



INTERNATIONAL  
PUBLIC  
PARTNERSHIPS



# 2018

*Annual Report and  
Financial Statements*

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## COMPANY FACTS

- London Stock Exchange trading code: INPP.L
- Member of the FTSE 250 and FTSE All-Share indices
- £2.3 billion market capitalisation at 31 December 2018
- 1,484 million shares in issue at 31 December 2018
- Eligible for ISA/PEPs and SIPPs
- Guernsey incorporated company
- 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

## COVER IMAGE:

Dudgeon Offshore Transmission Project ('OFTO') - photo credit to Equinor, photographer - Jan Arne Wold. The image illustrates the Company's Dudgeon offshore substation, which was acquired in November 2018. The project's transmission cables link between the onshore and offshore substations.



# FULL-YEAR FINANCIAL HIGHLIGHTS

*We aim to provide our investors with long-term, inflation-linked returns, by growing our dividend and creating the potential for capital appreciation.*

*We expect to achieve this through responsible investment in public infrastructure, which meets societal and environmental needs, both now, and into the future.*

*Our investments are chosen with the intention of creating robust and long-term investment cash flows.*

## DIVIDENDS

**7.00p**

2018 full-year dividend<sup>1</sup> per share

**c.2.5%**

Average annual dividend increase<sup>2</sup>

**7.18p**

2019 full-year dividend target<sup>2</sup> per share

**1.2x**

Cash dividend covered<sup>3</sup>

**7.36p**

2020 full-year dividend target<sup>2</sup> per share

## NET ASSET VALUE ('NAV')<sup>4</sup>

**£2.2bn**

NAV at 31 December 2018  
(2017: £2.0bn)

**7.9%**

Increase in NAV

**148.1p**

NAV per share at 31 December 2018<sup>4</sup> (2017: 145.0p)

**2.1%**

Increase in NAV per share

## PORTFOLIO ACTIVITY

**c.£105m**

Cash investments and commitments made during 2018

## TOTAL SHAREHOLDER RETURN ('TSR')<sup>5</sup>

**171.8%**

TSR since inception<sup>5</sup>

**8.6% p.a.**

Annualised Total Shareholder Return since inception<sup>5</sup>

## PROFIT

**£138.1m**

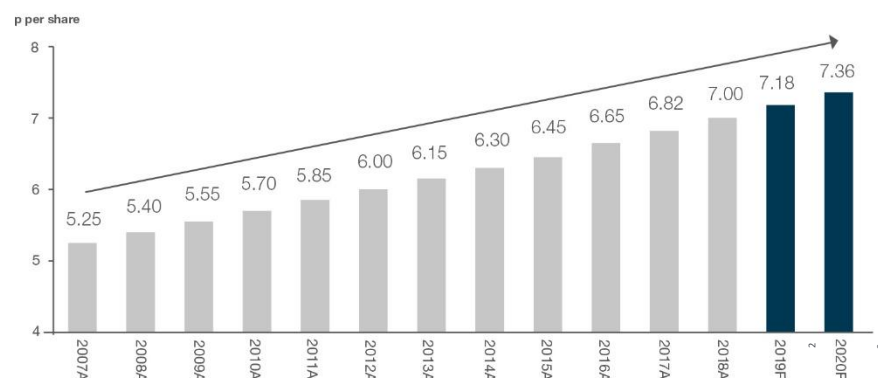
Profit before tax  
(2017: £106.4m)

<sup>1</sup> The forecast date for payment of the dividend relating to the six months to 31 December 2018 is 10 June 2019.  
<sup>2</sup> Future profit projection and dividends cannot be guaranteed. Projections are based on current estimates and may vary in future.  
<sup>3</sup> Cash dividend payments to investors are paid from net operating cash flow before capital activity as detailed on pages 24-25.  
<sup>4</sup> The methodology used to determine the NAV is described in detail on pages 26-33.  
<sup>5</sup> Since inception November 2006. Source: Bloomberg. Share price plus dividends assumed to be reinvested.

# COMPANY OVERVIEW

## CONSISTENT AND GROWING RETURNS

### INPP Dividend Payments



Annualised Total Shareholder Return since inception of 8.6% p.a.<sup>1</sup>

Since listing, INPP has grown from £300m market capitalisation to £2.3bn (December 2018)

Annual dividend growth has averaged 2.5% since inception<sup>2</sup>

High degree of inflation linkage

## LOW RISK AND DIVERSIFIED PORTFOLIO

### Sector Breakdown



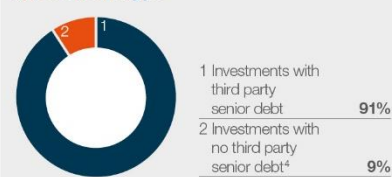
130 investments in infrastructure projects and businesses across a variety of sectors

### Geographic Split



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

### Investment Type



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

### Mode of Acquisition / Asset Status



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

### Project Ownership



Preference to hold majority positions/control or an alternative position of influence e.g. board representation

### Investment Life



Weighted average portfolio life of 35 years<sup>7</sup>

<sup>1</sup> Since inception in November 2006. Source: Bloomberg. Share price plus dividends assumed to be reinvested.

<sup>2</sup> Future dividends cannot be guaranteed. Projections based on current estimates and may vary in future.

<sup>3</sup> 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.

<sup>4</sup> Investments where the Company holds the Risk Capital and the senior debt or the senior debt has been repaid.

<sup>5</sup> 'Early Stage Investor' – asset developed or originated by the Investment Adviser or predecessor team in primary or early phase investments.

<sup>6</sup> 'Later Stage Investor' – asset acquired from a third party investor in the secondary market. 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 infrastructure projects and businesses that are resilient over the long-term

Long-dated, contractual,  
predictable cash flows

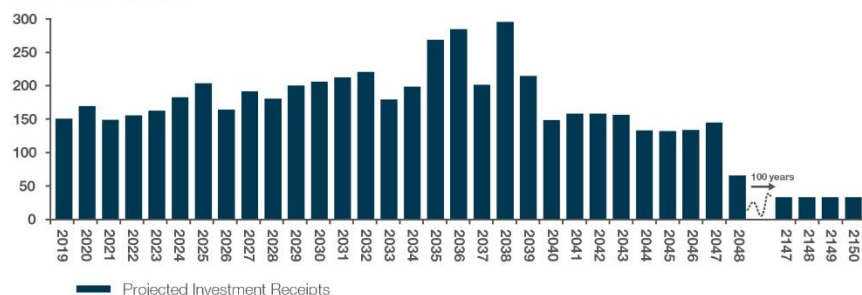
Revenue streams from  
regulated or government  
backed counterparties

Investments focused  
on high-quality,  
OECD countries

### HIGHLY PREDICTABLE PORTFOLIO PERFORMANCE

#### Project Investment Receipts<sup>3</sup>

Investment Receipts (£m)



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 future. Only investments committed as at 31 December 2018 are included.

### STRONG INVESTMENT STEWARDSHIP

- Experienced independent Board and strong corporate governance
- The Company's Investment Adviser, Amber Infrastructure ('Amber'), is a leading originator, asset and fund manager
- The Investment Adviser has one of the largest independent teams in the sector with over 120 employees working internationally managing our assets
- We have a long-standing relationship – The Investment Adviser has managed the Company's assets since our inception in 2006
- The Investment Adviser has a strong track record of originating and developing opportunities for new investment
- The Investment Adviser's active management approach to underlying asset investments supports sustainable performance
- We aim to integrate ESG considerations throughout the investment lifecycle



See more about Corporate Governance on pages 8-9



See more about the Investment Adviser on pages 21-23

#### Relationship with the Investment Adviser



INTERNATIONAL  
PUBLIC  
PARTNERSHIPS

AMBER  
INFRASTRUCTURE GROUP

Investment Adviser and Asset Manager

Board and Committees

Fund level reporting and board support

Investment  
portfolio

Asset management  
representation at board level

Financial and 'hands on'  
asset management

Strong and sustainable  
stewardship of portfolio

# TOP 10 INVESTMENTS

International Public Partnerships' ('INPP's', the 'Company's') top ten investments by fair value at 31 December 2018 are summarised below. A complete listing of the Company's investments can be found in note 21 of the financial statements, with further information available on the Company's website. ([www.internationalpublicpartnerships.com](http://www.internationalpublicpartnerships.com)).<sup>1</sup>



## CADENT



Location	Various, United Kingdom
Sector	Gas Distribution
Status at 31 December 2018	Operational
% Holding at 31 December 2018	4% Risk Capital
% Investment Fair Value 31 December 2018	12.4%
% Investment Fair Value 31 December 2017	14.0%

Cadent owns four of the U.K.'s eight regional gas distribution networks ('GDNs') and in aggregate provides gas to approximately 11 million consumers. It is expected that INPP will acquire an additional 3% of Cadent from National Grid in June 2019.



## DIABOLO RAIL LINK



Location	Brussels, Belgium
Sector	Transport
Status at 31 December 2018	Operational
% Holding at 31 December 2018	100% Risk Capital
% Investment Fair Value 31 December 2018	10.0%
% Investment Fair Value 31 December 2017	10.0%

Diabolo Rail link integrates Brussels Airport with the national rail network allowing passengers to access high-speed trains, such as Amsterdam-Brussels-Paris and NS Hispeed trains.



## TIDEWAY



Location	London, United Kingdom
Sector	Waste Water
Status at 31 December 2018	Under Construction
% Holding at 31 December 2018	16% Risk Capital
% Investment Fair Value 31 December 2018	10.6%
% Investment Fair Value 31 December 2017	10.8%

Tideway is a £4.2 billion investment and relates to the design, build and operation of a 25km 'super-sewer' under the River Thames.



## LINCS OFFSHORE TRANSMISSION



Location	Lincolnshire, United Kingdom
Sector	Energy Transmission
Status at 31 December 2018	Operational
% Holding at 31 December 2018	100% Risk Capital
% Investment Fair Value 31 December 2018	9.0%
% Investment Fair Value 31 December 2017	9.0%

The project connects the 270MW Lincs offshore windfarm, located 8km off the east coast of England, to the national grid. The transmission cables comprise the onshore and offshore substations and under-sea cables, 100km in length.



Significant movements in the Group's portfolio for the year ended 31 December 2018 can be found on page 15 of the Strategic Report.

- <sup>1</sup> Risk Capital includes both project level equity and subordinated shareholder debt.
- <sup>2</sup> Includes two tranches of investment into U.S. military housing.



# TOP 10 INVESTMENTS

## CONTINUED



### ORMONDE OFFSHORE TRANSMISSION

Location	Cumbria, United Kingdom
Sector	Energy Transmission
Status at 31 December 2018	Operational
% Holding at 31 December 2018	100% Risk Capital and 100% senior debt
% Investment Fair Value 31 December 2018	6.2%
% Investment Fair Value 31 December 2017	6.5%

The project connects 132kV Ormonde offshore windfarm, located 10km off the Cumbrian coast, to the national grid. The transmission assets comprise the onshore and offshore substations and under-sea cables, 41km in length.



### RELIANCE RAIL

Location	Sydney, Australia
Sector	Transport
Status at 31 December 2018	Operational
% Holding at 31 December 2018	33% Risk Capital
% Investment Fair Value 31 December 2018	4.3%
% Investment Fair Value 31 December 2017	4.4%

Reliance Rail is responsible for financing, designing, manufacturing and ongoing maintenance of 78 next-generation, electrified, 'Waratah' train sets serving Sydney in New South Wales, Australia.



### ANGEL TRAINS

Location	Various, United Kingdom
Sector	Transport
Status at 31 December 2018	Operational
% Holding at 31 December 2018	5% Risk Capital
% Investment Fair Value 31 December 2018	3.5%
% Investment Fair Value 31 December 2017	3.4%

Angel Trains is a rolling stock leasing company asset base comprising over 4,400 vehicles. Angel Trains has invested over £5 billion in new rolling stock and refurbishment since 1994, and is the second largest private investor in the industry after Network Rail.



### U.S. MILITARY HOUSING<sup>2</sup>

Location	Various, United States
Sector	Military Housing
Status at 31 December 2018	Operational
% Holding at 31 December 2018	100% Risk Capital
% Investment Fair Value 31 December 2018	3.1%
% Investment Fair Value 31 December 2017	3.0%

Two tranches of mezzanine debt underpinned by security over seven operational PPP military housing projects, relating to a total of 19 operational military bases in the U.S. and comprising c.21,800 individual housing units.



### DUDGEON OFFSHORE TRANSMISSION

Location	North Norfolk, United Kingdom
Sector	Energy Transmission
Status at 31 December 2018	Operational
% Holding at 31 December 2018	100% Risk Capital
% Investment Fair Value 31 December 2018	2.2%
% Investment Fair Value 31 December 2017	N/A

The project connects the 402MW Dudgeon offshore wind farm, located 32km off the coast of Cromer in North Norfolk, to the national grid. The transmission asset comprise the onshore and offshore substations and under-sea cables, 89km in length.



### BENEX RAIL

Location	Various, Germany
Sector	Transport
Status at 31 December 2018	Operational
% Holding at 31 December 2018	49% Risk Capital
% Investment Fair Value 31 December 2018	2.0%
% Investment Fair Value 31 December 2017	2.0%

BeNEX leases rolling stock to train operating companies. It holds shares in six rail companies and one bus company, providing transport services of c.39 million train km and c.9 million km by road.

# CHAIRMAN'S LETTER

## Dear Shareholders,

In this, my first letter as your Chairman, I am pleased to report another year of successful performance across the Company's investment portfolio. Our strong financial returns mean that the Company has again met its target full-year dividend of 7.00 pence per share (2017: 6.82 pence per share), representing an annualised increase of 2.6%. This is in line with our well-established, long-term expectations for annual dividend growth of approximately 2.5%. This helps bring our total shareholder return to 171.8%, or 8.6% on an annualised basis since the Company's inception.

Owing to the robustness and forward-visibility of the cash flows generated by the underlying assets in which the Company invests, the Board has reaffirmed its dividend target for 2019 of 7.18 pence per share and has provided additional guidance of 7.36 pence per share for the year ending 31 December 2020. We maintain our strong inflation linkage, such that for a 1.00% sustained increase in the assumed inflation rate, the Company would expect to generate a 0.82% increase in portfolio return.

The Investment Adviser's active approach to asset management and origination of new investment opportunities has helped to realise the potential for capital growth within the existing portfolio and has contributed to a 2.1% growth in NAV per share to 148.1 pence per share for 2018 (2017: 145.0 pence per share). At the same time, the total NAV has increased by 7.9% to £2.2 billion (2017: £2.0 billion).

## INVESTMENT ACTIVITY

During 2018, the Company successfully invested and committed up to approximately £105 million in new or follow-on investments, taking the total number of assets in the portfolio to 130. This included an investment of £46.2 million into the Company's seventh offshore transmission asset, Dudgeon Offshore Transmission Project ('OFTO'). The project provides the transmission connection to a 402MW offshore wind farm located off the coast of Norfolk, which produces enough clean energy to power over 410,000 U.K. homes.

Following the previously disclosed exercise of put/call options, the Company is due to invest a further c.£150-155 million (subject to price adjustment per the terms of the option agreements) in Cadent Gas Limited ('Cadent') by the end of June 2019. On conclusion of these arrangements, the Company is expected to hold a 7.25% ownership interest in Cadent, providing it with the permanent right to appoint a board director, consistent with the Company's long-term target level of shareholding in the Cadent business.

Throughout the course of the year, the Company continued to diversify and selectively grow its exposure to the U.K. digital infrastructure sector via a £14.8 million investment from our £45 million commitment to the National Digital Infrastructure Fund ('NDIF'), in which we are a co-investor alongside HM Government. These digital investments are currently forecast to serve over 250,000 new premises with improved ultrafast broadband connectivity providing over 1,000km of new high-capacity fibre routes across the U.K. Further details of investments the Company made during the year can be found on page 15.

Despite uncertainty in the wider equity capital markets impacting investor appetite for capital issuance, support for the Company's investment case and track record remained strong – with £116 million of additional capital raised from existing and new investors in October 2018 at a price of 152.5 pence per share. The Company's share price continued to demonstrate an intrinsically low correlation to the broader equity market at 0.23<sup>1</sup>, which was consistent with 2017.

## ASSET STEWARDSHIP AND PORTFOLIO PERFORMANCE

Since its formation in 2006, the Company has been a highly specialist and dedicated investor across a wide range of established and emerging asset classes which help meet a modern society's demand for safe, reliable and cost-effective infrastructure. The Company's focus has been, and continues to be, on those situations where we believe that private finance has the capacity to deliver outstanding infrastructure facilities and services, using its expertise to offer good value for money to governments and the societies which they serve and, at the same time, earn long-term returns in line with our investment objectives.

<sup>1</sup> Correlation to FTSE All-share index for the 12 months to 31 December 2018.



# CHAIRMAN'S LETTER

## CONTINUED

By maintaining a well-resourced, active and focused approach to asset management, the Company, through the Investment Adviser, was well positioned when Carillion plc ('Carillion'), a contractor and facilities manager to many businesses in the sector, entered liquidation in January 2018. As previously announced, the Company closely monitored Carillion's performance prior to its collapse and contingency plans were in place as a matter of course. This enabled all 24 affected projects to be transitioned to new facilities management providers on a permanent basis with no impact on the availability of the facilities to their public sector users; and all on-site personnel, who formerly worked for Carillion, were offered continuity of employment on the same terms. Work continues to transition to a new construction contractor on one project, the fourth batch of the Priority Schools Building Programme - Aggregator ('PSBP Midlands Limited'). Construction on this project is expected to reach completion during 2019 and the Company maintains its guidance that we expect no more than a £1.5 million impact on NAV as a result of Carillion's liquidation, across the 24 affected projects.

The Company notes Interserve Plc's announcement on 15 March 2018 that administrators have been appointed, and that the sale of its business and assets, including the entity providing facilities management services to 6% of the Company's portfolio (by investment fair value), to a newly incorporated company (Interserve Group Ltd) controlled by its lenders has been completed. We are working closely with the new company and its lenders to ensure continuity of service, whilst at the same time keeping contingency plans in place. We do not currently anticipate that this will adversely impact the Company's valuation. More information is available on page 22.

The Company completed three refinancings of projects within its portfolio during 2018, including two Building Schools for Future ('BSF') projects and the Liverpool Central Library. These refinancings delivered significant shared financial benefits to the Company's local authority clients, which helped further align our interests with the Company's public sector counterparties.

Progress continues to be made on the construction of one of our largest projects, Tideway, where the new 25km sewer being built under the River Thames in London is now c.40% complete. The project will ultimately deliver significant environmental and social benefits for London through the reduction of sewage and associated wastewater discharges, which currently flow directly into the River Thames whenever the current sewer network is overloaded (which can happen with only modest rainfall).

Since its formation, the Company has been a strong supporter of Environmental, Social and Governance ('ESG') initiatives and in this Annual Report we allocate increased space to their coverage on pages 34-38. The growing importance of stakeholder support for the Company's investment activities is a subject I will return to in future letters.

### OPERATING ENVIRONMENT

The Audit and Risk Committee of the Board has been monitoring the risks associated with all potential outcomes from the U.K. leaving the E.U. and their potential impact on the Company. The possibility of disruption to some of the supply chains on which the Company depends (for example, for skilled workers or spare parts) cannot be discounted. Accordingly, the Investment Adviser has adopted a position of heightened readiness and close communication with key contractors, so that as much early warning as possible can be given to enable appropriate mitigating measures to be implemented, if an identified risk becomes a material issue for one of the Company's investments.

The U.K. gas and electricity market regulator, Ofgem, is currently consulting with industry participants on the next round of regulatory settlement which will govern, amongst other things, the revenue and incentives received by Cadent. In December 2018, Ofgem published a consultation document on its proposed price control measures which would apply in its next regulatory period from 2021 to 2026.

We remain very positive about our investment in Cadent, its operating model and its long-term contribution to the Company's investment portfolio. On the Company's behalf, the Investment Adviser continues to engage actively with Cadent's management team and our co-shareholders in Cadent, to help achieve a fair and reasonable outcome from Ofgem's consultations. While the consultation period is ongoing, we have taken a cautious view on the range of possible outcomes that may potentially impact the valuation of Cadent within the Company's portfolio.

# CHAIRMAN'S LETTER

## CONTINUED

The Company has also been a long-term investor in transportation assets, making its first investment in U.K. rolling stock in 2008 via the train leasing company, Angel Trains. Angel Trains has achieved significant growth during the last 10 years, surpassing the Company's original base case expectations. In the last 12 months, however, the increased demand for new trains within the U.K. has brought new entrants into the sector which, in turn, has placed additional competitive pressures in its key marketplace. Whilst we have taken this into account in our view on future prospects, the Company remains confident in Angel Trains' long-term investment case.

More information about the operating environment and the potential implications for the Company can be found on pages 26-33.

### VALUATION

Recent third-party transactions, competitive bid processes engaged in by the Investment Adviser and the takeover and subsequent de-listing of John Laing Infrastructure Fund ('JLIF') have all provided positive valuation indicators for the types of assets which the Company holds. These drivers have served to highlight value-adding factors within the infrastructure sector and have been considered as part of the Company's valuation methodology, in terms of the appropriate choice of discount rates used.

At the same time, and in conjunction with necessary adjustments to the applicable discount rates, the Company continues to adopt a cautious approach to the management of near-term uncertainty associated with forecasting operational cash flows generated by investee businesses including, for the reasons described above, Cadent and Angel Trains.

In balancing these factors, and notwithstanding the positive NAV growth we otherwise recorded over the period, the Company continues to adopt a cautious approach to the protection of shareholder value – further information about which can be found on pages 26-33.

### CORPORATE GOVERNANCE

The Board has noted that several listed investment funds have announced plans to redomicile from Guernsey and elsewhere to the U.K. and register as U.K. Investment Companies. Based on professional advice, the Company believes that some of our shareholders could be disadvantaged by a change of domicile and hence, whilst the Board will continue to keep this under review, it sees no current imperative to become a U.K. Investment Company or to otherwise change the Company's long-established domicile. As previously advised, the Board keeps the Company's domicile under regular review and monitors any proposed legislative changes governing listed investment funds.

The Company's investments pay tax locally in the relevant jurisdiction. In the U.K. the Company's assets are held in U.K. company structures that are liable to pay U.K. Corporation Tax, in line with U.K. law and as set out within the Company's tax strategy (available on the Company's website). U.K. shareholders in the Company are subject to U.K. tax according to their status and subject to their making the investment through an approved pension, ISA or SIPP.

The Board values strong 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 54. Over the course of the year, the Board undertook an externally facilitated evaluation of its practices and the Management Engagement Committee formally reviewed the performance of the Investment Adviser and other key service providers to the Company. The Board reviews operational processes on an ongoing basis.

As part of its long-term succession planning, the Board previously signalled Rupert Dorey's intention to retire as Chairman of the Board, effective at the end of 2018. Having been appointed as a non-executive director of the Company on 4 September 2018, I assumed the role of Chairman upon Rupert's retirement. I would like to pay tribute to Rupert's highly effective oversight and direction of the Company during his period as Chairman. He led the Board for over four years and was one of the first directors of the Company at the time of its listing in 2006. During this period, the Company has consistently delivered on its objectives, often exceeding them, and I warmly thank Rupert on behalf of all our shareholders, past and present.

# CHAIRMAN'S LETTER

## CONTINUED

John Le Poidevin was appointed as Chairman of the Audit and Risk Committee with effect from 1 July 2018. John is a former audit partner at BDO LLP with substantial experience of financial reporting, corporate governance and the listing rules and has been a Board member since 2016. John Whittle retired from his role as Chair of the Audit and Risk Committee and remains the Senior Independent Director of the Board. John Stares retired from his role as Chair of the Nomination and Remuneration Committee and also as the Chair of the Risk Sub-Committee on 1 February 2019. Julia Bond has been appointed as his replacement for both positions. John Stares remains a Director of the Company.

Further information on the Company's corporate governance developments and operational reviews over the year can be found in the Corporate Governance section of this report on pages 54-63.

### OUTLOOK

Since the 1980s, models created in the U.K. for the delivery, management and operation of infrastructure have been copied across the world, from privatisation through the Private Finance Initiative ('PFI') and public-private-partnerships more generally, on to more bespoke structures such as that used on the Tideway project.

The market for the type of assets in which the Company invests remains fundamentally strong, with governments and regulators in the countries in which we invest being committed to the principle of long-term private sector investment, as part of an overall toolkit for public infrastructure delivery. The Company's exposure to 'classic' PFI projects in the U.K. is relatively modest at c.8% of our investment portfolio value and our diversified investment strategy does not rely on a forward pipeline of U.K. PFI opportunities.

The Board remains vigilant in its monitoring and mitigation of the risks affecting the U.K. listed infrastructure sector. The Company's portfolio and diversity of supply chain, together with the hands-on asset management approach of our Investment Adviser (as proven in our handling of Carillion's liquidation) has, to date, served to mitigate the impact of emerging risks. Given the high-quality and diversity of the Company's portfolio and our promising pipeline of global investment opportunities, we remain confident in our ability to continue to deliver predictable, long-term, inflation-linked returns to our shareholders. More information and a detailed pipeline of opportunities are set out in the Current Market Environment and Future Opportunities section pages 17-19.

