Whittle[3]	**65,000**	50,000
Claire Whittet	**53,000**	37,500
John Stares	**53,000**	37,500
John Le Poidevin	**53,000**	37,500
Julia Bond[4]	**14,333**	N/A
Giles Frost[5]	**53,000**	32,000

1 Includes £10,000 fee payable to Board members with respect to the May 2017 share issue.
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 Ms Bond joined the Board on 1 September 2017.
5 The emoluments for Mr Frost are paid to his employer Amber Infrastructure Limited, a related company of the Company's Investment Adviser.

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 addition to Director fees above, following Mr Whittle's appointment as Director to the five Luxembourg subsidiary entities of International Public Partnerships, he received fees of £3,000 per entity for the year ended 2017.

DIRECTORS' INTERESTS

Directors, who held office at 31 December 2017, had the following interests in the shares of the Company:

Director	31 December 2017 Number of Ordinary Shares[1]	31 December 2016 Number of Ordinary Shares[1]
Rupert Dorey[2]	**1,037,614**	793,687
John Whittle[3]	**58,864**	52,198
Claire Whittet[4]	**68,017**	52,257
John Stares	**75,000**	75,000
John Le Poidevin	**65,333**	–
Julia Bond[5]	**–**	–
Giles Frost	**880,313**	513,274

1 All shares are beneficially held.
2 Included in this number are 200,000 shares owned by Mr Dorey's spouse and 43,927 shares are held by another close family member.
3 Holds shares through a Retirement Annuity Trust Scheme.
4 Holds shares through a Retirement Annuity Trust Scheme jointly with Ms Whittet's spouse.
5 Ms Bond joined the Board on 1 September 2017.

There have been no changes to any of the above holdings between 31 December 2017 and the date of this report.

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 auditor 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 ('ARC') is comprised of the full Board, with the exception of Mr Frost as the Non-Independent Director.

Mr Whittle is the current Chairman of the Audit and Risk Committee and Mr Stares has lead responsibility for risk within the Risk Sub-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 ARC in discharging its responsibilities are outlined in the Audit and Risk Committee Report.

In respect of its risk management function, the ARC 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 ARC 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 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 Ms Whittet. The duties of the Management Engagement Committee in discharging its responsibilities are outlined in the diagram on page 51.

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

During the year, the Management Engagement Committee formally reviewed the performance of the Investment Adviser and other key service providers to the Company and no material weaknesses were identified. Overall the Committee confirmed its satisfaction with the services and advice received.

NOMINATION AND REMUNERATION COMMITTEE

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

The Committee is formally charged by the Board to consider the structure, size, remuneration and composition of the Board. It also oversees the appointment and re-appointment of Directors, taking into account the expertise of the candidates and their independence (see page 51 for more detail on the Committee).

In accordance with the Corporate Governance Code for FTSE 350 companies, the Company undertakes an externally facilitated evaluation every three years. During the period the Board commissioned Trust Associates to facilitate an external evaluation of the Board's performance. The evaluation included interviews with members of the Investment Adviser's team, other external advisers including the Company's broker and discussions with several of the Company's largest investors. The report concluded the relationship between Amber and the Board continues to be very strong. It also acknowledged that the composition and practices of the Board were strong and there was a need to continue to plan for growth and replacement of skills as directors retire.

Ahead of the anticipated changes in chairmanship role of the existing Board following Mr Dorey's retirement as Chairman, the Board also discussed succession planning. An active search for a new Chairman is in process.

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 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**	**11**	**4**	**1**	**3**	**3**
Rupert Dorey	4	11	4	1	3	3
John Whittle	4	9	4	1	3	3
Claire Whittet	4	8	4	1	3	3
John Stares	4	7	3	1	1	3
John Le Poidevin	4	9	4	1	2	3
Julia Bond[1]	2	N/A	N/A	N/A	N/A	N/A
Giles Frost[2]	4	1	0	0	0	0

1 Ms Bond joined the Board on 1 September 2017. Ms Bond joined the Committees of the Board on 1 December 2017.
2 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

Estera International Fund Managers (Guernsey) Limited, formerly 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 Investment Advisory Agreement ('IAA') was renegotiated in 2013 and has a ten-year fixed term with a five-year notice period. The Board considers that, given the long-term nature of the Company's investments, 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. 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.

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, makes 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 Advisers 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 Management Report found on pages 31 to 41.

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 2017, the Investment Adviser and members of the Board held formal meetings with over 70 individual shareholders in addition to day-to-day interaction, including calls and other forms of correspondence. In addition, major investors were approached as part of the external-facilitated Board evaluation process. The Company also has an active programme of sell side engagement and 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.
During 2017, the Company significantly upgraded its website (www.internationalpublicpartnerships.com) enabling investors to easily find publicly disclosed documents including Annual Reports and RNS announcements, together with additional background information on its assets and corporate practice. 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 & Young LLP ('EY'), also attended those meetings considering financial report 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 page 47.

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 asset availability and tax policy 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, was 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 Exception); 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 auditor. We accordingly recommended that the Board approve the financial statements on this basis (i.e. that investee 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, including shares and debt, 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 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 its audit work the auditor confirmed no material adjustments were proposed.

