



INTERNATIONAL
PUBLIC
PARTNERSHIPS



2019

Annual Report and
Financial Statements

OUR PURPOSE IS TO DELIVER LONG-TERM BENEFITS FOR ALL STAKEHOLDERS BY INVESTING RESPONSIBLY IN PUBLIC AND SOCIAL INFRASTRUCTURE.

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

We support all our stakeholders through responsible investment and active asset management, which meet societal and environmental requirements both now and into the future.

COMPANY FACTS

- London Stock Exchange trading code: INPP.L
- Member of the FTSE 250 and FTSE All-Share indices
- £2.7 billion market capitalisation at 31 December 2019
- 1,611 million shares in issue at 31 December 2019
- Eligible for ISA/PEPs and SIPPs
- Guernsey incorporated company
- International Public Partnerships ('the Company', 'INPP', 'the Group' (where including consolidated entities)) shares are excluded from the Financial Conduct Authority's ('FCA') restrictions, which apply to non-mainstream investment products, and can be recommended by independent financial advisers to their clients

WWW.INTERNATIONALPUBLICPARTNERSHIPS.COM

International Public Partnerships Limited
Registered number: 45241

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FULL-YEAR FINANCIAL HIGHLIGHTS

DIVIDENDS

7.18p

2019 full-year dividend per share¹

2.6%

2019 dividend growth²

7.36p

2020 full-year dividend target per share²

1.3x

Cash dividend cover³

7.55p

2021 full-year dividend target per share²

NET ASSET VALUE ('NAV')⁴

£2.4bn

NAV at 31 December 2019⁴
(2018: £2.2bn)

10.3%

Increase in NAV

150.6p

NAV per share at 31 December 2019⁴ (2018: 148.1p)

1.7%

Increase in NAV per share

PORTFOLIO ACTIVITY

£281.3m

Cash investments made during 2019

REAL RETURNS

0.82%

Portfolio inflation-linkage at 31 December 2019⁵
(2018: 0.82%)

TOTAL SHAREHOLDER RETURN ('TSR')⁶

209.3%

TSR since Initial Public Offering ('IPO')⁶

9.0% p.a.

Annualised TSR since IPO⁶

PROFIT

£137.8m

Profit before tax
(2018: £138.1m)

¹ The forecast date for payment of the dividend relating to the six months to 31 December 2019 is 19 June 2020.

² Future profit projection and dividends cannot be guaranteed. Projections are based on current estimates and may vary in future.

³ Cash dividend payments to investors are paid from net operating cash flow before capital activity as detailed on pages 24-25.

⁴ The methodology used to determine the NAV is described in detail on pages 27-33.

⁵ 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.

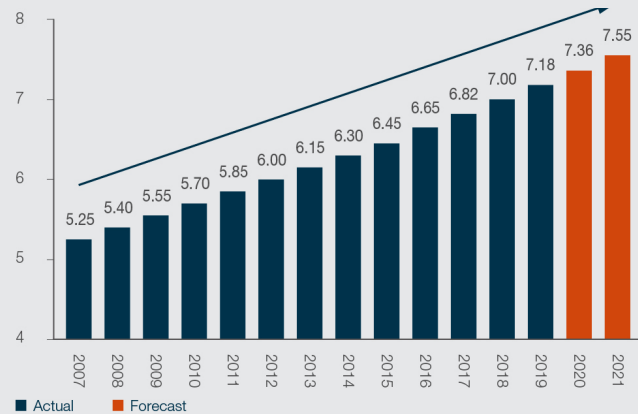
⁶ Since inception in November 2006. Source: Bloomberg. Share price appreciation plus dividends assumed to be reinvested.

COMPANY OVERVIEW

CONSISTENT AND GROWING RETURNS

INPP Dividend Payments

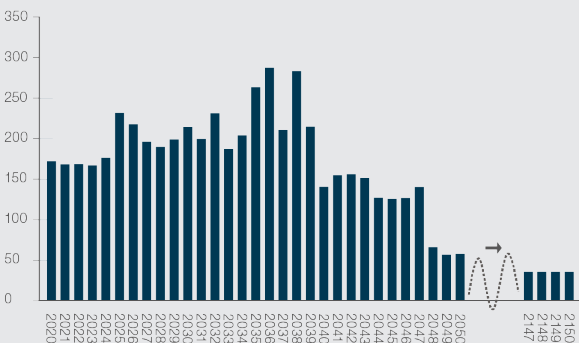
Pence per share



HIGHLY PREDICTABLE PORTFOLIO PERFORMANCE

Projected Investment Receipts

Investment Receipts (£m)

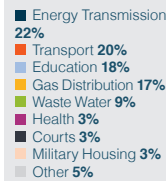


This chart is not intended to provide any future profit forecast. Cash flows shown are projections based on the current individual asset financial models and may vary in future. Only investments committed as at 31 December 2019 are included.

LOW RISK AND DIVERSIFIED PORTFOLIO

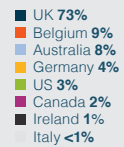
Sector Breakdown

130 investments in infrastructure projects across a variety of sectors¹



Geographic Split

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



Investment Type

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



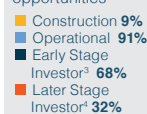
Asset Ownership

Preference to hold majority stakes



Mode of Acquisition / Asset Status

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



Investment Life

Weighted average portfolio life of 34 years⁵



- The majority of projects benefit from availability-based revenues.
- Risk Capital includes both project level equity and subordinated shareholder debt.
- 'Early Stage Investor' – asset developed or originated by the Investment Adviser or predecessor team in primary or early

- phase investments.
- '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.

OUR STRENGTHS

We have a long-standing relationship with Amber Infrastructure Group, the Company's Investment Adviser

Amber has managed the Company's assets since IPO in 2006

International Public Partnerships invests in high-quality infrastructure projects and businesses that are sustainable over the long term

Amber Infrastructure Group ('Amber') is a specialist international infrastructure investment manager and one of the largest independent teams in the sector with c.130 employees working internationally. It is a leading investment originator, asset and fund manager with a strong track record

Amber applies an active asset management approach to the underlying investments to support sustainable performance

The Company has first right of refusal over qualifying infrastructure assets developed by Amber and for US investments, by its main shareholder, US Group, Hunt Companies LLC

Relationship with the Investment Adviser



AMBER
INFRASTRUCTURE GROUP



Our Strengths

Long-term alignment of interests between the Company, Amber and other key suppliers

Amber has physical presence in all of the major countries in which we invest, which provides local insights and relationships

A vertically integrated model with direct relationships with public sector authorities

Experienced team in all aspects of infrastructure development, investment and management

Active approach to investment stewardship, which is the cornerstone of successful investment

Consideration and integration of material Environmental, Social and Governance ('ESG') issues and opportunities

Active engagement with all key stakeholders

Strong independent Board with a diversity of experience and strong corporate governance

See more about the Investment Adviser on pages 21-23

See more about Corporate Governance on page 10

BUSINESS MODEL

DELIVERING INVESTOR RETURNS

OUR PURPOSE

OUR PURPOSE IS TO DELIVER LONG-TERM BENEFITS FOR ALL STAKEHOLDERS BY INVESTING RESPONSIBLY IN PUBLIC AND SOCIAL INFRASTRUCTURE.

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

We support all our stakeholders through responsible investment and active asset management, which meet societal and environmental requirements both now and into the future.

WHAT WE DO

INVEST

We seek new investments through our extensive relationships, knowledge and insights to:


- Enhance predictable, long-term cash flows
- Provide opportunities to create long-term value and enhance returns
- Ensure ESG is core to the investment process

ASSESS

The Company operates a rigorous framework of governance, incorporating a streamlined screening, diligence and execution process. This includes substantive input from the Company's Investment Adviser and, as appropriate, external advisers, with the Company's Board providing robust challenge and scrutiny

VALUE-FOCUSED PORTFOLIO DEVELOPMENT

- We seek investments with no or low exposure to market demand risks and for which financial, macroeconomic, regulatory, ESG and country risks are well understood and manageable
- The Investment Adviser has a strong investment team that originates unique opportunities in line with the Company's investment strategy
- We continually monitor opportunities to enhance the Company's existing investments

 For more see pages 14-16

EFFICIENT FINANCIAL MANAGEMENT

CONTINUOUS RISK MANAGEMENT

STRONG RESPONSIBLE INVESTMENT

OPTIMISE


Using the Investment Adviser's highly experienced in-house asset management team, we seek to actively manage the Company's investments, balancing risk and return, and using detailed research and analysis to optimise our investment performance

DELIVER


Together with our Investment Adviser's active asset management of our investments, we aim to deliver strong ongoing asset performance for stakeholders and achieve target returns from the portfolio for investors

ACTIVE ASSET MANAGEMENT


- The Investment Adviser has an in-house asset management team dedicated to managing the Company's investments
- Where possible, through the Investment Adviser, we manage the day-to-day activities of each of our investments internally
- We carry out extensive monitoring, for example, asset level board and management meetings occur on a quarterly basis
- The Company works with public sector clients to ensure investments are being managed both responsibly and efficiently to deliver the required outputs
- We focus on project stewardship across the portfolio and recognise the broader value created from our investments

 For more see pages 21-23


- Efficient financial management of investment cash flows and working capital
- Maintaining cash covered dividends
- Ensuring cost-effective operations

 For more see pages 24-25

- Robust risk analysis during investment origination ensures strong portfolio development
- Integrated risk management throughout the investment cycle to support strategic objectives
- Ongoing risk assessment and mitigation ensures successful ongoing asset performance

 For more see pages 42-53

- Fully integrating ESG considerations across the investment lifecycle
- Setting robust ESG objectives to build resilience and drive environmental and social progress
- Uphold high standards of business integrity and governance

 For more see pages 34-41

VALUE CREATION



INVESTOR RETURNS

Continue to deliver consistent financial returns for investors through dividend growth and inflation-linkage from underlying cash flows and provide opportunities for capital appreciation



PUBLIC SECTOR AND OTHER CLIENTS

Providing responsible investment in infrastructure to support the delivery of essential public services. Our ability to deliver services and maintain relationships with our clients and other key stakeholders is vital for the long-term prosperity of each investment



COMMUNITIES

Delivering social infrastructure for the benefit of local communities. The Company's investments provide vital public assets for their communities, and seek to provide additional benefits through deploying investment in local economies, job creation and by using investments to help strengthen communities



SUPPLIERS AND THEIR EMPLOYEES

The performance of our service providers, supply chain and their employees is crucial for the long-term success of our investments. The Company promotes a progressive approach to:

- Corporate social responsibility
- Healthy, inclusive workplaces
- Opportunities for professional development
- Staff engagement

OBJECTIVES AND PERFORMANCE

INVESTOR RETURNS

Delivering long-term, inflation-linked returns to investors

Target an annual dividend increase of 2.5%

2.6%

Annual dividend increase achieved
(2018: 2.6%)

Target a long-term total return in excess of 7.0% per annum

8.0% p.a.

IRR achieved since IPO¹
(2018: 8.1%)

Inflation-linked returns on a portfolio basis

0.82%

Inflation-linked returns on a portfolio basis
(2018: 0.82%)

1. Calculated by reference to the November 2006 IPO issue price of 100p and reflecting NAV appreciation plus dividends paid.
2. Measured by comparing forecast portfolio distributions against actual portfolio distributions received.

STRATEGIC PRIORITIES

VALUE-FOCUSED PORTFOLIO DEVELOPMENT

Originate investments with stable long-term cash flows and potential growth attributes, whilst maintaining a balanced portfolio of assets

ACTIVE ASSET MANAGEMENT

Managing strong ongoing asset performance

STRONG RESPONSIBLE INVESTMENT

Management of material ESG factors

EFFICIENT FINANCIAL MANAGEMENT

Making efficient use of the Company's finances and working capital

The value we provide to our investors is monitored using our Investor Return Key Performance Indicators ('KPIs'). The delivery of value to both investors and our wider stakeholders is achieved by carefully monitoring our performance against related strategic priorities.

New investments meet at least three of six key investment attributes:

- 1. Stable, long-term returns
- 2. Inflation-linked investor cash flows
- 3. Early stage investor
- 4. Investment secured through preferential access
- 5. Other capital enhancement attributes
- 6. Positive UN Sustainable Development Goals ('UN SDG') contribution

100%

of the investments made in 2019 met at least three of the six attributes

Strong ongoing asset performance as demonstrated by:

100%

Forecast distributions received² (2018: 100%)

0.3%

Asset performance deductions achieved against a target of <3% (2018: 1.62%)

99.7%

Asset availability achieved against a target of >98% (2018: 99.6%)

Managing in construction investment delivery

9.2%

of portfolio investments in construction. (2018: 11.0%) All in-construction investments are within budget and on schedule

Robust integration of ESG into investment lifecycle

94%

of portfolio has an ESG policy (2018: 94%)

Cash covered dividends

Dividends fully cash covered

1.3x

(2018: 1.2x)

Competitive ongoing charges

Ongoing charges ratio

1.10%

(2018: 1.17%)

CHAIRMAN'S LETTER

Dear Shareholders,

As I write this letter, the uncertainty associated with the Covid-19 pandemic hangs heavily over all aspects of our society. Our thoughts are firstly with all those afflicted and secondly, and particularly so given our close relationship with our many public sector clients, with all those working tirelessly to minimise the impact of this disease on us all. Through our Investment Adviser, we have been proactively engaging with our public sector clients and supply chain to provide support, where possible. This includes ensuring that investments remain open where necessary, and in some cases repurposed. We are working with our supply chain to reallocate workers to support key roles for the vulnerable as well as ensuring payments are made promptly. We will continue to monitor the situation as it evolves and continue to contribute, where we can, to the international effort. Our asset management team is working hard to ensure that, so far as possible, there are contingency plans in place for these and other risks.

As a business we are working hard to understand the likely impacts of Covid-19 on the Company's operations. At the time of writing this letter, we believe that all our assets are operating as intended and the Company continues to receive cash from its investments as expected. While we are in no way complacent about the future, which is full of uncertainties, we take comfort from the fact that the overwhelming majority of our assets benefit from payments either linked to the availability of that asset for use, or made through a legislatively backed regulated mechanism.

We have always taken risk very seriously within the Company and I am optimistic that this approach will continue to serve us well. Whilst we cannot be certain about the future, I am confident that the Board and the Investment Adviser are well resourced and vigilant in protecting the Company's interests. With this caveat therefore, I believe the Company to be in a strong position to weather this situation. This confidence is buoyed by the current strength of the Company's balance sheet.