Finally, I would like to express the appreciation and thanks of the Board not only to you, our shareholders, for your ongoing support, but also to our public sector clients for their working partnerships; to the users of our infrastructure for their custom; to our supply chain for their commitment to service quality; and last, but by no means least, to our Investment Adviser for their vigilance and professionalism. All of these and many other stakeholders are integral to the ongoing success of the Company.



Mike Gerrard  
Chairman  
27 March 2019



# STRATEGIC REPORT

## BUSINESS MODEL - DELIVERING INVESTOR RETURNS

### OUR OBJECTIVES



INTERNATIONAL  
PUBLIC  
PARTNERSHIPS

International Public Partnerships ('INPP') invests in high-quality, predictable, long-duration public infrastructure investments internationally or located within core OECD countries.

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

This is supported by robust investment cash flows 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<sup>1</sup>



See Company Investment Policy on pages 50–51

- 1 On the Initial Public Offer issue price of 100 pence per Ordinary Share.
- 2 See pages 31–32 for information relating to the Company's use of sensitivity analysis.
- 3 See pages 26–33 for the methodology used to determine NAV.
- 4 Future profit projection and dividends cannot be guaranteed. Projections are based on current estimates and may vary in future.
- 5 Source: Bloomberg. Share price plus dividends assumed to be reinvested.

### OUR STRENGTHS

#### A SUSTAINABLE APPROACH

- **Long-term alignment of interests** between the Company, Investment Adviser and other key suppliers
- **A vertically integrated model** with direct relationships with **public sector customers**
- The Investment Adviser has one of the **largest independent teams in the sector** (over 120 people)
- **Experts** in all aspects of infrastructure development, investment and management
- The Investment Adviser has **physical presence** in all the major countries in which we invest, which provides local insights and relationships
- **'Hands-on' approach to asset management** – with an experienced and dedicated team
- Active approach to **investment stewardship**, which is the cornerstone of successful investment
- **Strong relationships** with our service providers and clients
- Active **engagement** with key stakeholders
- Consideration and integration of material **ESG** issues and opportunities

### OUR OPERATING MODEL

#### VALUE-FOCUSED PORTFOLIO DEVELOPMENT

Together with the Investment Adviser, we seek new investments that:

- enhance predictable, long-term cash flows
- provide opportunities for capital appreciation
- protect the environment and enhance society

#### IDENTIFY

The insights, knowledge and relationship of the Investment Adviser's local teams are used to identify attractive new investments. We monitor opportunities to enhance the existing investments.

#### ASSESS

We seek investments with low exposure to market demand risks and for which financial, macroeconomic, regulatory, ESG and country risks are well understood and manageable.

#### ACCESS

The Investment Adviser's strong origination team develops unique investment opportunities that can lead to enhanced returns.

#### OPTIMISE RETURNS

We seek to balance risk and return, using detailed research and analysis to optimise each investment; and to create opportunities for enhanced environmental and social outcomes.

#### APPROVAL

Our rigorous framework includes substantive input from the Investment Adviser and, as appropriate, external advisers, with the Company Board providing robust challenge and scrutiny.

#### EFFECTIVE FINANCIAL MANAGEMENT

#### EFFECTIVE RISK MANAGEMENT

#### STRONG INVESTMENT STEWARDSHIP

# STRATEGIC REPORT

## BUSINESS MODEL - DELIVERING INVESTOR RETURNS

### ACTIVE ASSET MANAGEMENT

Together with the Investment Adviser, we actively manage investments to:

- deliver target returns
- mitigate and manage risks
- enhance prospects for growth
- maintain client satisfaction

### ENTITY MANAGEMENT

Where possible, through the Investment Adviser we manage the day-to-day activities of each of our investments internally to ensure we have line of sight over project cash flows.

### MONITOR PERFORMANCE

Extensive monitoring includes asset level board and management meetings, reviewing data and following industry trends, and obtaining formal and informal feedback through the Investment Adviser.

### REPORT

We robustly measure and report our financial and non-financial performance to inform and feed back into our decision-making process and operating model.

### DRIVE GROWTH

We actively work with our public sector clients to ensure that projects are being managed in an efficient manner, deliver the required outputs – optimising returns for our investors.

- 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
- ESG risks and opportunity realisation

- Building resilience and resistance in line with environmental and social trends
- Uphold high standards of business integrity
- Work with trusted partners
- Strong independent Board and governance

## OUR VALUE CREATION

### INVESTOR RETURNS

We focus on the following Key Performance Indicators ('KPIs') to track the value we provide to shareholders:

- Distributions to shareholders
- Total Shareholder Returns
- Net Asset Value and Net Asset Value per share

**7.00p**

2018 dividends per share<sup>1</sup>  
(2017 dividends per share:  
6.82p)

**0.82%**

Real returns  
Portfolio inflation linkage<sup>2</sup>

**148.1p**

NAV per share<sup>3</sup>  
(31 Dec 2017: 145.0p)

**c.2.5%**

Average dividend  
growth since IPO<sup>4</sup>

**8.6% p.a.**

Annualised Total  
Shareholder Return  
since inception<sup>5</sup>

**£138.1m**

Profit before tax  
(2017: £106.4m)

### BROADER VALUE CREATION

We focus on project stewardship across the portfolio and recognise the broader value created from our investments. These five key areas of impact demonstrate the social and environmental value we deliver to the end-users and communities that our projects serve.



See Environmental, Social and Governance  
on pages 34-38

# STRATEGIC REPORT

## PERFORMANCE AGAINST STRATEGIC PRIORITIES

The Company'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 KPIs to these Strategic Priorities and review our performance against these KPIs throughout the year. We also assess the risks relating to each KPI (as identified in the Risk Management section of this Report).

STRATEGIC PRIORITIES	DESCRIPTION
<b>VALUE-FOCUSED PORTFOLIO DEVELOPMENT</b>	
<b>INVEST IN ASSETS THAT ENHANCE PORTFOLIO RETURNS RELATIVE TO RISK AND MAINTAIN A WELL-BALANCED SUSTAINABLE INVESTMENT PORTFOLIO</b>	<ul style="list-style-type: none"> <li>- Make new investments that enhance prospects for future value growth and ESG performance contribution</li> <li>- Make additional acquisitions off-market or through preferential access (e.g. sourced through pre-emption rights or via Amber/Hunt Companies LLC ('Hunt')). See page 19 for more information on Hunt</li> <li>- Manage portfolio composition with complementary investments, in line with the Company's Investment Policy and enhancing at least one of the following aspects:               <ul style="list-style-type: none"> <li>• Blend of risk to return</li> <li>• Inflation linkage</li> <li>• Cash flow profile</li> <li>• Capital attributes (such as construction risk and residual value growth potential)</li> </ul> </li> </ul>
<b>ACTIVE ASSET MANAGEMENT</b>	
<b>ACTIVE AND EFFECTIVE MANAGEMENT OF ASSETS</b>	<ul style="list-style-type: none"> <li>- Focus on delivery of target returns from existing investments</li> <li>- Maintain high levels of public sector client satisfaction and asset performance</li> <li>- Deliver additional value from existing assets through management of construction risk and delivery of operational improvements to meet client requirements</li> <li>- Enhance prospects for capital growth by investing in construction phase assets where available</li> <li>- Increase long-term resilience through management of environmental and social performance of assets</li> </ul>
<b>EFFECTIVE FINANCIAL MANAGEMENT</b>	
<b>EFFECTIVE MANAGEMENT OF THE COMPANY'S FINANCES</b>	<ul style="list-style-type: none"> <li>- Provide efficient management of cash holdings and debt facilities available for investment and appropriate hedging policies</li> <li>- Efficient management of the Company's overall finances, with the intention to reduce ongoing charges where possible</li> <li>- Manage portfolio in a cost-efficient manner</li> </ul>



# STRATEGIC REPORT

## PERFORMANCE AGAINST STRATEGIC PRIORITIES CONTINUED

KEY PERFORMANCE INDICATORS	PERFORMANCE IN 2018
<ul style="list-style-type: none"> <li>- Value of new investments</li> <li>- Proportion of investments in construction</li> <li>- Value of additional investments acquired off-market or through preferred access</li> <li>- Improvement of risk/return, inflation linkage and diversification of cash flows, including geographical diversification</li> </ul>	<ul style="list-style-type: none"> <li>- c.£46.2 million investment in Dudgeon OFTO. The investment supports climate mitigation by transmitting clean power to over 410,000 U.K. homes</li> <li>- 11% of portfolio currently under construction</li> <li>- Acquisitions totalling £17.1 million secured through pre-emption rights including additional stakes in the Hertfordshire BSF, Gold Coast Light Rail (Phase 2) projects, and further investments through NDIF</li> <li>- Additional commitment in the year to Cadent of c.£35-40 million</li> <li>- Assets acquired exhibited robust cash flow profiles</li> <li>- Overall portfolio value inflation linkage increased from 0.79% to 0.82% 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)</li> </ul>
<ul style="list-style-type: none"> <li>- Availability for all controlled investments at 98% or above - returns from investments in line with expectations</li> <li>- Performance deductions below 3% for all projects</li> <li>- Number of change requests from existing contracts</li> <li>- Management of investments during the course of construction projects in line with overall delivery timetable</li> <li>- Number of investments actively managing ESG factors</li> </ul>	<ul style="list-style-type: none"> <li>- Availability for investments at 99.9% or greater</li> <li>- Performance deductions of 0.18% for all projects</li> <li>- Over 881 change requests undertaken</li> <li>- Majority of construction projects managed on time and to budget. Costs of small project delays absorbed by construction partners</li> <li>- Over 90%<sup>1</sup> of the portfolio's total investments (by number) have an ESG policy in place</li> </ul>
<ul style="list-style-type: none"> <li>- Dividends paid to investors covered by operating cash flow</li> <li>- New investments made from available cash (after payment of dividend) ahead of using corporate debt</li> <li>- Competitive cash deposit rates</li> <li>- Use of appropriate hedging strategies</li> <li>- Management of ongoing charges</li> </ul>	<ul style="list-style-type: none"> <li>- Cash dividends paid to investors 1.2 times covered by operating cash flow before capital activity</li> <li>- All investments in 2018 funded through excess cash in priority to the corporate debt facility</li> <li>- Market tested cash deposit rates</li> <li>- £91.6 million of foreign exchange forward contracts in place to mitigate short-term foreign exchange cash flow volatility</li> <li>- Ongoing charges 1.17% p.a. (2017: 1.15%)</li> </ul>

<sup>1</sup> The nature of ESG policies varies across investments, depending on their ownership structure and services provided.

# STRATEGIC REPORT

## CASE STUDY - DUDGEON OFTO

### DIFFERENTIATION OF THE OPERATING MODEL

Long-term, sustainable investments are the core of the Company's business. To ensure that our investments are robust for the long-term, we need to draw on a wide range of tools, resources and analysis, including ESG considerations, in making investment decisions.

ESG is an important focus as we recognise that environmental and social factors have the potential to influence the performance of the Company's investments. These can be wide ranging and include risks such as impacts of climate change, environmental regulation, or political change. By identifying, monitoring and mitigating relevant ESG risks, we aim to manage the outcomes and protect the Company's return on investments. Equally, ESG factors can also create investment opportunities, which the Company is actively exploring. For example, the trend towards low carbon and renewable energy is driving significant investment opportunities in the markets within which we operate.

Through the Company's Investment Adviser, the Company stays well informed of emerging investment trends and actively positions itself for future opportunities. The OFTO regime in the U.K. is a good example of how the Company has proactively positioned itself to be at the forefront of an emerging investment opportunity.

### U.K. OFFSHORE TRANSMISSION - A ROBUST INVESTMENT WITH STRONG ESG CREDENTIALS

The U.K. Government set an ambitious target for the deployment of renewable energy. By 2020, the Government expects 15% of the U.K.'s total energy needs to be met from renewable sources - this means that around 30% of electricity may come from renewables<sup>1</sup>. Last year the U.K. installed record levels of offshore wind farm capacity, contributing towards an estimated 17% of Britain's total electricity needs in 2018, with a record high of 34.7% in December 2018<sup>2</sup>.

To support this target, the Government identified that a new approach to developing transmission networks would be required and developed the offshore transmission regulatory regime. The Company recognised this opportunity and strategically positioned itself as one of the very few original consulting parties to Ofgem on the regime in 2009. At that point, a typical OFTO investment was below £100 million, whereas we are now exploring OFTO opportunities of more than £1 billion.

Since the time of the Company's first investment, the Company has become a market leader with a combined total of over 40 years of operational performance and a portfolio with the capacity to transmit nearly 1.5GW<sup>3</sup> of renewable electricity – equivalent to the electricity needs of an estimated 1.3 million U.K. homes<sup>4</sup>. Not only has this provided a good financial investment opportunity, it also contributes to the U.K.'s carbon reduction targets and the United Nations Sustainable Development Goals ('UNSDGs').

### THE COMPANY REACHED FINANCIAL CLOSE ON DUDGEON OFTO

In 2018, the Company successfully reached financial close for the long-term operation of the transmission link to the 402MW Dudgeon offshore wind farm. Located 32km off the coast of Cromer in North Norfolk. Dudgeon OFTO provides the Dudgeon Wind Farm access to transmit clean power to more than 410,000 U.K. homes by transmitting electricity generated by 67 6MW offshore wind turbines<sup>5</sup>.

The trend towards offshore wind is set to continue, with several new wind farms due for completion in 2019 and 2020 including the Beatrice project in Moray Firth; East Anglia ONE project; and the Hornsea Project ONE wind farm off the Yorkshire coast. The Company is well positioned to continue investing in this sector and is currently shortlisted for an additional OFTO and is awaiting the outcome of shortlisting for three further assets.

<sup>1</sup> <https://www.ofgem.gov.uk/electricity/transmission-networks/offshore-transmission>

<sup>2</sup> <https://www.renewableuk.com/news/431383/New-wind-generation-peak-rounds-off-record-breaking-year-for-renewables.htm>

<sup>3</sup> 1,469MW. Data provided directly from wind farm owners.

<sup>4</sup> Data provided directly from wind farm owners. Figure may vary depending on actual wind generated and transmitted, which is naturally variable.

<sup>5</sup> <http://dudgeonoffshorewind.co.uk/>

# STRATEGIC REPORT

## 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. The Board also regularly reviews the overall composition of the portfolio to ensure it continues to remain aligned with the Company's investment objectives. Desirable key attributes for the portfolio 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 our Investment Adviser)
- 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 'de-risking' or the potential for residual/terminal value growth)
- 6 Broader ESG considerations

During the year to 31 December 2018, the Company invested or made investment commitments up to c.£105 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 the Company's preferred route to market as they limit bidding in the competitive secondary market.

Details of investment activity during 2018 are provided below.

INVESTMENTS MADE DURING 2018	LOCATION	KEY ATTRIBUTES						OPERATIONAL STATUS	INVESTMENT	INVESTMENT DATE
		1	2	3	4	5	6			
Dudgeon Offshore Transmission Project	U.K.	✓	✓	✓		✓	✓	Operational	£46.2 million	13 November 2018
National Digital Infrastructure Fund	U.K.			✓	✓	✓	✓	Operational	£14.8 million	Various
BSF Hertfordshire Project	U.K.	✓	✓		✓		✓	Operational	£1.7 million	28 March 2018
Gold Coast Light Rail Phase 2	Australia	✓	✓	✓	✓		✓	Operational	£0.6 million <sup>1</sup>	2 January 2018
									<b>£63.3 million</b>	
INVESTMENT COMMITMENTS MADE DURING THE YEAR TO 31 DECEMBER 2018										COMMITMENT DATE
Cadent	U.K.	✓	✓		✓	✓	✓	Operational	c.£35-40 million	30 April 2018
Offenbach Police Centre	Germany	✓		✓	✓	✓	✓	Under construction	£1.6 million <sup>1</sup>	26 July 2018

<sup>1</sup> GBP translated value of investment.

Further details for each of these transactions are provided overleaf.



# STRATEGIC REPORT

## OPERATING REVIEW CONTINUED

### DUDGEON OFFSHORE TRANSMISSION PROJECT, U.K.

The Company reached financial close for the long-term ownership and operation of the transmission link to the 402MW Dudgeon offshore wind farm in November 2018. The project is the Company's seventh OFTO investment and relates to the transmission connection to the offshore wind farm located 32km off the coast of Cromer in North Norfolk.

The Company made a £46.2 million investment for 100% of the equity and subordinated debt of the OFTO. Approximately 85% of the Dudgeon offshore transmission assets acquisition was funded by way of a public bond issuance which received a Baa1 rating from Moody's. The asset is fully operational and is expected to provide investment returns over its 20 year initial revenue period, correlated to U.K. RPI.

### DIGITAL INFRASTRUCTURE CO-INVESTMENT, U.K.

In July 2017, the Company committed jointly with HM Government to make an investment in digital infrastructure and particularly fibre optic broadband connections through a commitment to the NDIF, a vehicle also managed by the Investment Adviser. The Company has committed to invest up to £45 million into the U.K. digital infrastructure through NDIF alongside HM Government.

During 2018, the Company invested £14.8 million, as part of its £45 million commitment to NDIF, into four investments including Community Fibre Limited, Airband Ltd and Nextgenaccess Ltd. The commitments that NDIF have made align to the fund's primary focus of investing in businesses and projects building physical infrastructure assets and delivering an essential utility-like service, with high barriers to entry and the expectation to be highly profitable and cash generative once mature.

### 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 new developments was closed in July 2010.

In March 2018, the Company acquired an additional 20% interest in the Hertfordshire BSF project, taking its interest to 100%, by investing a further £1.7 million.

### ADDITIONAL INVESTMENT IN GOLD COAST LIGHT RAIL, AUSTRALIA

In January 2018, the Company made its final investment of £0.6 million into the Gold Coast Light Rail Phase 2 concession project in Queensland, Australia. This follows the completion of the construction of the 7.3km extension which opened for passenger services in December 2017, in time for the Gold Coast Commonwealth Games in April 2018.

### CADENT, U.K.

In November 2018, National Grid announced that it had elected to exercise the options to sell its remaining 39% shareholding of Cadent to the Quadgas consortium, of which the Company is a member. The Company previously announced that it had entered into put/call options with respect to the additional stake that National Grid has now exercised. As a result, the Company expects to make a further investment of c.£150-155 million into Cadent (subject to price adjustment in accordance with the terms of the option agreements) by the end of June 2019. On conclusion of these arrangements, the Company is expected to hold a 7.25% ownership interest in Cadent, giving it the permanent right to appoint a board director. This has been the Company's long-term target level of shareholding in the Cadent business.

### OFFENBACH POLICE CENTRE, GERMANY

In 2017, the Company 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 approximately three years to construct after which it will have a 30 year operational term. The Company initially committed £7.2 million for a 50% economic interest in the project. The commissioning public authority requested an extension of the building to accommodate an additional 130 working places. This c.€30 million variation to the scheme was successfully agreed in July 2018, leading to an additional £1.6 million commitment into the project by the Company. A subsidiary affiliated with the project's construction contractor will assume responsibility for the project's financing during the construction period. As such, aside from a small initial investment, the Company's financial commitment is not due until satisfactory construction completion, anticipated to occur in mid-2021.

# STRATEGIC REPORT

## 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 and recognising the increasing need for public infrastructure across the U.K.

The Infrastructure and Projects Authority released the Government's National Infrastructure and Construction Pipeline in November 2018, forecasting that infrastructure investment over the next decade will be £600 billion, with planned investment across both the public and private sectors. The pipeline will include investment in the U.K.'s roads, hospitals and schools, ensuring that modern technologies are embraced to build infrastructure effectively and improve productivity as part of the Transforming Infrastructure Performance programme, which will help improve delivery and performance of social and economic infrastructure.

As a result, there has continued to be a focus on the assessment of value for money of private sector investment in public infrastructure. During the year, there was continued comment by the U.K. Labour Party challenging the use of the private sector in financing of public infrastructure, including suggestions to renationalise key public infrastructure assets. In particular, there has been a greater volume of commentary directed at historical PFI projects associated with large, acute hospitals in the U.K. – to which the Company has no exposure. We note that the Company's exposure to such 'classic' PFI projects in the U.K. is relatively modest (8.0% at 31 December 2018). In October 2018, the Government announced the abolition of U.K. infrastructure procured through PFI or PF2. However, at the same time the Government announcement reaffirmed its continued support for existing PFI projects and flagged the need for private finance to support the infrastructure pipeline as a whole.

In the Spring Statement, the government reiterated that it is committed to the role of private finance in infrastructure and confirmed that of the projected £600 billion infrastructure pipeline, over half is forecast to come from the private sector<sup>1</sup>. The Government also announced it will not be seeking a like-for-like replacement for the previous delivery models but will be exploring new ways to use private finance in government projects and in March 2019 the Government launched a formal consultation on infrastructure finance. The Company believes that partnerships between public authorities and the private sector can deliver significant value for money benefits to society, through access to specialist expertise and resources, rigorous risk management and long-term asset management strategies.

In addition, there has been an increased focus on outsourcing and the services offered by privatised utilities. As mentioned earlier in this Annual Report, regulators, such as Ofwat and Ofgem, have been consulting with industry participants on the next round of regulatory settlements with an increased focus on ensuring customer satisfaction and value for money. Ofgem's RII-O2 consultation will govern, among other things, the revenue and incentives provided for the next regulatory period (2021 to 2026). Ofgem has published its initial methodology which proposes to adjust several price control measures in its next regulatory review period from 2021 to 2026.

Whilst political uncertainty will likely continue to impact the sector, market sentiment has improved over the course of the year. There has been significant demand for infrastructure assets of the type and quality in which the Company invests, and there is no indication that this is due to change. This was demonstrated in the second half of 2018 by the successful takeover bid of the listed infrastructure fund, JLIF, by a consortium of private infrastructure investors at a 12% premium to the 30 June 2018 NAV. The transaction, amongst other recent transactions throughout the period, highlighted the quality and underlying value of the listed infrastructure fund's assets, and the cautious approach taken in the valuation methodology.

The U.K.'s proposed exit from the European Union ('E.U.') has also added an element of uncertainty to the markets in which the Company operates. Whilst the Investment Adviser does not currently foresee any material impacts, this cannot be guaranteed and it continues to monitor the risks associated with the U.K. leaving the E.U., with or without an agreement. For more information, please refer to page 41.

Looking to the year ahead, the Company will build upon its success as a pioneer of investments into offshore transmission and digital infrastructure in the U.K. and will continue to develop suitable opportunities from its strong and well diversified investment pipeline.

1. 'National Infrastructure and Construction Pipeline 2018', Infrastructure and Projects Authority, December 2018.

# STRATEGIC REPORT

## 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, the European Fund for Strategic Investment was launched by the European Investment Bank and the European Commission in July 2015. Its initial focus is on infrastructure, including energy, digital, transport and social infrastructure with a current investment target to the end of 2020 of €500 billion.

In order to upgrade Europe's infrastructure, the European Commission has estimated that approximately €200 billion is needed during the current decade (to 2030) for transmission grids and gas pipelines, in addition to investment proposed by the European Commission to develop sustainable and innovative transport infrastructure in Europe across all modes of transport. Funding will be focused on modernising and upgrading existing infrastructure and developing innovative projects and new technologies for transport, as well as upgrading the railway network, maritime connections and ports and inland waterways and in other new opportunities.

Demand for the PPP asset class also remains strong, with steady volumes of transactions in the European market. While the U.K. is the largest market in Europe by the number of transactions, Germany, France and Belgium continue to see steady deal flows.

In Europe (excluding the U.K.), the Company 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.

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

### AUSTRALIA

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 2018). Australia's population is expected to grow by nearly 12 million over the next 30 years and this plan has become the reference point for the most important infrastructure investments over the next 15 years, with a pipeline of projects having a capital value of around A\$55 billion and a further A\$25 billion of infrastructure projects now in delivery. Many are large-scale (multi-billion Australian dollar) transport projects, responding to population growth in Australia's biggest cities. Greenfield PPP activity during 2018 declined compared to previous years, with A\$1.5 billion of projects closing during the year compared to A\$15.4 billion in 2017. A number of high-value transport and social infrastructure projects, particularly in Queensland and Victoria, have been announced for procurement over the next 12-24 months.

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.

2018 saw a significant amount of debt refinancing of existing PPP projects, with asset owners taking advantage of favourable debt market conditions, together with some trading of PPP assets on the secondary market.

The Company's view 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 of new transactions. Although the Company remains cautious of the refinancing risk prevalent within Australia's current primary PPP market, current liquidity in debt markets is at a level that may provide the Company with opportunities to manage its exposure to such risk.



# STRATEGIC REPORT

## CURRENT MARKET ENVIRONMENT AND FUTURE OPPORTUNITIES CONTINUED

### 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 12th in the world according to the World Economic Forum, estimating that the U.S. needed to spend US\$4.6 trillion by 2025, with a funding gap of US\$1.5 trillion, to rebuild the U.S. public infrastructure from its current state of disrepair. Many of the states with the greatest requirement for new infrastructure are located in the North East of the country as the population in these states grows and the existing infrastructure reaches the end of its life.