The Committee concluded that a consistent valuation methodology had been applied throughout the year and any forecast assumptions applied were appropriate.

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 2017 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.

CONTROLS REVIEW

Asset availability review

In the year an external review of the Company's controls and processes relating to asset availability reporting was concluded. Asset availability reporting was considered an important non-financial KPI for a number of our investments, as there are consequential implications on returns if such assets become unavailable for public use. The review concluded the Company had sufficient controls in operation for the accurate capture and reporting of such information, with no weaknesses or control deficiencies identified.

Tax compliance and reporting

Companies are increasingly required to manage tax risk by integrating greater process and controls to meet new and more stringent reporting requirements, increased regulatory demands, and audit activity. A critical aspect is the Company's ability to streamline and strategically manage the end-to-end core processes underlying all tax activities with a focus on managing risk. It was therefore agreed that the next annual controls and process review will focus on the Company's tax policies and procedures.

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 41.

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.

AUDIT AND RISK COMMITTEE REPORT
CONTINUED

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 31.3% 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 not considered to be a significant risk impacting the objectivity and independence of EY as external Auditor.

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 2017 was the second year for the current lead audit partner. We continue to challenge EY on its process for transitioning other key current audit team members reaching the end of their rotation terms and continue to be actively engaged in the developments in this area and in ensuring an appropriate level of continuity of the team.

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.

Since 2010, a number of investee level audits have been awarded to alternative audit firms, notably KPMG.

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 2017 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.

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

Review of auditor's remuneration

The Committee carried out a review of the proposed audit fees for 2017. There was an increase at Group level, driven by general cost inflation. We consider that the audit fees for 2017 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.

Taxation

We continue to monitor tax regulation and tax policy developments, in particular developments around the OECD-led BEPS initiative, across our geographies. During the year the U.K. and Belgium enacted substantial pieces of new tax legislation, containing provisions relating to corporate interest deductibility and group losses carried forward. These rules and the number of potential elections available in the U.K. make the assessment of impact of the rules complex and subject to a degree of judgement. Whilst no material net adverse valuation impacts have currently been noted, there can be no guarantee that responses to the OECD proposals by other governments or changes in approach to these rules as a consequence of changes in guidance or recognised industry practice will not have a negative impact on the Company's performance.

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 2017 is on course to be submitted by June 2018.

Tax Strategy reporting

Legislation requiring large businesses to publish a Tax Strategy document became effective from 1 January 2017. Whilst it is not clear the legislation should directly capture the Company, the Company has chosen to publish its Tax Strategy document for the purposes of transparency and good governance 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 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 2018

Alongside routine matters, this year the Committee will progress the independent review of the Company's tax policies and procedures, as well as continue to monitor any political, tax, and regulatory developments in its applicable geographies.

John Whittle
Chairman, Audit and Risk Committee
20 March 2018

DIRECTORS' REPORT

INTRODUCTION

The Directors present their Annual Report on the performance of the Company and Group for the year ended 31 December 2017.

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 48 to 55.

DIRECTORS' INDEMNITIES

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

SUBSTANTIAL SHAREHOLDINGS

As at 31 December 2017, 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	12.574%	169,424,308	17 May 2017
Investec Wealth & Investment Limited	10.07%	135,727,396	24 May 2017

As at 20 March 2018, 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	11.02%	154,836,590	19 March 2018

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 11 June 2018. The Company will seek to renew such authority at the Annual General Meeting to take place on 11 June 2018. 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 7 June 2017. 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 41. The financial position of the Group, its cash flows, liquidity position and borrowing are described in the financial statements from page 68.

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
20 March 2018

John Whittle
Senior Independent Director
20 March 2018

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 considerations, of these matters and, accordingly, the auditor accepts no responsibility for any change that may have occurred to the financial statements since they were initially presented on the website. Legislation in Guernsey governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE CONSOLIDATED ANNUAL REPORT AND FINANCIAL STATEMENTS

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

- The consolidated financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and net return of 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
20 March 2018

John Whittle
Senior Independent Director
20 March 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL PUBLIC PARTNERSHIPS LIMITED

OPINION

In our opinion:
– International Public Partnerships Limited (the 'Group') financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2017 and of its profit for the year then ended;
– The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union; and
– The financial statements have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

WHAT WE HAVE AUDITED

We have audited the financial statements of International Public Partnerships Limited (the 'Group') which comprise:
– Consolidated statement of comprehensive income for the year ended 31 December 2017;
– Consolidated balance sheet as at 31 December 2017;
– Consolidated statement of changes in equity for the year ended 31 December 2017;
– Consolidated cash flow statement for the year ended 31 December 2017; and
– Related notes 1 to 21 to the consolidated financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (U.K.) (ISAs (U.K.)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the U.K., including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

USE OF OUR REPORT

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.