Turning to the year now behind us, I am pleased to report that 2019 was another strong year for the Company in which we continued to deliver financial performance in line with expectations. This reflected progress across our entire portfolio of investments in infrastructure projects and businesses, both in the UK and overseas.

The environment for infrastructure investment remained buoyant throughout 2019 and, following the outcome of the UK General Election in December 2019, concerns receded that certain infrastructure investments in the UK were at possible future risk of nationalisation. The reduction in this risk was reflected in the Company's share price which appreciated c.5% during December 2019. Since its listing in 2006, the Company had, to the end of 2019, generated a TSR of 209.3%, or 9.0% on an annualised basis.

The Company once again met its target full-year dividend of 7.18 pence per share (2018: 7.00 pence per share) reflecting an annualised increase of 2.6%, exceeding the Company's long-term record for annual dividend growth of c.2.5%. The Board is pleased to reaffirm its target dividend for 2020 of 7.36 pence per share and provide new guidance of 7.55 pence per share for 2021. Whilst we have good forward-visibility of the cash flows generated by the Company's investments given their predictability and we are confident of the Company's longer-term prospects, we are of course mindful of the current Covid-19 related uncertainty. Currently however, other than the general uncertainty affecting all markets, there is nothing specific that we are aware of that would cause us to amend our forward guidance of expected dividends.

The Company reported a 10.3% increase in NAV from £2.2 billion at 31 December 2018 to £2.4 billion at 31 December 2019; and a NAV per share increased of 1.7% from 148.1 pence to 150.6 pence. The combination of strong performance, growth in capital, strategic acquisitions and continued investor demand for new shares, resulted in an increase in the Company's market capitalisation to over £2.7 billion at the end of 2019 (31 December 2018: £2.3 billion).

The overall NAV outcome for 2019 reflects a positive underlying portfolio performance in line with our projections and expectations. The second half of the year was, however, characterised by two key macroeconomic developments that had a negative impact on the portfolio valuation. Firstly, the UK Conservative Party manifesto promised to repeal the previously enacted future reduction in the rate of corporation tax. Legislation had previously been passed to reduce this rate to 17% by April 2020 and, in line with our policy of applying enacted tax rates to our future projected income when calculating NAV, this assumed reduction had been incorporated into previous NAV valuations. Whilst the legislated reductions in the future rates of corporation tax have not yet been formally repealed, we have assumed for the purposes of the 2019 year-end valuation that they will be.

CHAIRMAN'S LETTER

CONTINUED

The second macroeconomic change to affect the portfolio came following the UK General Election result and the agreement of the transitional arrangements for Britain leaving the European Union ('EU'), which resulted in sterling showing some appreciation against other currencies. This led to a reduction in the sterling valuation of our overseas assets. However, I note in passing, that at the time of writing this letter these changes have reversed and sterling has weakened further against the euro and US dollar.

INVESTMENT ACTIVITY

During 2019, the Company successfully completed £281.3 million of additional investments across the transport, offshore transmission ('OFTO'), digital and education sectors; and raised over £190 million of new capital.

The Company completed a £153.2 million acquisition of an additional interest in Cadent and saw its aggregated holding in Cadent increase to 7.25%. This investment delivers long-term cash flows with low anticipated levels of volatility and a strong degree of inflation-linkage.

The Company also completed the acquisition of a further 51% shareholding in BeNEX, a rolling stock leasing and operating business in Germany, for £29.4 million¹. Having initially acquired 49% of BeNEX in 2007, the Company was well-positioned to negotiate the further acquisition on accretive terms. The additional investment will support BeNEX's ongoing role in providing high-quality public transport within many areas of Germany.

In September 2019, the Company successfully completed an innovative refinancing and restructuring of three projects within its offshore transmission portfolio - Barrow, Gunfleet Sands and Robin Rigg. This involved the repayment of the original bank debt with a combination of new lower-cost long-term finance and a £71.5 million senior debt investment made by the Company itself. This is a good example of how the Company will continue to find ways of improving the quality of its earnings from existing assets, as well as seeking overall accretive returns from new investments.

The Company was also appointed preferred bidder on the Beatrice and Rampion OFTOs during the period, our eighth and ninth OFTO projects, and expects to invest c.£100 million when these transactions reach financial close, which is expected to be later in 2020. These OFTOs have a combined transmission capacity of 988 MW, enough to power 800,000 homes with renewable energy, thereby further increasing the Company's contribution to the UK's low-carbon transition.

Further details of investments made during the year can be found on pages 14-16.

ASSET STEWARDSHIP AND PORTFOLIO PERFORMANCE

The active asset management approach adopted by the Company's Investment Adviser is fundamental to the long-term performance of the Company. It has enabled the Company to develop a reputation for delivering transparent and responsible stewardship of infrastructure assets which support essential public services.

Through its Investment Adviser, the Company has access to a large platform of skilled individuals with experience across the infrastructure spectrum. The Investment Adviser offers a full-service approach, which allows the Company to work closely with the underlying investments' key stakeholders on a day-to-day basis throughout the lifecycle of the investment. This approach ensures that the Company is responsive to stakeholder feedback and that the returns we generate, both financial and non-financial, are well understood by all our stakeholders. Health and safety issues are always covered first in the reports that the Company receives from its Investment Adviser, reflecting the priority that they and we give to the wellbeing of all those who work for, or come into contact with, the projects and businesses in which we invest.

Environmental stewardship and attention to wider social considerations are an important part of the Company's approach to infrastructure investment and the management of our portfolio and relationships. This view is shared by the Company's Investment Adviser, which became a signatory to the UN Principles of Responsible Investment ('UN PRI') in 2019. Alongside ESG considerations, the Company also integrates the UN Sustainable Development Goals ('UN SDGs') across the investment process and within its approach to asset management. Following engagement with the Company's shareholders, we have updated our approach to reporting in response to a growing demand for disclosure. This includes a clearer distinction between the positive impact of the investments and management of material risks, such as climate change.

CHAIRMAN'S LETTER

CONTINUED

Both the UK and the EU have announced commitments to achieve net zero carbon economies by 2050. All businesses have a role to play in this and the Company is no exception. The Company's updated ESG objectives are seeking to support initiatives to limit global warming to 1.5°C, and our Investment Adviser will be exploring how we can encourage and support our investments to take action in 2020 and beyond, whilst maintaining our prudent approach to risk.

In addition, the investment community has a key role in unlocking carbon neutral solutions. Alongside the Investment Adviser, the Company will be exploring how investment in critical areas of infrastructure can meaningfully support carbon neutral pathways in all countries where we invest.

CORPORATE GOVERNANCE

As previously announced, Mr Whittle will be retiring from the Board at the 2020 Annual General Meeting ('AGM'), having been a member since August 2009 and chair of the Audit and Risk Committee from December 2013 to July 2018; and Mr Stares, who joined in August 2013, retired from the Board in March 2020, having been chair of the Nominations and Remuneration Committee from September 2014 to February 2019 and chair of the Risk Sub-Committee from November 2013 to February 2019. I and my fellow directors thank them both for their dedicated service to the Company over many years, and for the always wise counsel they have provided.

Accordingly, during 2019, the Board commenced an externally-facilitated selection process to recruit new Non-Executive Directors; and the Company announced the appointment of two new Board members in January 2020, Ms David and Ms Lenfestey. They bring complementary experience and insight to the continuing Board members, and we are confident that their appointments will demonstrate the continued strength of the governance provided by the Board. I and my fellow directors are delighted to welcome them to the Board.

The Board complies with the Association of Investment Companies Code of Corporate Governance and the UK Corporate Governance Code as set out on page 58. The Board reviews operational processes on an ongoing basis. In accordance with the UK Corporate Governance Code on Stakeholder Engagement, we have made additional disclosures on the Company's stakeholder engagement activities across the portfolio, including with the communities that our portfolio serves, our key suppliers and their employees, the public sector and other clients. In addition, the Board, with the Company's Investment Adviser, continues to look at ways to evolve its practices and manage the portfolio more sustainably. More information can be found in the corporate governance section on pages 58-66.

INVESTMENT STRATEGY

During 2019, the Board undertook an exercise to evaluate and rationalise the Company's KPIs and related strategic priorities. These are summarised on pages 6-7. Working alongside the Company's Investment Adviser, the Board reviewed the existing indicators to ensure these metrics continue to be well suited to measuring the Company's performance against its purpose and strategic objectives, over the long-term. As a result of this exercise, improvements have been made to some metrics and the presentation of others has been simplified. However, although reduced in number, the KPIs remain familiar and consistent in substance with those previously reported. More information can be found throughout this report, including in the summary of Objectives and Performance on pages 6-7.

During its 13-year life, the Company's long-term target to deliver an 8% annualised return based on the November 2006 IPO issue price has remained unchanged. During the KPI reassessment process, the Board also took the opportunity to review the continued appropriateness of this target and concluded that, given: (i) the evolution of the infrastructure sector into what has now become a mainstream investment class; (ii) the decrease in long-term interest rates (which were approximately 5% p.a. at the time of the formulation of the current return target and are now below 1% p.a.); and (iii) the associated compression in returns on investments that this interest rate reduction has brought about across all real asset classes, it was appropriate to modify the Company's long-term target return to 7%². The Company's focus on investing in long-term, inflation-linked revenues to deliver a growing dividend, with the potential for capital appreciation, remains at the core of the Company's investment proposition. More detail on the Company's performance metrics can be found on pages 6-7.

CHAIRMAN'S LETTER

CONTINUED

CURRENT ENVIRONMENT AND OUTLOOK

I have referred to the uncertainties and risks relating to Covid-19 above. The Audit and Risk Committee of the Board has also been monitoring the risks associated with potential outcomes from the UK leaving the EU, which remains a source of uncertainty for the infrastructure sector and for 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, whilst we do not believe that the Company is unusually exposed to such risks, or that there will necessarily be significant impact on the Company as a direct result of Brexit, the Investment Adviser has adopted a position of heightened readiness and close communication with key contractors and suppliers, 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.

Overall, subject to all the caveats referred to above, the Company remains confident in its ability to source high-quality, well-performing assets that will be accretive to the Company's performance. The international pipeline remains strong across the types of assets in which the Company invests, and we remain positive about existing and future opportunities within the jurisdictions where we operate. Across these geographical areas there continues to be supportive policy and regulatory environments for private investment in public infrastructure.

CONCLUDING SUMMARY

During this, my first year as your Chairman, I have been very pleased to meet several of our larger shareholders, to understand their perspectives and to benefit from their insights. These have informed the ongoing strategic development of the Company and its commitment to implementing best practices, as they evolve, in the key area of ESG. I and my fellow directors thank all our shareholders for their ongoing support of the Company.

We invest in 130 infrastructure projects and businesses across eight countries. Our portfolio of investments provides essential infrastructure to over 13 million people, households and businesses daily across the countries in which we invest. This is only made possible by the professionalism and enthusiasm of the many people within our Investment Adviser, investment partner organisations, our supply chain and within our many stakeholder groups – who work day-in and day-out to ensure that these projects and businesses deliver for the communities they serve.

I and my fellow directors would also like to thank these individuals, on your behalf, for their essential contributions to the performance of the Company.



Mike Gerrard
Chairman
8 April 2020

- 1 In addition, there is a deferred commitment of £17.8 million which is due to be settled from future returns generated by BeNEX.
- 2 Calculated by reference to the November 2006 IPO issue price of 100p and reflecting NAV appreciation plus dividends paid.

TOP 10 INVESTMENTS

The Company's top ten investments by fair value at 31 December 2019 are summarised below. A complete listing of the Company's investments is available on the Group's website (www.internationalpublicpartnerships.com)¹.

NAME OF INVESTMENT	LOCATION	SECTOR	STATUS AT 31 December 2019	% HOLDING AT 31 December 2019	% INVESTMENT FAIR VALUE 31 December 2019	% INVESTMENT FAIR VALUE 31 December 2018
Cadent	UK	Gas distribution	Operational	7% Risk Capital	17.1%	12.4%
Cadent owns four of the UK's eight regional gas distribution networks ('GDNs') and in aggregate provides gas to approximately 11 million consumers.						
Tideway	UK	Waste water	Under Construction	16% Risk Capital	9.2%	10.6%
Tideway is a £4.2 billion investment and relates to the design, build and operation of a 25km 'super-sewer' under the River Thames.						
Diabolo Rail Link	Belgium	Transport	Operational	100% Risk Capital	8.6%	10.0%
Diabolo Rail Link integrates the Brussels Airport with the national rail network allowing passengers to access high-speed trains, such as Amsterdam-Brussels-Paris and NS Hispeed trains.						
Lincs Offshore Transmission	UK	Energy transmission	Operational	100% Risk Capital	7.9%	9.0%
The project connects the 270MW Lincs offshore windfarm, located 8km off the east coast of England, to the National Grid. The transmission assets comprise the onshore and offshore substations and under-sea cables, 100km in length.						
Ormonde Offshore Transmission	UK	Energy transmission	Operational	100% Risk Capital and 100% senior debt	5.3%	6.2%
The project connects 132kV Ormonde offshore wind farm, 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	Australia	Transport	Operational	33% Risk Capital	3.7%	4.3%
Reliance Rail is responsible for financing, designing, delivering and ongoing maintenance of 78 next-generation, electrified, 'Waratah' train sets serving Sydney in New South Wales, Australia.						
BeNEX	Germany	Transport	Operational	100% Risk Capital	3.5%	2.0%
BeNEX is both a rolling stock leasing company as well as an investor in train operating companies, providing approximately 40 million train km of annual rail transport.						
Angel Trains	UK	Transport	Operational	5% Risk Capital	3.3%	3.5%
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 investor in the industry after Network Rail.						
US Military Housing²	US	Military housing	Operational	100% Risk Capital	2.7%	3.1%
Two tranches of mezzanine debt underpinned by security over seven operational Public-Private Partnerships ('PPP') military housing projects, relating to a total of 19 operational military bases in the US and comprising c.21,800 individual housing units.						
Robin Rigg OFTO	UK	Energy transmission	Operational	100% Risk Capital and 100% senior debt	2.3%	1.1%
The project connects the 180MW Robin Rigg East and West offshore windfarms, located 12km off the coast of Cumbria, to the National Grid. The transmission assets comprise the onshore and offshore substations and under-sea cables, 25km in length.						

¹ Risk Capital includes both project level equity and subordinated shareholder debt.

² Includes two tranches of mezzanine debt into US military housing.

Significant movements in the Group's portfolio for the year to 31 December 2019 can be found on pages 14-16 of the Strategic Report.