As part of President Donald Trump's 'Rebuild America's Infrastructure' plan to reform 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. The funds will be allocated to various projects to not only address traditional infrastructure requirements but also other needs such as drinking and wastewater systems, waterways, resources, energy, rural infrastructure, public lands and veterans' hospitals. During 2018, initiatives have been proposed and enacted at both a state and federal level to facilitate the deployment of funds into infrastructure projects; transportation projects are some of the first deals to benefit from the prioritisation of infrastructure. In the last quarter of 2018, fresh rounds of private activity bonds and other specific transportation funding initiatives were announced helping to facilitate new projects.

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. It 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.

Canada has a strong track record of infrastructure investment and the 'Investing in Canada Plan' aims to deliver C\$180 billion of infrastructure investment by 2028 to support local, provincial and territorial projects over 12 years. This includes funding in public transit, green and social infrastructure, transportation infrastructure to support trade and rural northern communities and is split equally between new investment projects and funding existing initiatives. The long-term Infrastructure Plan will see more than C\$33 billion in federal investment towards infrastructure projects across the country. The Company has an ongoing presence in the country through two operational projects. The continued focus on expanding the Infrastructure Plan over the next decade allows the Company to capitalise on this opportunity and develop the already existing relationships.

The ability for the private sector to participate in more North American infrastructure projects provides the Company with a broad variety of investment opportunities. The Company is well-positioned to capitalise on these developments through its relationship with U.S. group, Hunt Companies LLC ('Hunt'), the Company's Investment Adviser's main shareholder, where the Company has 'right of first look' over investment opportunities in North America originated or sold by Hunt, which meet the Company's investment criteria.

# CURRENT PIPELINE

The Company'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 the Investment Adviser are outlined below.

KNOWN/COMMITTED OPPORTUNITIES	LOCATION	ESTIMATED INVESTMENT	EXPECTED INVESTMENT PERIOD	INVESTMENT STATUS
Cadent	U.K.	c.£150–155 million <sup>1</sup>	Operational business	Put/call option has been exercised, further investment expected at the end of June 2019
NDIF	U.K.	c.£30 million <sup>1</sup>	Operational businesses	Of the £45 million commitment to NDIF, c.£15 million has been invested to 31 December 2018
Offenbach Police Headquarters	Germany	c.£8.8 million <sup>1, 2</sup>	c.30 years	Investment commitment made. Expected to be funded mid-2021

SECTOR OF INVESTMENT OPPORTUNITY	LOCATION	ESTIMATED CAPITAL VALUE <sup>3</sup>	EXPECTED INVESTMENT LENGTH	INVESTMENT STATUS
Other, including regulated investments	U.K., Europe	c.£7.0 billion	Various, including operational businesses	Regulated opportunities at varying stages
OFTO	U.K.	c.£3.9 billion	c.20 years	Shortlisted on one OFTO
Education	U.K., Europe	c.£1.0 billion	Various	Opportunities through variations to existing PPP contracts and through the Investment Adviser's wider relationships
Health	Australia	c.£730 million	Various	
Transport	Australia, Europe	c.£390 million	Various	Includes follow-on opportunities
Accommodation	U.K., Europe, U.S., Australia	c.£1.0 billion	Various	Variety of opportunities mainly PPP-style investments

<sup>1</sup> Represents the current estimate of total future investment commitment by the Company.

<sup>2</sup> Project has reached financial close. Commitment to invest once construction has completed, expected to be mid-2021.

<sup>3</sup> Includes both debt and equity.

The above includes commitments and a selection of 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 and future opportunities that meet the Company's investment criteria. There is no certainty that potential opportunities will translate to actual investments for the Company. 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.

# STRATEGIC REPORT

## OPERATING REVIEW CONTINUED

### ACTIVE ASSET MANAGEMENT

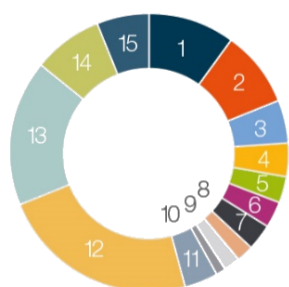
Ensuring that the Company's assets are available for use and are performing in accordance with contractual expectations is critical for the Company and its service providers. In line with the Company's ESG approach to managing assets, wherever possible, we work with our partners to improve the Company's environmental and social performance throughout the investment lifecycle. Through the Company's Investment Adviser we operate as an active investor and closely monitor relationships between our service providers and clients, the regulator, the operating business and the end-user. With over 120 employees, of which nearly a third are dedicated to asset management, the Investment Adviser has the flexibility, resource and experience to respond quickly to the changing requirements of its clients and counterparties.

The Investment Adviser is actively involved in managing the assets to not only ensure performance standards are met, but it also seeks to deliver the highest standard of project stewardship across the portfolio. By using the contractual requirements as a framework to deliver on its projects' expected outcomes, the Investment Adviser also considers its sustainable approach to asset development and the ongoing management of its investments. It does this by engaging with and encouraging feedback from its clients and stakeholders; whether a facilities management partner, lender, regulatory authority or local authority representative. The Investment Adviser's knowledge of the project, combined with frequent site visits, and interactions with management and customer contact, allows it to carefully ascertain the risks and opportunities that each project entails.

### OPERATIONAL PORTFOLIO PERFORMANCE

The Investment Adviser maintains a well-resourced, dedicated asset management team that ensures active asset management across the Company's portfolio. The Company has a diverse exposure to service providers across its portfolio and counterparty risk is actively managed and mitigated. The chart below illustrates the Company's service providers (by investment fair value) highlighting the diversification across the portfolio.

#### INPP Service Providers<sup>1</sup>



1	Infrabel NV Van Publiek Recht	10%
2	Downer & Spotless	9%
3	ENGIE	5%
4	Interserve	4%
5	G4S	3%
6	Hunt Military Communities	3%
7	OCS	3%
8	Amey	2%
9	Honeywell International	2%
10	Kier	1%
11	Others	4%
12	Regulated Investments – Cadent & Thames Tideway Tunnel <sup>3</sup>	23%
13	Regulated Investments – OFTOs <sup>3</sup>	17%
14	Senior Debt <sup>2</sup>	8%
15	Other – Angel Trains, BeNEX and NDIF <sup>3</sup>	6%

<sup>1</sup> Based on percentage of NAV as at 31 December 2018.

<sup>2</sup> Senior debt includes Interserve (1.7%), OFTO (4.9%), Integral (0.5%), Galliford Try (0.4%), FES (0.4%), Laing O'Rourke (0.3%).

<sup>3</sup> These risk capital investments operate with no significant exposure to any one service provider or delivery partner.

As noted in the Chairman's letter, during the period, the Company has focused resource on the 24 projects (representing c.3.0% of the portfolio by investment fair value at the valuation date immediately preceding Carillion's liquidation), where subsidiaries of Carillion provided construction and/or facilities management services. Since the collapse of Carillion in January 2018 the Company's Investment Adviser has successfully transitioned all the projects impacted, to new facilities management providers, with just one facility requiring a new construction partner to be appointed, the fourth batch of the Priority Schools Building Programme – Aggregator. The Company still anticipates that the overall cost of transitioning will be immaterial (less than £1.5 million). Please refer to Projects Under Construction on page 22 for more information.

# STRATEGIC REPORT

## OPERATING REVIEW CONTINUED

In addition, the Company has been monitoring the issues affecting Interserve Plc and notes its announcement that administrators have been appointed, and the sale of its business and assets to a newly incorporated company (Interserve Group Limited) controlled by its lenders has been completed. Interserve Integrated Services Ltd provides facilities management services to c.6% (by investment fair value) of the Company's portfolio, of which INPP holds senior debt interests in 2%. Furthermore, the Company has no exposure to ongoing construction risk within these investments as all facilities that have been affected are currently operational with no disruption to service delivery. The Company will continue to monitor the situation and broader contingency plans are in place, should they be required. At this time, the Company believes that the administration of Interserve Plc will not adversely impact the Company's valuation. The Company and the Investment Adviser continue to closely monitor the performance of all its service providers and where necessary, have contingency plans in place to ensure the continuity of operation of services.

While the Carillion transition was a resource-intensive exercise for the Investment Adviser's asset management team, its oversight of day-to-day project management continued. Throughout the year the Investment Adviser continued to engage with its public sector clients to manage variations to the existing schemes to support positive business change. During the year, the Company's public sector clients commissioned over 881 contract variations in projects resulting in over £10.9 million of additional project work conducted on behalf of the commissioning body, with individual variations ranging in value from £25 to over £1.3 million. The Investment Adviser assesses each case on its individual merits and ensures there is no material change to the risk profile or financial return, whilst assisting their clients to achieve their objectives. For example, in 2018, to meet the demand from significant population growth in the areas served by the 12 sites that comprise the Company's schools' investment in Melbourne, Victoria, the Investment Adviser oversaw the installation of an additional 49 classrooms, art studios, and administration facilities across seven sites with a value of A\$15 million.

The Investment Adviser seeks to actively manage and add value to the portfolio where it is able to do so, and where it is in the best interests of its clients and the end-user. The Company undertook three debt refinancings of projects within its portfolio including two of its education assets under the BSF programme and Liverpool Library. The three refinancings are part of a series across the Company's portfolio that have been conducted with the aim of delivering savings to the projects and the local authorities. These refinancings generate improved financial returns which are shared with the public sector counterparty and demonstrate an important pillar of our active asset management and financial approach - delivering benefits to our clients and the end-users, whilst not increasing the charge paid by the public sector. The Company completed a further refinancing at one of its education assets under the BSF programme in February 2019 and has further refinancings in progress that will complete throughout 2019.

The Investment Adviser works with its public sector counterparties to deliver ongoing value and operational savings. During the period, five 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. The Investment Adviser also continued to focus on energy efficiency, resulting in savings to public sector counterparties, an example being the ongoing efforts to identify and deliver operational savings for Norfolk Police OCC Project, where the catering service was re-designed delivering a £53,000 annual reduction in the cost of the service to the Authority. The Investment Adviser continues to work with the Authority to identify efficiencies, including the transfer of lifecycle responsibility for furniture, fittings and equipment that will be concluded in 2019. This will allow the Authority to deliver savings from the £2.3 million budget over the remaining 17 years of the contract through product selection, buying power and replacement strategies.

As part of our focus on ESG, we have delivered incremental improvements across the portfolio. Further information is available on pages 34-38.



# STRATEGIC REPORT

## OPERATING REVIEW CONTINUED

### PROJECTS UNDER CONSTRUCTION

Three projects, representing approximately 11% of the Company's portfolio were under construction at 31 December 2018.

Construction progress on Tideway continues in line with expectations with c.40% of the project now completed and final completion targeted for 2024. Tideway continues to embed a transformational approach to health, safety and wellbeing with excellent performance to date. In 2018, plans for three acres of new public space were published by Tideway. These new areas of public space will be located along the River Thames, providing multiple environmental and social benefits.

Construction work remains outstanding following the collapse of Carillion on the fourth batch of the Priority Schools Building Programme – Aggregator where the Company provides debt to the project. These works predominately relate to the outstanding construction of a sports hall at one school and the external works at four other schools within the eight schools in the fourth batch. A replacement construction provider has been identified and a plan is being agreed to resolve the outstanding works, which is expected to occur during 2019, subject to a new construction provider being appointed to replace Carillion Construction Limited, following its liquidation.

Ground work activities for Offenbach Police Headquarters continue to proceed in line with the construction schedule. The overall building licence has been received after submitting all relevant documents to the municipality. Currently, the floor plate of the building is installed, and finalisation of this construction stage is expected to be completed by the end of April 2019.

Projects under construction as at 31 December 2018 are set out in the table below.

ASSET	LOCATION	CONSTRUCTION COMPLETION DATE	DEFECTS COMPLETION DATE	STATUS	% OF FAIR VALUE OF INVESTMENT
Priority Schools Building Programme - Aggregator (batch 4)	U.K.	2019	2020	Outstanding construction works <sup>1</sup>	0.4%
Tideway	U.K.	2024 <sup>2</sup>	2027 <sup>3</sup>	On Schedule	10.6%
Offenbach Police Headquarters	Germany	2021	2025	On Schedule	0.0%

<sup>1</sup> Construction remains outstanding following the collapse of Carillion on the fourth batch of the Priority Schools Building Programme – Aggregator. These works predominately relate to the outstanding construction of a sports hall at one school and the external works at four other schools within the eight schools in the fourth batch. The construction works are scheduled to complete in 2019.

<sup>2</sup> Scheduled handover date. Source: Tideway Annual Report 2017–2018.

<sup>3</sup> Scheduled system acceptance date. Source: Tideway Annual Report 2017–2018.

# STRATEGIC REPORT

## 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 2018	YEAR TO 31 DECEMBER 2017
	£ MILLION	£ MILLION
Opening cash balance	33.9	71.0
Cash from investments	138.8	118.9
Corporate costs (for ongoing charges ratio)	(24.5)	(21.5)
Other corporate costs	(0.1)	(3.3)
Net financing costs	(3.2)	(4.1)
<b>Net operating cash flows before capital activity<sup>1</sup></b>	<b>111.0</b>	<b>90.0</b>
Cost of new investments	(63.3)	(464.0)
Investment transaction costs	(1.2)	(7.0)
Net movement of corporate debt facility	(17.8)	17.8
Proceeds of capital raisings (net of costs)	114.9	404.4
Distributions paid	(92.8)	(76.2)
Funds advanced to affiliate entities	-	(2.1)
<b>Net cash at period end</b>	<b>84.7</b>	<b>33.9</b>
<b>Cash dividend cover</b>	<b>1.2x</b>	<b>1.2x</b>

1 Net operating cash flows before capital activity as disclosed above of c.£111.0 million (31 December 2017: £90.0 million) include net repayments from investments at fair value through profit and loss of c.£34.9 million (31 December 2017: £25.8 million), and finance costs paid of c.£3.2 million (31 December 2017: £4.1 million) and exclude investment transaction costs of c.£1.2 million (31 December 2017: £7.0 million) when compared to net cash inflows from operations of c.£78.2 million (31 December 2017: £61.3 million) as disclosed in the statutory cash flow statement on page 80 of the financial statements.

### CASH FLOWS ASSOCIATED WITH ONGOING CHARGES RATIO

CORPORATE COSTS	YEAR TO 31 DECEMBER 2018	YEAR TO 31 DECEMBER 2017
	£ MILLION	£ MILLION
Management fees	(22.7)	(19.4)
Audit fees	(0.3)	(0.3)
Directors' fees	(0.4)	(0.3)
Other running costs	(1.1)	(1.5)
<b>Corporate costs</b>	<b>(24.5)</b>	<b>(21.5)</b>

ONGOING CHARGES RATIO	YEAR TO 31 DECEMBER 2018	YEAR TO 31 DECEMBER 2017
	£ MILLION	£ MILLION
Annualised Ongoing Charges <sup>1</sup>	(24.5)	(21.5)
Average NAV <sup>2</sup>	2,097.8	1,865.0
<b>Ongoing Charges</b>	<b>(1.17%)</b>	<b>(1.15%)</b>

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.

# STRATEGIC REPORT

## OPERATING REVIEW CONTINUED

The Company's cash balance at 31 December 2018 was £84.7 million, a £50.8 million increase on the corresponding balance at 31 December 2017 of £33.9 million. A significant factor contributing to this increase was £42.2 million of proceeds remaining at year end from the October 2018 capital raising, which in total raised £114.9 million net of fees. We expect this unutilised amount to be fully invested during the first half of 2019 to fund investments into the Company's committed investment pipeline on page 20.

Cash receipts from investments increased by c.£20 million, reflecting the further growth and maturity of the portfolio. This was partially offset by higher ongoing charges driven by NAV growth, including management fees of £22.7 million paid during 2018 (2017: £19.4 million). Net financing costs were £3.2 million during the year, a decrease of £0.9 million compared to 2017 due to lower amounts drawn as cash or as letters of credit on the corporate debt facility during 2018. Other corporate costs during the year were £0.1 million (2017: £3.3 million). Other corporate costs in 2017 included a one-off adjustment, made to align the management fee payments with the contractual quarterly payment cycle (previously a biannual payment practice); this resulted in an additional payment of £2.9 million being made during 2017 to accommodate this change.

The cost of new investments in 2018 was £63.3 million (2017: £464 million), as disclosed in note 12 of the financial statements. Investment transaction costs reduced from £7.0 million in 2017 to £1.2 million in 2018, reflecting the lower level of investment activity during the year.

Following the capital raise in October 2018, the Company was able to fully repay the cash drawn balance of the facility. This is consistent with the practice of using the facility for short-term funding, rather than for long-term financing. The Company has a £400 million corporate debt facility (available until July 2021) and as at 31 December 2018, the facility was undrawn with £0.5 million committed via letters of credit (2017: £17.8 million cash drawn).

Cash dividends paid in the year of £92.8 million (2017: £76.2 million) were in respect of the six month periods ended 31 December 2017 and 30 June 2018; the increase reflecting both the larger shareholder base following share issuances in 2017, as well as a scrip alternative not being offered for the 31 December 2017 dividend. The Company seeks to generate dividends paid to investors through its operating cash flows and cash dividends paid were 1.2 times covered by the Company's net operating cash flows before capital activity in the period. The Company remains confident of its ability to continue to grow dividends going forward as demonstrated through its dividend guidance of 7.18 pence in 2019 and 7.36 pence in 2020.

# STRATEGIC REPORT

## OPERATING REVIEW CONTINUED

### INVESTOR RETURNS

The Company has continued to deliver consistent dividend growth, NAV growth and inflation linkage from underlying cash flows.

#### DIVIDEND GROWTH AND PERFORMANCE

The Company targets predictable and, where possible, growing dividends. Since inception, the Company has delivered a c.2.50% per annum average dividend increase. The Company forecasts to pay the second 3.50 pence per share dividend in respect of 2018 in June 2019. Once paid, this would bring the total dividends paid in respect of 2018 to 7.00 pence per share (2017: 6.82 pence). The Company forecasts to pay 7.18 pence per share and 7.36 pence per share for 2019 and 2020 respectively. The Company's dividend growth is illustrated in the chart on page 2.

Total investment income in the period was £167.0 million (2017: £139.8 million) including fair value movements, dividends and interest. These returns were partially offset by operating expenses (including finance costs) of £29.6 million (2017: £34.0 million), as shown in the Consolidated Statement of Comprehensive Income.

Profit before tax was £138.1 million, an increase from the prior year (2017: £106.4 million) due to increased investment income as a result of the growing portfolio as well as the impact of fair value movements. Earnings per share were 9.75 pence (2017: 8.36 pence).

#### TOTAL SHAREHOLDER RETURN

The Company's Total Shareholder Return (share price growth plus reinvested distributions) for investors since IPO in November 2006 to 31 December 2018 was 171.8% (8.6% on an annualised basis). This compares to a FTSE All-Share index total return over the same period of 78.4% (4.9% on an annualised basis). As shown in the share price performance graph below, the Company has historically exhibited relatively low levels of volatility compared to the market, a trend that continued through 2018 with a correlation of 0.23 with the FTSE All-Share index (for the 12 months to 31 December 2018). Earlier in the year the Company's share price performance came under pressure as part of a sector-wide shift to the otherwise positive sentiment towards the U.K. listed infrastructure funds. However, the Company's share price subsequently recovered following transactions of similar assets in the market which assisted in demonstrating the overall value of the Company's portfolio.

#### The Company's 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 2018, 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 0.82% per annum in response to a 1.00% per annum increase in the currently assumed inflation rates across the whole portfolio<sup>1</sup>.

<sup>1</sup> 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.



# STRATEGIC REPORT

## OPERATING REVIEW CONTINUED

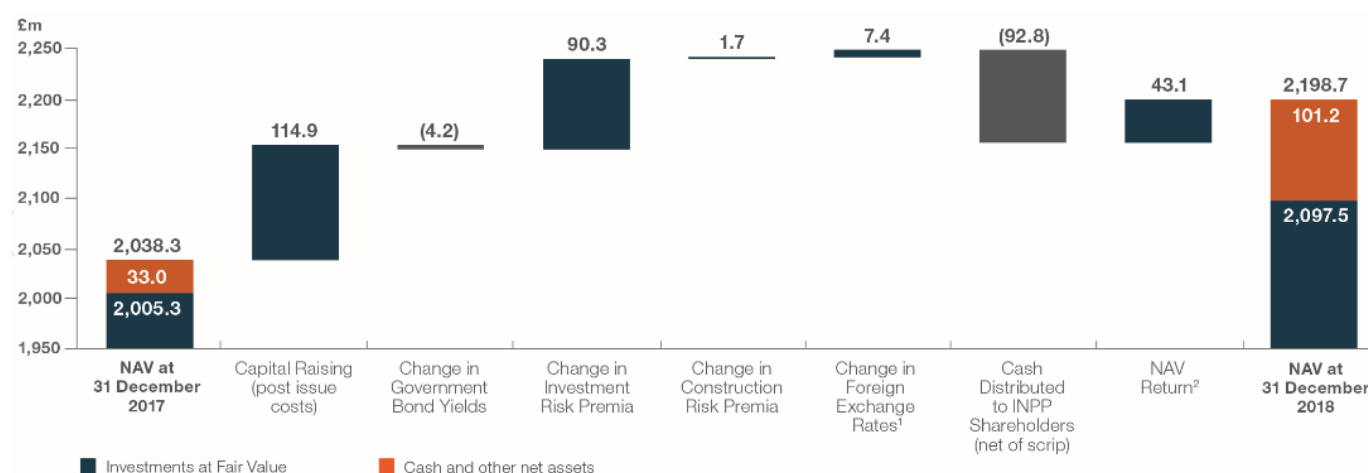
### VALUATIONS

#### NET ASSET VALUATION

The Company reported a 7.9% increase in NAV from £2,038.3 million at 31 December 2017 to £2,198.7 million at 31 December 2018. Over the same period, the NAV per share increased by 2.1% from 145.0 pence to 148.1 pence.

The NAV represents the fair value of the Company's investments plus the value of other net assets held within the Company's consolidated group (the 'Group'). The key drivers of the change to the NAV between 31 December 2017 and 31 December 2018 are highlighted in the graph that follows and are described in more detail below.

#### Net Asset Value Movements (£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.

The movements seen in the chart above are explained further below:

- £114.9 million (net of costs) of new capital was raised at a price of 152.5 pence per share. The proceeds of the capital raising were used to repay the cash drawn balance of the CDF
- Government bond yields increased in the U.K., Canada, Ireland, Italy and the U.S., and decreased in Australia, Belgium and Germany, resulting in a small net negative impact on NAV
- There was a significant reduction in the investment risk premia reflecting (i) market-based evidence of pricing, including a number of single-asset transactions as well as the takeover of JLIF, observed by the Company during the year, and (ii) a cautious approach to the assumptions underpinning the cash flow forecasts of certain investments and therefore a reduction in the risk inherent in the cash flows, including in Cadent and Angel Trains (this point should be considered alongside the NAV Return impact noted below)
- The portfolio also benefited from a reduction in the construction risk premia applied to assets that moved out of the construction or defect liability period and into full operations
- Sterling weakened against the euro and the U.S. dollar, but strengthened against the Australian and Canadian dollars. The net impact was positive on the NAV, with the most significant impact seen on the Company's euro-denominated investments
- In line with forward guidance provided previously, two cash dividends totalling £92.8 million were paid to the Company's shareholders during the year. These two dividends were made in respect of the six month periods ended 31 December 2017 and 30 June 2018 respectively

# STRATEGIC REPORT

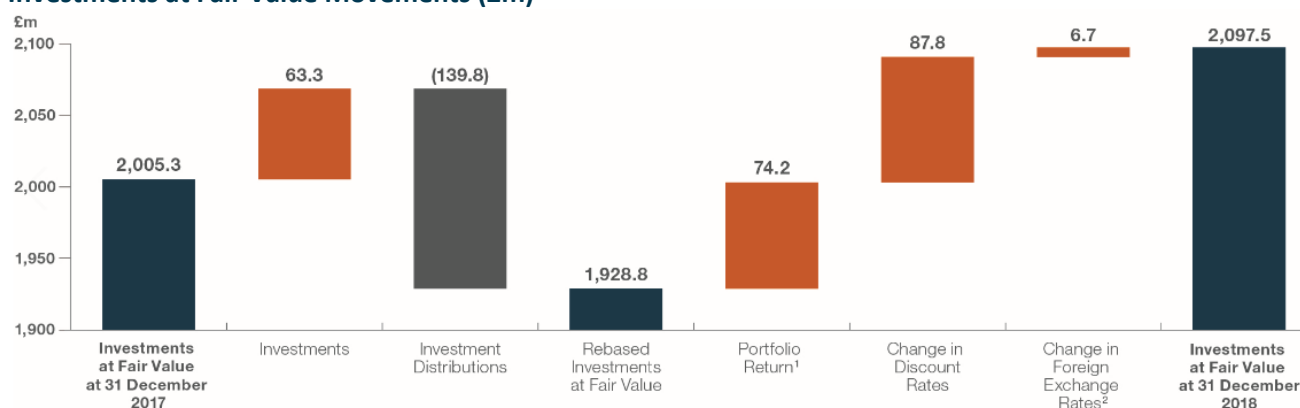
## OPERATING REVIEW CONTINUED

- The NAV Return of £43.1 million captures the impact of the following:
  - o The movement in the valuation date from 31 December 2017 to 31 December 2018 and the receipt of distributions
  - o Updated operating assumptions to reflect current expectations of forecast cash flows. This includes the cautious approach that has been taken with regards to the assumptions underpinning the cash flow forecasts on both Cadent and Angel Trains. On Cadent, the adjustments have been made following recent announcements made by the energy regulator, Ofgem, in respect of their ongoing consultation regarding regulatory returns for the price control period beginning in 2021. On Angel Trains, the adjustments have been made following the increased competition seen within the rolling stock sector and the resulting uncertainty in the company's growth plans. Whilst these adjustments have had a negative impact on the full-year 2018 NAV Return, the impact on the NAV has been partially mitigated by the discount rate adjustments noted on page 27. The Company remains positive on the long-term contribution that these investments make to the wider portfolio
  - o Actual distributions received above the forecast amount due to active management of the Company's portfolio, including negotiating and optimising investment cash flows, to ensure cash can be extracted from the underlying investments earlier than forecast
  - o Movements in the Company's working capital position

### INVESTMENTS AT FAIR VALUE

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 auditors. It is considered quarterly for approval by the Company's directors. Investments at fair value as at 31 December 2018 were £2,097.5 million, an increase of 4.6% since 31 December 2017 (£2,005.3 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 movements seen in the chart above are explained further below.