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (U.K.) require us to report to you whether we have anything material to add or draw attention to:
– the disclosures in the Annual Report set out on page 32 that describe the principal risks and explain how they are being managed or mitigated;
– the Directors' confirmation set out on page 31 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 Directors' statement set out on page 62 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 12 months from the date of approval of the financial statements;
– whether the Directors' statement in relation to going concern required under the Listing Rules is materially inconsistent with our knowledge obtained in the audit; or
– the Directors' explanation set out on page 41 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL PUBLIC PARTNERSHIPS LIMITED CONTINUED

OVERVIEW OF OUR AUDIT APPROACH

Key audit matters	– Misstatement or manipulation of investment fair value – Revenue recognition
Audit scope	– We performed an audit of the Group for the year ended 31 December 2017 – 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 audit work performed for the purposes of the audit was undertaken by the Group audit team
Materiality	– Overall Group materiality of £20.4 million (2016: £16 million) which represents 1% (2016: 1%) of equity

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	**Misstatement or manipulation of investment fair value £2,005 million (2016: £1,515 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 57. The valuation risk includes the risk of an inappropriate valuation model being applied, the risk of manipulation or error in both the assumptions applied and the amount and timing of expected cash flows.
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. The following procedures were performed: **Valuation assumption:** We have been supported in our testing of macroeconomic inputs and discount rates inputs by specialists from our EY Valuation & Business Modelling team ('EYVBM'). **Model integrity:** We engaged our EYVBM specialists to sample test the following on selected models: – The year on year changes to the logical operation; 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 EYVBM specialists to assess the assumptions used to determine the underlying variable cash flows which require significant judgement. Their assessments were based on a combination of market data and experience of valuing other similar investments. **Verification of existence and ownership of investments:** We have tested the ownership of investments to ensure the Group is entitled to distributions from the investments.

Our response to the risk *(continued)*	We performed the following procedures across the remainder of the portfolio: – We compared the discount rates used by management across all investments to the relevant rates as tested by the EYVBM team – We have performed a detailed analytical review based on year on year movement on each investment, setting detailed expectations and validating significant variances from expectation – We tested the historical accuracy of forecasting by comparing the historical forecast distributions from the projects to the actual distributions – We tested all acquisitions during the year – We tested that the macroeconomic assumptions (inflation rates, foreign exchange rates, deposit rates and tax rates) were applied consistently across all investments **Market review:** We engaged the EYVBM team to provide benchmarking information on the variable components e.g. inflation rates, risk free rates, deposit rates etc.
Key observations communicated to the Audit Committee	We confirmed that there were no material matters arising from our audit work 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 representative 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.

AN OVERVIEW OF 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. All audit work performed for the purposes of the audit was undertaken by the Group audit team.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL PUBLIC PARTNERSHIPS LIMITED CONTINUED

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 £20.4 million (2016: £16 million), which is 1% (2016: 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 £1,953 million at 30 June 2017 to £2,038 million as at 31 December 2017 mainly due to capital raise in December 2017. This resulted in a higher materiality of £20.4 million compared to £19.5 million that was originally determined at the audit planning stage.

A lower materiality of £2.8 million (2016: £2.2 million) has been applied to interest income, dividend income and related party fees 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 75% of materiality, namely £15.3 million (2016: 50% of materiality, namely £8 million). We have set performance materiality based on our understanding of the entity and the past history of no misstatements (corrected and uncorrected).

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 £1 million (2016: £0.8 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.

OTHER INFORMATION

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

– Fair, balanced and understandable statement set out on page 62 by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- Audit Committee reporting set out on page 56; or
- Directors' statement of compliance with the U.K. Corporate Governance Code set out on page 48 the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the U.K. Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R (2) do not properly disclose a departure from a relevant provision of the U.K. Corporate Governance Code.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement set out on page 62, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (U.K.) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Richard Le Tissier

for and on behalf of Ernst & Young LLP,
Guernsey
Channel Islands
20 March 2018

Notes:

1 The maintenance and integrity of the International Public Partnerships Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2 Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2017

	Notes	Year ended 31 December 2017 £'000s	Year ended 31 December 2016 £'000s
Interest income	4	**69,356**	56,778
Dividend income	4	**20,655**	18,655
Net change in investments at fair value through profit or loss	4	**49,808**	131,369
Total investment income		**139,819**	206,802
Other operating income/(expense)	5	**588**	(6,836)
Total income		**140,407**	199,966
Management costs	17	**(20,637)**	(16,107)
Administrative costs		**(1,700)**	(1,259)
Transaction costs	6,17	**(6,835)**	(3,219)
Directors' fees		**(316)**	(267)
Total expenses		**(29,488)**	(20,852)
Profit before finance costs and tax		**110,919**	179,114
Finance costs	8	**(4,534)**	(3,774)
Profit before tax		**106,385**	175,340
Tax credit	9	**114**	1,818
Profit for the year		**106,499**	177,158
Earnings per share			
From continuing operations			
Basic and diluted (pence)	10	**8.36**	17.18

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 (2016: nil). The profit for the year represents the Total Comprehensive Income for the year.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2017