STRATEGIC REPORT

CASE STUDY - BENEX

DIFFERENTIATION OF THE OPERATING MODEL

A key differentiator for the Company is the relationship with its Investment Adviser. The Investment Adviser supports the Company (and its investment portfolio entities) with investment, financial and asset management services to deliver the best value for its shareholders and wider stakeholders. The Investment Adviser's team of approximately 130 infrastructure professionals spread across three continents, are focused on delivering and maintaining high-quality portfolio performance.

The Investment Adviser has a demonstrable track record, with high standards of governance, stewardship and relationship management across the Company's investment portfolio. The Company's investment in BeNEX demonstrates this approach, as the Investment Adviser has worked closely with its key stakeholders since the Company's initial investment in BeNEX in 2007.

THE COMPANY'S ACTIVE ENGAGEMENT APPROACH

BeNEX is a German rail business that both leases rolling stock and invests in train operating companies ('TOCs') which operate rail services under concession agreements with German Federal States. The Company has owned 49% of the business since 2007 with the remaining 51% having been owned by a German government-owned entity, Hamburger Hochbahn AG ('HHA').

Owing to the experience and relationships developed by the Investment Adviser since the Company first invested in BeNEX in 2007, the Company was well-placed to negotiate the acquisition of HHA's 51% shareholding on accretive terms and invested a further £29.4 million in June 2019¹.

BeNEX has been a successful investment for the Company and has almost tripled its annual regional passenger transport services from c.15 million train kilometres in 2007 to c.40 million train kilometres in 2019. The Company's further investment supports BeNEX's ongoing role in providing high-quality public transport to the areas of Germany that the business serves and its potential to capitalise on the growth opportunities that will emerge from Germany's ambition to increase ridership.

Key investment attributes of BeNEX include:

- Concession agreements with 13 of the 16 Federal States across Germany
- Provides the Company with additional government-backed revenues and geographic diversification
- Ownership of diverse rolling stock fleet with 120 trains leased to six different TOCs
- The TOCs in which BeNEX is invested are consistently recognised for their high levels of performance
- Promotion of more rail transport is a key part of Germany's approach to climate action

RAIL – AN OPPORTUNITY FOR CLEAN GROWTH

2019 was a significant year for public commitment to action on climate change. Alongside the UK, Sweden and New Zealand's commitments to achieve net zero carbon economies by 2050, the EU has announced plans to make Europe the first carbon-neutral continent by 2050².

Rail is already a naturally low-carbon mode of transport. Rail contributes c.1.5% of the EU transport sector's total CO₂ emissions even though it has c.8.5% of total transport activity, including aviation, roads and maritime³. The environmental impact of rail transport should reduce even further with the continuing roll-out of electric, hydrogen and hybrid trains, where rail has the potential to quickly become a zero-carbon form of transport.

Following the EU's announced intention to become net zero by 2050, the German Government unveiled a record breaking 10-year, €86 billion investment programme for the German rail network. The commitment establishes rail travel as central to the Government's ambitious plans to combat climate change. Germany has committed to cutting its transport sector CO₂ emissions by up to 42% by 2030 and has ambitions to increase the number of customers using long-distance trains from 148 million in 2018 to 260 million by 2030⁴.

We believe BeNEX will continue to benefit from the German Government's ambitions to increase rail transportation and present future investment opportunities.

KEY STATISTICS ON THE COMPANY'S RAIL PROJECTS

BeNEX

75% composition of train fleet that is electric⁵

>90,000,000 number of passengers p.a.

>40,000,000 train km travelled

All rail investments

89% composition of train fleet that is electric⁶

>229,000,000 number of Passengers (total) p.a.

>364,000,000 train km travelled (total)

UN SDGS SUPPORTED



1 In addition, there is a deferred commitment of £17.8 million which is due to be settled from future returns generated by BeNEX.

2 https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en.

3 <http://www.cer.be/sites/default/files/publication/Facts%20and%20figures%202014.pdf>.

4 <https://www.ft.com/content/086f62b8-36c8-11ea-a6d3-9a26f8c3cba4>.

5 By investment at fair value as at 31 December 2019.

6 Calculated by prorating the valuations of the relevant investments by value attributable to electric trains.

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.

The Company's strategic priorities were reviewed during the year as part of the wider review of its performance indicators, as referred to in the Chairman's Letter. It was concluded that the key attributes that the Company uses to assess new opportunities, continue to be fit for purpose. The Company further refined its approach, committing to ensuring that at least three of the six attributes, described below, were present in any investment made by the Company.

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 opportunity developed by our Investment Adviser)
- 4 Investment secured through preferential access (e.g. sourced through pre-emptive rights or through the activities of our Investment Adviser)
- 5 Other capital enhancement attributes (e.g. potential for additional capital growth through 'de-risking' or the potential for residual/terminal value growth)
- 6 Positive UN SDG contribution

Performance against strategic priority KPIs

100%

of investments made in 2019 met at least three of the six attributes

During the year to 31 December 2019, the Company invested or made investment commitments up to £281.3 million. These opportunities were sourced by the Investment Adviser, either from the start of the project (e.g. 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 origination approaches are the Company's preferred routes to market, as they limit bidding in the competitive secondary market.

Details of investment activity during 2019 are provided below. All investments made by the Company during 2019 meet or exceed the Company's performance indicator of having at least three of the six attributes. Please refer to the key performance indicators on page 7. Further details for each of these transactions are provided overleaf.

INVESTMENTS MADE DURING 2019	LOCATION	KEY ATTRIBUTES						OPERATIONAL STATUS	INVESTMENT	INVESTMENT DATE
		1	2	3	4	5	6			
Luton Building Schools for Future ('BSF') Project	UK	✓	✓		✓		✓	Operational	£0.2 million	17 January 2019
Midlands Batch Priority Schools Project (Batch 4)	UK	✓	✓		✓		✓	Operational	£12.4 million	30 April 2019
Wolverhampton BSF Projects 1 & 2	UK	✓	✓		✓		✓	Operational	£1.8 million	7 June 2019
Cadent	UK	✓	✓		✓	✓	✓	Operational	£153.2 million	28 June 2019
BeNEX	Germany	✓	✓	✓	✓	✓	✓	Operational	£29.4 million ¹	28 June 2019
National Digital Infrastructure Fund ('NDIF')	UK				✓	✓	✓	Operational	£12.8 million	Various
OFTO Refinancing	UK	✓	✓		✓		✓	Operational	£71.5 million	26 September 2019
									£281.3 million	

¹ GBP translated value of investment.

STRATEGIC REPORT

OPERATING REVIEW CONTINUED

INVESTMENTS MADE DURING THE PERIOD

BSF PROJECTS, UK

BSF is a former UK Government programme for the redevelopment of secondary schools in the UK, which used a combination of design and build contracts and private finance type arrangements.

In January 2019, the Company acquired additional Risk Capital in Luton BSF project, investing a further c.£0.2 million. As a result, this has brought the Company's ownership level to 50% equity and 54% subordinated debt. In June 2019, the Company invested a further £1.8 million for an additional 10% stake in Wolverhampton BSF Projects 1 and 2. As a result, the Company's investment was increased from 90% to 100%.

MIDLANDS BATCH PRIORITY SCHOOLS PROJECT (BATCH 4), UK

Following the successful recapitalisation of the project in 2019, required as a consequence of the liquidation of Carillion in January 2018, the Company announced it will invest up to £12.4 million of additional Risk Capital into the Midlands Schools project (Batch 4) such that it now owns 92.5% of the equity in the project. The Company successfully appointed a construction firm to complete the outstanding construction works at five school sites and the works to a sports hall and main school building have progressed well with all sites impacted available for use for the start of the 2019/2020 academic year. The positive relationships developed between the new contracting parties and the schools during the course of the works was, and continues to be, a significant achievement.

In addition to the construction works programme, extensive defect remediation works have been undertaken at each of the eight schools, by a variety of specialist sub-contractors, with limited disruption to the end users. The overwhelming majority of the identified works were completed and there is a clear plan in place for the remaining works to be completed by June 2020 within the original budget.

CADENT GAS DISTRIBUTION NETWORK, UK

Cadent is a UK gas distribution business with four geographic monopolies, supplying gas to approximately 50% of the UK population, or over 11 million households and businesses. The Quadgas Consortium (the 'Consortium'), of which the Company is a member, acquired a 61% interest in Cadent in March 2017, and at the time of acquisition entered into a put and call option to acquire an additional 14% stake of Cadent. The Company then entered into a second put and call option agreement in May 2018, in respect of the residual 25% shareholding.

These options were exercised in June 2019, increasing the Consortium's ownership to 100%. As part of this, the Company made a further investment of £153.2 million which took the Company's ownership to 7.25% and provided it with the permanent right to appoint a board director. This was and remains the Company's long-term target level shareholding. Cadent continues to be an attractive asset for the Company and demonstrates key investment features including inflation-linked revenues, attractive cash yield, owned by a highly experienced consortium of investors including the Company, no exposure to commodity or demand risk and is substantially insulated from GDP trends.

Cadent is playing a role in supporting the UK Government's net zero target for 2050 by undertaking important research to demonstrate how the existing gas network can be used for clean fuel distribution in the future. This includes the innovative HyDeploy¹ project, which involves trialling a blend of up to 20% volume of hydrogen with natural gas to assess whether it can be a safe and greener alternative to gas currently used.

BENEX, GERMANY

In June 2019, the Company acquired an additional 51% shareholding in BeNEX from HHA increasing the Company's ownership from 49% to 100%. The transaction involved the Company investing £29.4 million², of which part was committed as additional capital to BeNEX and the remainder used to acquire the additional 51% shareholding. The acquisition also included a deferred commitment which is due to be settled through future returns generated by the project.

BeNEX both leases rolling stock and invests in train operating companies which operate rail services under concession agreements with German Federal States. Since acquisition in 2007, BeNEX has been a successful investment for the Company with continued potential for growth. Please see detailed case study on this investment on page 13.

¹ <https://hydeploy.co.uk/>.

² In addition, there is a deferred commitment of £17.8 million which is due to be settled from future returns generated by BeNEX.

STRATEGIC REPORT

OPERATING REVIEW CONTINUED

DIGITAL INFRASTRUCTURE, UK

In July 2017, the Company agreed to invest up to £45 million into UK digital infrastructure alongside the UK Government through NDIF, a vehicle managed by the Investment Adviser. As part of this £45 million commitment, in March 2019, the Company made an investment into toob, a new full fibre broadband provider. The expectation is that this investment will support the delivery of gigabit broadband speeds to more than 100,000 premises by the end of 2021. To date, £27.8 million of the Company's £45 million commitment has been called by NDIF, supporting NDIF's four investments.

The Company's commitment to digital infrastructure will help to transition the UK to full fibre. Research by the Centre for Economics and Business Research has suggested that full fibre could boost UK productivity by nearly £59 billion by 2025. In doing so, this will support multiple social benefits such as increased employment, which is one of INPPs ESG objectives.

OFTOs, UK

In September 2019, the Company successfully completed an innovative refinancing and restructuring of three projects within its OFTO portfolio. This involved a repayment of original bank debt secured against three projects within its portfolio (Barrow, Gunfleet Sands and Robin Rigg OFTOs) by taking advantage of current favourable conditions in the debt market. New, lower-cost long-term bank debt was raised alongside an additional c.£71.5 million senior debt investment made by the Company.

The combination of the low cost of the new bank debt, together with the ability to release certain reserves and achieve other efficiencies following the repayment of the existing bank debt, allows the new senior debt investment made by the Company to be attractively priced and generate returns accretive to the Company's portfolio. In addition, this investment increases the portion of the portfolio that is supporting UN SDGs 7 (Affordable and Clean Energy) and 13 (Climate Action).

STRATEGIC REPORT

MARKET ENVIRONMENT IN 2019 AND FUTURE OPPORTUNITIES

UNITED KINGDOM

As referred to in the Chairman's Letter, the demand for private infrastructure investment remains strong globally and there is a good pipeline for the types of assets in which the Company invests. The political landscape in the UK over the course of 2019 continued to impact the sector, due to the emerging policies of the UK opposition party to nationalise certain infrastructure. However, following the General Election held in December, nationalisation risk dissipated and market sentiment significantly improved.

There continues to be a number of drivers for new and improved infrastructure across the areas in which the Company invests, supporting the need for private and public investment into infrastructure. For example, the Infrastructure and Projects Authority ('IPA') have forecast that in the UK there is a requirement for £600 billion of infrastructure investment over the next 10 years¹, with contributions needed from both the public and private sectors. The pipeline focuses on the UK's roads, hospitals and schools, ensuring that modern technologies are embraced to improve productivity. The UK Budget announcement in March 2020 provided further support for infrastructure investment with £640 billion of spending earmarked for roads, rail, broadband, schools and hospitals over the next five-years. The details of projects and timings are expected to be announced in the National Infrastructure Strategy at a later date.

Brexit also caused uncertainty through the year and the Board consistently monitors developments as Brexit preparations progress. While we see obvious risks of possible market disruption and other issues arising from anything other than an orderly end to the Brexit transition period, as previously outlined, we do not anticipate that the Company is unusually exposed to such risks, or that there will necessarily be a significant impact on the Company's existing investments. However, this cannot be guaranteed and we continue to monitor developments closely as the withdrawal process continues to evolve.

EUROPE – EXCLUDING UNITED KINGDOM

Overall infrastructure investment into European infrastructure continues to be strong and is supported by broader EU frameworks. For example, in order to upgrade its infrastructure, the Connecting Europe Facility funding programme continues to target infrastructure investment in transport, energy and digital projects across all EU Member States, while the Europe 2020 Strategy has a key role in supporting the European Commission's priorities related to smart, sustainable and inclusive growth, and the EU's Europe 2020 Strategy objectives in the area of energy and climate policy. More recently, the European Commission announced its 'Green Deal' aiming to achieve carbon neutrality in the EU by 2050. This includes a significant increase of its emissions reduction targets and the ambition to mobilise at least €1 trillion to support sustainable investment over the next ten years. It also intends to use a mix of private and public funds to fulfil the plan, including the use of a quarter of the EU budget although the Company notes that some of these types of projects currently do not meet its risk return requirements (for example, they may exhibit demand risk or GDP correlation).

Notwithstanding this, the Company anticipates there will be increasing opportunities in infrastructure that will be critical for facilitating a transition to net zero, particularly in transport and energy sectors across Europe, exhibiting investment criteria that the Company will find attractive. In particular, 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 all traditional infrastructure sectors.