- An increase of £63.3 million in the Investments at Fair Value owing to new investments made during the year
- A decrease of £139.8 million due to investment distributions paid out from the portfolio
- The Portfolio Return of £74.2 million captures broadly the same items as the NAV Return (set out in detail on page 27) with the principal exception being the fund-level operating costs
- There was a reduction in the discount rates used by the Company to value its investments. The component parts of the £87.8 million impact shown above can be seen in the NAV movements chart on page 27
- The Rebased Investments at Fair Value is presented in order to allow an assessment of the Portfolio Return assuming that the investments and distributions occurred at the start of the relevant period
- Sterling weakened against the euro and the U.S. dollar, but strengthened against the Australian and Canadian dollars. There was a net positive impact on the NAV, with the most significant impact seen on the Company's euro-denominated investments

# STRATEGIC REPORT

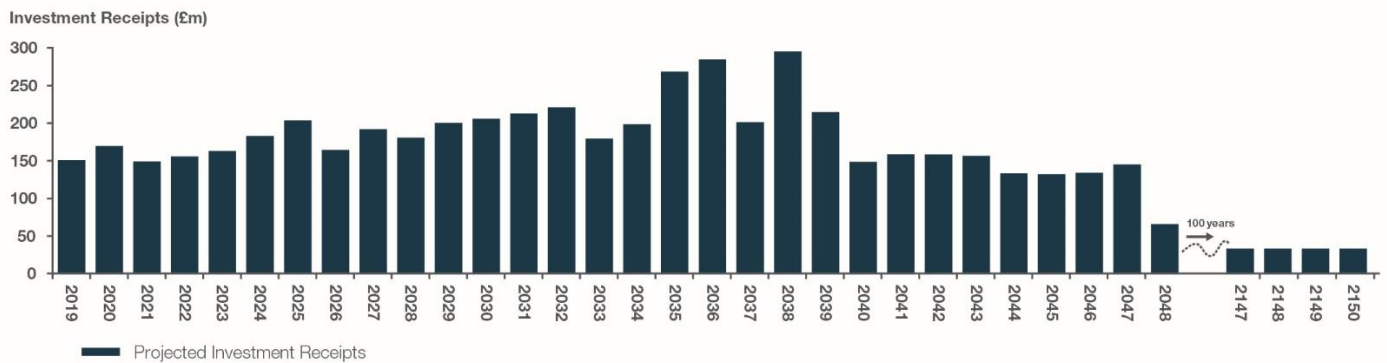
## OPERATING REVIEW CONTINUED

### PROJECTED FUTURE CASH FLOWS

The Company's investments are expected to continue to exhibit predictable cash flows, owing to the contracted nature or the protections provided through their respective regulatory regime. 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 subordinated and senior 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. Over the term of investments with finite lives, the Company's receipts from these investments effectively represent a return of capital as well as income, and the fair value of such investments is expected to reduce to zero over time.

### Projected Investment Receipts



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 2018 have been included.

# STRATEGIC REPORT

## OPERATING REVIEW CONTINUED

### MACROECONOMIC ASSUMPTIONS

The Company reviews the macroeconomic assumptions underlying its forecasts on a regular basis. Following a thorough market assessment, it was resolved that no adjustments should be made other than to the foreign exchange rates used to value the Company's overseas investments. In addition, and further to recent announcements by both Ofgem and Ofwat, the Company will now publish its assumption for the consumer price inflation including owner-occupiers' housing costs index ('CPIH') which will be relevant for valuation purposes from 2021 for Cadent and from 2030 for Tideway. The regulators have stated that this is not designed to negatively impact companies but rather to reflect the perceived shortcomings of the RPI (i.e. the regulators' intention is for the transition from RPI to CPIH to be valuation neutral).

The key macroeconomic assumptions used as the basis for deriving the Company's portfolio valuation are summarised below, with further details provided in note 11 of the financial statements.

MACROECONOMIC ASSUMPTIONS		31 DECEMBER 2018	31 DECEMBER 2017
Inflation	U.K.	2.75% RPI/2.00% CPIH	2.75% RPI
	Australia	2.50%	2.50%
	Europe	2.00%	2.00%
	Canada	2.00%	2.00%
	U.S. <sup>1</sup>	N/A	N/A
Long-term Deposit Rates <sup>2</sup>	U.K.	2.00%	2.00%
	Australia	3.00%	3.00%
	Europe	2.00%	2.00%
	Canada	2.00%	2.00%
	U.S. <sup>1</sup>	N/A	N/A
Foreign Exchange <sup>3</sup>	GBP/AUD	1.88	1.85
	GBP/EUR	1.05	1.08
	GBP/CAD	1.80	1.78
	GBP/USD	1.34	1.43
Tax Rate	U.K.	17.00%-19.00% <sup>4</sup>	17.00%-19.00% <sup>4</sup>
	Australia	30.00%	30.00%
	Europe	Various (12.50%-29.58%)	Various (12.50%-29.58%)
	Canada	Various (26.50%-27.00%)	Various (26.50%-27.00%)
	U.S. <sup>1</sup>	N/A	N/A

<sup>1</sup> The Company's U.S. investment is in the form of subordinated debt and therefore not directly impacted by inflation, deposit and tax rate assumptions.

<sup>2</sup> 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.

<sup>3</sup> The Company uses a four year forward curve for the foreign exchange rate's post valuation date.

<sup>4</sup> The reduction in U.K. tax rates reflects the rates substantively enacted as at the valuation date.

### DISCOUNT RATES

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

The majority of the Company's portfolio (91.7%) comprises Risk Capital investments (including equity and subordinated debt investments), while the remaining portfolio (8.3%) comprises 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, the latter of which captures the discount rates of all investments including the senior debt interests.

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



# STRATEGIC REPORT

## OPERATING REVIEW CONTINUED

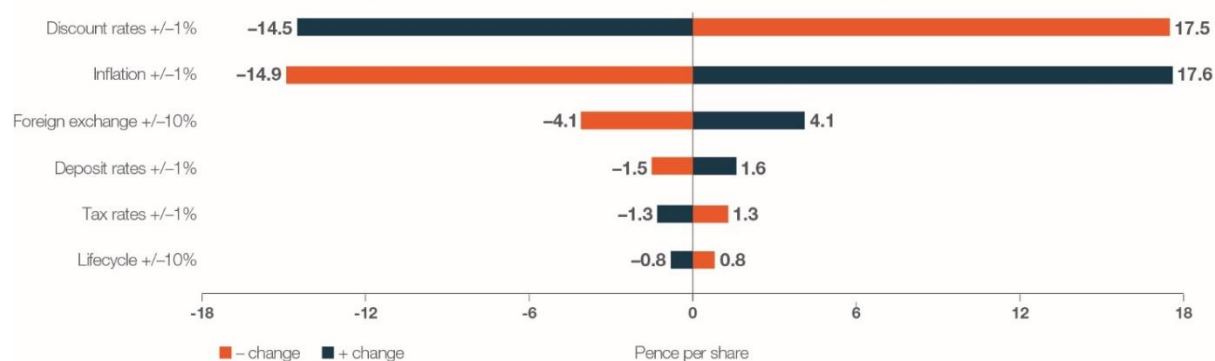
	31 DECEMBER 2018	31 DECEMBER 2017	MOVEMENT
Weighted Average Government Bond Yield – Portfolio	1.83%	1.83%	-
Weighted Average Investment Premium over Government Bond Yield – Portfolio	5.43%	5.69%	(0.26%)
Weighted Average Discount rate – Portfolio	7.26%	7.52%	(0.26%)
Weighted Average Discount rate – Risk Capital only <sup>1</sup>	7.55%	7.87%	(0.32%)
NAV per share	148.1p	145.0p	3.1p

The Company is aware that there are subtle differences in approach to the valuation of investments among different listed infrastructure funds similar to the Company. In the Company's view, comparisons of average discount rates between different listed infrastructure funds are only meaningful if there is a comparable level of confidence in the quality of forecast cash flows (i.e. assumptions are homogenous); the risk and return characteristics of different investment portfolios are understood; and the quality of asset management employed to manage risk and deliver returns are identical. Any focus on average discount rates without an assessment of these and other factors would be incomplete and could therefore derive misleading conclusions.

### VALUATION SENSITIVITIES

This section indicates the sensitivity of the 31 December 2018 NAV per share of 148.1 pence to change in key assumptions. Further details can be found in note 11 of the financial statements. This analysis is provided as an indication of the potential impact of these assumptions 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. The movement in each assumption could be higher or lower than presented. Further, forecasting the impact of these assumptions on the NAV in isolation cannot be relied on as an accurate guide to the future performance of the Company as invariably, many other factors and variables will combine to determine what actual future returns are available. These sensitivities should therefore be used only for general guidance and not as an accurate prediction of outcomes.

#### Impact of Changes in Key Assumptions to 31 December 2018 NAV 148.1p per Share



#### DISCOUNT RATES

The chart above indicates the sensitivity of the NAV per share to uniform changes to the discount rates applied to the forecast cash flows from each individual investment.

#### INFLATION

The impact of inflation on the value of each investment depends upon the extent to which the revenues and costs, including the financing arrangements, of that particular investment are linked to an inflation index. On a portfolio basis, there is a positive correlation to inflation with a 1.0% sustained increase in the assumed inflation rate projected to generate a 0.82% increase in portfolio returns. The returns generated by the Company's U.K. investments are typically linked to the RPI whereas the Company's non-U.K. investments are typically linked to the relevant Consumer Price Index ('CPI') for that jurisdiction. Further to recent announcements by the regulators, the revenues earned by Cadent and Tideway will be linked to the CPIH from 2021 and 2030 respectively. The regulators have stated that this is not designed to negatively impact companies but rather to reflect the perceived shortcomings of the RPI (i.e. the regulators' intention is for the transition from RPI to CPIH to be valuation neutral). The inflation sensitivities by region are provided in note 11.5 of the financial statements.

# STRATEGIC REPORT

## OPERATING REVIEW CONTINUED

### FOREIGN EXCHANGE

The Company has a geographically varied portfolio and forecast cash flows from investments are subject to foreign exchange rate risk in relation to euros, Australian dollars, Canadian dollars and U.S. dollars. The Company seeks to mitigate the impact of foreign exchange rate changes on near-term cash flows by entering into forward contracts, but the Company does not hedge exposure to foreign exchange rate risk on long-term cash flows. The impact of a 10% increase or decrease in these rates is provided for illustration.

### DEPOSIT RATES

The long-term weighted average deposit rate assumption across the portfolio is 1.87% 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 valuations. The impact of a 1.00% increase or decrease in these rates is provided for illustration.

### TAX RATES

The Company has a geographically diverse portfolio and therefore post-tax investment cash inflows are impacted by tax rates across all relevant jurisdictions. The impact of a 1.00% increase or decrease in these rates is provided for illustration. Other potential tax changes are not covered by this scenario.

### LIFECYCLE SPEND

There is a process of renewal required to keep physical assets fit for use and at the standard required of them under agreements with relevant public sector counterparties. 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 80% 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 changes to the forecast lifecycle costs 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 management of its assets due in that regulatory period. It is common practice to employ reputable sub-contractors to undertake lifecycle work under contracts which include incentive and penalty regimes aligned with the businesses 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.

# STRATEGIC REPORT

## OPERATING REVIEW CONTINUED

### PRINCIPAL RISKS AND UNCERTAINTIES

The Board seeks to mitigate and manage risks relating to the Group through continual review, policy setting and enforcement of contractual obligations. It also regularly monitors the investment environment and the management of the Group's portfolio.

The Group's approach to risk is set out in the Risk Report in this Annual Report on pages 42-48, the Risk Report includes an overview of the principal risks and their mitigation. Risk factors are also detailed further in the Company's last Prospectus (the Placing, Open Offer and Offer for Subscription and Placing Programme Prospectus published on 12 April 2017). These risks and uncertainties are expected to remain relevant to the Group for the next six months of its financial year and include (but are not limited to):

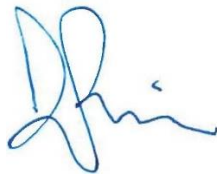
- Inflation risk – revenues and expenditures of project entities with respect to infrastructure assets are generally partially or wholly subject to indexation and an assumption is made that inflation will increase at a long-term rate. The Group's ability to meet targets may be adversely or positively impacted by inflation
- Foreign exchange risk – the Group has exposure to foreign currencies and therefore exposure to exchange rate fluctuations
- Credit and counterparty risks – the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group
- Liquidity risk – the ability to successfully access suitable financial resources in the debt, equity and related financial markets
- Contract risk – the ability of counterparties to operate contracts to the detriment of the Group and the risk of default under contract whether by the Group, its subsidiaries or their counterparties
- Other external risks – includes the political and regulatory risks (including tax and accounting policies and practices) associated with the Group and its projects; IT and cyber risks; and changes in the competitive environment which may have an adverse impact on the Group

The Board considers and reviews, on a regular basis, the risks that the Group is exposed to.

By order of the Board



Mike Gerrard  
Chairman  
27 March 2019



John Le Poidevin  
Director  
27 March 2019

# STRATEGIC REPORT

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

### STRONG PROJECT STEWARDSHIP

#### OUR APPROACH

There is growing evidence suggesting that financial performance is linked to strong ESG practices. By identifying, monitoring and mitigating relevant ESG risks, we aim to manage the outcomes and protect the Company's return on investments. Similarly, by having a view on the opportunities that ESG-related factors can present, we can better support our clients and identify new opportunities for investment. As a result, we are committed to evolving our approach to ESG to ensure that we continue to deliver high standards of stewardship and returns for our shareholders.

In 2018, the Company continued to integrate the Investment Adviser's Sustainability Policy across the portfolio. Examples of specific activities undertaken in 2018 include:

- 1 Continued to make investments with strong ESG credentials, for example Dudgeon OFTO. Please refer to the case study on page 14 for more detail
- 2 Updated our investment origination processes to ensure ESG policies are adequately considered as part of the acquisition process. This involved consideration of ESG factors as part of the formal approval of preliminary and final investment cases
- 3 Engaged with our asset managers to identify ESG opportunities at the individual investment level. This included exploring energy efficiency opportunities throughout the asset lifecycle with facilities management contractors resulting in increased LED installations
- 4 Where we hold an investment through an operational company, we used our board positions to influence the direction of the underlying businesses. For example, we have been actively engaging with Cadent on the development of their new sustainability strategy
- 5 A questionnaire was issued to the Investment Adviser's asset managers and its service providers to identify what ESG policies are in place and what activities are being undertaken at each investment to implement good ESG practice. For example, we identified that at least 94% of our investments are influenced by an overarching ESG policy<sup>1</sup>.

To reflect the Company's ongoing commitment to good stewardship of the investments that we own and manage, and the increasing complexity of these challenges, the Investment Adviser has appointed a new Head of ESG. As part of this newly created role, the Head of ESG is conducting a full review of the Investment Adviser's existing processes with the view to further enhance and develop the Company's approach for 2019. This not only covers our approach for managing risks, but also how we can use ESG opportunities to improve the performance of the portfolio and to identify new investment opportunities. This appointment is a positive move for the Company and will help us build on the good ESG stewardship the Company has delivered.

As part of this review, a new Active Management Plan is being developed for the Company, identifying specific ESG risks and opportunities and how they will be addressed through engagement.

Our performance against our five key areas of impact is summarised below:



<sup>1</sup> ESG policies vary depending on the ownership structure and nature of investment. ESG policies are either applicable directly to the investment, to the Project Company or to the key services that the Project Company sub contracts.



# STRATEGIC REPORT

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTINUED



### HEALTH, SAFETY & WELLBEING

#### Highlights

- 100% of investments are influenced by a Health, Safety and Wellbeing Policy
- 88% of investments have at least partial access to greenspace
- 77% of investments have provision to support active transport

#### Relevance to INPP

**Health, Safety and Wellbeing are of paramount importance to the Company.** Infrastructure projects inherently involve health and safety risk from complex construction, such as Tideway, through to the day-to-day operations of a school or a court. Ensuring the safety of everyone who comes into contact with our assets, including end-users, delivery partners, employees and the general public, is of the highest priority; accordingly, we have a zero-tolerance approach to accidents and injuries.

Poor physical and mental health costs U.K. businesses an estimated £29 billion each year. In addition, Public Health England estimates that the state spends more on the treatment of obesity and diabetes than on the police, fire service and judicial system combined<sup>1</sup>.

Better health is not just core to one's wellbeing, it also makes an important contribution to economic progress, as healthy populations live longer, are more productive, and save more.

#### Performance

##### Safety

The Company undertakes a proactive approach to ensuring that all parties are aware of their health and safety obligations, which are monitored through quarterly reporting. In 2018, we identified that 100%<sup>2,3</sup> of our total investments are influenced by a Health and Safety Policy, with all of them actively engaging employees on the subject.

In 2018, Tideway won an industry award, among others, for their mandatory, one day Employee Project Induction Centre ('EPIC')<sup>4</sup>. EPIC has now been attended by 12,000 people and demonstrates how Tideway are setting new standards for attitudes and performance in every part of the project and throughout the industry.

##### Physical health

The World Health Organisation flags the potential health gains of a shift from private motorised transport to walking, cycling and rapid transit/public transport, including reduced respiratory and cardiovascular disease from air pollution and less exposure to traffic injury risks and noise stress. In 2018, we identified at least 77%<sup>2</sup> of our investments provide equipment to support active transport at site level, including bike racks and showers.

The Company continues to maintain several investments in primary healthcare. These investments provide healthcare services and have been designed to create a healthy environment. For instance, the Royal Children's Hospital's design features include solar panels, volatile organic compound free materials, collection and re-use of rainwater, water efficient appliances and landscaping, black water treatment plant, efficient lighting, 500 bike parking spaces, materials with high recycled content, bio mass fuel boiler, and 5-star Green Star status.

##### Mental health

Academics at University College London, Imperial College London, University of Exeter and the Nuffield Trust have found that the proportion of children and young people that have a mental health condition has grown six-fold in England over two decades<sup>5</sup>.

There is increasing evidence that access to green spaces has a positive effect on a person's mental health<sup>6</sup> and we can report that at least 88%<sup>2</sup> of the Company's investments have at least partial access to green space.

<sup>1</sup> Health matters, Public Health England, March 2017.

<sup>2</sup> Metrics are estimates and exclude the digital infrastructure investments (held in a fund structure), U.S. Military Housing (where only senior debt is held), Brescia Hospital in Italy (where we do not provide asset management services) and projects in construction (except for Tideway). Figures should be considered as a minimum due to potential gaps in information.

<sup>3</sup> BeNEX is not covered by a specific Health and Safety Policy but is subject to rigorous Health and Safety Statutory requirements in Germany.

<sup>4</sup> <https://www.constructionnews.co.uk/events/construction-news-awards/training-excellence-winner/10030920.article>

<sup>5</sup> <https://www.nuffieldtrust.org.uk/news-item/striking-increase-in-mental-health-conditions-in-children-and-young-people>

<sup>6</sup> [www.environmentalevidence.org/SR40.html](http://www.environmentalevidence.org/SR40.html)

# STRATEGIC REPORT

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTINUED



### COMMITMENT TO PROTECTING THE ENVIRONMENT

- 1.5GW offshore wind energy connected
- >91% of total investments monitor their asset's energy usage

#### Relevance to INPP

**Environmental issues present both risk and opportunity for the Company.** By reducing the portfolio's impact on climate change, improving air quality, and restoring biodiversity, we can help improve the health and wellbeing of our end-users and support our main stakeholders delivering key objectives.

Equally, global action on the environment is presenting new investment opportunities. It is estimated that approximately US\$90 trillion of investment into infrastructure is required between 2015 and 2030 to improve the impact of climate change currently.

In the U.K., the Government released two forward-looking strategies. The first outlines a 25 year plan for how the U.K. can improve the environment focusing on improved air quality, restoring biodiversity and increasing climate resilience. The second outlines a bold vision for how the U.K. can preserve its material resources by minimising waste, promoting resource efficiency and moving towards a circular economy. Both of these strategies will require a market response and new infrastructure if they are to be delivered.

By keeping abreast of these developments, we can support our stakeholders and identify new areas for potential investment.

#### Performance

##### Climate Change

During 2018, we identified that at least 91%<sup>1</sup> of our total number of investments monitored their energy usage. In addition, 34%<sup>1</sup> of the Company's portfolio implemented energy saving initiatives, with a large number rolling out LED lighting as part of the lifecycle management of these assets in 2018.

In addition to environmental project stewardship, the Company continued to invest in low carbon infrastructure. In total, the Company has mobilised a total of c.£1 billion of long-term private sector network investment into offshore transmission to support the UK's green economy, with approximately 1.5GW connected. Please refer to the case study on page 14.

#### Air Quality

In 2018, the Company increased its investment in Gold Coast Light Rail. Since launching in 2014, Gold Coast Light Rail has contributed to an increased use of public transport, with on-going increased patronage of c.20%<sup>2</sup> since opening. Within the areas measured prior to the project's installation, there has been a general decrease in the number of vehicles being used. With more passengers travelling by electric trains rather than by car, Gold Coast Light Rail will deliver improved local air quality benefits. This builds on our evolving rail investment portfolio, which includes Reliance Rail, Diabolo, BeNEX and Angel Trains.

#### Resource Efficiency

In support of the growing concern around waste and the U.K. Government's ambition to move to a more circular economy, we have started to identify how many of our assets are actively considering waste production and disposal. In 2018, 35%<sup>1</sup> of our investments monitored waste at the site level, which we are looking to improve.

In addition, in 2018 Cadent continued to test the viability of using renewable gas on the network. Renewable gas production plants convert waste from food and crops or sewage into a gas that has a negligible carbon footprint and is compatible with existing pipelines and appliances. In the last five years, Cadent has connected 29 providers of renewable gas to its networks, producing energy to heat 87,000 homes<sup>3</sup>.

#### Biodiversity

As part of its legacy environmental commitments, Tideway is supporting research to aid understanding of habitats and aquatic ecology of the River Thames. In 2018, the Zoological Society of London ('ZSL') completed the second year of surveys of juvenile fish in the estuary in October. During 2019, the survey findings for 2017 and 2018 will be analysed with the intention of mapping those parts of the river which are most important for juvenile fish<sup>4</sup>.

1 Metrics are estimates and exclude the digital infrastructure investments (held in a fund structure), U.S. Military Housing (where only senior debt is held), Brescia Hospital in Italy (where we do not provide asset management services) and projects in construction (except for Tideway). Figures should be considered as a minimum due to potential gaps in information.

2 Gold Coast Light Rail Status Report, 2017.

3 Cadent Annual Report (2017-2018).

4 Tideway HSSE Committee bi-annual report.

# STRATEGIC REPORT

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTINUED



### SUPPORTING PUBLIC-SECTOR CLIENTS

#### Highlights

- >190,000 number of pupils at schools within the portfolio
- 79% Ofsted rating of 'Good' or above
- >3,000 management meeting hours with public sector

#### Relevance to INPP

**The provision of essential services to our public sector clients is a core component of their success and the regions in which they operate.** Our investments provide the capital required by the public sector to deliver the vital infrastructure and services they need for local communities to thrive.

By working in partnership with our public sector clients, we not only deliver services for which we are contracted, but also provide job creation, place making and economic development. The ability to work with our partners for the benefit of the local community that each project serves is fundamental to the ongoing success of each investment.

#### Performance

##### Partnerships

Stakeholder engagement is a key part of supporting our public sector clients and the Company's 'hands-on' approach facilitates a strong collaborative relationship that generates mutual benefits. By maintaining an intimate understanding of the projects and engaging extensively with the public sector that uses them, the Company is better positioned to determine the risks and opportunities that may occur at each asset. We maintain these relationships by holding regular meetings and engaging with our public sector clients, with an estimate of 3,000 hours<sup>1</sup> or more of face-to-face meetings in 2018.