	Notes	Share Capital £'000s	Other Distributable Reserve £'000s	Retained Earnings £'000s	Total £'000s
Balance at 31 December 2016		**1,029,387**	**182,481**	**391,785**	**1,603,653**
Total comprehensive income		**–**	**–**	**106,499**	**106,499**
Issue of Ordinary shares	15	**417,283**	**–**	**–**	**417,283**
Issue costs applied to new shares	15	**(5,622)**	**–**	**–**	**(5,622)**
Distributions in the year	15	**–**	**–**	**(83,515)**	**(83,515)**
Balance at 31 December 2017		**1,441,048**	**182,481**	**414,769**	**2,038,298**

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

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017

	Notes	31 December 2017 £'000s	31 December 2016 £'000s
Non-current assets			
Investments at fair value through profit or loss	11	**2,005,292**	1,515,163
Total non-current assets		**2,005,292**	1,515,163
Current assets			
Trade and other receivables	11,13	**26,963**	32,506
Cash and cash equivalents	11	**33,850**	70,981
Total current assets		**60,813**	103,487
Total assets		**2,066,105**	1,618,650
Current liabilities			
Trade and other payables	11,14	**8,303**	10,370
Derivative financial instruments	11	**1,704**	4,627
Total current liabilities		**10,007**	14,997
Non-current liabilities			
Bank loans	8,11	**17,800**	–
Total non-current liabilities		**17,800**	–
Total liabilities		**27,807**	14,997
Net assets		**2,038,298**	1,603,653
Equity			
Share capital	15	**1,441,048**	1,029,387
Other distributable reserve	15	**182,481**	182,481
Retained earnings	15	**414,769**	391,785
Equity attributable to equity holders of the parent		**2,038,298**	1,603,653
Net assets per share (*pence per share*)	16	**145.0**	142.2

The financial statements were approved by the Board of Directors on 20 March 2018.

They were signed on its behalf by:

Rupert Dorey
Chairman
20 March 2018

John Whittle
Director
20 March 2018

CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2017

	Notes	Year ended 31 December 2017 £'000s	Year ended 31 December 2016 £'000s
Profit from operating activities before tax[1]		**106,385**	175,340
Adjusted for:			
Gain on investments at fair value through profit or loss	4	**(49,808)**	(131,369)
Unrealised foreign exchange gain		**(14)**	(657)
Finance costs[2]	8	**4,534**	3,774
Fair value movement on derivative financial instruments	5,11	**(2,923)**	6,346
Working capital adjustments			
Decrease/(increase) in receivables		**2,678**	(8,704)
(Decrease)/increase in payables		**(2,075)**	2,315
		58,777	47,045
Income tax received/(paid)[3]		**2,525**	(110)
Net cash inflow from operations[4]		**61,302**	46,935
Investing activities			
Acquisition of investments at fair value through profit or loss	12	**(464,027)**	(209,884)
Net repayments from investments at fair value through profit or loss		**25,759**	27,197
Funds advanced to affiliated entities[5]		**(2,053)**	–
Net cash outflow from investing activities		**(440,321)**	(182,687)
Financing activities			
Proceeds from issue of shares net of issue costs		**404,385**	198,097
Dividends paid	15	**(76,230)**	(61,863)
Finance costs paid[2]		**(4,086)**	(2,326)
Loan drawdowns[2]		**338,264**	–
Loan repayments[2]		**(320,464)**	–
Net cash provided by financing activities		**341,869**	133,908
Net decrease in cash and cash equivalents		**(37,150)**	(1,844)
Cash and cash equivalents at beginning of year		**70,981**	72,391
Foreign exchange gain on cash and cash equivalents		**19**	434
Cash and cash equivalents at end of year[6]		**33,850**	70,981

1 Includes interest received of £69.7 million and dividends received of £20.7 million.
2 These are cash flows and non-cash flows for financing liabilities in accordance with IAS 7, 44A-E.
3 Cash flows received from unconsolidated subsidiary entities in respect of surrender of tax losses.
4 Net cash flows from operations above are reconciled to operating cash flows as shown in the Strategic Report on pages 22 and 23.
5 Funds advances to affiliated entities to facilitate financial close of investments around the balance sheet date.
6 Includes restricted cash of £1.2 million (2016: £41.7 million) which can only be utilised for new investments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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 £32.7 million as at 31 December 2017. The Company has access to a corporate debt facility of £400 million, of which £378.1 million was uncommitted as at 31 December 2017, 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 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 2017.

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 2017, 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 2017 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 (excl. U.K.), North America and Australia.