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

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

STRATEGIC REPORT

MARKET ENVIRONMENT IN 2019 AND FUTURE OPPORTUNITIES CONTINUED

AUSTRALIA

Australia has a history of private sector organisations providing and financing public sector infrastructure. It has a stable and transparent legal and regulatory framework with active infrastructure financing and investor markets. Most government counterparties involved with public infrastructure procurement are rated AA+ or higher.

Infrastructure Australia sets out its medium to long-term aspirations for the country's infrastructure development in its 'Australian Infrastructure Plan'. Infrastructure investment in Australia is expected to continue at high levels, with Infrastructure Australia's Priority Infrastructure List (2019) identifying a pipeline of critical infrastructure projects over the next 15 years with a capital value of A\$58 billion. By 2034, Australia's population is projected to grow by c.24% to reach 31.4 million, adding to the changing and growing demand for infrastructure.

Greenfield PPP activity increased significantly during 2019 compared to the previous year, with A\$11.2 billion of projects closing during the year compared to A\$1.5 billion in 2018. The great majority of this increase in value of investment is attributable to a small number of large transport projects. We expect the development of large transport infrastructure projects to continue in 2020.

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.

Refinancing of existing PPP projects continued at a significant level in 2019 with over A\$5 billion of debt being refinanced. This included refinancing of the Company's Victorian New Schools PPP Project.

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 has provided the Company with opportunities to manage its exposure to such risk.

NORTH AMERICA

The US private infrastructure market is mature and large, with approximately 720 infrastructure investments executed during 2019¹. The US offers a wealth of infrastructure opportunities ranging across all sectors, although some US States have progressed their model for private asset ownership at a faster rate than others. The opportunity to generate higher returns than generally seen in the European markets and the ability to source projects through collaborative procurement processes makes the US an attractive geography on which to focus resource. However, the growing amount of domestic capital pursuing projects in the US and the generally lower commitment given by the public sector to following through on a privately funded procurement creates barriers to entry for many European investors.

In its most recent report card on the condition of America's infrastructure, the American Society of Civil Engineers gave the US infrastructure a D+ or 'poor' rating. The engineers estimated the cost of bringing America's infrastructure to a state of good repair (a grade of B) by 2025 at \$4.6 trillion. President Trump's federal infrastructure programme has yet to be signed into law but promises a \$1 trillion boost to infrastructure spending over the next decade, primarily focused on transportation.

The real opportunity in the US, however, is not in federally mandated 'mega' projects, but in areas such as transportation infrastructure including airports, ports, bridges and logistics where much of the existing infrastructure ownership is in the hands of local municipalities and other government-backed entities. Privatisation of these assets is becoming more commonplace with even smaller cities and municipalities seeking to monetise assets including utilities, real estate and civic infrastructure. The Investment Adviser actively monitors the development of these projects to assess the suitability for investment by the Company.

Power and renewables have experienced substantial growth as many States have committed to ambitious carbon reduction targets. The regimes that support development and ownership of generation, transmission and distribution assets are attractive relative to other markets and considerable short to medium term growth is expected as States use these regimes to achieve their objectives.

1 Preqin Alternative Assets Financial Database.

STRATEGIC REPORT

MARKET ENVIRONMENT IN 2019 AND FUTURE OPPORTUNITIES CONTINUED

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 transport, green and social infrastructure and transportation infrastructure to support trade and rural northern communities and is split equally between new investment projects and funding existing initiatives. 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 Investment Adviser's relationship with US group, Hunt Companies LLC.

COVID-19

While at this stage no one knows the impact that Covid-19 may have in the future including in the countries referred to above, the view of the Investment Adviser is that while it may impact on some infrastructure investment activity in the short to medium term, then in the medium to long term there is a likelihood of an enhanced need for health and other community protection infrastructure. Moreover, the existing pressures for the delivery of other new infrastructure will not go away. As a generalisation the immediate response of central banks to the Covid-19 pandemic has been to reduce interest rates. Other things being equal, this might be expected to increase the attractiveness of revenues streams typically derived from the assets in the Company's portfolio.

CURRENT PIPELINE

The Company's performance does not depend upon additional investments to deliver current 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 ¹	EXPECTED INVESTMENT PERIOD	INVESTMENT STATUS
NDIF	UK	£17.2 million	Operational businesses	Of the £45 million commitment to NDIF, c.£27.8 million has been invested to 31 December 2019
Offenbach Police Headquarters	Germany	£8.0 million ²	c.30 years	Investment commitment made. Expected to be funded mid-2021
Rampion OFTO	UK	c.£35-45 million	c.20 years	Preferred bidder. Investment expected late 2020
Beatrice OFTO	UK	Up to £60 million	c.23 years	Preferred bidder. Investment expected H2 2020

SECTOR OF INVESTMENT OPPORTUNITY	LOCATION	ESTIMATED CAPITAL VALUE ³	EXPECTED INVESTMENT LENGTH	STATUS
OFTO	UK	c.£1.0 billion	c.20 years	Various opportunities, including the one remaining Tender Round 6, for which it is shortlisted
Education	UK, Europe, Australia	c.£0.7 billion	Various	Various opportunities
Health	Europe	c.£1.0 billion	Various	Various opportunities
Transport	Australia, Europe	c.£0.7 billion	Various	Various opportunities
Regulated	UK	c.£7.0 billion	Various	Regulated opportunities
Other	UK, US, Europe	c.£10.0 billion	Various	Various opportunities

¹ Represents the current estimate of total future investment commitment by the Company.

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

³ Includes both third-party 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 into 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

The Company's Investment Adviser has a highly experienced, well-resourced, dedicated team of asset managers, with access to a wider pool of c.130 infrastructure professionals across eight countries. The Company's Investment Adviser operates a full-service approach to infrastructure, and this includes day-to-day asset management and oversight of the Company's investments. This active asset management approach has been fundamental to the Company's performance since IPO in 2006; and has enabled the Company to build a reputation of delivering transparent, responsible stewardship of public infrastructure assets that support essential services, working as a trusted partner.

During the year, the objectives and indicators of active asset management were reassessed as part of the wider performance indicator review undertaken by the Company. It was assessed that availability of assets was critical to performance, as well as ensuring that performance deductions made by the Company's public sector clients are below 3%. Certain other factors previously reported were considered supporting, rather than indicating, the delivery of active asset management and are accordingly now no longer reported as key performance indicators themselves. We have introduced indicators that demonstrate our hands-on approach, including management of construction investment delivery and forecast distributions received.

OPERATIONAL PERFORMANCE

The Company's Investment Adviser adopts a hands-on approach with robust internal processes and monitoring. The Investment Adviser's involvement will vary depending on each investment type, although each investment is actively managed to optimise performance. During 2019, 100% of forecast annual investment portfolio receipts were received (2018: 100%)¹.

Infrastructure projects inherently involve health and safety risk from construction through to operation. The health and safety of the Company's end-users, delivery partners, employees and members of the public, who come into contact with our assets, are of the utmost importance to the Company, and we accord the highest priority to health and safety, including advocating a zero-tolerance approach to accidents and near-misses across our portfolio. The Company's Accident Frequency Rate for occupational accidents that resulted in lost time was 0.36 per 100,000 hours worked (as at 31 December 2019)².

PPP PROJECTS

The Company's Investment Adviser has extensive experience in PPP projects, which account for 41% of the portfolio (by investment at fair value) with a large majority developed by the Investment Adviser, demonstrating the expertise and understanding that the team has of these types of investments. Ensuring that the facilities 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, are key deliverables for the Investment Adviser. The Company works closely with its partners to ensure these standards are met. For those investments whose performance is measured by availability for the 12 months to 31 December 2019, the availability of those assets was 99.7% and across all projects there were performance deductions of 0.3%, both exceeding their KPI targets.

In addition, the Company's public sector clients commissioned over 1,000 contract variations in 2019, resulting in a combined value of £47.4 million of additional project work conducted on behalf of the commissioning body. The completed changes in 2019 range from minor building fabric alterations within education facilities to the delivery of transport facility upgrades. Three benchmarking exercises were also performed and agreed 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 Company completed three refinancings of its BSF projects in 2019. 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 approach to financial efficiency.

Performance against strategic priority KPIs

100%

Forecast distributions received¹

0.3%

Asset deductions achieved against target of <3%

99.7%

Asset availability achieved against a target of >98%

¹ Measured by comparing forecast portfolio distributions against actual portfolio distributions received.

² This includes UK social accommodation (where the Investment Adviser provides oversight of the management services), Cadent, Tideway and all investments in Germany, Australia and Canada.

STRATEGIC REPORT

OPERATING REVIEW CONTINUED

REGULATED INVESTMENTS

The Company invests in a number of regulated investments, including OFTOs, Cadent and Tideway. The Company owns 100% of each of its OFTO investments and whilst these are regulated by Ofgem, the Company takes no exposure to electricity production or price risk but is paid a pre-agreed, availability-based revenue stream for the duration of the licence. Whilst the Company does not hold majority positions in Cadent and Tideway, the Company engages through its board director positions and membership of management committees. The Company's Investment Adviser actively works with respective boards to maintain alignment and focus on strategic goals to drive financial and operational best practice and ensure effective risk management.

Cadent and Tideway are subject to regulatory regimes which are designed to, among other things, protect the interests of consumers whilst ensuring that regulated companies are able to earn a reasonable return on their capital. Changes in the regulatory regimes have the potential to impact the returns of these two investments.

During the year, Ofgem announced its Sector Specific Methodology Decision which sets out its decisions on the policy areas which will be used to determine the revenues that UK gas and electricity network companies are able to earn during the next price control period. This announcement is relevant to the Company's investment in Cadent, a gas distribution business which will enter its next price control period on 1 April 2021. The terms of the announcement made by Ofgem were consistent with the Company's expectations. In November 2019, Cadent submitted its business plan in respect of the next price control period to Ofgem and expects to receive Ofgem's draft and final determinations later in 2020.

In December 2019, Ofwat published its final determinations in respect of the business plans it had received from water companies covering the next price control period. The final determinations do not have a direct impact on the Company's investment in Tideway owing to the bespoke nature of the licence held by Tideway which entitles it to a fixed regulated return with no regulatory reset until 2030.

OTHER OPERATING BUSINESSES

The Company invests in a number of operational businesses including BeNEX, Angel Trains and digital infrastructure (via its commitment to NDIF). With the exception of Angel Trains, the Investment Adviser holds a board position on its portfolios operating businesses and uses these positions to influence and strengthen company policies and procedures, for example enhancing ESG credentials, health and safety performance as well as protecting the value and mitigating operational risk.

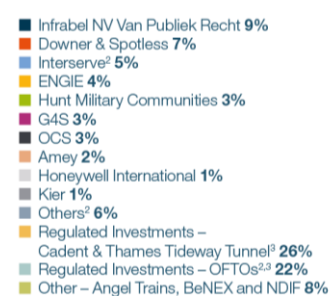
COUNTERPARTY RISK

Whilst counterparty risk exists to some extent across all investments, the most significant risk is in relation to PPPs which have a long-term fixed-price contract with a facilities management provider.

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.

Following the administration of Interserve in March 2019 to a newly incorporated company (Interserve Group Limited), we continue to monitor any developments or issues affecting the service provider. Interserve continues to be the service provider of c.7% of the portfolio (by investment fair value) and all facilities remain operational with no disruption to service delivery. The Investment Adviser continues to closely monitor other service providers within the portfolio for counterparty risk.

INPP Service Providers¹



¹ Based on percentage of Investments at Fair Value as at 31 December 2019

² These include both Risk Capital and senior debt investments. Senior debt relates to Interserve (1.3%), Others (1.7%) and OFTOs (8.0%).

³ These Risk Capital investments operate with no significant exposure to any one service provider or delivery partner.

STRATEGIC REPORT

OPERATING REVIEW CONTINUED

The Investment Adviser takes a holistic approach to monitoring counterparty risk, which draws upon a number of sources to form a complete picture of how each counterparty and its wider group are performing. A key aspect of the Investment Adviser's risk management activities is a focus on the early identification of signs that a counterparty is encountering problems through: regular contract performance monitoring and internal performance benchmarking of contracts; in depth reviews of counterparty financial and market data and information available in the trade press; as well as drawing upon our contacts in the industry for any other non-public information.

Early identification of increased counterparty risk ensures that corrective measures are taken at the appropriate time, to help mitigate potential losses to the Company. Those measures may include working more closely with the contractor to support them in their efforts to improve contract performance or, at its most extreme, the implementation of contingency plans designed to facilitate the replacement of that contractor.

Ultimately the Company's desire is to see its service providers succeed and deliver a high-quality service and the Investment Adviser makes all efforts to ensure this is achieved. However, where a subcontractor does fail, the Investment Adviser has the necessary processes and procedures in place to mitigate and manage the risk to Company.

PROJECTS UNDER CONSTRUCTION

The Investment Adviser's asset management team has extensive experience and possesses the key skillsets needed to successfully deliver projects through the construction and into the operational phase. The Company has a strong track record of delivering construction projects safely, on time, to budget and to a high-quality by understanding the project environment and potential risks that may occur. The team works closely with the contractors and technical advisers throughout this stage in order to deliver the expected project performance and create value for investors and communities. Two projects, representing 9.2% of the Company's portfolio, were under construction at 31 December 2019.

Tideway continued to make good progress in 2019 with more than 50% of the construction works now complete and at year-end the Company remained on target to meet the scheduled date for handover in March 2024. In April 2019, Tideway announced that its overall cost estimates had been updated; however, the updated costs were in line with the Company's projections. Tideway confirmed that there would be no change to the original estimated range of annual costs for Thames Water bill payers and that no further funding from stakeholders is required to complete the project.

As reported earlier in this report, construction work has completed on the Midlands Batch Priority Schools project (Batch 4), and the outstanding remediation works are progressing well and are expected to complete in the first half of 2020.

Construction works for Offenbach Police Headquarters continue to proceed over the year as scheduled and to budget. The structural work for the building is nearly complete and the interior construction work has begun and is making good progress. The Company's current expectation is that the project will be delivered on schedule in 2021.

Projects under construction as at 31 December 2019 are set out in the table below.

ASSET	LOCATION	CONSTRUCTION COMPLETION DATE	DEFECTS COMPLETION DATE	STATUS AT YEAR END	% OF FAIR VALUE OF INVESTMENT
Tideway	UK	2024 ¹	2027 ²	On schedule	9.2%
Offenbach Police Headquarters	Germany	2021	2025	On schedule	0.0% ³

¹ Scheduled handover date. Source: Tideway Annual Report 2018-2019.

² Scheduled system acceptance date. Source: Tideway Annual Report 2018-2019.

³ The Investment Fair Value of Offenbach Police Headquarters as at 31 December 2019 was 0.03%.