##### Availability

Ensuring that the facilities the Company provides are available for their intended use, that areas are safe and secure, and that the performance standards set out in the underlying agreements are achieved is a key deliverable for the Investment Adviser. The availability and performance data for the Company's investments are monitored and appraised regularly to assess the overall performance of each investment. Please see the availability of the Company's investments on page 13.

##### Education Performance

Education assets within the portfolio represent c.20% of the Company and provide educational development and facilities to over 190,000 pupils<sup>2</sup>, bringing social value to the local communities in which they are based. Catering facilities are provided to 20 U.K. based schools through the supply chain, and since the beginning of the year, our supply chain has prepared in excess of 411,000 free school meals<sup>1</sup>. Across the INPP U.K. school estate, 79% of the portfolio achieved an OFSTED rating of 'Good' or above<sup>2</sup>.



### INVESTING IN THE COMMUNITY

#### Highlights

- >150,000 out of hours community use
- 10,142 volunteer hours on Tideway

#### Relevance to INPP

**Engaged communities can play an important role in successful delivery of new assets and their long-term operations.** Strong communities have the potential to influence the operations of our assets as the positive effects of strong communities can include lower crime rates, better educational achievement, higher employment and better health.

Through its projects, the Company is exploring how it can work with the local communities where it invests and bring socio-economic benefits to the area.

#### Performance

##### Local Employment

Tideway are actively working towards providing 4,000 sustainable employment options to its local communities. In 2018, Tideway continued to work towards employing local people, including those previously unemployed across London and the South East, combined with delivering on a commitment to ensure payment of London Living Wage across all of their sites.

##### Community hours

Across all of the Company's investments, an estimation of over 150,000 hours<sup>1</sup> of community use have been provided to support local groups. For example, the Company's schools in Calderdale and Derby offer a central hub that can be used by the wider community. The facilities used by local community groups, businesses and charities include:

- Tupton High School. The local Rugby and Athletics club use the school facilities at evenings and weekends; and
- Long Eaton High School. Local Church groups use the facilities at weekends and the North East Derbyshire Music Group uses the facilities three times per week, as well as holding concerts in the main hall at various times during the year.

##### Volunteering

Volunteering, supporting charities and community-based initiatives are a priority at a number of the Company investments. For example, Tideway's staff made a major contribution to the project's community programme in 2018 through volunteering. Giving time through volunteering to support the local community is one of Tideway's specific legacy commitments and in 2018 construction staff volunteered for the total of 10,142 hours<sup>3</sup>. This includes 7,000 hours volunteered by the main works contractor.

<sup>1</sup> Metrics are estimates and exclude digital infrastructure investments, U.S. Military Housing, Brescia Hospital and construction projects (except Tideway).

<sup>2</sup> [www.gov.uk/government/organisations/ofsted](http://www.gov.uk/government/organisations/ofsted)

<sup>3</sup> Estimate based on Tideway document; 'Community investment highlights for 2018'.

# STRATEGIC REPORT

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTINUED



### COMMITMENT TO SKILLS AND EMPLOYMENT

#### Highlights

- >95% of investments are influenced by an employee development/training programme
- >94% of managed investments are influenced by an Equality, Diversity and Inclusion Policy

#### Relevance to INPP

**The socio-economic impact of the Company's assets and its supply chain are a key factor of the long-term success of the Company's portfolio.** As part of our active asset management approach, we engage with our counterparties regularly and there is ongoing communication. By monitoring these relationships, we can better understand our delivery partners workforce and their employee satisfaction.

#### Performance

##### Staff training

We actively engage with our partners to deliver a high level of employee satisfaction within the underlying businesses. At least 95%<sup>1</sup> of our assets are covered by a staff training/development programme, with many providing additional performance incentives. For instance, Cadent, delivered around 26,000<sup>2</sup> training days in 2017/2018 across its total workforce. Training and professional development can increase staff motivation and efficiency, leading to improved operational performance and strong employee retention and development.

##### Equality, Diversity and Inclusion

As part of our approach to active management of our investments, we ensure that Equality, Diversity and Inclusion is considered. At least 94%<sup>1</sup> of the Company's investments have an Equality, Diversity and Inclusion Policy in place to help promote a good working environment.

Cadent has a large workforce that covers much of England, with over 4,000 employees. Cadent has established processes to diversify their employee base to reflect, as far as possible, that of their customer base across the U.K., through fair and equitable recruitment procedures. They also run groups that focus on the engagement, attraction and awareness of the sector through participation in energy and utility skills or skill partnership groups. For example, their key target audiences include women, ethnic minorities, service leavers, parents, unemployed, and 'NEETS' (Not in Education, Employment or Training).

#### Productivity

According to the U.K. Government, apprenticeships are an important component of improving the productivity of businesses, their efficiency, boosting the economy and supporting young people's employment prospects<sup>3</sup>. In 2018, Tideway made progress on plans to develop the next generation of talent and help local and disadvantaged people into employment. This included targets for Tideway and its contractors to employ apprentices, local people and ex-offenders.

<sup>1</sup> Metrics are estimates and exclude the digital infrastructure investments (held in a fund structure), U.S. Military Housing (where only senior debt is held), Brescia Hospital in Italy (where we do not provide asset management services) and projects in construction (except for Tideway). Figures should be considered as a minimum due to potential gaps in information.

<sup>2</sup> Cadent Annual report (2017-2018).

<sup>3</sup> Productivity Matters: The Impact of Apprenticeships on the U.K. Economy, Centre for Economics and Business Research.

# RISK MANAGEMENT

## EFFECTIVE RISK MANAGEMENT

### RISK MANAGEMENT AND INTERNAL CONTROLS

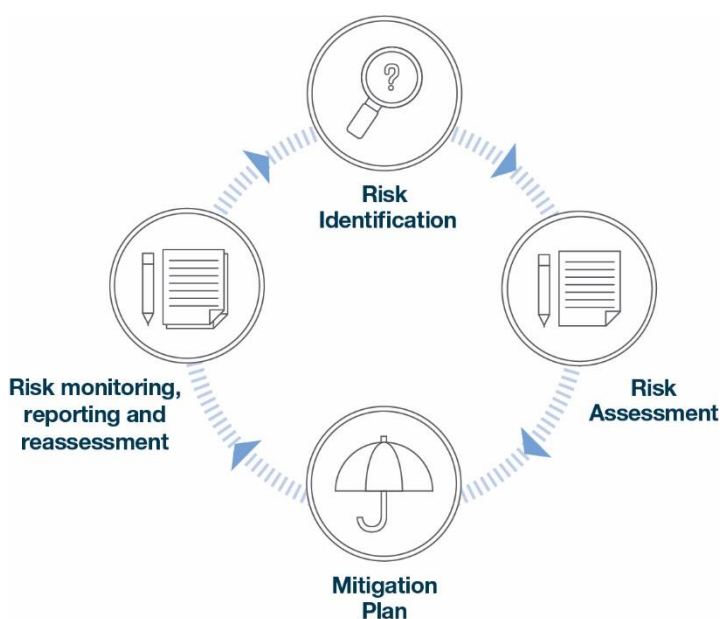
The Board is responsible for overall risk management, with delegation provided to the Audit and Risk Committee. The system of risk management and internal control has been designed to manage, rather than eliminate, the risk of failure to meet the business objectives. Regard is given to the materiality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

The Company has in place a risk management framework, with a risk register that is reviewed and updated by the Board and Audit and Risk Committee on a quarterly basis and perform a detailed annual workshop to consider emerging and changing risks along with the Investment Adviser. The Audit and Risk Committee considers the risks facing the Company and controls and other measures in place to mitigate the impact of risks.

There is an ongoing process for identifying, evaluating and managing the most significant risks faced by the Company. The process has been in place through 2018 and up to the date of approval of this Annual Report.

### 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 Audit and Risk Committee with input from the Management Engagement Committee. It is implemented through the following risk control processes.

### RISK IDENTIFICATION

The Board and Audit and Risk Committee and its Risk Sub-Committee identify risks with additional input from the Company's Investment Adviser and Eterra International Fund Managers (Guernsey) Limited ('the Administrator'). The Board also receives detailed quarterly asset management reports highlighting performance and potential risk issues on an investment-by-investment basis. The Audit and Risk Committee also has an open dialogue with its advisers to assist with assessment of significant risks, if any, that might arise between reporting periods.



# RISK MANAGEMENT

## CONTINUED

### RISK ASSESSMENT

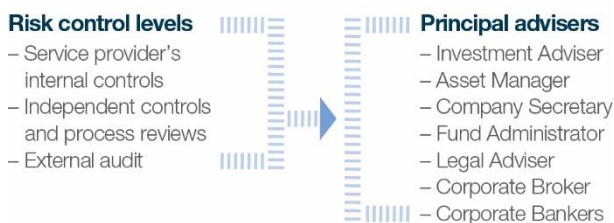
Each identified risk is assessed in terms of probability of occurrence, potential impact on financial performance and movements in the relative significance of each risk from period to period. A robust assessment of the principal risks facing the Company is performed. In terms of risks that might impact viability, these are separately considered. See the Viability Statement on page 49 for more information of this assessment.

### ACTION PLANS TO MITIGATE RISK

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

### MONITORING, REPORTING AND REASSESSMENT OF RISK

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



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

The risk framework is applied holistically across the Company and, to the extent possible, to the underlying investment portfolio as illustrated in the Business Model on pages 10-11.

## 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 regulated and long-term nature of the investments with similar risk profiles. However, 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, and in some instances such risks have changed in the year.

# RISK MANAGEMENT

## CONTINUED

Counterparty risk was closely monitored during the year following the identification of issues affecting certain service providers to the Group, with contingency plans developed by the Investment Adviser. Following the collapse of Carillion plc in early 2018, work to transition affected assets to new facilities management services commenced, with announcements made during this process to ensure appropriate communication with shareholders of key developments and impacts for the Company. The Investment Adviser continues to closely monitor other service providers within the portfolio. More information is provided in the Active Asset Management section of this report on pages 21-23.

There remains uncertainty over the eventual relationship between the U.K. and the E.U. This uncertainty makes it hard to foresee what impact Brexit will have on the wider macroeconomic environment and hence the valuation of the Company's assets. The Audit and Risk Committee has sought to manage Brexit risk as it might manifest at both the Company and asset levels. In keeping with the approach taken by the Audit and Risk Committee, during the year the Investment Adviser established a focused Brexit risk committee to identify, assess and, where relevant, identify mitigating strategies for potential Brexit risk arising across the Group. Focus has been given to areas which may have the potential to impact the Company, including any developments in the approach to cross-border AIFMD regulation and taxation of cross-border financing. Regarding the portfolio, attention has also been given to managing potential risks that may affect projects or businesses, and which may consequently impact the valuation of the assets. Particular areas of consideration at this level include, for example, availability of staff, availability of financing and supply chain considerations for key parts, amongst others. As a result of these assessments, we do not currently believe there will be a significant impact on the Company as a direct result of Brexit; however, this cannot be guaranteed and we continue to closely monitor developments as the withdrawal process continues to evolve.

The U.K. Labour Party's proposed policy to nationalise privately owned infrastructure including U.K. PFI, should it come into government, has also been previously noted. The Company believes that significant compensation would be required in order to enact this legitimately within existing contractual arrangements, therefore we maintain the view that the Company is defensively positioned in this regard.

As part of the Board's ongoing commitment to manage risk during the year the Board commissioned an external review of the Company's tax policies and procedures, including a focus on the Company's tax risk approach. See the Audit and Risk Committee report on page 66 for further details of this review.

In addition, the Company is conscious that the long-term performance of its investments is influenced by ESG factors. These might include how the portfolio of investments respond to climate change; the efficacy of water management, how effective their health and safety policies are in the protection against accidents; how they manage their supply chains, how they treat their workers; and whether they have a corporate culture that builds trust and fosters innovation. The Audit and Risk Committee has identified ESG factors as its focus for internal review this year, which will assess the Company's current approach to reporting and overall incorporation of ESG factors into its processes.

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 beyond that relevant to all other funds and it is instead managed as a general risk affecting all such 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](http://www.internationalpublicpartnerships.com).

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

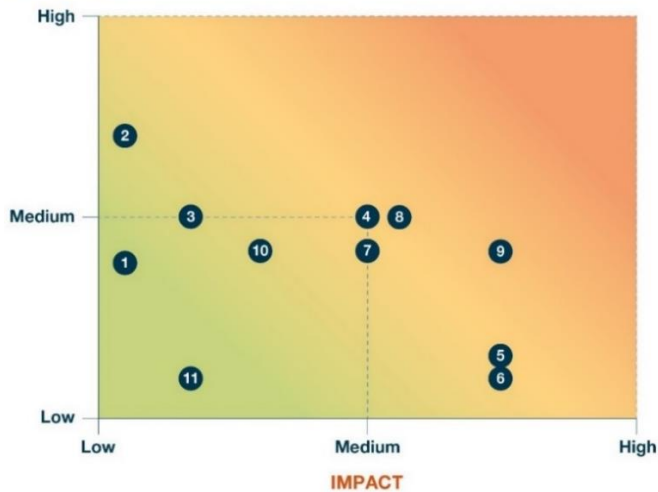
# RISK MANAGEMENT

## CONTINUED

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

#### PROBABILITY



#### 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

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
<b>MACROECONOMIC RISKS</b>		
<b>Inflation</b>  <div>1</div> <div>↔</div>	<p>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.</p> <p>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.</p>	<p>The Company 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.</p> <p>The Company uses a long-term view of inflation within its forecasts, benchmarked where possible to independent analysis.</p>


# RISK MANAGEMENT

## CONTINUED

RISK	DESCRIPTION	MITIGATION/APPROACH
<b>MACROECONOMIC RISKS CONTINUED</b>		
<b>Foreign Exchange Movements</b>  <div>2</div> <div>↔</div>	<p>The Company indirectly holds part of its investments in entities in jurisdictions with currencies other than sterling, but borrows corporate level debt, reports its NAV and pays dividends in sterling. Changes in the rates of foreign currency exchange are outside the Company's control and may impact positively or negatively on cash flows and valuation.</p>	<p>The Company uses forward foreign exchange contracts to mitigate the risk of short-term volatility in foreign exchange rates on 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.</p> <p>The Company 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. We continue to be mindful of the potential for exchange rate volatility in light of international economic and political change, including during the U.K.'s withdrawal from the European Union. We note a devaluation of sterling against the main currencies (in which non-U.K. investments are made) would typically have a positive impact on NAV. The opposite would also be true for an increase in the value of sterling.</p>
<b>Interest Rates</b>  <div>3</div> <div>↔</div>	<p>Changes in market rates of interest can affect the Company in a variety of different ways:</p> <p><b>Valuation Discount Rate</b></p> <p>The Company, in valuing its investments, uses a discounted cash flow methodology. Changes in market rates of interest (particularly government bond yields) 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.</p> <p><b>Corporate Debt Facility</b></p> <p>The Company has a corporate 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.</p> <p><b>Underlying portfolio considerations</b></p> <p>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).</p> <p>These are generally held on interest bearing accounts and under the contractual terms applicable to certain investments which in many cases are projected to be held for the long-term. The Company assumes that it will earn interest on such deposits over the long-term. Changes in interest rates may mean that the actual interest receivable by the Company is different to that projected. If the Company 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.</p>	<p>In determining the discount rates used to value its investments, the Company generally uses nominal government bond yields to which specific investment risk premia are added to determine discount rates. The investment risk premia may provide a buffer against rising bond yields assuming market demand for investment is sustained. 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.</p> <p>In the event that the interest rate increases, the Company has the option of repaying its corporate debt facility at any time with minimal notice, providing sufficient funds are available.</p> <p>As presented in the sensitivity analysis, variations in cash deposit rates have little impact on the Company's NAV. Due to the spread of cash holdings within ring-fenced SPV structures and relatively smaller balances in the SPVs, it is not economically feasible to hedge against adverse deposit rate movements.</p> <p>The Company 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.</p> <p>The risk of adverse movements in debt interest rates for unhedged debt within regulated entities is limited through protections provided by the regulatory regime.</p>

# RISK MANAGEMENT

## CONTINUED

RISK	DESCRIPTION	MITIGATION/APPROACH
<b>MACROECONOMIC RISKS CONTINUED</b>		
<b>Tax and Accounting</b> 	<b>Change in Tax Rates</b> <p>Headline rates of tax have tended to reduce in recent years, both in the U.K. and overseas jurisdictions in which the Company operates. However, there is a risk that this trend could be reversed if government or policy were to change in the future.</p>	<p>The Company incorporates changes in tax rates within its forecast cash flows and NAV once substantively enacted.</p>
	<b>Change in tax legislation</b> <p>Changes in tax legislation across the multiple jurisdictions in which the Company has investments can reduce returns impacting on the Company's future cash flow returns and hence valuation (calculated on a discounted cash flow basis).</p> <p>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 the Company invests have been assessing their compliance or otherwise with this guidance.</p>	<p>The diversified jurisdictional mix of the Company's investments may provide some mitigation to tax changes in any one jurisdiction.</p> <p>The Company believes it takes a cautious 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.</p> <p>The Company's Investment Adviser continues to monitor developments relating to tax reform across the jurisdictions in which the Company has operations. Future legislation in response to the OECD proposals, or changes in approach to existing legislation as a consequence of market practice or updated guidance, continue to have the potential to negatively impact the Company.</p>
	<b>Accounting</b> <p>The Company 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.</p>	<p>A portion of the Company'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.</p>



# RISK MANAGEMENT

## CONTINUED

RISK	DESCRIPTION	MITIGATION/APPROACH
<b>POLITICAL AND REGULATORY RISKS</b>		
	<p>The nature of the businesses in which the Company invests exposes it 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.</p>	<p>Most of the Company's existing investments benefit from long-term service and asset availability-based pricing contracts or regulatory frameworks 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.</p>
<b>Political Policy</b> 	<p><b>Change in political policy</b></p> <p>Political policy and financing decisions may adversely impact either on existing investments, or on the Company's ability to source new investments, at attractive prices or at all. This may impact the Company's reputation.</p> <p>A certain degree of reputational risk exists in this area as policy decisions adversely impacting the Company have the potential to be made as a direct or indirect result of reputational developments seen across the wider sector.</p>	<p>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.</p> <p>The Company 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.</p>
	<p><b>Termination of Contracts</b></p> <p>Often contracts between public sector bodies and the Company's investment entities contain rights for the public sector to voluntarily terminate contracts in certain situations. While the contracts typically provide for some compensation in such cases, this may be less than required to sustain the Company's valuation, causing loss of value. There have been instances of contracts being voluntarily terminated in the U.K. (although not affecting the Company).</p>	<p>The Company engages with its public sector clients in developing cost-saving initiatives and seeks to act as a 'good partner' including by focusing on the ESG aspects of its investments. None of the Company's investments have been identified, by any government audit or public sector report, as poor value for money or not in the public interest.</p> <p>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.</p> <p>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.</p> <p>Regarding the U.K.'s planned withdrawal from the E.U., there are no specific 'Brexit' termination clauses in the Company's underlying project contracts.</p>
<b>Law and Regulation</b> 	<p><b>Change in Law/Regulation</b></p> <p>Changes in law or regulation may increase costs of operating and maintaining facilities or impose other costs or obligations that indirectly adversely affect the Company's cash flow from its investments and/or valuation of them.</p>	<p>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. There remains the possibility for there to be changes in law or regulation as a result of Brexit which have the potential to impact costs or obligations of the Company or portfolio projects, which may not be fully capable of mitigation.</p>

# RISK MANAGEMENT

## CONTINUED

RISK	DESCRIPTION	MITIGATION/APPROACH
<b>POLITICAL AND REGULATORY RISKS CONTINUED</b>		
	<b>Regulatory requirements</b> <p>The Company 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.</p>	<p>The Company and 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, however as the Company is a Guernsey-based, self-managed AIF, there is not expected to be a direct impact on the Company's regulatory status or its existing ability to raise capital.</p>
<b>OPERATIONAL AND VALUATION RISKS</b>		
<b>Asset Performance</b> 	<b>Construction</b> <p>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.</p>	<p>Contractual mechanisms allow for significant pass-down of construction cost overrun risk to sub-contractors or consumers, subject to credit risk (see below).</p>
	<b>Operational Performance</b> <p>Assets in the portfolio contain revenues which are based on the availability of the asset, as well as revenues not solely dependent on availability but also have linkage to other factors including being subject to regulatory frameworks.</p> <p>The entitlement of the Company's PPP and OFTO investments to receive revenues 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 the Company has projected to receive.</p> <p>Certain assets in the portfolio which contain revenue streams that are not solely based on availability of the asset may include linkage to other factors or are subject to the regulatory regime.</p>	<p>The Board reviews underlying investment performance of each investment, quarterly, allowing asset performance to be monitored in close to real time.</p> <p>Historically, the Company has seen very high levels of asset performance, which suggests a positive trend for the future.</p> <p>For regulated assets, the regulatory regimes under which the assets operate provide a level of protection of cash flows for these assets.</p> <p>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 overleaf).</p>
	<b>Termination</b> <p>In serious cases where the terms of the underlying contract with the public sector are breached due to default or force majeure then that contract can usually be terminated without compensation. Failure to receive the amount of revenue projected or termination of a contract will have a consequential impact on the Company's cash flow and value.</p>	<p>In the event of significant and continuing unavailability across the Company'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.</p> <p>The risk of termination of contracts as a result of political policy is addressed in risk five above.</p>

# RISK MANAGEMENT

## CONTINUED

RISK	DESCRIPTION	MITIGATION/APPROACH
<b>OPERATIONAL AND VALUATION RISKS CONTINUED</b>		
<b>Counterparty Risk</b> 	<p>The Company'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.</p> <p>Over recent years there has been particular pressure on construction and facilities management firms operating across the sector, particularly within the U.K.</p>	<p>The Company has a broad range of suppliers and believes that supplier counterparty risk is diversified across its investments. All contracts include the provision of a security package from counterparties to mitigate the impact of supplier failure. In addition, generally payments are made in arrears to service providers giving the Company some protection against failures in performance.</p> <p>The credit quality of supplier counterparties is reviewed as part of the Company's due diligence at the time of making its investments and for key supplies on a regular basis. Most of the services provided to the Company's investments are reasonably established with competing providers. Therefore, there are expectations that 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.</p> <p>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 at the valuation date immediately preceding the collapse of Carillion) 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 impact of transitioning projects to alternative service providers, including transaction costs, is expected to be immaterial (see pages 21-22). In addition, in early 2019 Interserve Plc entered administration and the sale of its business and assets, to a newly incorporated company (Interserve Group Limited) controlled by its lenders completed immediately afterwards. Interserve Integrated Services Ltd provides facilities management services to c.6% of the Company's portfolio (by fair value). The Company has been monitoring the issues affecting Interserve Plc and has developed contingency plans. All the facilities that have been affected are currently operational with no disruption to service delivery. At this time, it is not believed that the administration of Interserve Plc will adversely impact the Company's valuation (see page 22). The Company continues to monitor the risk of any additional developments occurring in this space relating to its other significant counterparties.</p>
	<p>Where borrowings exist in respect of the Company's investments, interest rates are generally fixed through the use of interest rate swaps. The Company is therefore exposed if the counterparties of these swaps were to default or the swaps otherwise become ineffective.</p>	<p>The credit risk of such swap counterparties is considered at the time of entering into these arrangements and is regularly reviewed. However, there is a risk of credit deterioration which could impact affected investments.</p>
<b>Physical Asset Risk</b> 	<p>The Company indirectly invests in physical assets used by the public and thus is exposed to possible risks, both reputational and legal, in the event of damage or destruction to such assets and their users, including loss of life, personal injury and property damage. While the assets the Company invests in benefit from insurance policies, these may not be effective in all cases.</p>	<p>The Company's investments benefit from regular risk reviews and external insurance advice which is intended to ensure that those assets continue to benefit from insurance cover that is standard for such assets.</p>

# RISK MANAGEMENT

## CONTINUED

RISK	DESCRIPTION	MITIGATION/APPROACH
<b>OPERATIONAL AND VALUATION RISKS CONTINUED</b>		
<b>Contract Risk</b>  	<p>The performance of the Company's investments is dependent on the complex set of contractual arrangements specific to each investment continuing to operate as intended. The Company is exposed to the risk that such contracts do not operate as intended, are incomplete, contain unanticipated liabilities, are subject to interpretation contrary to its expectations or otherwise fail to provide the protection or recourse anticipated.</p>	<p>Such contracts have been entered into, usually, only after lengthy negotiations and with the benefit of external legal advice. A legal review of contract documentation is undertaken as part of the Company's due diligence at the time of making new investments. See Political Policy on page 45 for further commentary on contractual risk of voluntary termination.</p>
<b>Financial Forecasts</b>    <i>Recent investment opportunities have been seen more in operating infrastructure businesses that exhibit greater variability to assumptions around growth, refinancing and/or allowed returns</i>	<p>The Company'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.</p> <p>Recent investments in operating infrastructure businesses that can result in more variability in performance than contracted concessions special purpose companies, are inherently more difficult to forecast accurately given the wider range of variables that apply.</p>	<p>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.</p> <p>Investments in regulated business are considered very long-term, beyond the much shorter regulatory cycles. Valuations of such business should take into account robustness of yield and potential for increases in regulated asset base over time.</p>
	<b>Sensitivities</b>  <p>The Company publishes information relating to its portfolio including projections of how portfolio performance and valuation might be impacted by changes in various factors e.g. interest rates, inflation, deposit rates, etc. The sensitivity analysis and projections are not forecasts and actual performance is likely to differ (possibly significantly) from that projection as in practice the impact of changes to such factors will be unlikely to apply evenly across the portfolio or in isolation from other factors.</p>	<p>Sensitivities are produced for the information of investors and are accompanied by disclaimers and guidance explaining that limited reliance can be placed upon them.</p>

# RISK MANAGEMENT

## CONTINUED

### VIABILITY STATEMENT

In accordance with provision C2:2 of the 2014 revision of the U.K. Code of Corporate Governance, we have considered the Company's viability as summarised below. Due to the long-term and/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. Whilst we consider the valuation of investment cash flows for the purposes of NAV over a considerably longer period than five years, we view five years as an appropriate timeframe for assessing the Company's viability given these inherent uncertainties.