	Year ended 31 December 2017				
	U.K. £'000s	Europe (Excl. U.K.) £'000s	North America £'000s	Australia £'000s	Total £'000s
Segmental results					
Dividend and interest income	**69,396**	**7,759**	**8,675**	**4,181**	**90,011**
Fair value gain/(loss) on investments[1]	**15,134**	**31,043**	**(1,643)**	**5,274**	**49,808**
Total investment income	**84,530**	**38,802**	**7,032**	**9,455**	**139,819**
Reporting segment profit[2]	**50,621**	**38,855**	**7,393**	**9,630**	**106,499**
Segmental financial position					
Investments at fair value	**1,421,619**	**277,489**	**98,349**	**207,835**	**2,005,292**
Current assets	**60,813**	**–**	**–**	**–**	**60,813**
Total assets	**1,482,432**	**277,489**	**98,349**	**207,835**	**2,066,105**
Total liabilities	**(27,807)**	**–**	**–**	**–**	**(27,807)**
Net assets	**1,454,625**	**277,489**	**98,349**	**207,835**	**2,038,298**

	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[2]	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

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

Revenue from investments which individually represent more than 10% of the Group's interest and dividend income approximates £12.1 million (2016: £12.2 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017 £'000s	Year ended 31 December 2016 £'000s
Interest income		
Interest on investments	**69,351**	56,730
Interest on bank deposits	**5**	48
Total interest income	**69,356**	56,778
Dividend income	**20,655**	18,655
Net change in fair value of investments at fair value through profit or loss	**49,808**	131,369
Total investment income	**139,819**	206,802

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 INCOME/(EXPENSE)

	Year ended 31 December 2017 £'000s	Year ended 31 December 2016 £'000s
Fair value gain/(loss) on foreign exchange contracts	**2,923**	(6,346)
Other losses on foreign exchange movements	**(2,335)**	(490)
Total other operating income/(expense)	**588**	(6,836)

6. TRANSACTION COSTS

	Year ended 31 December 2017 £'000s	Year ended 31 December 2016 £'000s
Investment advisory costs	6,835	3,148
Legal and professional costs	–	71
Total transaction costs	**6,835**	3,219

Details of total transaction costs paid to the Investment Adviser are provided in note 17.

7. AUDITOR'S REMUNERATION

	Year ended 31 December 2017 £'000s	Year ended 31 December 2016 £'000s
Fees payable to the Group's auditor for the audit of the Group's financial statements	306	286
Fees payable to the Group's auditor and their associates for other services to the Group		
– The audit of the Group's consolidated subsidiaries	42	41
– The audit of the Group's unconsolidated subsidiaries	329	323
Total audit fees	**677**	650
Other fees		
– Audit related assurance services	10	25
– Other services	202	53
Total non-audit fees	**212**	78

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 £4.5 million (2016: £3.8 million). The Group has a corporate debt facility of £400 million provided by Royal Bank of Scotland, National Australia Bank, Barclays Bank and Sumitomo Mitsui Banking Corporation. 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. As at December 2017 the facility was £17.8 million cash drawn. The uncommitted balance of the facility which was not cash drawn or notionally drawn via letters of credit, was £378.1 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 2017

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 2017 £'000s	Year ended 31 December 2016 £'000s
Current tax:		
U.K. corporation tax credit – current year	(694)	(1,918)
U.K. corporation tax – prior year	399	–
Other overseas tax – current year	181	100
Tax credit for the year	(114)	(1,818)

Reconciliation of effective tax rate

	Year ended 31 December 2017 £'000s	Year ended 31 December 2016 £'000s
Profit before tax	106,385	175,340
Exempt tax status in Guernsey	–	–
Application of overseas tax rates	181	100
Group tax losses surrendered to unconsolidated investee entities	(694)	(1,918)
Adjustments to previous year's assessment	399	–
Tax credit for the year	(114)	(1,818)

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 £1 billion (2016: £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 2017 £'000s	Year ended 31 December 2016 £'000s
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	106,499	177,158

	Number	Number
Weighted average number of Ordinary shares for the purposes of basic and diluted earnings per share	1,273,495,032	1,031,394,086
Basic and diluted (pence)	8.36	17.18

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 2017 £'000s	31 December 2016 £'000s
Investments at fair value through profit and loss	**2,005,292**	1,515,163
Financial assets		
Trade and other receivables	**26,963**	32,506
Cash and cash equivalents	**33,850**	70,981
Total financial assets	**2,066,105**	1,618,650

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

Trade 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. Fair value movements on derivative financial instruments held for trading are recognised in the Consolidated Statement of Comprehensive Income.

Impairment of financial assets

Financial assets, other than those classified at fair value through profit or loss are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been adversely impacted.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2017

11. FINANCIAL INSTRUMENTS CONTINUED
11.2 FINANCIAL LIABILITIES

	31 December 2017 £'000s	31 December 2016 £'000s
Financial liabilities at amortised cost		
Trade and other payables	**8,303**	10,370
Bank loans	**17,800**	–
Derivative financial instruments		
Foreign exchange contracts	**1,704**	4,627
Total financial liabilities	**27,807**	14,997

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 31 to 41). 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. For example, it is generally a requirement under a PFI/PPP concession that any borrowings are matched to the life of the concession. However, particularly in Australia, refinancing risk exists in a number of such investments. 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.