Performance against strategic priority KPIs

9.2%

Of portfolio under construction. All in-construction investments within budget and on schedule.

STRATEGIC REPORT

OPERATING REVIEW CONTINUED

EFFICIENT FINANCIAL MANAGEMENT

The Company aims to manage its finances efficiently, to provide the financial flexibility to pursue new investment opportunities, whilst minimising levels of unutilised cash holdings. Efficient financial management is achieved through active monitoring of cash held and generated from operations, ensuring cash covered dividends and managed levels of corporate costs. This is supported by appropriate hedging strategies and prudent use of the Company's corporate debt facility ('CDF').

Cash dividends paid in the year of £101.8 million (2018: £92.8 million), were 1.3 times (2018: 1.2 times) covered by the Company's net operating cash flows before capital activity. This achieved the Company's objective to generate dividends paid to investors through its operating cash flows. The Company also remains confident of its ability to continue to grow dividends for the foreseeable future.

Corporate costs were effectively managed during the year and represent 1.10% for 2019 (2018: 1.17%). Corporate costs overall have increased as expected, driven by NAV growth, and include management fees paid of £23.4 million for the year to 31 December 2019 (2018: £22.7 million).

During the year, the objectives and indicators of efficient financial management were reassessed as part of the wider performance indicator review undertaken by the Company. It was assessed that cash covered dividends and management of ongoing charges are the principal objectives and indicators of efficient financial management. Certain other factors previously reported were assessed as supporting the delivery of efficient financial management, rather than being key indicators, and are consequently now no longer reported as key performance indicators themselves.

The Company's cash balance at 31 December 2019 was £45.6 million, a £39.1 million decrease on the corresponding balance at 31 December 2018 of £84.7 million. The higher opening cash balances contained £42.2 million of capital raise proceeds from 2018 which were used during the year to fund new investments.

Cash receipts from investments increased by £20.8 million in the year, to £159.6 million (2018: £138.8 million), reflecting the further growth and maturity of the portfolio. Other corporate costs during the period were negligible (2018: £0.1 million). During the year to 31 December 2019, £281.3 million of new investments were made (2018: £63.3 million), and these are further detailed in note 12 of the financial statements, as well as on page 14 of the Operating Review. Investment transaction costs in 2019 were £3.7 million, increasing by £2.5 million from 2018 (2018: £1.2 million) reflecting the increased in levels of investments made.

The Company has a £400 million CDF (available until July 2021). At 31 December 2019, the facility was £27.9 million cash drawn with £0.6 million committed via letters of credit (December 2018: nil cash drawn). Net financing costs paid were £4.7 million, an increase of £1.5 million compared to December 2018 (2018: £3.2 million) reflecting the level of utilisation of the Company's CDF during the year. The Company successfully raised £190.1 million of new capital (net of issue costs) during the year (2018: £114.9 million). The Company utilised these proceeds to partially repay the cash drawn on the facility in line with the Company's policy to use the facility for short-term funding, rather than for long-term financing. At 8 April 2020, £13.4 million was cash drawn, leaving £386.6 million available for use.

Performance against strategic priority KPIs

1.3x

Dividends fully cash covered

1.10%

Ongoing charges ratio

STRATEGIC REPORT

OPERATING REVIEW CONTINUED

SUMMARY OF CASH FLOWS

SUMMARY OF CONSOLIDATED CASH FLOW	YEAR TO 31 DECEMBER 2019	YEAR TO 31 DECEMBER 2018
	£ MILLION	£ MILLION
Opening cash balance	84.7	33.9
Cash from investments	159.6	138.8
Corporate costs (for ongoing charges ratio)	(25.1)	(24.5)
Other corporate costs	(0.1)	(0.1)
Net financing costs	(4.7)	(3.2)
Net operating cash flows before capital activity¹	129.7	111.0
Cost of new investments	(281.3)	(63.3)
Investment transaction costs	(3.7)	(1.2)
Net movement of CDF	27.9	(17.8)
Proceeds of capital raisings (net of costs)	190.1	114.9
Dividends paid	(101.8)	(92.8)
Closing cash balance	45.6	84.7
Cash dividend cover	1.3x	1.2x

1 Net operating cash flows before capital activity as disclosed above of c.£129.7 million (31 December 2018: c.£111.0 million) include net repayments from investments at fair value through profit and loss of c.£40.2 million (31 December 2018: c.£34.9 million), and finance costs paid of c.£4.7 million (31 December 2018: c.£3.2 million) and exclude investment transaction costs of c.£3.7 million (31 December 2018: c.£1.2 million) when compared to net cash inflows from operations of c.£90.5 million (31 December 2018: c.£78.2 million) as disclosed in the statutory cash flow statement on page 84 of the financial statements.

CASH FLOWS ASSOCIATED WITH ONGOING CHARGES RATIO

CORPORATE COSTS	YEAR TO 31 DECEMBER 2019	YEAR TO 31 DECEMBER 2018
	£ MILLION	£ MILLION
Management fees	(23.4)	(22.7)
Audit fees	(0.3)	(0.3)
Directors' fees	(0.4)	(0.4)
Other running costs	(1.0)	(1.1)
Corporate costs	(25.1)	(24.5)

ONGOING CHARGES RATIO	YEAR TO 31 DECEMBER 2019	YEAR TO 31 DECEMBER 2018
	£ MILLION	£ MILLION
Annualised Ongoing Charges ¹	(25.1)	(24.5)
Average NAV ²	2,285.3	2,097.8
Ongoing Charges	(1.10%)	(1.17%)

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

INVESTOR RETURNS

DIVIDEND GROWTH

The Company forecasts to pay the second 3.59 pence per share dividend in respect of the 12 months to 31 December 2019 in June 2020. Once paid, this would bring the total dividends paid in respect of 2019 in line with the previously announced target of 7.18 pence per share (2018: 7.00 pence per share).

The Company targets predictable and, where possible, growing dividends. As illustrated in the chart on page 2, the Company has delivered a c.2.5% average annual dividend increase since IPO. The Company forecasts to pay 7.36 pence and 7.55 pence per share in respect of 2020 and 2021 respectively.

TOTAL SHAREHOLDER RETURN

The Company's annualised TSR¹ since the IPO to 31 December 2019 was 9.0%. This compares to the annualised FTSE All-Share index TSR over the same period of 5.9%.

During its 13-year life, the Company's long-term investment target to deliver an annual return in excess of 8.0% based on the IPO issue price has remained unchanged. During the KPI reassessment process mentioned on pages 6-7, the Board also took the opportunity to review the continued appropriateness of this target and concluded that, given: (i) the evolution of the infrastructure sector into what has now become a mainstream investment class; (ii) the decrease in long-term interest rates (which were approximately 5% p.a. at the time of the formulation of the current return target and are now below 1% p.a.); and (iii) the associated compression in returns on investments that this interest rate reduction has brought about across all real asset classes, it was appropriate to modify the Company's long-term target return to 7%².

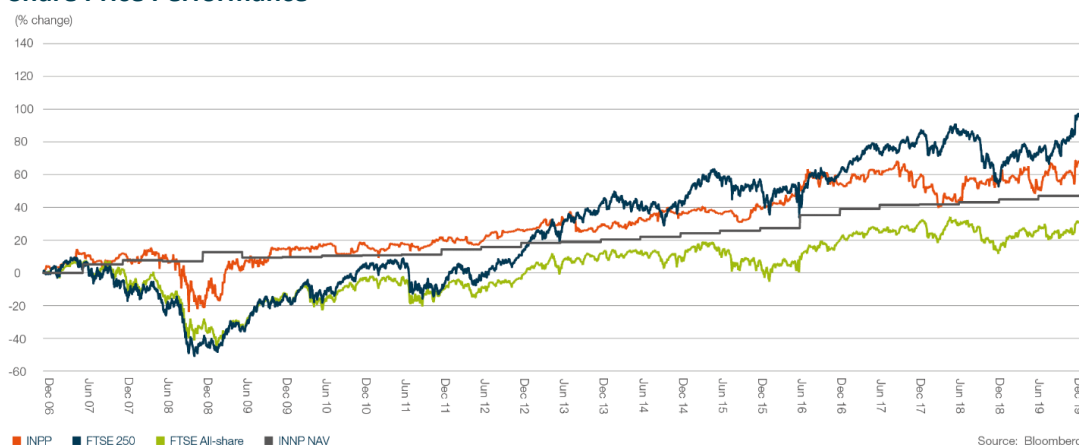
Performance against strategic priority KPIs

8.0% p.a.

IRR achieved since IPO²

As shown in the share price performance graph below, the Company has historically exhibited relatively low levels of volatility compared to the market. This is a continuing trend as demonstrated by the correlation of 0.25 and 0.19 with the FTSE All-Share index over the 12 months and five years to 31 December 2019 and 31 December 2018 respectively.

Share Price Performance



INFLATION-LINKED CASH FLOWS

In an environment where investors are focused on achieving long-term real rates of return on their investments, inflation protection is an important consideration for the Company. At 31 December 2019, 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 all of the assumed inflation rates³.

¹ Since inception in November 2006. Source: Bloomberg. Share price appreciation plus dividends assumed to be reinvested.

² Calculated by reference to the November 2006 IPO issue price of 100p and reflecting NAV appreciation plus dividends paid.

³ 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

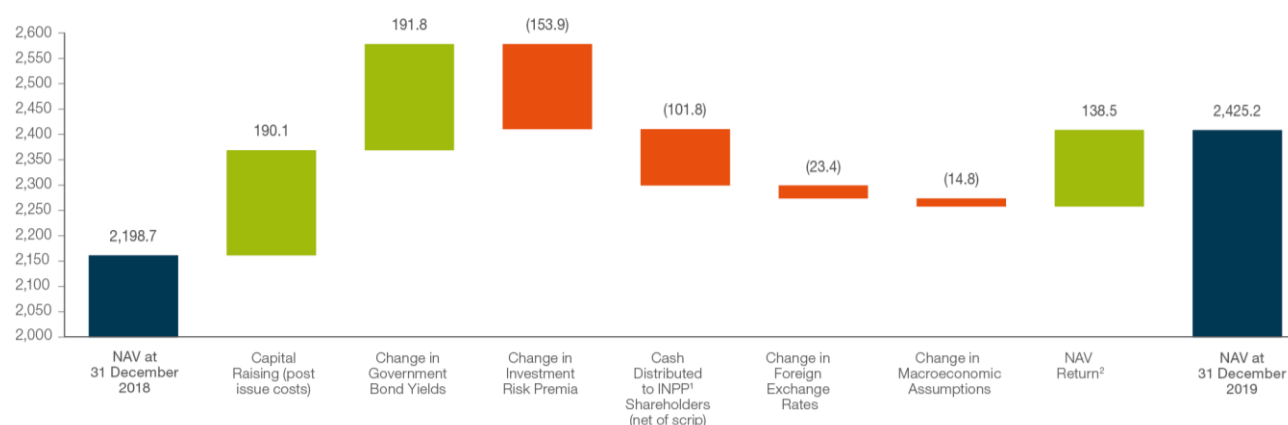
OPERATING REVIEW CONTINUED

VALUATIONS

NAV

The NAV represents the fair value of the Company's investments plus the value of other net assets or liabilities held within the Group. The fair values of the Company's investments are determined by the Board, with the benefit of advice from the Investment Adviser, and are reviewed by the Company's auditor. The Company reported a 10.3% increase in NAV from £2,198.7 million at 31 December 2018 to £2,425.2 million at 31 December 2019. Over the same period, the NAV per share increased by 1.7% from 148.1 pence to 150.6 pence.

NAV 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 future investment cash flows, and (iii) changes in the Company's net assets.

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

- The Company successfully raised £190.1 million (post costs) of new capital during the year;
- Government bond yields decreased in all jurisdictions in which the Company is invested, resulting in a positive impact on the NAV;
- The positive impact of the reduction in government bond yields was mostly offset by an increase in the investment risk premia designed to ensure the valuations continue to reflect recent market-based evidence of pricing for infrastructure investments;
- Sterling strengthened against the euro, Australian dollar and the US dollar, and marginally weakened against the Canadian dollar. The net impact was negative on the NAV with the most significant impact seen on the Company's euro-denominated investments;
- Four adjustments were made to the macroeconomic assumptions; (i) a two-year delay in the step-up to the long-term deposit rate assumptions used for all of the Company's investments reflecting the prolonged period of lower interest rates; (ii) an increase in the long-term deposit rate assumption used for the Company's investments in Canada from 2.00% to 2.50%; (iii) UK corporation tax is assumed to remain at 19% rather than reduce to 17% in accordance with the announcements made by the Conservative Party prior to the UK General Election; and (iv) the corporation tax rate for the Canadian province of Alberta has been reduced to reflect the latest enacted rate. These changes had an overall negative impact on the NAV;
- In line with forward guidance provided previously, two cash dividends were paid to the Company's shareholders during the year in relation to the six-month periods ended 31 December 2018 and 30 June 2019 respectively;
- Among other things, the NAV Return of £138.5 million captures the impact of the following:
 - o Unwinding of the discount rate;
 - o Outperformance of the investment portfolio during the period;
 - o Updates to the forecast cash flows (except those due to macroeconomic assumption changes); and
 - o Changes in the Company's working capital position.

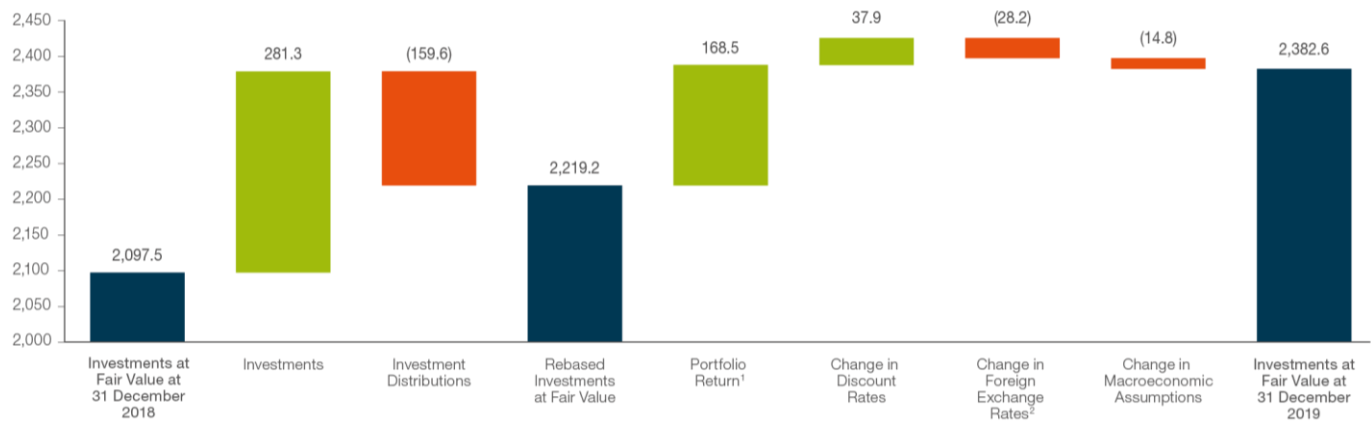
STRATEGIC REPORT

OPERATING REVIEW CONTINUED

INVESTMENTS AT FAIR VALUE

The investments at fair value represents the fair value of the Company's investments without consideration of the value of other net assets or liabilities held within the Group which are captured within the NAV. The Company reported a 13.6% increase in the investments at fair value from £2,097.5 million at 31 December 2018 to £2,382.6 million at 31 December 2019.