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 64-67
- 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 typically be positive for the Company's investment cash flows giving linkage of revenues to inflation across many investments), 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 assets 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.

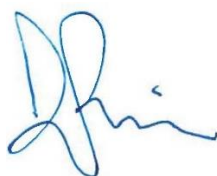
The viability assessment is approved by the Board. Following the assessment, the Board has a reasonable expectation that the Company will be able to continue in operation and meet all of its liabilities as they fall due up to March 2024. This assessment is based on the following assumptions which are not within the Company's control:

- No changes to government policy, laws and regulations affecting the Company or its investments other than the impacts already factored into future cash flows as part of the 31 December 2018 NAV valuation
- 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.

By order of the Board



Mike Gerrard  
Chairman  
27 March 2019



John Le Poidevin  
Director  
27 March 2019



# CORPORATE GOVERNANCE

## SUMMARY OF INVESTMENT POLICY

### OVERVIEW

The Company 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, or under a license issued by a regulator unless there is a strategic rationale for earlier realisation. The Company 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](http://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 or regulated businesses having a public or social infrastructure character with either availability, property rental or user paid payment mechanisms or appropriate regulatory frameworks
- 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
- Divestments where an investment is no longer aligned with the Company's investment objectives or where circumstances offer an opportunity to enhance the value of the portfolio

### 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 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, the Company is also subject to certain restrictions pursuant to the U.K.L.A 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.

# CORPORATE GOVERNANCE

## SUMMARY OF INVESTMENT POLICY CONTINUED

### 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 43.

### 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.

# CORPORATE GOVERNANCE

## BOARD OF DIRECTORS

The table below details all directors of the Company at the date of this report.

BACKGROUND AND EXPERIENCE		LISTED COMPANY AND OTHER RELEVANT DIRECTORSHIPS
<b>Mike Gerrard</b> Board Chair, Chair, Investment Committee (with effect from 31 December 2018)  Date of Appointment: 4 September 2018	Aged 61 and a resident in the U.K., Mike has 30 years of financial and management experience in global infrastructure investment.  He has held a number of senior positions, including as an assistant director of Morgan Grenfell plc, a director of HM Treasury Taskforce, deputy CEO and later CEO of Partnerships U.K. plc.  Mike has a breadth of experience across a range of economic and social infrastructure sectors and has been involved in some of the largest infrastructure projects in the U.K.	Mike holds several non-executive positions within boards and committees that oversee the development and delivery of infrastructure investments in the U.K. and Europe
<b>Julia Bond</b> <sup>1</sup> Chair, Risk Sub-Committee Chair, Nomination and Remuneration Committee (with effect from 1 February 2019)  Date of Appointment: 1 September 2017	Aged 59 and a resident in the United Kingdom, Julia has 27 years' 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 British Foreign and Commonwealth.	European Assets Trust ('EAT')
<b>John Le Poidevin</b> <sup>1</sup> Chair, Audit and Risk Committee (with effect from 1 July 2018)  Date of Appointment: 1 January 2016	Aged 48 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.	Aurigny Air Services Ltd BH Macro Ltd Safecharge International Group Ltd Stride Gaming plc
<b>John Stares</b> <sup>1</sup> Chair, Risk Sub-Committee, Chair, Nomination and Remuneration Committee (until 1 February 2019)  Date of Appointment: 28 August 2013	Aged 67 and a resident of Guernsey since 2001, John has over 40 years' 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.	Terra Firma (for a number of Guernsey-based entities) Governor of More House School New Philanthropy Capital (Trustee)
<b>Claire Whittet</b> <sup>1</sup> Chair, Management Engagement Committee  Date of Appointment: 10 September 2012	Aged 63 and a resident of Guernsey, Claire has 40 years' experience in the banking industry with Bank of Scotland, Bank of Bermuda and Rothschild and Co Bank International where she was latterly, managing director and co-Head until May 2016 when she became a non-executive director. She is also non-executive director of a number of other investment company Boards and is not involved in any trading companies.  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.	BH Macro Ltd Eurocastle Investment Ltd Riverstone Energy Ltd TwentyFour Select Monthly Income Fund Ltd Third Point Offshore Investors Ltd

# CORPORATE GOVERNANCE

## BOARD OF DIRECTORS CONTINUED

BACKGROUND AND EXPERIENCE		LISTED COMPANY AND OTHER RELEVANT DIRECTORSHIPS
<b>John Whittle<sup>1</sup></b> Senior Independent Director, Chair, Audit and Risk Committee (until 1 July 2018)  Date of Appointment: 6 August 2009	Aged 63, John is 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.	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
<b>Giles Frost</b>  Date of Appointment: 2 August 2006	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.	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.
<b>Rupert Dorey<sup>1</sup></b> Board Chair, Chair, Investment Committee (until his retirement on 31 December 2018)  Date of Appointment: 2 August 2006	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 & Infrastructure Funds.  He is a member of the Institute of Directors.	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

<sup>1</sup> All of the independent directors are members of all Committees with the exception of Mr Gerrard, who is not a member of the Audit and Risk Committee.

# CORPORATE GOVERNANCE

## 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 direction and oversight of the Company, for agreeing its strategy, monitoring its financial performance, and setting and monitoring its risk appetite.

This section describes how the Company 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 the Investment Adviser, 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 (the 'U.K. Code'). This requirement applies regardless of where the company is incorporated. Whilst a revised U.K. Code was issued in July 2018, it will apply to the Company for its forthcoming financial year and therefore the relevant U.K. Code remains the April 2016 edition.

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. We note that the AIC published a revision to its Code in February 2019 which will apply to the Company's 2019 financial year end. However, the Board has taken a forward-looking position and adopted some of its recommendations in advance of the proposed application.

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](http://www.theaic.co.uk)). The U.K. Code is available from the Financial Reporting Council website ([www.frc.co.uk](http://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 and updated its standardised three page Key Information Document ('KID') on 2 October 2018. The KID is available on the Company's website [www.internationalpublicpartnerships.com/investors](http://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 52-53, demonstrate a breadth of investment and business experience.



# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE REPORT CONTINUED

The Board consists solely of non-executive directors and, for the period of this report, was chaired by Mr Dorey, who was 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-executive directors are independent of the Company's Investment Adviser.

### BOARD TENURE AND RE-ELECTION

Directors do not have service contracts. Directors are appointed under letters of appointment, copies of which are available at the registered office of the Company. 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 had been a Board member since August 2006 but retired on 31 December 2018, and Mr Gerrard was appointed as Chairman of the Board. More information is available in the Chairman's Letter. Mr Whittle has been a Board member since August 2009. The Board is confident that Mr Whittle remains independent. However, during the period, Mr Whittle retired from his role as Chair of the Audit and Risk Committee and will be retiring from the Board at the 2020 AGM as part of the Board's ongoing succession programme.

The Board has agreed that all Directors will stand for re-election at each AGM.

### DIRECTORS' DUTIES AND RESPONSIBILITIES

The Directors have adopted a set of Reserved Powers, which establish the key purpose of the Board and detail its major duties.

These duties cover the following areas of responsibility:

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

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

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

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

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

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE REPORT CONTINUED

### 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. During the latter half of 2018, the Board invited Trust Associates to undertake an independent review of Board remuneration to ensure that it remained in line with the market and is at a level to attract high calibre individuals to the Board. As a result, the Board resolved to increase Board remuneration with effect from 1 January 2019 as outlined in the table below.

POSITION	2019 FEE P.A. £	2018 FEE P.A. £
Board Chair	85,000	67,500
Audit and Risk Committee Chair	58,000	55,000
Senior Independent Director	47,000	43,000
Risk Sub-Committee Chair	47,000	43,000
Management Engagement Committee Chair	47,000	43,000
Nomination & Remuneration Committee Chair	47,000	43,000
Director (Independent and Non-Independent)	45,000	43,000

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 are the Chairs of the Audit and Risk Committee, the Risk Sub-Committee, the Management Engagement Committee, the Nomination & Remuneration Committee, as well as the Senior Independent Director.

There are no long-term incentive schemes provided by the Company and no performance fees, or bonuses paid to directors. Any changes to directors' aggregate remuneration are considered at the Annual General Meeting ('AGM') of the Company.

DIRECTOR	2018 FEES PAID £	2017 FEES PAID <sup>1</sup> £
Mike Gerrard <sup>2</sup>	21,683	-
Julia Bond <sup>3</sup>	43,000	14,333
John Le Poidevin <sup>4</sup>	46,000	53,000
John Stares <sup>5</sup>	43,000	53,000
Claire Whittet	43,000	53,000
John Whittle <sup>6</sup>	49,000	65,000
Giles Frost <sup>7</sup>	43,000	53,000
Rupert Dorey <sup>8</sup>	67,500	77,500

<sup>1</sup> The 2017 fees include £10,000 of fees payable to Board members with respect to the May 2017 share issuance.

<sup>2</sup> Mr Gerrard joined the Board on 4 September 2018.

<sup>3</sup> Ms Bond was appointed as Risk Sub-Committee Chair, effective from 1 February 2019.

<sup>4</sup> Mr Le Poidevin was appointed as Chairman of the Audit and Risk Committee on 1 July 2018 for which he receives a higher fee.

<sup>5</sup> Mr Stares had lead responsibility for risk within the Risk Sub-Committee during the year.

<sup>6</sup> Mr Whittle retired as Chairman of the Audit and Risk Committee on 1 July 2018.

<sup>7</sup> The emoluments for Mr Frost are paid to his employer Amber Infrastructure Limited, a related company of the Company's Investment Adviser.

<sup>8</sup> Mr Dorey became Chairman of the Board on 31 December 2013 for which he received a higher fee.

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.

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE REPORT CONTINUED

In addition to the director fees above, following Mr Whittle's appointment as Director to the five Luxembourg subsidiary entities of International Public Partnerships, he is entitled to fees of £3,000 per entity for the year ended 2018.

### DIRECTORS' INTERESTS

Directors, who held office at 31 December 2018, had the following interests in the shares of the Company:

DIRECTOR	31 DECEMBER 2018	31 DECEMBER 2017
	NUMBER OF ORDINARY SHARES <sup>1</sup>	NUMBER OF ORDINARY SHARES <sup>1</sup>
Mike Gerrard <sup>2</sup>	55,739	-
Julia Bond	14,020	-
John Le Poidevin	97,883	65,333
John Stares	75,000	75,000
Claire Whittet <sup>3</sup>	69,602	68,017
John Whittle <sup>4</sup>	58,864	58,864
Giles Frost	893,797	880,313
Rupert Dorey <sup>5</sup>	1,037,614	1,037,614

1 All shares are beneficially held.

2 Mr Gerrard joined the Board on 4 September 2018.

3 Holds shares through a Retirement Annuity Trust Scheme jointly with Ms Whittet's spouse.

4 Holds shares through a Retirement Annuity Trust Scheme.

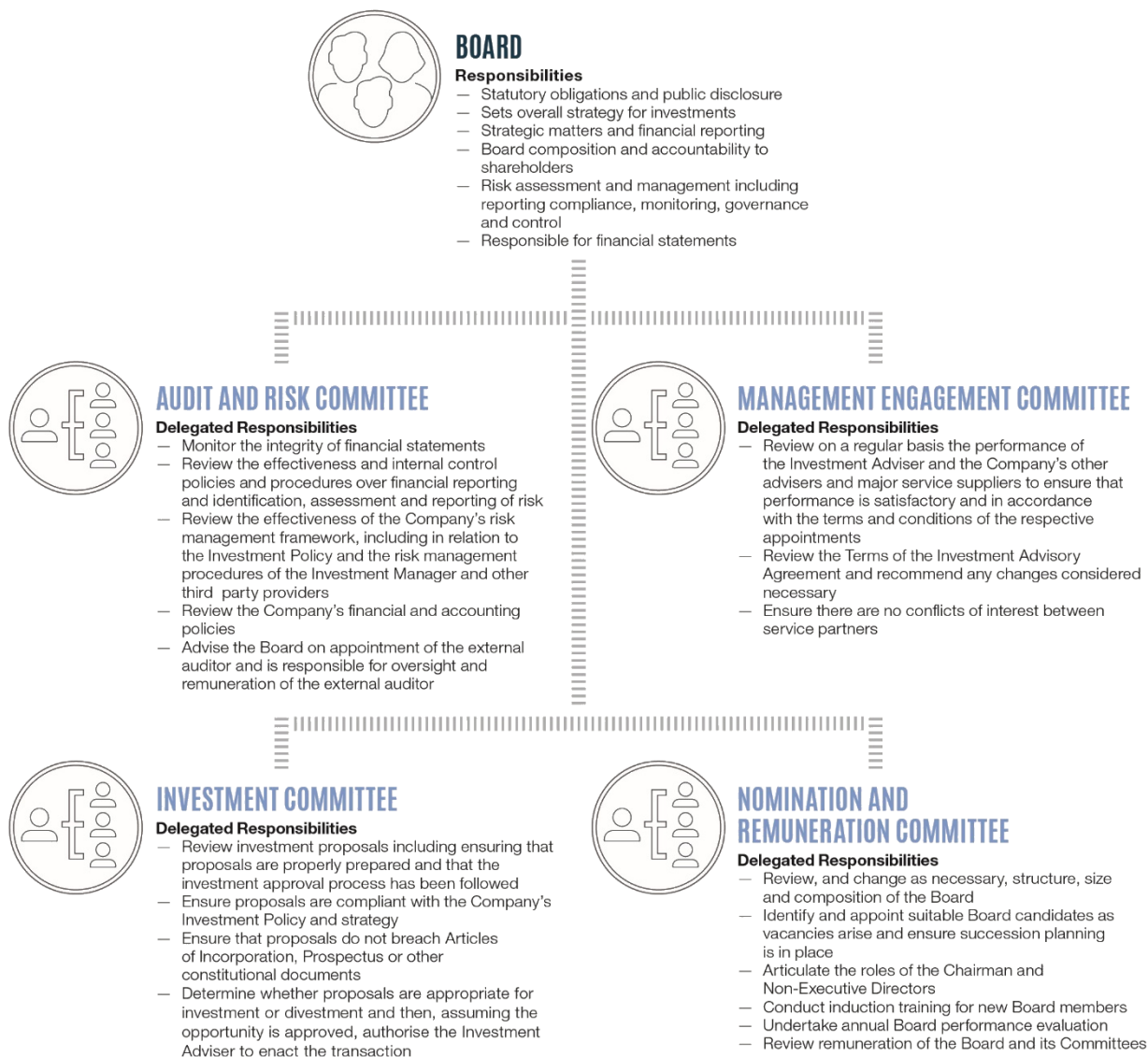
5 Included in this number are 200,000 shares owned by Mr Dorey's spouse and 43,927 shares are held by another close family member.

There have been no changes to the holdings of existing directors between 31 December 2018 and the date of this report.

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE REPORT CONTINUED

### COMMITTEES OF THE BOARD



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

#### AUDIT AND RISK COMMITTEE

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

Mr Le Poidevin is the current Chairman of the Audit and Risk Committee, following his appointment on 1 July 2018. During the period, Mr Stares had lead responsibility for risk within the Risk Sub-Committee and was succeeded in the role by Julia Bond, effective 1 February 2019. During his tenure as Company Chairman, Mr Dorey, was a member of the Audit and Risk Committee. Whilst the AIC does not preclude the Board Chairman from being a member of the Audit and Risk Committee, in line with corporate governance best practice, it has been agreed that Mr Gerrard, as the new Company Chairman, would not be a member of the Audit and Risk Committee. However, Mr Gerrard may attend meetings of the Audit and Risk Committee at the invitation of the Committee.

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

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE REPORT CONTINUED

In respect of its risk management function, the Audit and Risk Committee, through the separately convened Risk Sub-Committee, is also responsible for reviewing the Company's risk management function and framework, in relation to the investment policy of the Company including the acquisition and disposal of assets, the valuation of assets and ensuring that the risk management function of the Investment Adviser, Administrator and other third-party service providers are adequate and to seek assurance of the same.

The Audit and Risk Committee formally reviews the Company's overall approach to risk management on an annual basis and its risk register on at least a quarterly basis. During the year, topics considered in greater detail included the Company's readiness for the U.K.'s exit from the European Union; please refer to page 41 for further information. The Committee is 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.

### 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 Gerrard, as Chairman of the Company following his appointment upon Mr Dorey's retirement.

The Committee considers proposals relating to the acquisition and disposal of investments and, if thought fit, approves those proposals. Details of the transactions completed during the period are outlined on page 15 of this Annual Report.

### 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 58.

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 was chaired during the reporting period by Mr Stares, with Julia Bond succeeding him as Committee Chair with effect from 1 February 2019.

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 58 for more detail on the Committee).

In accordance with the Corporate Governance Code required for listed companies of the premium segment of London Stock Exchange, the Company undertakes an externally facilitated evaluation every three years. Utilising the services of corporate governance consultant, Trust Associates, the Nomination and Remuneration Committee undertook a review of the performance of the Board and its Committees during 2017. No significant issues were reported as a result of this review.



# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE REPORT CONTINUED

### 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. In addition, during the year, five Board Committee meetings<sup>1</sup> took place to finalise matters that had been approved in principle at full meetings of the Board.

DIRECTORS	QUARTERLY BOARD	AUDIT AND RISK COMMITTEE	INVESTMENT COMMITTEE	MANAGEMENT ENGAGEMENT COMMITTEE	NOMINATION AND REMUNERATION COMMITTEE
Maximum number	4	5	1	1	2
Mike Gerrard <sup>2</sup>	2	N/A	N/A	1	1
Julia Bond	4	4	-	1	1
John Le Poidevin	4	5	1	1	2
John Stares	4	5	1	1	2
Claire Whittet	4	5	1	1	2
John Whittle	4	5	1	1	2
Giles Frost <sup>3</sup>	4	N/A	N/A	N/A	N/A
Rupert Dorey	4	5	1	1	2

<sup>1</sup> Board Committee meetings are formed of any two or more members of the Board and do not require full attendance. All members of the Board are apprised of the matters to be discussed at the Committee meeting and have the opportunity to raise questions to the Chairman, Investment Adviser or other advisers, as required.

<sup>2</sup> Mr Gerrard joined the Board on 4 September 2018. Mr Gerrard joined the Committees of the Board (with the exception of the Audit and Risk Committee) on 29 November 2018.

<sup>3</sup> Mr Frost is not a member of the Audit and Risk Committee, Management Engagement Committee, Nomination & Remuneration Committee or the 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.

The Board has reviewed the composition, structure and diversity of the Board, succession planning, the independence of the Directors and whether each of the Directors has sufficient time available to discharge their duties effectively. The Board confirms that it believes it has an appropriate mix of skills and backgrounds, that a majority of directors should be considered as independent in accordance with the provisions of the AIC Code and that all directors have the time available to discharge their duties effectively.

Notwithstanding that a number of the independent directors sit on the boards of a number of other listed companies, the Board, noted that these individuals are exclusively non-executive directors and that listed investment companies generally requires less day-to-day responsibility and time commitment than trading companies. Furthermore, the Board noted that attendance of all Board and Committee meetings during the year is high by all Directors and that each Director has always shown the time commitment necessary to fully and effectively discharge their duties as a director.

Accordingly, the Board recommends that shareholders vote in favour of the re-election of all directors at the forthcoming AGM.

### RELATIONSHIP WITH ADMINISTRATOR AND COMPANY SECRETARY

Estera International Fund Managers (Guernsey) Limited acts as Administrator and Company Secretary, and is responsible to the Board under the terms of the Administration Agreement. Noting that final responsibility lies with the Board, the Administrator ensures 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 as referred to above.

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE REPORT CONTINUED

### 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 current 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:
  - o 1.2% for the first £750 million of GAV of the portfolio
  - o 1.0% for that part of the portfolio that exceeds £750 million in GAV but is less than £1.5 billion
  - o 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 10 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 Company. 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.

### INVESTMENT APPROVAL PROCESS

As outlined above, the Investment Committee, comprised of independent directors of the Company, make decisions with respect to new investments or divestments 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 it makes 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 overleaf is followed.

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE REPORT CONTINUED

### MANAGING CONFLICTS OF INTEREST

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

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

Key features of these procedures include:

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

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

### RISK MANAGEMENT AND INTERNAL CONTROLS

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

This process is outlined in further detail in the Risk Report found on pages 42-48.

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE REPORT CONTINUED

### 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 Senior Independent Director 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 2018, the Investment Adviser and members of the Board held formal meetings with over 135 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 externally 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 of the Company provides a forum for shareholders to meet and discuss issues with the Directors and with the Investment Adviser of the Company. It is the Board's policy to publish the results of the voting at the AGM via Regulatory News Service ('RNS') at the completion of the meeting.

To promote a clear understanding of the Company, its objectives and financial results, the Board aims to ensure that information relating to the Company is disclosed in a timely manner. The Company's website ([www.internationalpublicpartnerships.com](http://www.internationalpublicpartnerships.com)) enables 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 notifications (via email) of RNS announcements that 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. During the year, John Le Poidevin was appointed as Chairman of the Audit and Risk Committee, taking over the role on 1 July 2018 from John Whittle, who remains as Senior Independent Director of the Company. An overview of the Committee's work during the year and details of how the Committee 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

The 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 where financial reporting planning, the Annual Report and financial statements, and the half-yearly financial report were considered.

All Committee members are considered to be appropriately experienced to fulfil their role, having significant, recent and relevant financial experience in line with the AIC Code. Biographies of the Committee members can be found on pages 52-53.

## COMMITTEE AGENDA

The Committee's agenda during the year included:

- Review of the Company's risk profile, specific risks and mitigation practices, with a special focus on Brexit
- Review of the effectiveness of the Company's internal control systems, including specific focus in the year on tax policies and procedures, which included an external review
- Review of the regulatory environment the Company operates within
- Review of the Annual Report and financial statements and half-yearly financial report and matters raised by management and the external auditors (including significant financial reporting judgements therein), including consideration of the positive FRC review observations
- 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, objectivity and independence of the external auditors, 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

## KEY ACTIVITIES CONSIDERED DURING THE YEAR

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

### FINANCIAL REPORTING

The Committee reviewed the Company's Annual Report and financial statements, the half-yearly financial report and interim management reports prior to approval by the Board and advised the Board with respect to meeting the Company's financial reporting obligations. The Committee 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.

The Committee considered the most significant accounting judgement exercised in preparing the financial statements to be the basis for determining the fair value of the Company's investments, as detailed overleaf.

# AUDIT AND RISK COMMITTEE REPORT

## CONTINUED

### 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. The Committee challenged the Investment Adviser on the year end fair value of investments as part of our consideration of the audited statements.

During the period, the Committee 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. The Committee 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. The auditor confirmed no material adjustments were proposed.

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

### Revenue recognition

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

### Internal controls over financial reporting

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

The Committee 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, the Committee reviewed the Company's 2018 Annual Report and financial statements. The Committee 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.

### FRC review

During the year, the FRC's Corporate Reporting Review team, as part of its obligations under the Companies Act 2006, performed a routine review of the Company's 2017 Annual Report and financial statements. The Committee are pleased to report that the FRC had no immediate questions or queries to raise following the review. In pursuit of continuous improvement in the quality of corporate reporting, the Committee have taken into account additional recommendations made by the FRC when preparing the current Annual Report and financial statements. The FRC review provides no assurance that our Annual Report and financial statements were correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements.



# AUDIT AND RISK COMMITTEE REPORT

## CONTINUED

### RISK MANAGEMENT

In addition to our positive work performance as set out within the risk section of this Annual Report the Committee undertook the following work:

#### Viability assessment

The Committee 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 an 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 49.

#### Tax compliance, reporting and controls review

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. During the year, an external controls and process review was performed by KPMG focusing on the Company's tax policies and procedures, as well as reviewing the Company's tax strategy. The review concluded that appropriate policies and procedures are in place.

The Committee continue to monitor tax regulation and tax policy developments, in particular developments around the OECD-led BEPS initiative, across our geographies. Whilst no material net adverse valuation impacts have currently been noted from enacted legislation in this area to date, there can be no guarantee that future responses to the OECD proposals by governments or changes in approach to current rules as a consequence of changes in guidance or recognised industry practice will not have a negative impact on the Company's performance.

#### U.K. withdrawal from the European Union

Risk management activities during the year also included focus on the potential risks which may arise on the Company as a result of the U.K.'s withdrawal from the European Union, as set out on page 41.