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 2017 £'000s	31 December 2016 £'000s
Cash		
Euro	**204**	791
Canadian Dollar	**1,486**	1,438
Australian Dollar	**196**	6
U.S. Dollar	**405**	3
	2,291	2,238
Current receivables		
Euro receivables	**1,650**	414
U.S. Dollar receivables	**329**	1,382
	1,979	1,796
Investments at fair value through profit or loss		
Euro	**277,489**	247,388
Canadian Dollar	**38,287**	39,135
Australian Dollar	**207,835**	97,657
U.S. Dollar	**60,062**	61,586
	583,673	445,766
Total	**587,943**	449,800

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 public-private partnerships and similar concessions which are entered into with government, quasi government, other public, equivalent low risk bodies, or in regulated businesses that inherently exhibit low levels of credit risk. 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. In addition, the underlying investee entities contract with third-party construction and facilities management contractors. The Group seeks to mitigate this risk through using a diverse range of sub-contractors and through at least quarterly review of the credit position of major contractors.

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 relevant public sector body or end-user. Failure to maintain assets available for use or operating in accordance with pre-determined performance standards or licence conditions may lead to a reduction (wholly or partially) in 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. The terms of public-private partnership 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 2017

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 2017, the Group's only derivative financial instruments were currency forward contracts amounting to a liability of £1.7 million (2016: £4.6 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 2017, the fair value of financial instruments classified within Level 3 totalled £2,005.3 million (2016: £1,515.2 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 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.

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:

31 December 2017	U.K.	Europe (Excl. U.K.)	North America	Australia
Inflation	**2.75%**	**2.00%**	**2.00%**	**2.50%**
Long-term tax	**19.00%–17.00%**	**12.50%–29.58%**	**26.50%–27.00%**[1]	**30.00%**
Foreign exchange rates	**N/A**	**1.08**	**1.43–1.78**	**1.85**
Long-term deposit rates	**2.00%**	**2.00%**	**2.00%**	**3.00%**

31 December 2016	U.K.	Europe (Excl. U.K.)	North America	Australia
Inflation	2.75%	2.00%	2.00%	2.50%
Long-term tax	20.00%–7.00%	12.50%–33.99%	26.50%–27.00%[1]	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%

1 Related to investments in Canada.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2017

11. FINANCIAL INSTRUMENTS CONTINUED
11.4 FAIR VALUE HIERARCHY CONTINUED
Discount rate (continued)

Over the period, the weighted average government bond increased by 0.28%. This was offset by a 0.13% decrease in the weighted average project premium reflecting observable market based evidence. Further details are provided within the Strategic Report (page 28).

Valuation Assumptions	31 December 2017	31 December 2016	Movement
Weighted Average Government Bond Rate	**1.83%**	1.55%	0.28%
Weighted Average Project Premium	**5.69%**	5.82%	(0.13%)
Weighted Average Discount Rate	**7.52%**	7.37%	0.15%
Weighted Average Discount Rate on Risk Capital[1]	**7.87%**	7.90%	(0.03%)

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

Reconciliation of Level 3 fair value measurements of financial assets	31 December 2017 £'000s	31 December 2016 £'000s
Balance at 1 January	**1,515,163**	1,201,107
Additional investments during the year	**464,027**	209,884
Net repayments during the year	**(25,759)**	(27,197)
Funds advanced to affiliated entities	**2,053**	–
Net change in fair value of investments at fair value through profit or loss	**49,808**	131,369
Balance at 31 December	**2,005,292**	1,515,163

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 at 31 December 2017	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	7.52%	+1.00%	(199,454)	-1.00%	240,577
Inflation rate (overall)	2.60%	+1.00%	215,094	-1.00%	(181,979)
U.K.	2.75%	+1.00%	160,216	-1.00%	(135,020)
Europe	2.00%	+1.00%	44,149	-1.00%	(37,210)
North America[1]	2.00%	+1.00%	1,055	-1.00%	(1,224)
Australia	2.50%	+1.00%	9,685	-1.00%	(8,515)
FX rate	N/A	+10.00%	58,876	-10.00%	(58,882)
Tax rate	19.85%	+1.00%	(13,625)	-1.00%	13,715
Deposit rate	2.11%	+1.00%	22,433	-1.00%	(22,429)

1 Relates to Canadian investments only.

Significant assumptions at 31 December 2016	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[1]	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)

1 Relates to Canadian investments only.

12. INVESTMENTS

2017

Date of investment	Description	Consideration £'000s	% Ownership post investment
March–December 2017	The Group funded four further tranches of investment in the Tideway project, U.K.	**78,234**	15.99%
31 March 2017	The Group, as part of a consortium, made an investment to acquire a share of 61% of Cadent gas distribution networks business, U.K.	**272,501**	4.4%
5 May 2017	The Group made an investment to acquire an additional interest in the Wolverhampton Building Schools for the Future project	**1,536**	90%
July–December 2017	The Group funded six tranches of investment for the extension of the Gold Coast Rapid Transport project, Australia	**3,899**	30%
September–December 2017	The Group funded four tranches of investment in the Victoria Schools Two project, Australia	**20,797**	100%
28 November 2017	The Group made an investment to acquire an additional interest in the Reliance Rail rolling stock project in New South Wales, Australia	**86,779**	33%
8 December 2017	The Group injected funding as part of its investment in the National Digital Infrastructure Fund, U.K.	**230**	45%
21 December 2017	The Group made an initial investment on financial close of a Police Centre project in Offenbach, Germany	**51**	45%
Total capital spend on investments during the year		**464,027**	

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2017

12. INVESTMENTS CONTINUED
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.

13. TRADE AND OTHER RECEIVABLES

	31 December 2017 £ '000s	31 December 2016 £'000s
Accrued interest receivable	**22,295**	24,773
Other debtors	**4,668**	7,733
Total trade and other receivables	**26,963**	32,506

Other debtors included £3.8 million (2016: £6.2 million) of receivables from unconsolidated subsidiary entities for surrender of Group tax losses.