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 £281.3 million owing to new investments made during the period;
- A decrease of £159.6 million due to investment distributions paid out from the portfolio during the period;
- 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;
- The Portfolio Return of £168.5 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 small reduction in the discount rates used by the Company to value its investments. The component parts of the £37.9 million impact shown above can be seen in the NAV movements chart on page 27;
- Four adjustments were made to the macroeconomic assumptions; (i) a two-year delay in the step-up to the long-term deposit rate assumptions used for all of the Company's investments reflecting the prolonged period of lower interest rates; (ii) an increase in the long-term deposit rate assumption used for the Company's investments in Canada from 2.00% to 2.50%; (iii) UK corporation tax is assumed to remain at 19% rather than reduce to 17% in accordance with the announcements made by the Conservative Party prior to the UK General Election; and (iv) the corporation tax rate for the Canadian province of Alberta has been reduced to reflect the latest enacted rate. These changes had an overall negative impact on the investments at fair value;
- Sterling strengthened against the euro, Australian dollar and the US dollar, and marginally weakened against the Canadian dollar. The net impact was negative on the investments at fair value with the most significant impact seen on the Company's euro-denominated investments.

STRATEGIC REPORT

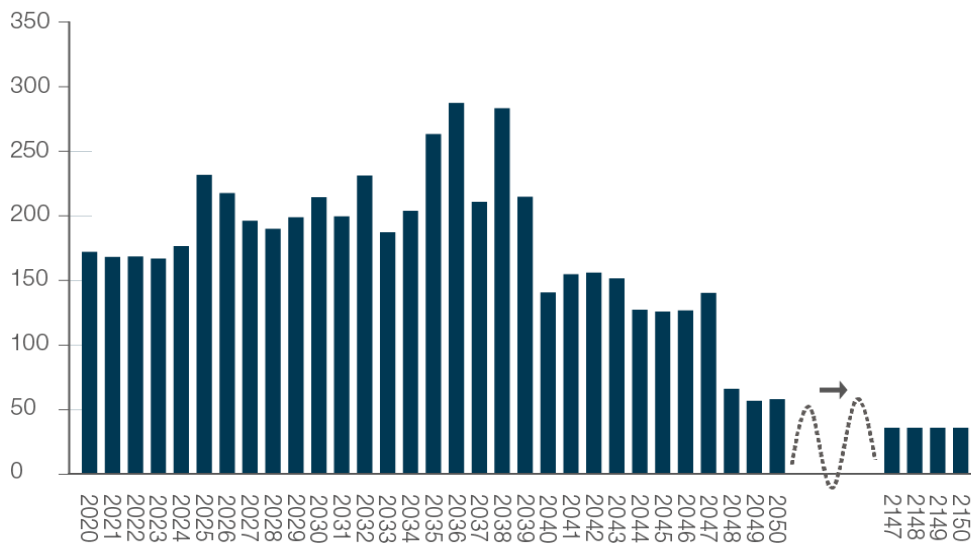
OPERATING REVIEW CONTINUED

PROJECTED CASH FLOWS

The Company's investments are generally expected to continue to exhibit predictable cash flows, owing to the principally contracted or regulated nature of the underlying cash flows. As the Company has a large degree of visibility over the forecast cash flows of its current investments, the chart below sets out the Company's forecast investment receipts from its current portfolio before fund-level costs.

The majority of the forecast investment receipts are in the form of dividends or interest and principal payments from subordinated and senior debt investments. The Company's portfolio comprises both investments with finite lives (determined by concession or licence terms) and perpetual investments 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 (£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 2019 are 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 certain adjustments should be made, including to the deposit rates, corporation tax rates and foreign exchange rates used to value the Company's overseas assets.

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

MACROECONOMIC ASSUMPTIONS		31 DECEMBER 2019	31 DECEMBER 2018
Inflation Rates	UK	2.75% RPI/2.00% CPIH	2.75% RPI/2.00% CPIH
	Australia	2.50%	2.50%
	Europe	2.00%	2.00%
	Canada	2.00%	2.00%
	US ¹	N/A	N/A
Long-term Deposit Rates ²	UK	2.00%	2.00%
	Australia	3.00%	3.00%
	Europe	2.00%	2.00%
	Canada	2.50%	2.00%
	US ¹	N/A	N/A
Foreign Exchange Rates ³	GBP/AUD	1.92	1.88
	GBP/EUR	1.13	1.05
	GBP/CAD	1.80	1.80
	GBP/USD	1.37	1.34
Tax Rates ⁴	UK	19.00%	17.00%-19.00%
	Australia	30.00%	30.00%
	Europe	Various (12.50%-32.28%)	Various (12.50%-32.28%)
	Canada	Various (23.00%-26.50%)	Various (26.50%-27.00%)
	US ¹	N/A	N/A

¹ The Company's US investment is in the form of subordinated debt and therefore not directly impacted by inflation, deposit and tax rate assumptions.

² The portfolio valuation assumes actual current deposit rates are maintained until 31 December 2021 before adjusting to the long-term rates noted in the table above. The 31 December 2018 valuation assumed the long-term rates noted in the table above would apply from 31 December 2019.

³ The Company uses the four-year forward curve and maintains the four-year forward rate for the longer-term.

⁴ Tax rates reflect rates those substantively enacted or formally announced 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 reflects the risks and opportunities associated with that particular investment.

The majority of the Company's portfolio (88.8%) comprises Risk Capital investments, while the remaining portion (11.2%) 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.

STRATEGIC REPORT

OPERATING REVIEW CONTINUED

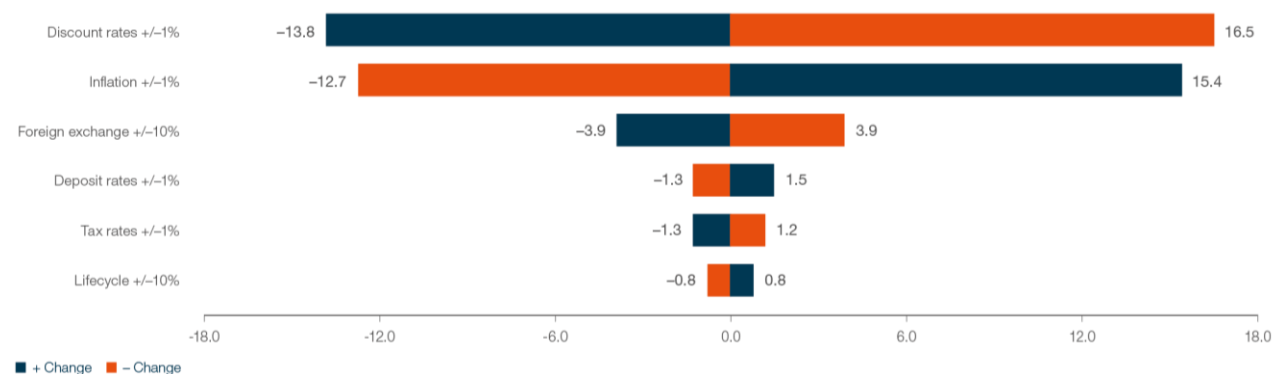
	31 DECEMBER 2019	31 DECEMBER 2018	MOVEMENT
Weighted Average Government Bond Yield – Portfolio	0.98%	1.83%	(0.85%)
Weighted Average Investment Premium – Portfolio	6.04%	5.43%	0.61%
Weighted Average Discount Rate – Portfolio	7.02%	7.26%	(0.24%)
Weighted Average Discount Rate – Risk Capital	7.52%	7.55%	(0.03%)
NAV per share	150.6p	148.1p	2.5p

The Company is aware that there are differences in approach to the valuation of investments among different listed infrastructure funds similar to the Company. In the Company's view, comparisons of 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 allowance is made for differences in the quality of asset management employed to manage risk and deliver returns. 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 2019 NAV per share of 150.6 pence to changes 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 unlikely basis that the changes occur uniformly across the portfolio. 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 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.

Estimated impact of changes in key assumptions on the 31 December 2019 NAV of 150.6 pence per share



STRATEGIC REPORT

OPERATING REVIEW CONTINUED

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 of that particular investment are linked to an inflation index. On a portfolio basis, there is a positive correlation to inflation with a 1.00% sustained increase in the assumed inflation rates projected to generate a 0.82% increase in returns. The returns generated by the Company's UK investments are typically linked to the Retail Price Index ('RPI'), whereas the Company's non-UK investments are typically linked to the relevant Consumer Price Index ('CPI') for that jurisdiction. Further to recent announcements by the UK's energy and water regulators, the revenues earned by Cadent and Tideway will be linked to the CPIH (CPI including owner occupied housing costs) 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 geographical region are provided in note 11.5 of the financial statements.

FOREIGN EXCHANGE

The Company has a geographically diverse portfolio and forecast cash flows from investments are subject to foreign exchange rate risk in relation to euros, Australian dollars, Canadian dollars and US 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 1.81% 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

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 the proportion of total cost that represents this 'lifecycle spend' will depend on the nature of the asset.

PPPs will typically need to ensure that the assets are kept at the standard required of them under agreements with relevant public sector counterparties. To enhance the certainty around cash flows, the majority of the Company's PPP investments, and all of the Company's OFTO investments, are currently structured such that lifecycle cost risk is taken by a sub-contractor for a fixed price (isolating equity investors from such downside risk). As a result, the impact of changes to the forecast lifecycle costs for the Company's PPP investments is relatively small.

STRATEGIC REPORT

OPERATING REVIEW CONTINUED

The Company's investments in rolling stock leasing or operating businesses, or businesses providing digital infrastructure, are also distinct from PPPs which have fixed revenue streams from which they need to pay lifecycle costs. These businesses will still expect to incur lifecycle costs but will typically aim to recover any changes in lifecycle costs through the prices they charge their end users.

Tideway and Cadent, are treated differently due to the protections offered by the regulatory regimes 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 subcontractors to undertake lifecycle work under contracts which include incentive and penalty regimes aligned with the businesses' regulatory targets. This approach ensures an alignment of interest and helps to mitigate the risk of increased lifecycle costs falling on the equity investor. Accordingly, no lifecycle sensitivity has been run in respect of the Company's investments in Tideway and Cadent.

The impact of a 10% increase or decrease in the lifecycle costs incurred by the Company's PPPs, OFTOs and operating businesses is provided for illustration.

By order of the Board



Mike Gerrard
Chairman
8 April 2020



John Le Poidevin
Director
8 April 2020

RESPONSIBLE INVESTMENT

STRONG RESPONSIBLE INVESTMENT

OUR APPROACH

Consideration of ESG drivers is an important part of how the Company assesses the long-term viability of investments that it makes and its associated asset management strategies. ESG drivers are non-financial factors that can influence and be influenced by the Company's business activities and include issues such as climate change, demographics, resources, technology and social values.

Consideration of ESG is important to the Company for the following key reasons:

- ESG drivers present an opportunity for new markets and investments;
- Incorporating ESG into the Company's management processes supports its high standards of financial rigour and requirements for long-term financial performance;
- By investing in infrastructure and associated businesses, the Company can meaningfully support sustainable development.

In 2019, the Company continued to evolve its approach to ESG integration. This has involved updating investment processes, developing specific ESG stewardship objectives, and updating all ESG risks and associated controls. As part of the Company's commitment to improvement and transparency, all ESG integration updates and controls have been reviewed by an independent third party. This assessment was completed in line with the UN PRI, to which the Company's Investment Adviser became a signatory in 2019. The updated approach to ESG reflects increased alignment with the goals of the UN SDGs, using their targets to quantify the Company's positive environmental and social impact, but also using them to drive sustainable management of the Company's investments.

As part of the Company's ESG controls, it has increased the level of information that is gathered at investment opportunity evaluation through screening and due diligence. In addition, the Company commissioned an ESG due diligence review of all its current investments. A comprehensive review of the top ten assets (by investment fair value) has been completed, with all remaining investments expected to be reviewed during 2020. The Company will use the outputs to reduce risk in its investments and drive our assets'

contribution to environmental and social progress. This is expected to include opportunities for innovations achieved in one part of the portfolio to be shared more widely. Climate change risk formed a key part of this review and, in 2020, the Company plans to further assess how the risks posed by climate change (both transitional and physical) can be mitigated within its portfolio management strategy.

ALIGNED TO FIVE ASSET CLASSES

ESG impact and stewardship objectives have been divided into five asset classes. This allows the Company to target and manage material ESG issues, which can vary considerably across a diverse portfolio of assets. These include all sectors listed in the Sector Breakdown in the Company Overview section of this report.

SOCIAL INFRASTRUCTURE



WASTE WATER



TRANSPORT



ENERGY TRANSMISSION



GAS DISTRIBUTION



RESPONSIBLE INVESTMENT

CONTINUED

UN SDG GOAL ALIGNMENT

The Investment Adviser, on behalf of the Company, has aligned with the UN SDGs¹. In addition to screening and managing material ESG risks, both organisations have committed to advancing these objectives. Infrastructure appears both as an explicit goal and as an implicit means to support other UN SDGs.

By investing in the 'right type' of infrastructure, the definition of which is included in this section, the Company believes its investments can significantly support the targets set out by the UN SDGs. For each investment sector, the Company has identified which UN SDGs its investments are positively

impacting. The core benefits to society are described under the 'Impact' section on the following pages.

Equally, the Company believes any investment must be managed in a sustainable way. The Company has undertaken an exercise to identify what ESG topics are sufficiently material for each sector as to require active management. This is to ensure that any ESG risks are appropriately managed and opportunities for environmental and social progress are maximised. Performance against these objectives is described under 'Sustainable Management'.