### EXTERNAL AUDITOR

The Committee recommended to the Board the scope and terms of engagement of the external auditor. The Committee considered auditor objectivity and independence, audit tenure, audit tendering and auditor effectiveness as detailed below.

#### Objectivity and independence

In assessing the objectivity of the auditor, the Committee 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.

The Company's policy for non-audit services was reviewed and updated in the year to ensure it continues to be effective in mitigating risks to auditor independence. Under the policy, there is a specific list of services for which the external auditor cannot be engaged, as the Committee consider that the provision of such services would impact its independence. 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 11.5% of total audit fees during the period under review. 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 auditors.

# AUDIT AND RISK COMMITTEE REPORT

## CONTINUED

### Audit tendering and tenure

The Committee annually 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 2018 was the third year for the current lead audit partner. The Committee 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.

The Company last put the audits of the Group and its controlled investee entities out to full tender in October 2010. 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 (previously Deloitte). In line with the new auditor rotation requirements for listed companies, the next full tender process is expected to commence during 2020.

Since 2010, the Committee has market tested the audits for a number of investee level entities, resulting in these audits being awarded to alternative audit firms, principally 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 2018 of the auditor's performance and the Committee 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 Corporate Governance Code principles, the Committee will continue to review the effectiveness of the external auditor and seek to retender in line with best practice.

### Review of auditor's remuneration

The Committee carried out a review of the proposed audit fees for 2018. The audit fee for the Group (including unconsolidated subsidiaries) remained broadly consistent with the prior year. The Committee consider that the audit fees for 2018 present good value for money for the Company's shareholders.

## REGULATORY AND TAX ENVIRONMENT

The Committee received regular reports from the Administrator and Investment Adviser on regulation and regulatory developments. Main areas of regulatory focus during the year have included the Common Reporting Standard, Tax Strategy reporting, the Retail distribution of unregulated collective investment schemes (regulation which the Company remains excluded from), the U.K. Criminal Finance Act 2017, the Alternative Investment Fund Managers Directive ('AIFMD'), The Foreign Account Tax Compliance Act ('FATCA'), and the Packaged Retail and Insurance-based Investment Products (PRIIPs). The Company maintains, and seeks to maintain, compliance with all applicable regulation.

## FOCUS FOR 2019

From 1 February 2019, Julia Bond assumed lead responsibility for risk within the Risk Sub-Committee, succeeding John Stares who previously held the role. Alongside routine matters, this year the Committee will progress the independent review of the Company's ESG policies and procedures, as well as continuing to monitor any political, tax and regulatory developments in its applicable geographies.



John Le Poidevin  
Chairman, Audit and Risk Committee  
27 March 2019

# DIRECTORS' REPORT

## INTRODUCTION

The Directors present their Annual Report on the performance of the Company and Group for the year ended 31 December 2018.

## 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 54-63.

## 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 2018, 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
Investec Wealth & Investment Ltd	12.00%	168,673,159	5 September 2018
Schroders plc	6.66%	93,679,484	27 September 2018

There have been no additional notices between 31 December 2018 and the date of this report.

## 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 24 May 2018. The Company will seek to renew such authority at the Annual General Meeting to take place on 29 May 2019. Any buy back of Ordinary Shares will be made subject to Guernsey law and within any guidelines established from time-to-time by the Board and the making and timing of any buy backs will be at the absolute discretion of the Board.

Purchases of Ordinary Shares will only be made through the market at prices below the prevailing NAV of the Ordinary Shares (as last calculated) where the Directors believe such purchases will enhance shareholder value. Such purchases will also only be made in accordance with the Listing Rules of the 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 Company'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 10-38. The financial position of the Company (and consolidated subsidiaries), its cash flows, liquidity position and borrowing are described in the financial statements from page 77.

# DIRECTORS' REPORT

## CONTINUED

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 Company (and consolidated subsidiaries) 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



Mike Gerrard  
Chairman  
27 March 2019



John Le Poidevin  
Director  
27 March 2019

# 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 Company and its consolidated subsidiaries (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 IFRS 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 and financial statements 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

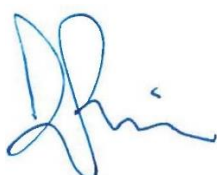
## DIRECTORS' STATEMENT UNDER THE U.K. CORPORATE GOVERNANCE CODE

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



Mike Gerrard  
Chairman  
27 March 2019



John Le Poidevin  
Director  
27 March 2019

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

## OPINION

In our opinion:

- International Public Partnerships Limited's group financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2018 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

We have audited the financial statements of International Public Partnerships Limited which comprise:

- Consolidated statement of comprehensive income for the year ended 31 December 2018;
- Consolidated balance sheet as at 31 December 2018;
- Consolidated statement of changes in equity for the year ended 31 December 2018;
- Consolidated cash flow statement for the year ended 31 December 2018; 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 ('IFRS') 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.

## 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 39 that describe the principal risks and explain how they are being managed or mitigated
- the Directors' confirmation set out on page 40 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 70 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
- the directors' explanation set out on page 49 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	<ul style="list-style-type: none"> <li>- Misstatement or manipulation of investment fair value</li> <li>- Income recognition</li> </ul>
Audit scope	<ul style="list-style-type: none"> <li>- We performed an audit of International Public Partnerships Limited and the consolidated service entities ('the Group'), for the year ended 31 December 2018</li> <li>- The Group has determined that it is an investment entity under the requirements of IFRS10 amendments for Investment Entities ('IFRS 10 amendments') and therefore only consolidates service entities as explained in note 1 of the financial statements. Service entities are audited to Group materiality threshold</li> <li>- All audit work performed for the purposes of the audit was undertaken by the Group audit team</li> </ul>
Materiality	<ul style="list-style-type: none"> <li>- Overall Group materiality of £22.0 million (2017: £20.4 million) which represents 1% (2017: 1%) of Equity</li> </ul>

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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	<p><b>Misstatement or manipulation of investment fair value £2,097 million (2017: £2,005 million)</b></p> <p>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 strategic report – 'Operating Review' and 'Risk Management' sections.</p> <p>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.</p>
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# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL PUBLIC PARTNERSHIPS LIMITED CONTINUED

## Our response to the risk

**Test of Controls:** We have tested the effectiveness of controls in operation over investment acquisitions, forecasting cashflows, distributions and model integrity and we have placed reliance on control over these processes.

**Verification of existence and ownership of Investments:** We have tested, on a sample basis, the ownership of investments to ensure the Group is entitled to distributions from the investments.

**Valuation assumptions:** We have been supported in our testing of macroeconomic inputs and discount rates by specialists from our EY Valuation & Business Modelling (EYVBM) team.

We selected a sample of investments that cover specific risks identified. The following procedures were performed:

**Macroeconomic Inputs:** We tested that the macroeconomic inputs (inflation rates, foreign exchange rates, deposit rates and tax rates) reviewed by our EYVBM team were applied consistently and accurately in the selected models.

**Discount Rates:** We engaged our EYVBM specialists to test the discount rates used in the selected models.

**Model integrity:** We reviewed management controls including management's use of third-party audits of the initial model and analysis of yields. We engaged our EYVBM specialists to test the year-on-year changes to the logical operation on selected models.

**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 as they are the auditors of some of the underlying unconsolidated subsidiaries which hold the investments selected for testing. We engaged EYVBM specialists to assess the assumptions used to determine the underlying variable cash flows which require significant judgement. Their assessment was based on a combination of market data and experience of valuing other similar investments.

We performed the following procedures across the whole portfolio:

- We reviewed the changes in discount rate of the assets in the Company's portfolio by analysing the components of the discount rate build up approach adopted by management. Any material movements in the components were discussed with management and explanations obtained were corroborated with appropriate evidence
- For a sample of investments, we tested that the macro-economic inputs (inflation rates, foreign exchange rates, deposit rates and tax rates) reviewed by our EYVBM team were applied consistently and accurately
- We have performed a detailed analytical review based on year-on-year movement on each investment 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. There were no disposals during the year.

**Market Review:** We engaged EYVBM specialists to provide benchmarking information on the variable components e.g. inflation rates, risk free rates, deposit rates etc.

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

Key Observations communicated to the Audit Committee	<p>We confirmed that there were no material matters arising from our audit work that we wanted to bring to the attention of the Audit Committee.</p> <p>We confirmed that the valuation of the investments is fairly stated and was in line with IFRS as adopted by the European Union.</p>
Risk	<p><b>Income recognition</b></p> <p>Income primarily comprises of the dividend and interest income stream generated by the investments held in underlying subsidiaries.</p> <p>Management may seek to overstate income as a result of seeking to report the desired level of return to investors.</p>
Our response to the risk	<p>We updated our understanding of the Group's processes and policies for income recognition including our understanding of the systems and controls implemented.</p> <p>We reviewed minutes of all board meetings during the year to ensure dividends declared have been recognised.</p> <p>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.</p>
Key observations communicated to the Audit Committee	<p>We confirmed that there were no matters to bring to the attention of the Audit Committee.</p>

## 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 International Public Partnerships Limited ('the Company') and the consolidated service entities as explained in note 1 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.

## 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 £22.0 million (2017: £20.4 million), which is 1% (2017: 1%) of equity. We believe that total equity provides us with an appropriate basis for audit materiality as NAV 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 £2,056 million at 30 June 2018 to £2,199 million as at 31 December 2018 mainly due to capital raise in October 2018. This resulted in a higher materiality of £22.0 million compared to £20.6 million that was originally determined at the audit planning stage.

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

## 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 £16.5 million (2017: £15.3 million). We have set performance materiality based on our understanding of the entity and the past history of no misstatements (corrected and uncorrected).

Given the importance of interest income, dividend income and related party fees to the users of the financial statements we also apply a lower performance materiality of £3.7 million (2017: £2.8 million) with regard to misstatements in these balances.

## 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 £1.1 million (2017: £1 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 Annual 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 65 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
- Audit Committee reporting set out on page 64
- Directors' Statement of compliance with the U.K. Corporate Governance Code set out on page 70 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

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

## 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
- the financial statements are not in agreement with the Company's accounting records and returns
- 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 70, 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.

## 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.

**Richard Le Tissier**

for and on behalf of Ernst & Young LLP,  
Guernsey  
Channel Islands  
27 March 2019

### 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 2018

	NOTES	YEAR ENDED 31 DECEMBER 2018 £'000s	YEAR ENDED 31 DECEMBER 2017 £'000s
Interest income	4	71,201	69,356
Dividend income	4	32,018	20,655
Net change in investments at fair value through profit or loss	4	63,826	49,808
<b>Total investment income</b>		<b>167,045</b>	<b>139,819</b>
Other operating income	5	622	588
<b>Total income</b>		<b>167,667</b>	<b>140,407</b>
Management costs	17	(22,798)	(20,637)
Administrative costs		(1,520)	(1,700)
Transaction costs	6, 17	(957)	(6,835)
Directors' fees		(359)	(316)
<b>Total expenses</b>		<b>(25,634)</b>	<b>(29,488)</b>
<b>Profit before finance costs and tax</b>		<b>142,033</b>	<b>110,919</b>
Finance costs	8	(3,944)	(4,534)
<b>Profit before tax</b>		<b>138,089</b>	<b>106,385</b>
Tax credit	9	280	114
<b>Profit for the year</b>		<b>138,369</b>	<b>106,499</b>
<b>Earnings per share</b>			
From continuing operations			
Basic and diluted (pence)	10	9.75	8.36

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 (2017: nil). The profit for the year represents the Total Comprehensive Income for the year.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## YEAR ENDED 31 DECEMBER 2018

	NOTES	SHARE CAPITAL £'000s	OTHER DISTRIBUTABLE RESERVE £'000s	RETAINED EARNINGS £'000s	TOTAL £'000s
Balance at 31 December 2017		1,441,048	182,481	414,769	2,038,298
Total comprehensive income		-	-	138,369	138,369
Issue of Ordinary shares	15	120,270	-	-	120,270
Issue costs applied to new shares	15	(1,075)	-	-	(1,075)
Distributions in the year	15	-	-	(97,115)	(97,115)
Balance at 31 December 2018		1,560,243	182,481	456,023	2,198,747

## 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

# CONSOLIDATED BALANCE SHEET

## AS AT 31 DECEMBER 2018

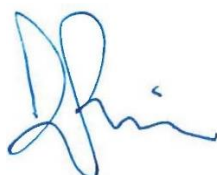
	NOTES	31 DECEMBER 2018 £'000s	31 DECEMBER 2017 £'000s
<b>Non-current assets</b>			
Investments at fair value through profit or loss	11	2,097,468	2,005,292
<b>Total non-current assets</b>		<b>2,097,468</b>	<b>2,005,292</b>
<b>Current assets</b>			
Financial assets at amortised cost	11,13	25,234	26,963
Cash and cash equivalents	11	84,718	33,850
<b>Total current assets</b>		<b>109,952</b>	<b>60,813</b>
<b>Total assets</b>		<b>2,207,420</b>	<b>2,066,105</b>
<b>Current liabilities</b>			
Trade and other payables	11,14	8,366	8,303
Derivative financial instruments	11	307	1,704
<b>Total current liabilities</b>		<b>8,673</b>	<b>10,007</b>
<b>Non-current liabilities</b>			
Bank loans	8, 11	-	17,800
<b>Total non-current liabilities</b>		<b>-</b>	<b>17,800</b>
<b>Total liabilities</b>		<b>8,673</b>	<b>27,807</b>
<b>Net assets</b>		<b>2,198,747</b>	<b>2,038,298</b>
<b>Equity</b>			
Share capital	15	1,560,243	1,441,048
Other distributable reserve	15	182,481	182,481
Retained earnings	15	456,023	414,769
<b>Equity attributable to equity holders of the parent</b>		<b>2,198,747</b>	<b>2,038,298</b>
<b>Net assets per share (pence per share)</b>	16	<b>148.1</b>	<b>145.0</b>

The financial statements were approved by the Board of Directors on 27 March 2019.

They were signed on its behalf by:



Mike Gerrard  
Chairman  
27 March 2019



John Le Poidevin  
Director  
27 March 2019

# CONSOLIDATED CASH FLOW STATEMENT

## YEAR ENDED 31 DECEMBER 2018

	NOTES	YEAR ENDED 31 DECEMBER 2018 £'000s	YEAR ENDED 31 DECEMBER 2017 £'000s
<b>Profit before tax in the Consolidated Statement of Comprehensive Income<sup>1</sup></b>		<b>138,089</b>	106,385
<b>Adjusted for:</b>			
Gain on investments at fair value through profit or loss	4	(63,826)	(49,808)
Finance costs <sup>2</sup>	8	3,944	4,534
Fair value movement on derivative financial instruments	5, 11	(1,397)	(2,923)
<b>Working capital adjustments</b>			
Decrease in receivables		1,645	2,664
Increase/(decrease) in payables		62	(2,075)
		<b>78,517</b>	58,777
Income tax (paid)/received <sup>3</sup>		(296)	2,525
<b>Net cash inflow from operations<sup>4</sup></b>		<b>78,221</b>	61,302
<b>Investing activities</b>			
Acquisition of investments at fair value through profit or loss	12	(63,293)	(464,027)
Net repayments from investments at fair value through profit or loss		34,943	25,759
Funds advanced to affiliated entities <sup>5</sup>		-	(2,053)
<b>Net cash outflow from investing activities</b>		<b>(28,350)</b>	(440,321)
<b>Financing activities</b>			
Proceeds from issue of shares net of issue costs		114,925	404,385
Dividends paid	15	(92,845)	(76,230)
Finance costs paid <sup>2</sup>		(3,234)	(4,086)
Loan drawdowns <sup>2</sup>		54,991	338,264
Loan repayments <sup>2</sup>		(72,791)	(320,464)
<b>Net cash provided by financing activities</b>		<b>1,046</b>	341,869
 Net increase/(decrease) in cash and cash equivalents		 <b>50,917</b>	(37,150)
Cash and cash equivalents at beginning of year		<b>33,850</b>	70,981
Foreign exchange (loss)/gain on cash and cash equivalents		(49)	19
<b>Cash and cash equivalents at end of year<sup>6</sup></b>		<b>84,718</b>	33,850

1 Includes interest received of £68.5 million and dividends received of £32.0 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 net operating cash flows before capital activity as shown in the Strategic Report on pages 24-25.

5 Funds advances to affiliated entities to facilitate financial close of investments around the balance sheet date in the prior year.

6 Includes restricted cash of £42.2 million (2017: £1.2 million) which under the terms of the Corporate Debt Facility Agreement can only be utilised for new investments.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 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 10 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 IFRS 9 Financial Instruments.

#### 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 £42.5 million as at 31 December 2018. The Company continues to fully cover operating costs and distributions from underlying cash flows from investments. The Company has access to a corporate debt facility of £400 million, of which £399.5 million was uncommitted as at 31 December 2018, and is available for investment in new and existing projects until July 2021. In addition, a portion of the facility can be utilised for working capital purposes. The facility is forecast to continue in full compliance with the associated banking covenants.

#### 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 material impact on the accounting policies of the Group. Note 20 sets out a comprehensive listing of all new standards applicable from 1 January 2018.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 2. SIGNIFICANT JUDGEMENTS AND ESTIMATES

#### 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 the Company, the Group has identified four reportable segments based on the geographical risk associated with the jurisdictions in which it operates. The factors used to identify the Group's reportable segments are centered 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 2018				
	U.K. £'000s	EUROPE (EXCL. U.K.) £'000s	NORTH AMERICA £'000s	AUSTRALIA £'000s	TOTAL £'000s
<b>Segmental results</b>					
Dividend and interest income	76,463	6,907	8,521	11,328	103,219
Fair value gain on investments	30,184	23,485	6,298	3,859	63,826
Total investment income	106,647	30,392	14,819	15,187	167,045
<b>Reporting segment profit<sup>1</sup></b>	<b>77,348</b>	<b>30,887</b>	<b>14,570</b>	<b>15,564</b>	<b>138,369</b>
<b>Segmental financial position</b>					
Investments at fair value	1,496,423	290,406	103,767	206,872	2,097,468
Current assets	109,952	-	-	-	109,952
<b>Total assets</b>	<b>1,606,375</b>	<b>290,406</b>	<b>103,767</b>	<b>206,872</b>	<b>2,207,420</b>
<b>Total liabilities</b>	<b>(8,673)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,673)</b>
<b>Net assets</b>	<b>1,597,702</b>	<b>290,406</b>	<b>103,767</b>	<b>206,872</b>	<b>2,198,747</b>
	YEAR ENDED 31 DECEMBER 2017				
	U.K. £'000s	EUROPE (EXCL. U.K.) £'000s	NORTH AMERICA £'000s	AUSTRALIA £'000s	TOTAL £'000s
<b>Segmental results</b>					
Dividend and interest income	69,396	7,759	8,675	4,181	90,011
Fair value gain/(loss) on investments <sup>2</sup>	15,134	31,043	(1,643)	5,274	49,808
Total investment income	84,530	38,802	7,032	9,455	139,819
<b>Reporting segment profit<sup>1</sup></b>	<b>50,621</b>	<b>38,855</b>	<b>7,393</b>	<b>9,630</b>	<b>106,499</b>
<b>Segmental financial position</b>					
Investments at fair value	1,421,619	277,489	98,349	207,835	2,005,292
Current assets	60,813	-	-	-	60,813
<b>Total assets</b>	<b>1,482,432</b>	<b>277,489</b>	<b>98,349</b>	<b>207,835</b>	<b>2,066,105</b>
<b>Total liabilities</b>	<b>(27,807)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(27,807)</b>
<b>Net assets</b>	<b>1,454,625</b>	<b>277,489</b>	<b>98,349</b>	<b>207,835</b>	<b>2,038,298</b>

<sup>1</sup> Reporting segment results are stated net of operational costs including management fees.

<sup>2</sup> Investment fair value losses for North America investments were primarily the result of adverse foreign exchange movements in the year impacting valuation assumptions.

Revenue from investments which individually represent more than 10% of the Group's interest and dividend income approximates £23.0 million (2017: £12.1 million).

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 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 and is recognised gross of withholding tax, if any.

##### Dividend income

Dividend income is recognised gross of withholding tax 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 2018 £'000s	YEAR ENDED 31 DECEMBER 2017 £'000s
<b>Interest income</b>		
Interest on investments	71,201	69,351
Interest on bank deposits	-	5
<b>Total interest income</b>	<b>71,201</b>	<b>69,356</b>
 Dividend income	 32,018	 20,655
Net change in fair value of investments at fair value through profit or loss	63,826	49,808
<b>Total investment income</b>	<b>167,045</b>	<b>139,819</b>

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

	YEAR ENDED 31 DECEMBER 2018 £'000s	YEAR ENDED 31 DECEMBER 2017 £'000s
Fair value gain on foreign exchange contracts	1,397	2,923
Other losses on foreign exchange movements	(775)	(2,335)
<b>Total other operating income</b>	<b>622</b>	<b>588</b>



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 6. TRANSACTION COSTS

	YEAR ENDED 31 DECEMBER 2018 £'000s	YEAR ENDED 31 DECEMBER 2017 £'000s
Investment advisory costs	935	6,835
Legal and professional costs	22	-
<b>Total transaction costs</b>	<b>957</b>	<b>6,835</b>

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

### 7. AUDITOR'S REMUNERATION

	YEAR ENDED 31 DECEMBER 2018 £'000s	YEAR ENDED 31 DECEMBER 2017 £'000s
Fees payable to the Group's auditor for the audit of the Group's financial statements	304	306
Fees payable to the Group's auditor and their associates for other services to the Group		
- The audit of the Group's consolidated subsidiaries	46	42
- The audit of the Group's unconsolidated subsidiaries	111	329
<b>Total audit fees</b>	<b>461</b>	<b>677</b>
Other fees		
- Audit related assurance services	11	10
- Other services	42	202
<b>Total non-audit fees</b>	<b>53</b>	<b>212</b>

### 8. FINANCE COSTS

#### ACCOUNTING POLICY

Interest bearing loans and overdrafts are initially recorded as the proceeds received net of any directly attributable issue costs. Subsequent measurement is at amortised cost, with borrowing costs recognised in the Consolidated Statement of Comprehensive Income in the period in which they are incurred, using the effective interest rate method. Arrangement fees are amortised over the term of the corporate debt facility.

Finance costs for the year were £3.9 million (2017: £4.5 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 2018 there were no cash drawn amounts on the facility. The uncommitted balance of the facility which was not cash drawn or notionally drawn via letters of credit, was £399.5 million.

The facility was renewed in July 2018 on improved terms. The interest rate margin on the corporate debt facility is 165 (previously 175) basis points over Libor. The loan facility matures in July 2021 and is secured over the assets of the Group.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 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 2018 £'000s	YEAR ENDED 31 DECEMBER 2017 £'000s
<b>Current tax:</b>		
U.K. corporation tax credit – current year	(412)	(694)
U.K. corporation tax – prior year	-	399
Other overseas tax – current year	82	181
Other overseas tax – prior year	50	-
<b>Tax credit for the year</b>	<b>(280)</b>	<b>(114)</b>

Reconciliation of effective tax rate:	YEAR ENDED 31 DECEMBER 2018 £'000s	YEAR ENDED 31 DECEMBER 2017 £'000s
Profit before tax	138,089	106,385
Exempt tax status in Guernsey	-	-
Application of overseas tax rates	82	181
Group tax losses surrendered to unconsolidated investee entities	(412)	(694)
Adjustments to previous year's assessment	50	399
<b>Tax credit for the year</b>	<b>(280)</b>	<b>(114)</b>

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. To provide an indication of the tax paid across the wider portfolio, total forecasted corporation tax payable by the Group's underlying investments is in excess of £1 billion (2017: £1 billion) 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 2018 £'000s	YEAR ENDED 31 DECEMBER 2017 £'000s
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	138,369	106,499
	<b>Number</b>	<b>Number</b>
Weighted average number of Ordinary shares for the purposes of basic and diluted earnings per share	1,418,962,119	1,273,495,032
<b>Basic and diluted (pence)</b>	<b>9.75</b>	<b>8.36</b>

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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 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 IFRS 9 Financial Instruments. 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 2018 £'000s	31 DECEMBER 2017 £'000s
<b>Investments at fair value through profit and loss</b>	<b>2,097,468</b>	<b>2,005,292</b>
<b>Financial assets</b>		
Financial assets at amortised cost	25,234	26,963
Cash and cash equivalents	84,718	33,850
<b>Total financial assets</b>	<b>2,207,420</b>	<b>2,066,105</b>

#### ACCOUNTING POLICY

The Group classifies its financial assets as at fair value through profit or loss or as financial assets at amortised costs. 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 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 held in a portfolio, the business model of which is to manage them on a fair value basis. 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 meet the contracted cash flow test as solely payments of principal and interest and which are held in a business model to receive these contractual cash flows are classified as 'financial assets at amortised cost'. Financial assets at amortised cost are measured at amortised cost, less any impairment. 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 classified as financial assets and liabilities at fair value through profit or loss, held for trading. Derivatives are recognised initially, and are subsequently remeasured, at fair value. Derivatives are shown 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 using a simplified approach to calculate any expected credit losses. There is no material impairment at the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 11. FINANCIAL INSTRUMENTS (CONTINUED)

#### 11.2 FINANCIAL LIABILITIES

	31 DECEMBER 2018 £'000s	31 DECEMBER 2017 £'000s
<b>Financial liabilities at amortised cost</b>		
Trade and other payables	8,366	8,303
Bank loans	-	17,800
<b>Derivative financial instruments</b>		
Foreign exchange contracts	307	1,704
<b>Total financial liabilities</b>	<b>8,673</b>	<b>27,807</b>

#### 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 carrying value 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 39-49). 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, are fixed rate loans or the risk of adverse movement in interest rates is limited through protections provided by the regulatory regime. For example, it is generally a requirement under a PFI/PPP concession that any borrowings are matched to the life of the concession. Hedging activities are aligned with the period of the loan, which also mirrors the concession period and are highly effective. However, particularly in Australia, refinancing risk exists in a number of such investments. 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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 11. FINANCIAL INSTRUMENTS (CONTINUED)

#### 11.3 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies and therefore is exposed to exchange rate fluctuations. Currency risk arises in financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured. The Group uses forward foreign exchange contracts to mitigate the risk of short-term volatility in foreign exchange on significant investment returns from overseas investments. The Group doesn't hedge its exposure to foreign exchange in relation to foreign currency denominated investment balances. The carrying amounts of the Group's foreign currency denominated monetary financial instruments at the reporting date are set out in the table below:

	31 DECEMBER 2018 £'000s	31 DECEMBER 2017 £'000s
<b>Cash</b>		
Euro	2,555	204
Canadian Dollar	1,184	1,486
Australian Dollar	97	196
U.S. Dollar	1,227	405
	<b>5,063</b>	<b>2,291</b>
<b>Current receivables</b>		
Euro receivables	1,454	1,650
U.S. Dollar receivables	183	329
	<b>1,637</b>	<b>1,979</b>
<b>Investments at fair value through profit or loss</b>		
Euro	290,406	277,489
Canadian Dollar	38,163	38,287
Australian Dollar	206,872	207,835
U.S. Dollar	65,604	60,062
	<b>601,045</b>	<b>583,673</b>
<b>Total</b>	<b>607,745</b>	<b>587,943</b>

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 managements 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. Regulated asset regimes allow for the pass through of efficiently incurred costs to the purchaser.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 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 2018, the Group's only derivative financial instruments were currency forward contracts amounting to a liability of £0.3 million (2017: £1.7 million).