14. TRADE AND OTHER PAYABLES

	31 December 2017 £ '000s	31 December 2016 £'000s
Accrued management fee	**7,056**	8,668
Other creditors and accruals	**1,247**	1,702
Total trade and other payables	**8,303**	10,370

15. SHARE CAPITAL AND RESERVES

Share capital	31 December 2017 shares £'000s	31 December 2016 shares £'000s
In issue 1 January	**1,127,421**	990,634
Issued for cash	**273,333**	132,792
Issued as a scrip dividend alternative	**4,666**	3,995
In issue at 31 December – fully paid	**1,405,420**	1,127,421

	31 December 2017 £'000s	31 December 2016 £'000s
Opening balance	**1,029,387**	825,362
Issued for cash (excluding issue costs)	**410,000**	200,000
Issued as a scrip dividend alternative	**7,283**	5,869
Total share capital issued in the year	**417,283**	205,869
Costs on issue of Ordinary shares	**(5,622)**	(1,844)
Balance at 31 December	**1,441,048**	1,029,387

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

On 20 May 2017, the Group raised an additional £330 million of equity through a Placing, Open Offer and Offer for Subscription of 220,000,000 Ordinary shares at an issue price per share of 150.0 pence.

On 7 June 2017, 2,372,322 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 2016.

On 9 November 2017, 2,293,393 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 2017.

On 8 December 2017, the Group raised an additional £80 million of equity through a tap issue of 53,333,334 Ordinary shares at an issue price per share of 150.0 pence.

Other distributable reserve	31 December 2017 £'000s	31 December 2016 £'000s
Opening balance	**182,481**	182,481
Movement in the year	**–**	–
Balance at 31 December	**182,481**	182,481

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2017

15. SHARE CAPITAL AND RESERVES CONTINUED

Retained earnings	31 December 2017 £'000s	31 December 2016 £'000s
Opening balance	**391,785**	282,359
Net profit for the year	**106,499**	177,158
Dividends paid[1]	**(83,515)**	(67,732)
Closing balance	**414,769**	391,785

1 Includes scrip element of £7.3 million in 2017 (2016: £5.9 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 2017.

The Board has approved interim distributions as follows:

	Year ended 31 December 2017 £'000s	Year ended 31 December 2016 £'000s
Amounts recognised as distributions to equity holders for the year ended 31 December	**83,515**[1]	67,732
Declared		
Interim distribution for the period 1 January to 30 June 2017 was 3.41 pence per share (2016: 3.325 pence per share)	**46,028**	35,784
Interim distribution for the period 1 July to 31 December 2017 was 3.41 pence per share[2] (2016: 3.325 pence per share)	**47,945**	37,487

1 Includes the 2016 interim distribution for the period 1 July to 31 December 2016.
2 The distribution for the period 1 July to 31 December 2017 was approved by the Board on 20 March 2018 and therefore has not been included as a liability in the balance sheet for the year ended 31 December 2017.

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 ongoing expenses and dividend payments. The Group's Investment Policy is set out in the Corporate Governance Report (page 45).

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.

16. NET ASSETS PER SHARE

	31 December 2017 £'000s	31 December 2016 £'000s
Net assets attributable to equity holders of the parent	**2,038,298**	1,603,653

	Number	Number
Number of shares		
Ordinary shares outstanding at the end of the year	**1,405,420,125**	1,127,421,076
Net assets per share (pence per share)	**145.0**	142.2

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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 and International Public Partnerships GP Limited are subsidiary companies 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 Directors' fees of £43,000 (2016: £32,000) for Mr G Frost's directorship of the Company are paid to his employer, Amber Infrastructure Limited (a member of the Amber Group).

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

	Related party expense in the Income Statement		Amounts owing to related parties in the Balance Sheet	
	For the year ended 31 December 2017 £'000s	For the year ended 31 December 2016 £'000s	**At 31 December 2017 £'000s**	At 31 December 2016 £'000s
International Public Partnerships GP Limited	**20,637**	16,107	**7,056**	8,668
Amber Fund Management Limited[1]	**6,835**	3,219	**103**	311
Total	**27,472**	19,326	**7,159**	8,979

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

INVESTMENT ADVISORY ARRANGEMENTS

Investment advisory fees 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 2017, Amber Infrastructure held 8,002,379 (2016: 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2017

17. RELATED PARTY TRANSACTIONS CONTINUED
TRANSACTIONS WITH DIRECTORS
Shares acquired by Directors in the financial year ended 31 December 2017 are disclosed below:

Director	Number of New Ordinary shares
Rupert Dorey	**329,000**
Giles Frost	**367,039**
John Whittle	**6,666**
Claire Whittet	**15,760**
John Le Poidevin	**65,333**
Total purchased	**783,798**

During the year, Rupert Dorey also disposed of 129,000 shares by way of a gift transfer for nil consideration.