Impact. Bold UN SDG icons indicate aspects the Company's investments are positively supporting at a macro level.



Sustainable Management. Inverted UN SDG icons indicate those that the Company are using to guide sustainable management of assets.

¹ <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

SOCIAL INFRASTRUCTURE

Incorporates the Company's investments in educational facilities, hospitals, healthcare facilities, judicial and other government buildings

IMPACT

Education

266 Schools

>195,000 Pupils

Healthcare

3 Hospitals

37 Healthcare facilities

>540,000 patients annually

Government

5 Police Stations

8 Judicial Buildings

SUSTAINABLE MANAGEMENT¹

Environment

92% (Investments with an Environment Management System)

94% (Investments monitoring energy usage)

31% (Investments monitoring waste)

82% (Investments monitoring water)

83% (BREEAM 'Very Good' or higher)

Social

100% (Investments with a health and safety policy and management system)

>3,800 (Sustained full-time employees)

96% (Investments with equality, diversity and inclusion policy)

91,819 (Additional community hours)

Social infrastructure is pivotal to the development of sustainable communities. While the provision of housing, clean water and electricity are vital for meeting basic human needs, other services such as schools and healthcare facilities are equally important for ensuring the long-term well-being of people. In combination, these infrastructure types create the framework within which residents can establish a community with opportunities for social and economic wellbeing.

As part of this, ensuring equitable access to these services is critical. Provision of basic services such as health, education, shelter, water and sanitation are central to the objectives of the UN SDGs.

By investing directly in social infrastructure, the Company is supporting three UN SDGs; UN SDG 3 (good health and wellbeing), UN SDG 4 (quality education), and UN SDG 9 (industry, innovation and infrastructure).

During 2019, 92% of social infrastructure investments were managed by facilities management companies with an Environmental Management System.

The Company identified that 94% of social infrastructure investments monitored their energy usage. In addition, 31% of the Company's social infrastructure investments implemented energy-saving initiatives, with 99 investments generating renewable energy on-site through a mixture of solar, wind, biomass and combined heat and power. In addition, 83% of assets in the portfolio built in accordance with BREEAM² scored 'very good' or higher.

31% of the Company's social infrastructure investments monitored waste at the site level. As part of the Investment Adviser's approach to asset management, a pilot for repurposing furniture as part of life cycle maintenance was undertaken. For example, 250 stools have been re-purposed from Derby Schools and donated to National Police Aid Convoys.

The Company undertakes a proactive approach to ensuring that all parties are aware of their health and safety obligations, which is monitored through quarterly reporting. In 2019, 100% of the Company's social infrastructure was managed by facilities management companies with a health and safety policy.

Through the Company's contracts, over 3,800 sustained FTE jobs have been created, with 100% of facilities management companies implementing staff development and training programmes. In addition, 96% of social infrastructure investments were managed by facilities management companies with an equality, diversity and inclusion policy.

Promoting the use of assets for community use continues to be a priority, reflecting the Company's ambition for investments to positively contribute to local communities. In 2019, additional community use hours totalled 91,819.

¹ Note: Metrics are estimates and include the Company's investments in social infrastructure, schools, hospitals, healthcare facilities, judicial and other government buildings
² <https://www.breeam.com/>



WASTE WATER

Encompasses the Company's investment in Tideway

IMPACT

39 million (Tonnes of avoided sewage discharges)
25km (Tunnel length)
3 Acres (New public space)

An average of 39 million tonnes of untreated waste water containing raw sewage overflows into the River Thames in London every year¹.

Tideway will work to reduce the number of discharges from over 50 to four or fewer in a typical year. The Tideway Tunnel will collect sewage before it enters the river and divert it to treatment facilities, cleaning up the river for future generations of Londoners. This will also help to prevent fish kills and allow the river to sustain a rich, diverse array of wildlife.

Whilst the main benefit of the completed tunnel is to prevent pollution and improve biodiversity in the tidal River Thames, during the eight-year construction period, the project is being delivered in a sustainable way and will result in the creation of three acres of new public space along the embankment.

By investing directly in social infrastructure, the Company is supporting three UN SDGs; UNSDG 6 (clean water and sanitation), UN SDG 9 (industry, innovation and infrastructure) and UN SDG 11 (sustainable cities and communities).

SUSTAINABLE MANAGEMENT

Environment

100% (Investments with an Environment Management System)
238 tCO₂e (Scope 2 GHG Emissions)
131,329 tCO₂e (Scope 3 GHG Emissions)
96% (Beneficial re-use of excavated material)

Tideway has a robust environmental management system in place to deliver on planning requirements and on its legacy commitments. This includes a variety of initiatives to minimise its impact on the environment.

By considering carbon reduction opportunities, such as moving the excavated material by barge, Tideway has been able to reduce its base-case carbon footprint by 19% - a total of 199,000 tonnes. Tideway is the first infrastructure project to capture comprehensive emissions data which shows that a 1,000-tonne tug at 75% engine load produces 54% reduction in nitrogen oxide, 86% reduction in nitrogen dioxide emissions and 90% reduction in carbon dioxide per tonne km compared with the modern standard HGV.

Tideway has a legal commitment to beneficially use at least 85% of the excavated material. In 2019, Tideway was at 96% beneficial reuse, with 83,878 tonnes of main tunnel material sent to Veolia Rainham Marshes/Land and Water Rainham for habitat creation.

Social

100% (Investments with a health and safety policy and management system)
2,514 (Sustained full-time employees)
56% (Female employees)

Tideway has an award-winning approach to Health and Safety, including Health, Safety and Wellbeing Initiative of the Year at the British Construction Industry Awards, the Ground Engineering Awards 2018. Overall, the programme accident frequency rates have remained below other large infrastructure projects working at similar phases of construction². In 2019, there were 167 volunteer mental health first aiders across the project.

During the eight-year construction period, the project is addressing several social sustainability areas, such as bringing more women into engineering and construction creating sustained employment and employing people living in the area affected by the works; it is also setting targets on employing apprentices and ex-offenders.

In 2019, Tideway recorded 2,514 sustained FTE jobs, with 56% of the workforce being female.

¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/471847/thames-tideway-tunnel-strategic-economic-case.pdf
² https://www.tideway.london/media/3128/a0601_green-bond-report-2018_vis8.pdf



TRANSPORT

Includes transport related investments,
such as rail PPPs and other rail businesses

IMPACT

>229 million (Passengers per annum)
4,651 (Train units)
>364 million (Train kilometres)

Well-planned and coordinated infrastructure is fundamental to the economic and social wellbeing of a community. It is also becoming increasingly important to combat climate change and has been identified as a key part of net zero carbon strategies emerging internationally¹.

The Company's rail investments move over 229 million passengers annually - over 627,000 people daily. This is roughly the equivalent to moving the entire population of the city of Glasgow² every day.

Although rail is already an existing low-carbon form of transport, the Company recognises that there will be a growing shift towards cleaner units, and the Company will fully support investments to make this transition.

By investing directly in sustainable transport, the Company is supporting two UN SDGs: UN SDG 9 (industry, innovation and infrastructure) and UN SDG 11 (sustainable cities and communities).

SUSTAINABLE MANAGEMENT

Environment

89% (Composition of train fleet that is electric)³
60% (Investments with an environment management system)
100% (Investments monitoring energy)
40% (Investments monitoring waste)

In 2019, 89% of the train units under investment were electric, with three being 100% electric - Gold Coast Rapid Transport, Diabolo Rail Link and Reliance Rail.

Investments with diesel units are innovating to explore ways of cost-effectively transitioning to cleaner fleets. For example, Angel Trains ground-breaking Hydrive⁴ project aims to improve air quality and reduce carbon emissions by retrofitting diesel units with hybrid technology. In 2019, the Hydrive trial project completed the procurement phase with bench-testing of the new equipment.

100% of transport investments are monitoring their energy use, with many taking innovative approaches to improving performance.

In 2019, several of BeNEX's train operating companies introduced a driver advisory system, which supports train drivers to achieve an energy-efficient driving style.

40% of transport investments are monitoring waste. During train use, many train components such as bogies, wheelsets, gearboxes and engines are mostly refurbished and reused and not disposed of.

Social

100% (Investments with a health and safety policy)
>2,290 (Sustained full-time employees)
100% (Equality diversity and inclusion policy)

Health and safety is the highest priority for the Company's investments in rail, with 100% of investments holding a robust health and safety policy and management system.

In addition to supporting the economic development of communities through the provision of public transport, the Company's transport investments also provided over 2,290 sustained full-time equivalent ('FTE') jobs in 2019.

In 2019, 100% of transport investments held a diversity and inclusion policy. In most instances these are developed by the investment themselves. In other cases, the investment adopts government standards.

¹ <https://www.theccc.org.uk/publication/net-zero-technical-report/>

² <https://www.nrscotland.gov.uk/files/statistics/council-area-data-sheets/glasgow-city-council-profile.html>

³ Calculated by prorating the valuations of the relevant investments by value attributable to electric trains.

⁴ <https://www.ft.com/content/4f7d9fd8-ba98-11e8-8274-55b72926558f>



ENERGY TRANSMISSION

Encompasses the Company's OFTO investments

IMPACT

1.5 GW (Transmission capacity)
1.3 Million (Homes powered by renewable energy)

The UK Government has set an ambitious target for the deployment of renewable energy. In March 2019, the Government outlined a plan for offshore wind to power more than 30% of British electricity by 2030. This will be spearheaded by a new £250 million Offshore Wind Growth Partnership and will see Crown Estate & Crown Estate Scotland release new seabed land from 2019 for new offshore wind developments¹.

The Company increased its investment in this sector in 2019, with an additional c.£70 million senior debt investment made by the Company as part of a refinancing which took advantage of the favourable prevailing conditions in the debt market.

The overall impact of the investment therefore remains the same, with a transmission capacity of 1.5GW, sufficient to supply the electricity needs of 1.3 million homes.

By investing in OFTOs, the Company is directly supporting two UN SDGs; UN SDG 7 (affordable and clean energy) and UN SDG 13 (climate action).

SUSTAINABLE MANAGEMENT

Environment

100% (Investments with an Environment Management System)
100% (Investments monitoring energy)
100% (Investments monitoring waste)

All OFTOs now operate under a robust ISO 14001 Environmental Management System, which was introduced in 2019. As part of this, each investment monitors energy usage and waste.

Considering the environment OFTOs operate in, it is important that the Company has a clear view of how resilient they are to extreme weather events. All OFTOs have been designed to meet <1 in 200-year waves. Onshore substations generally are designed to meet Planning Policy Guidance 25 and have <1 in 100 flood risk. In 2019, there has been no flood damage at any onshore substation and no more weather-related damage beyond what would be regarded as in the normal course of business.

Across all the sites the OFTOs are mandated by environmental legislation to record the quantity of Fluorinated gasses (F Gasses) held within the equipment. This includes Sulphur Hexafluoride (SF6), which is used across the energy transmission sector. Any leaks of SF6 are immediately identified by SCADA systems.

Social

100% (Investments with a health and safety policy and management system)
12 (Sustained full-time employees)
33% (Female employees)

100% of OFTO investments are covered by a robust ISO18001 health and safety system. Transmission Capital Services² implement several training initiatives, with all staff receiving ongoing training which is relevant to their role.

Transmission Capital Services' asset management policy is designed to ensure:

- The prevention of injury and illness to employees, contractors, and the public;
- Maximisation of the long-term average availability of the assets under management; and
- Minimisation of the whole life costs of maintaining, operating and repairing assets under management.

The Company's OFTO investments support a relatively small, but highly skilled workforce. Although small, the skills developed have the potential to play an important role in the Government's plans to export UK skills and services to areas like Europe, Japan, South Korea, Taiwan and the US as part of plans to boost global exports for offshore wind fivefold to £2.6 billion per year by 2030¹.

¹ <https://www.gov.uk/government/news/offshore-wind-energy-revolution-to-provide-a-third-of-all-uk-electricity-by-2030>.
² Transmission Capital Services are responsible for management of the OFTO.



GAS DISTRIBUTION

Comprises the
Company's investment in Cadent

IMPACT

5.7 million GJ/day (Maximum energy throughput)
>11 million (Homes and businesses connected to gas)

As the largest gas distribution company in the UK, Cadent provides a service that keeps the energy flowing to over 11 million homes, offices and businesses.

The gas network is at the centre of the energy system in the UK, delivering critical energy to homes, businesses and industry; reliably, efficiently and securely.

Following the UK's commitment to achieving net zero carbon by 2050, the Company recognises that the UK cannot continue using fossil fuels in the way it does today and still meet its carbon emissions reduction targets. The Company believes Cadent has an important role to play in transitioning the UK to a net zero carbon economy and is committed to supporting Cadent to pilot and invest in infrastructure to increase the distribution of low carbon fuels including biomethane and clean hydrogen.

By investing in Cadent, the Company is directly supporting two UN SDGs; UN SDG 7 (affordable and clean energy) and UN SDG 9 (industry, innovation and infrastructure).

SUSTAINABLE MANAGEMENT¹

Environment

32 (Biomethane connections)
24,167 tCO₂e (Scope 1 and Scope 2 business GHG Emissions)
86% (Waste diverted from landfill)
68% (Reduction in emissions compared to 1990 baseline)

As a business, the most significant impacts Cadent has on the environment are leakage from the networks they operate, excavation waste, vehicle emissions and waste from direct activities. Cadent has made progress against each of these, with 86% waste diverted from landfill in 2018/19 (34% in 2017/18). In 2019, Cadent achieved a 68% reduction in operational Greenhouse Gas ('GHG') emissions, meaning they are on track to achieve their longer-term target ahead of schedule to reduce GHG emissions by 80% (from 1990 levels) by 2050².

Cadent is undertaking important research and demonstration projects to support the transition to a sustainable energy system, in the home, for industry, and for transport. These innovative projects mean Cadent is positioning itself to play a key role within the changing energy landscape. For example, The HyDeploy project is providing evidence that substantial percentages of hydrogen can be blended with gas, reducing its carbon intensity, without having to change any customer equipment.

Social

100% (Investments with a health and safety policy and management system)
>4000 (Sustained full-time employees)
20% (Female employees)

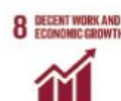
Cadent has a robust approach to health and safety and is committed to driving improvements. Over the last decade, Cadent has improved its employee Lost Time Injury Frequency Rate from 3.5 per million hours worked to close to 1.3 in 2019.

Cadent has a workforce of over 4,000 employed in sustained roles. Recruitment is supported by a robust diversity and inclusion policy. However, female representation at Board and senior leadership levels are 18% and 15% respectively. This imbalance is partially symptomatic of the industry, where 83% of the energy and utility sector's workforce are male.