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

##### Level 3:

This category consists of investments in equity and loan instruments in underlying unconsolidated subsidiary entities and other non-controlled investments which are classified at fair value through profit or loss. At 31 December 2018, the fair value of financial instruments classified within Level 3 totalled £2,097.5 million (2017: £2,005.3 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<sup>1</sup> basis by the Investment Adviser and reviewed by the senior members of the Investment Adviser.

#### 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 the full-term of each underlying investment are generated by detailed investment specific financial models. These models forecast the dividend, shareholder loan interest payments, capital repayments and senior debt repayments (where applicable) expected from the underlying investments. 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 estimations (see also pages 24-25 of the strategic report). The significant unobservable inputs and assumptions used in projecting the Group's net future cash flows are shown overleaf.

<sup>1</sup> Indicative valuations are calculated in respect of each at 31 March and 30 September.



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 11. FINANCIAL INSTRUMENTS (CONTINUED)

#### 11.4 FAIR VALUE HIERARCHY (CONTINUED)

##### Valuation process (continued)

31 DECEMBER 2018	U.K.	EUROPE (EXCL. U.K.)	NORTH AMERICA	AUSTRALIA
Inflation	2.75% RPI, 2.00% CPIH	2.00%	2.00%	2.50%
Long-term tax	19.00%-17.00%	12.50%-29.58%	26.50% -27.00% <sup>1</sup>	30.00%
Foreign exchange rates	N/A	1.05	1.34-1.80	1.88
Long-term deposit rates	2.00%	2.00%	2.00%	3.00%

31 DECEMBER 2017	U.K.	EUROPE (EXCL. U.K.)	NORTH AMERICA	AUSTRALIA
Inflation	2.75% RPI	2.00%	2.00%	2.50%
Long-term tax	19.00%-17.00%	12.50%-29.58%	26.50% -27.00% <sup>1</sup>	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%

<sup>1</sup> Related to investments in Canada.

#### Discount rate

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

- Yield on a government bond with a remaining term equivalent to (or as close as possible to) the investment being valued, issued by the national government for the location of the relevant investment ('government bond yield')
- A premium to reflect the inherent greater risk in investing in infrastructure assets over government bonds
- A further premium to reflect the state of maturity of the asset with a larger premium applied to immature assets and/or assets in construction and/or to reflect any current asset specific or operational issues. Typically, this risk premium will reduce over the life of any asset as an asset matures, its operating performance becomes more established, and the risks associated with its future cash flows decrease. However, the rate may increase in relation to investments with unknown residual values at the end of the relevant concession life as that date nears
- A further adjustment reflective of market-based transaction valuation evidence for similar assets

Over the period, the weighted average government bond yield was stable. The weighted average investment risk premium decreased by 0.26%, reflecting observable market-based evidence. Further details are provided within the Strategic Report on pages 30-31.

VALUATION ASSUMPTIONS	31 DECEMBER 2018	31 DECEMBER 2017	MOVEMENT
Weighted Average Government Bond Yield	1.83%	1.83%	-
Weighted Average Investment Risk Premium	5.43%	5.69%	(0.26%)
<b>Weighted Average Discount Rate</b>	<b>7.26%</b>	<b>7.52%</b>	<b>(0.26%)</b>
<b>Weighted Average Discount Rate on Risk Capital<sup>1</sup></b>	<b>7.55%</b>	<b>7.87%</b>	<b>(0.32%)</b>

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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 11. FINANCIAL INSTRUMENTS (CONTINUED)

#### 11.4 FAIR VALUE HIERARCHY (CONTINUED)

	31 DECEMBER 2018 £'000s	31 DECEMBER 2017 £'000 s
RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS		
Balance at 1 January	2,005,292	1,515,163
Additional investments during the year	63,293	464,027
Net repayments during the year	(34,943)	(25,759)
Funds advanced to affiliated entities	-	2,053
Net change in fair value of investments at fair value through profit or loss	63,826	49,808
Balance at 31 December	2,097,468	2,005,292

#### 11.5 SENSITIVITY ANALYSIS

The valuation requires management to make certain assumptions in relation to unobservable inputs to the model. There are no straight forward inter-relationships between the unobservable inputs. A sensitivity analysis for reasonably possible alternative assumptions is provided below:

SIGNIFICANT ASSUMPTIONS 31 DECEMBER 2018	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	7.26%	+1.00%	(215,216)	-1.00%	259,450
Inflation rate (overall)	2.38%	+1.00%	260,898	-1.00%	(220,864)
U.K.	2.75%	+1.00%	204,773	-1.00%	(173,197)
Europe	2.00%	+1.00%	46,126	-1.00%	(39,019)
North America <sup>1</sup>	2.00%	+1.00%	1,079	-1.00%	(917)
Australia	2.50%	+1.00%	8,920	-1.00%	(7,709)
FX rate	N/A	+10.00%	60,833	-10.00%	(60,820)
Tax rate	17.65%	+1.00%	(19,044)	-1.00%	18,970
Deposit rate	1.87%	+1.00%	23,842	-1.00%	(22,310)

SIGNIFICANT ASSUMPTIONS 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 <sup>1</sup>	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)

<sup>1</sup> Relates to Canadian investments only.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 12. INVESTMENTS

#### 2018

DATE OF INVESTMENT	DESCRIPTION	CONSIDERATION £'000s	% OWNERSHIP POST INVESTMENT
2 January 2018	The Group funded a final tranche of investment in the Gold Coast Rapid Transport project, Australia	575	30%
28 March 2018	The Group made an investment to acquire an additional interest in the Hertfordshire Phase 1 Building Schools for the Future project, U.K.	1,745	100%
April – December 2018	The Group made investments as part of its commitment to the National Digital Infrastructure Fund, U.K.	14,807	45%
7 November 2018	The Group made an investment in the Dudgeon offshore transmission project, U.K.	46,166	100%
<b>Total capital spend on investments during the year</b>		<b>63,293</b>	

#### 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%
<b>Total capital spend on investments during the year</b>		<b>464,027</b>	

1 Acquired debt only.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 13. FINANCIAL ASSETS AT AMORTISED COST

	31 DECEMBER 2018 £ '000s	31 DECEMBER 2017 £'000s
Accrued interest receivable	20,704	22,295
Other debtors	4,530	4,668
<b>Total financial assets at amortised cost</b>	<b>25,234</b>	<b>26,963</b>

Other debtors included £4.3 million (2017: £3.8 million) of receivables from unconsolidated subsidiary entities for surrender of Group tax losses.

### 14. TRADE AND OTHER PAYABLES

	31 DECEMBER 2018 £ '000s	31 DECEMBER 2017 £'000s
Accrued management fee	7,131	7,056
Other creditors and accruals	1,235	1,247
<b>Total trade and other payables</b>	<b>8,366</b>	<b>8,303</b>

### 15. SHARE CAPITAL AND RESERVES

	31 DECEMBER 2018 SHARES '000s	31 DECEMBER 2017 SHARES '000s
<b>SHARE CAPITAL</b>		
In issue 1 January	1,405,420	1,127,421
Issued for cash	76,066	273,333
Issued as a scrip dividend alternative	2,843	4,666
<b>In issue at 31 December – fully paid</b>	<b>1,484,329</b>	<b>1,405,420</b>
	31 DECEMBER 2018 £'000s	31 DECEMBER 2017 £'000s
Opening balance	1,441,048	1,029,387
Issued for cash (excluding issue costs)	116,000	410,000
Issued as a scrip dividend alternative	4,270	7,283
<b>Total share capital issued in the year</b>	<b>120,270</b>	<b>417,283</b>
Costs on issue of Ordinary Shares	(1,075)	(5,622)
<b>Balance at 31 December</b>	<b>1,560,243</b>	<b>1,441,048</b>

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

On 29 October 2018, the Group raised an additional £116 million of equity through a tap issue of 76,065,574 Ordinary Shares at an issue price per share of 152.5 pence.

On 8 November 2018, 2,843,332 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 2018.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 15. SHARE CAPITAL AND RESERVES (CONTINUED)

	31 DECEMBER 2018 £'000s	31 DECEMBER 2017 £'000s
<b>OTHER DISTRIBUTABLE RESERVE</b>		
Opening balance	182,481	182,481
Movement in the year	-	-
<b>Balance at 31 December</b>	<b>182,481</b>	<b>182,481</b>

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.

	31 DECEMBER 2018 £'000s	31 DECEMBER 2017 £'000s
<b>RETAINED EARNINGS</b>		
Opening balance	414,769	391,785
Net profit for the year	138,369	106,499
Dividends paid <sup>1</sup>	(97,115)	(83,515)
<b>Closing balance</b>	<b>456,023</b>	<b>414,769</b>

1 Includes scrip element of £4.3 million in 2018 (2017: £7.3 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 2018.

The Board has approved interim distributions as follows:

	YEAR ENDED 31 DECEMBER 2018 £'000s	YEAR ENDED 31 DECEMBER 2017 £'000s
Amounts recognised as distributions to equity holders for the year ended 31 December	97,115 <sup>1</sup>	83,515
<b>Declared</b>		
Interim distribution for the period 1 January to 30 June 2018 was 3.5 pence per share (2017: 3.41 pence per share)	49,189	46,028
Interim distribution for the period 1 July to 31 December 2018 was 3.5 pence per share <sup>2</sup> (2017: 3.41 pence per share)	51,952	47,945

1 Includes the 2017 interim distribution for the period 1 July to 31 December 2017.

2 The distribution for the period 1 July to 31 December 2018 was approved by the Board on 27 March 2019 and therefore has not been included as a liability in the balance sheet for the year ended 31 December 2018.

### 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 on pages 50-51.

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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 16. NET ASSETS PER SHARE

	31 DECEMBER 2018 £'000s	31 DECEMBER 2017 £'000s
Net assets attributable to equity holders of the parent	2,198,747	2,038,298
	Number	Number
<i>Number of shares</i>		
Ordinary shares outstanding at the end of the year	1,484,329,031	1,405,420,125
<i>Net assets per share (pence per share)</i>	148.1	145.0

### 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 Director's fees of £43,000 (2017: £43,000) 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 2018 £'000s	FOR THE YEAR ENDED 31 DECEMBER 2017 £'000s	AT 31 DECEMBER 2018 £'000s	AT 31 DECEMBER 2017 £'000s
International Public Partnerships GP Limited	22,798	20,637	7,131	7,056
Amber Fund Management Limited <sup>1</sup>	957	6,835	2	103
<b>Total</b>	<b>23,755</b>	<b>27,472</b>	<b>7,133</b>	<b>7,159</b>

<sup>1</sup> 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.



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 17. RELATED PARTY TRANSACTIONS (CONTINUED)

#### 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 10 years from the date of the IAA.

As at 31 December 2018, Amber Infrastructure held 8,002,379 (2017: 8,002,379) shares in the Company. The shares held by the Investment Adviser in the Company helps further strengthen the alignment of interests between the two parties.

#### TRANSACTIONS WITH DIRECTORS

Shares acquired by Directors in the year are disclosed below:

DIRECTOR	NUMBER OF NEW ORDINARY SHARES	
	YEAR ENDED 31 DECEMBER 2018	YEAR ENDED 31 DECEMBER 2017
Mike Gerrard	55,739	-
Julia Bond	14,020	-
John Le Poidevin	32,550	65,333
Claire Whittet	1,585	15,760
John Whittle	-	6,666
Giles Frost	13,484	367,039
Rupert Dorey	-	329,000
<b>Total purchased</b>	<b>117,378</b>	<b>783,798</b>

Remuneration paid to the Non-Executive Directors is disclosed on page 56.

### 18. CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2018 the Group has committed funding of up to c. £195.0 million (2017: £179.1 million), including committed investment amounts as noted in the Strategic Report on page 15 and 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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 20. OTHER MANDATORY DISCLOSURES

#### NEW STANDARDS THAT THE GROUP HAS APPLIED FROM 1 JANUARY 2018

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.

- 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)

#### 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. 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)
- 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 2018 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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 20. OTHER MANDATORY DISCLOSURES (CONTINUED)

#### UNCONSOLIDATED SUBSIDIARIES (CONTINUED)

NAME	PLACE OF INCORPORATION (OR REGISTRATION) AND OPERATION	PROPORTION OF OWNERSHIP INTEREST %
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.	100
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
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 Westernmost Rough OFTO Limited	U.K.	100
TC Dudgeon OFTO PLC	U.K.	100

The entities listed above in aggregate represent 63.0% (2017: 62.2%) of investments at fair value through profit or loss. The remaining fair value is driven from joint ventures, associate interests and minority stakes held by the Group.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 20. OTHER MANDATORY DISCLOSURES (CONTINUED)

#### CONSOLIDATED SUBSIDIARIES

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

NAME	PLACE OF INCORPORATION (OR REGISTRATION) AND OPERATION	PROPORTION OF OWNERSHIP INTEREST %
International Public Partnerships Limited Partnership	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 130 investments across energy transmission, education, transport, health, courts, wastewater, police, military housing and other sectors. The table overleaf sets out the Group's investments that are recorded at fair value through profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 21. INVESTMENTS (CONTINUED)

INVESTMENT NAME	COUNTRY	STATUS AT 31 DECEMBER 2018	PER CENT. RISK CAPITAL OWNED BY THE GROUP <sup>1</sup>	INVESTMENT END
<b>U.K.</b>				
<b>U.K. PPP Assets</b>				
Calderdale Schools	U.K.	Operational	100.0	April 2030
Derbyshire Schools Phase Two	U.K.	Operational	100.0	February 2032
Northamptonshire Schools	U.K.	Operational	100.0	December 2037
Derbyshire Courts	U.K.	Operational	100.0	August 2028
Derbyshire Schools Phase One	U.K.	Operational	100.0	April 2029
North Wales Police HQ	U.K.	Operational	100.0	December 2028
St Thomas More Schools	U.K.	Operational	100.0	April 2028
Tower Hamlets Schools	U.K.	Operational	100.0	August 2027
Norfolk Police HQ	U.K.	Operational	100.0	December 2036
Strathclyde Police Training Centre	U.K.	Operational	100.0 <sup>2</sup>	September 2026
Hereford & Worcester Courts	U.K.	Operational	100.0 <sup>2</sup>	September 2025
Abingdon Police Station	U.K.	Operational	100.0	April 2030
Bootle Government Offices	U.K.	Operational	100.0	June 2025
Maesteg Schools	U.K.	Operational	100.0	July 2033
Moray Schools	U.K.	Operational	100.0	February 2042
Liverpool Library	U.K.	Operational	100.0	November 2037
<b>Priority Schools Building Aggregator Programme</b>				
Batch 1 – Schools in North East England	U.K.	Operational	0.0 <sup>2</sup>	August 2040
Batch 2 – Schools in Hertfordshire, Luton and Reading	U.K.	Operational	0.0 <sup>2</sup>	November 2040
Batch 3 – Schools in North West of England	U.K.	Operational	0.0 <sup>2</sup>	August 2041
Batch 4 – Schools in the Midlands Region	U.K.	Construction	0.0 <sup>2</sup>	December 2041
Batch 5 – Schools in Yorkshire	U.K.	Operational	0.0 <sup>2</sup>	September 2041
<b>OFTOs</b>				
Robin Rigg OFTO	U.K.	Operational	100.0	March 2031
Gunfleet Sands OFTO	U.K.	Operational	100.0	July 2031
Barrow OFTO	U.K.	Operational	100.0	March 2030
Ormonde OFTO	U.K.	Operational	100.0 <sup>2</sup>	July 2032
Lincs OFTO	U.K.	Operational	100.0 <sup>2</sup>	November 2034
Westermest Rough OFTO	U.K.	Operational	100.0	February 2036
Dudgeon OFTO	U.K.	Operational	100.0	November 2038
<b>Building Schools for the Future Portfolio</b>				
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	September 2036
Blackburn with Darwen Phase Two	U.K.	Operational	90.0	September 2039
Derby City	U.K.	Operational	90.0	August 2037
Durham Schools	U.K.	Operational	91.0	January 2036
Ealing Schools Phase One	U.K.	Operational	80.0	March 2038
Halton Place	U.K.	Operational	45.0	March 2038
Hertfordshire Schools Phase One	U.K.	Operational	100.0	August 2037
Islington Phase One	U.K.	Operational	90.0	August 2034
Islington Phase Two	U.K.	Operational	90.0	March 2039

<sup>1</sup> Risk Capital includes project level equity and/or subordinated shareholder debt.

<sup>2</sup> 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 2018

### 21. INVESTMENTS (CONTINUED)

INVESTMENT NAME	COUNTRY	STATUS AT 31 DECEMBER 2018	PER CENT. RISK CAPITAL OWNED BY THE GROUP <sup>1</sup>	INVESTMENT END
Oldham Schools	U.K.	Operational	99.0	August 2037
Tameside Schools One	U.K.	Operational	46.0	August 2036
Tameside Schools Two	U.K.	Operational	46.0	August 2037
Nottingham Schools One	U.K.	Operational	82.0	August 2034
Nottingham Schools Two	U.K.	Operational	82.0	August 2038
South Tyneside and Gateshead Schools One	U.K.	Operational	90.1	October 2034
South Tyneside and Gateshead Schools Two	U.K.	Operational	90.1	September 2036
Southwark Phase One	U.K.	Operational	90.0	January 2036
Southwark Phase Two	U.K.	Operational	90.0	December 2036
Wolverhampton Schools Phase One	U.K.	Operational	90.0	September 2037
Wolverhampton Schools Phase Two	U.K.	Operational	90.0	August 2040
Kent Schools	U.K.	Operational	58.0	August 2035
<b>NHS LIFT Portfolio</b>				
Beckenham Hospital	U.K.	Operational	49.8	December 2033
Garland Road Health Centre	U.K.	Operational	49.8	December 2031
Alexandra Avenue Primary Care Centre, Monks Park Health Centre (two projects)	U.K.	Operational	49.8	June 2031
Gem Centre Bentley Bridge, Phoenix Centre (two projects)	U.K.	Operational	49.8	December 2030
Sudbury Health Centre	U.K.	Operational	49.8	November 2032
Mt Vernon	U.K.	Operational	49.8	December 2033
Lakeside	U.K.	Operational	49.8	November 2032
Fishponds Primary Care Centre, Hampton House Health Centre (two projects)	U.K.	Operational	33.4	January 2031
Shirehampton Primary Care Centre, Whitchurch Primary Care Centre (two projects)	U.K.	Operational	33.4	May 2032
Blackbird Leys Health Centre, East Oxford Care Centre (two projects)	U.K.	Operational	33.4	May 2031
Brierley Hill	U.K.	Operational	34.3	April 2035
Ridge Hill Learning Disabilities Centre, Stourbridge Health & Social Care Centre (two projects)	U.K.	Operational	34.3	October 2031
Harrow NRC (three projects)	U.K.	Operational	49.8	June 2034
Goscote Palliative Care Centre	U.K.	Operational	49.8	November 2035
South Bristol Community Hospital	U.K.	Operational	33.4	February 2042
East London LIFT Project One (four projects)	U.K.	Operational	30.0	October 2030
East London LIFT Project Two (three projects)	U.K.	Operational	30.0	April 2033
East London LIFT Project Three (Newby Place)	U.K.	Operational	30.0	May 2037
East London LIFT Project Four (two projects)	U.K.	Operational	30.0	August 2036
<b>Other U.K.</b>				
Angel Trains	U.K.	Operational	4.8	December 2038
Tideway	U.K.	Construction	15.99	March 2150
Cadent	U.K.	Operational	4.4	June 2069
National Digital Infrastructure Fund	U.K.	Operational	45.0	July 2027

<sup>1</sup> Risk Capital includes project level equity and/or subordinated shareholder debt.

<sup>2</sup> 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 2018

### 21. INVESTMENTS (CONTINUED)

INVESTMENT NAME	COUNTRY	STATUS AT 31 DECEMBER 2018	PER CENT. RISK CAPITAL OWNED BY THE GROUP <sup>1</sup>	INVESTMENT END
<b>Australia</b>				
Royal Melbourne Showgrounds	Australia	Operational	100.0	August 2031
Long Bay Forensic & Prisons Hospital Project	Australia	Operational	100.0	July 2034
Reliance Rail	Australia	Operational	33.0	February 2044
Royal Children's Hospital	Australia	Operational	100.0	December 2036
Orange Hospital	Australia	Operational	100.0	December 2035
NSW Schools	Australia	Operational	25.0	December 2035
Gold Coast Rapid Transport	Australia	Operational	30.0	May 2029
Victoria Schools Two	Australia	Operational	100.0	December 2042
<b>North America</b>				
Alberta Schools	Canada	Operational	100.0	June 2040
Durham Courts	Canada	Operational	100.0	November 2039
U.S. Military Housing	U.S.	Operational	0.0 <sup>2</sup>	October 2052
<b>Europe (ex U.K.)</b>				
Diabolo Rail Link Project	Belgium	Operational	100.0	June 2047
Dublin Courts	Ireland	Operational	100.0	February 2035
BeNEX (Bus and Rail)	Germany	Operational	49.0	December 2037
Federal German Ministry of Education and Research Headquarters	Germany	Operational	97.0	July 2041
Pforzheim Schools	Germany	Operational	98.0	September 2039
Offenbach Police Centre	Germany	Construction	45.0	June 2050
Brescia Hospital	Italy	Operational	37.0	November 2021

<sup>1</sup> Risk Capital includes project level equity and/or subordinated shareholder debt.

<sup>2</sup> Investment contains senior or mezzanine debt in addition to any Risk Capital ownership shown.

# KEY CONTACTS

## INVESTMENT ADVISER

Amber Fund Management Limited  
3 More London Riverside  
London  
SE1 2AQ

## AUDITOR

Ernst & Young LLP  
Royal Chambers  
St Julian's Avenue  
St Peter Port  
Guernsey  
Channel Island  
GY1 4AF

## CORPORATE BROKERS

Numis Securities Limited  
The London Stock Exchange Building  
10 Paternoster Square  
London  
EC4M 7LT

## REGISTERED OFFICE

Heritage Hall  
PO Box 225, Le Marchant Street  
St Peter Port  
Guernsey  
Channel Islands  
GY1 4HY

## LEGAL ADVISER

Carey Olsen  
PO Box 98, Carey House  
Les Banques  
Guernsey  
Channel Islands  
GY1 4BZ

## PUBLIC RELATIONS

FTI Consulting  
200 Aldersgate  
Aldersgate Street  
London  
EC1A 4HD

## ADMINISTRATOR AND COMPANY SECRETARY

Estera International Fund Managers  
(Guernsey) Limited  
Heritage Hall  
PO Box 225, Le Marchant Street  
St Peter Port  
Guernsey  
Channel Islands  
GY1 4HY

## CORPORATE BANKER

Royal Bank of Scotland International  
1 Glatigny Esplanade  
St Peter Port  
Guernsey  
Channel Islands  
GY1 4BQ