Remuneration paid to the Non-Executive Directors is disclosed on page 50.

18. CONTINGENT LIABILITIES AND COMMITMENTS
As at 31 December 2017 the Group has committed funding up to £179.1 million (2016: £382.4 million), including amounts supported by letter of credit which were notionally drawn against the Group's corporate debt facility.

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.

20. OTHER MANDATORY DISCLOSURES
NEW STANDARDS THAT THE GROUP HAS APPLIED FROM 1 JANUARY 2017
Standards and amendments to standards that became effective during the period are listed below. These have no material impact on the reported performance or financial statements of the Group.
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (1 January 2017)
- Amendments to IAS 7: Disclosure Initiative (1 January 2017)

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, however does not currently anticipate the standards to have a significant impact on the Group's financial statements. The Group does not believe the provisions of IFRS 15 Revenue from Contracts with Customers to be applicable to the financial statements of the Group, due to the nature of the investment income recognised by INPP. Current assumptions regarding the impact of future standards will remain under consideration in light of interpretation notes as and when they are issued.

- IFRS 16 Leases (1 January 2019)
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (1 January 2019)
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures (1 January 2019)
- IFRS 9 Financial Instruments (1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (1 January 2018)
- Clarifications to IFRS 15 Revenue from Contracts with Customers (1 January 2018)
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (1 January 2018)
- Amendments to IAS 40 Transfers of Investment Property (1 January 2018)
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (1 January 2018)
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (1 January 2018)
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (1 January 2019)
- IFRS 17 Insurance Contracts (1 January 2021)

UNCONSOLIDATED SUBSIDIARIES

A list of the significant investments in unconsolidated subsidiaries, including the name, country of incorporation as at 31 December 2017 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.	90
Blackburn with Darwen Phase 2 Limited	U.K.	90
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.	90
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.	90
4 Futures Phase 2 Limited	U.K.	90
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
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.	90
Inspiredspaces Wolverhampton (Project Co 2) Limited	U.K.	90
Transform Islington (Phase 1) Limited	U.K.	90
Transform Islington (Phase 2) Limited	U.K.	90
IPP (Moray Schools) Holdings Limited	U.K.	100
LCV Project Trust	Australia	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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2017

20. OTHER MANDATORY DISCLOSURES CONTINUED

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest %
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 62.2% (2016: 79.9%) 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

21. INVESTMENTS

The Group holds 129 investments across energy transmission, education, transport, health, courts, waste water, police, military housing and other sectors. The table below sets out the Group's investments that are recorded at fair value through profit or loss.

Investment Name	Country	Status at 31 December 2017	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	31 August 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	14 June 2025
Maesteg Schools	U.K.	Operational	100.0	28 July 2033
Moray Schools	U.K.	Operational	100.0	26 February 2042
Liverpool Library	U.K.	Operational	100.0	7 November 2037

Investment Name	Country	Status at 31 December 2017	Risk Capital Owned by the Group[1] %	Investment end date
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 2040
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	31 March 2030
Ormonde OFTO	U.K.	Operational	100.0[2]	9 July 2032
Lincs OFTO	U.K.	Operational	100.0[2]	10 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	90.0	30 September 2036
Blackburn with Darwen Phase Two	U.K.	Operational	90.0	30 September 2039
Derby City	U.K.	Operational	90.0	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	90.0	31 August 2034
Islington Phase Two	U.K.	Operational	90.0	31 March 2039
Oldham Schools	U.K.	Operational	99.0	31 August 2037
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	90.1	4 September 2036
Southwark Phase One	U.K.	Operational	90.0	9 January 2036
Southwark Phase Two	U.K.	Operational	90.0	31 December 2036
Wolverhampton Schools Phase One	U.K.	Operational	90.0	2 September 2037
Wolverhampton Schools Phase Two	U.K.	Operational	90.0	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 May 2032

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 2017

21. INVESTMENTS CONTINUED

Investment Name	Country	Status at 31 December 2017	Per cent. Risk Capital Owned by the Group[1]	Investment end date
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
Cadent	U.K.	Operational	4.4	30 June 2069
National Digital Infrastructure Fund	U.K.	Pre Investment	45.0	21 July 2027
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	33.0	11 February 2044
Royal Children's Hospital	Australia	Operational	100.0	21 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
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 (excl. U.K.)				
Diabolo Rail Link Project	Belgium	Operational	100.0	8 June 2047
Dublin Courts	Ireland	Operational	100.0	18 February 2035
BeNEX (Bus and Rail)	Germany	Operational	49.0	31 December 2037
Federal German Ministry of Education and Research Headquarters	Germany	Operational	97.0	31 July 2041
Pforzheim Schools	Germany	Operational	98.0	30 September 2039
Offenbach Police Centre	Germany	Construction	45.0	30 June 2050
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.

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