In 2019, Cadent continued to identify how it can support the communities in which it operates. For example, in 2019, this has included capacity building to help active targeting of subsidised connections to the gas grid for eligible households to help tackle fuel poverty.

¹ Data obtained directly from Cadent and refers to their 2018/2019 financial year.

² <https://cadentgas.com/nggdwsdev/media/Downloads/reports/safety-sustainability/Cadent-Safety-Sustainability-report-2018-19.pdf>



RESPONSIBLE INVESTMENT

STAKEHOLDER ENGAGEMENT

VALUE CREATION – HOW WE ENGAGE

The Company takes a proactive approach to identifying and engaging with key stakeholders. It achieves this through a combination of Board engagement and oversight and leveraging the Investment Adviser's expertise and networks. The Company believes robust stakeholder engagement is a critically important component on delivering its purpose. It is for this reason that stakeholder engagement is considered at a strategic level by the Board.

1. Investor Returns	2. Public Sector & Other Clients	3. Communities	4. Key Suppliers
<p>Consistent and growing returns</p> <p>We aim to provide our investors with long-term, inflation-linked returns, by growing our dividend and creating the potential for capital appreciation. Through engagement with our investors, we aim to inform our strategic objectives and to ensure that their views on topical issues are understood by the Company. This approach is intended to maximise investor buy-in to current objectives and performance whilst also helping shape future plans for the portfolio.</p> <p>The key mechanisms for the Company's engagement with investors include:</p> <ul style="list-style-type: none"> – Regular and timely updates on performance including through the annual and half-yearly reporting cycle – The Company's AGM – Investor days – One-to-one meetings with the Chairman and other directors – One-to-one meetings with representatives from the Company's Investment Adviser – Other group engagement with representatives from the Company's Investment Adviser. – The Company's website <p>For example, the Company hosted a successful investor day in 2019 with one of its investments, Tideway. Investors were presented with a series of updates on the portfolio, including an overview of Tideway. Through its Investment Adviser, the Company also engaged in a round of meetings to help inform its approach to ESG, which was updated in 2019.</p>	<p>A trusted partner</p> <p>Through our investments we aim to provide the public sector and other customers with a highly reliable, robust service. Our ability to deliver contracted services and maintain strong relationships with our clients through our Investment Adviser is vital for the long-term success of the business. Through close engagement with our clients, we aim to meet high levels of satisfaction and quickly respond to any potential issues and emerging challenges. The key mechanisms for engagement with our clients include:</p> <ul style="list-style-type: none"> – Regular meetings between the Investment Adviser and public sector clients including local authorities and regulators – Active asset management, which provides monitoring of the facilities management arrangements on compliance with maintenance obligations – Asset managers directly engaging with the client on a day-to day-basis <p>For example, the Company developed a comprehensive set of environmental and social objectives, which align with strategic priorities of the Company's public sector clients, including key topics such as emissions reductions. Please see pages 21-23 for details on active asset management and pages 34-40 for details on responsible investment.</p>	<p>Strengthening communities</p> <p>We strive to make our investments an integral part of the communities they serve. Engaged communities can play an important role in successful delivery of new assets and their long-term operations. As part of our approach to active asset management, the Investment Adviser ensures critical services are delivered with a focus on the end user, ensuring that the community is at the heart of all that we do. This approach is intended to help our communities thrive and create robust environments for our investments to flourish. The key mechanisms for community engagement include</p> <ul style="list-style-type: none"> – Active asset management providing facilities for community use – Local Education Partnership agreements – Supporting community initiatives <p>For example, through the Investment Adviser's engagement with the local authority, Chapel-en-le-Frith school was made available to the emergency services for their use during the evacuation of the town as a result of the Todbrook Dam emergency in 2019. Please see pages 21-23 for details on active asset management and pages 34-40 for details on responsible investment.</p>	<p>An engaged supply chain</p> <p>Our ambition is to work with a high-quality, sustainable supply chain with a focus on long-term value for our stakeholders. The performance of our service providers, their employees, and investment supply chain is crucial for the long-term success of our business. The Company takes a progressive approach to engaging with key suppliers. A key component of this is ensuring our Investment Adviser is proactively maintaining an engaged supply chain for our investments. The examples of mechanisms for engagement with key suppliers include:</p> <ul style="list-style-type: none"> – Annual management engagement committee review – Ad hoc engagement – Quarterly board meetings and reporting – Investment Adviser managing investment supply chain <p>In 2019, the Management Engagement Committee reviewed the performance of the Investment Adviser and the Company's other advisers and major service suppliers to ensure that performance is satisfactory and in accordance with the terms and conditions of the respective appointments. Please see page 63 for more information on the Management Engagement Committee and its activities.</p>

CONTINUOUS RISK MANAGEMENT

CONTINUOUS RISK MANAGEMENT

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



RISK FRAMEWORK AND MANAGEMENT PROCESS

The Company has in place a risk management framework. The Board recognises the importance of identifying and actively monitoring the risks facing the business. The framework involves an ongoing process for identifying, evaluating and managing significant risks faced by the Company. While responsibility for risk management ultimately rests with the Board, the aim is for the risk management framework to be embedded as part of the everyday operations and culture of the Company and its key advisers.

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 4-5.

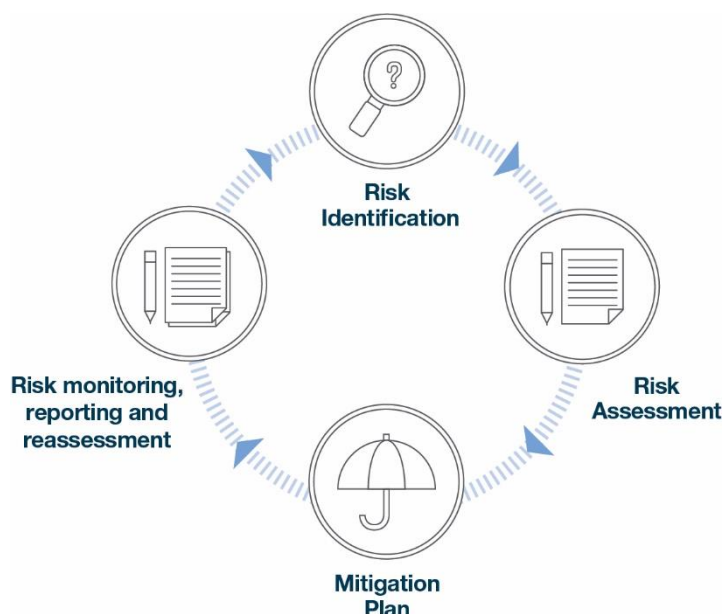
Direct communication between the Company, its Investment Adviser, and the portfolio investment level asset manager, is a key element in the effective management of risk through the investment portfolio.

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.

CONTINUOUS RISK MANAGEMENT

CONTINUED

The risk framework is implemented through the following risk control processes:



RISK IDENTIFICATION

The Board, Audit and Risk Committee and the Risk Sub-Committee identify risks with additional input from the Company's Investment Adviser and the Administrator. The Board 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. A risk register is reviewed and updated by the Board and Audit and Risk Committee on a quarterly basis. An annual workshop with the Investment Adviser considers emerging and changing risks.

RISK ASSESSMENT

Each identified risk is assessed in terms of probability of occurrence, potential impact on financial performance and any movements in the relative significance of each risk between periods. A robust assessment of principal and emerging risks facing the Company is performed. The assessments build on the wealth of knowledge acquired by the Company and Investment Adviser through both bidding and asset management phases, with risk assessments carried out to quantify and assess risks. Where risks might impact viability, these are assessed further and the Viability Statement on page 53 contains more information of this review.

MITIGATION PLAN

For newly identified risks or existing risks with increased likelihood or impact, the Audit and Risk Committee assists the Company in developing an action plan to mitigate the risk, with enhanced monitoring and reporting put in place.

RISK MONITORING, REPORTING AND REASSESSMENT

Risks are monitored and risk mitigation plans are reassessed by the Audit and Risk Committee, where applicable, with input from any relevant key service providers, and reported to the Board on a quarterly basis. Annual external controls and process reviews help ensure the robustness of control processes.

CONTINUOUS RISK MANAGEMENT

CONTINUED

The principal risks affecting the Company and its investment portfolio did not, in the view of the Board, materially change during the year, in part due to the typically long-term contractual and regulated nature of portfolio investments. Changes in macroeconomic or external industry environments or in global regulatory or tax environments can also impact portfolio returns and these areas continue to be a key feature of the risk review process. Further details of the activities performed by the Audit Risk Committee during the year can be found on pages 68-71 of the Audit and Risk Committee report.

DEVELOPMENTS IN THE YEAR:

UK REGULATORY REGIME ANNOUNCEMENTS (RISK 5)

Two of the Company's investments are subject to regulatory regimes which are designed by the regulators to, among other things, protect the interests of consumers whilst ensuring that regulated companies are able to earn a reasonable return on their capital. Changes in the regulatory regimes have the potential to impact the returns of these regulated assets.

During the year, Ofgem announced its Sector Specific Methodology Decision which sets out its decisions on the policy areas which will be used to determine the revenues that UK gas and electricity network companies are able to earn during the next price control period. This announcement is relevant to the Company's investment in Cadent, a gas distribution business which will enter its next price control period on 1 April 2021. The terms of the announcement made by Ofgem were consistent with the Company's expectations. In November 2019, Cadent submitted its business plan in respect of the next price control period to Ofgem and expects to receive Ofgem's draft and final determinations later in 2020.

In December 2019, Ofwat published its final determinations in respect of the business plans it had received from water companies covering the next price control period. The final determinations do not have a direct impact on the Company's investment in Tideway owing to the bespoke nature of the licence held by Tideway which entitles it to a fixed regulated return with no regulatory reset until 2030.

The Company believes its regulated asset valuations continue to remain appropriate. In addition, investments in regulated assets are considered very long-term, beyond any individual regulatory cycle. Therefore, our long-term view of such assets takes into account the robustness of yield as well as potential for increases in the regulated asset base over time.

COUNTERPARTIES AND SERVICE PROVIDERS (RISK 8)

Counterparty risk continued to be closely monitored following recent issues affecting certain service providers to the Group. During the year, the Group successfully completed the recapitalisation and investment of rescue capital into the Midlands Batch Priority Schools Project ('Batch 4'), following the project being impacted by the collapse of Carillion plc in 2018. The successful recapitalisation of this project as well as the smooth transition to new service providers for the other Carillion impacted assets in the portfolio demonstrated the effectiveness of the contingency plans developed by the Investment Adviser in managing counterparty risk. Further information can be found in the Active Asset Management section on pages 21-23. In addition, during 2019 Interserve plc (a service provider to c.4% of the Company's portfolio by fair value) entered administration. The Investment Adviser, building on the experience of Carillion, had been monitoring the issues affecting Interserve plc for some time and had developed contingency plans for this scenario. All facilities remain operational, with no disruption to service delivery. The Investment Adviser continues to closely monitor other service providers within the portfolio for counterparty risk.

NATIONALISATION (RISK 5)

The result of the UK General Election in December 2019 has meant the risk of asset nationalisation as proposed by the UK Labour Party has receded in the immediate term. Nevertheless, it would be naive to conclude the risk has disappeared completely over the longer term. It is uncertain if the party will change this policy with its next leader or if policy may remain in the Labour Party manifesto at the next General Election. The Board will monitor this risk for any future developments; however, it believes that the Company's contractual arrangements mean it will remain defensively positioned with regard to this risk.

In addition, notable developments in other risk areas including emerging risks were considered during the year and to the date of this report, including:

CONTINUOUS RISK MANAGEMENT

CONTINUED

CLIMATE CHANGE

Climate change is an emerging risk which could lead to more frequent or severe weather events like flooding, fires, droughts and storms. Investments may be subject to extreme weather and changes in precipitation and temperature, all of which may result in physical damage or a decrease in demand for infrastructure assets located in the areas affected by these conditions. Should the impact of climate change be material in nature or occur for lengthy periods of time, the financial condition or results of operations of the investments could be adversely affected. In addition, changes in national, federal and state legislation and regulation on climate change could result in increased capital expenditures to improve the energy efficiency or reduce the carbon footprint of the Company's investments in order to comply with such regulations. This transition could also lead to certain fuels and business models becoming obsolete if unable to adapt to emerging regulation and customer preference.

The Company takes climate change very seriously and continues to devote attention to managing this emerging risk. During the year the Company updated its investment processes, strengthening climate considerations within investment screening and diligence, ensuring these are considered from the earliest point in the investment cycle. A review of the Company's top 10 assets was also performed to assess the investments against material ESG issues, which included a high-level assessment of physical and transitional climate change risks for those assets. Climate change would most likely manifest itself through impact on physical assets (risk 9) and changes in climate related regulation (risk 6). In 2020, the Company is exploring how best to communicate these risks to investors in line with emerging best practice. Further information related to the Company's approach to responsible investing can be found in the responsible investment section on pages 34-41.

BREXIT

There remains uncertainty over the eventual relationship between the UK and the EU. This uncertainty makes it hard to foresee what impact Brexit will have on the wider macroeconomic environment and any associated impact on the valuation of the Company's assets. Throughout the Brexit process, 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, the Investment Adviser established a focused Brexit risk committee to identify, assess and, where relevant, develop mitigating strategies for potential Brexit risk arising across the Group. Focus during the year continued to be 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. 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.

COVID-19 CORONAVIRUS

The Covid-19 pandemic will continue to affect all businesses across the world in a variety of ways. Whilst the Company is no different and the current situation does not yet allow all consequences to be fully analysed, the Company is reassured by the operational performance of its assets to date and its historic focus on risk mitigation.

The Company notes that there are a range of contingent risks stemming from Covid-19. These include, but may not be limited to, staff shortages and supply chain breakdowns and their consequences. The Company will continue to monitor and where possible take action to avoid or mitigate any such impacts on its portfolio. The Company notes that the overwhelming majority of its revenues come from availability-based payments or regulated cashflows that generally provide a range of protections against adverse scenarios.

Nevertheless, shareholders should take note that Covid-19 and its consequences are new and untested circumstances. Moreover, the response of public bodies around the world has involved novel and unconventional interventions. At this time, it is not possible to assess with confidence what the short, medium or long-term impacts of Covid-19 may be on the Company, or if these will be negative or positive. Whilst the full consequences of the pandemic and its effects cannot yet be known, the Company believes that its business model continues to offer a significant degree of protection to shareholders. Please see more information on pages 50 – 51.

FURTHER INFORMATION

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

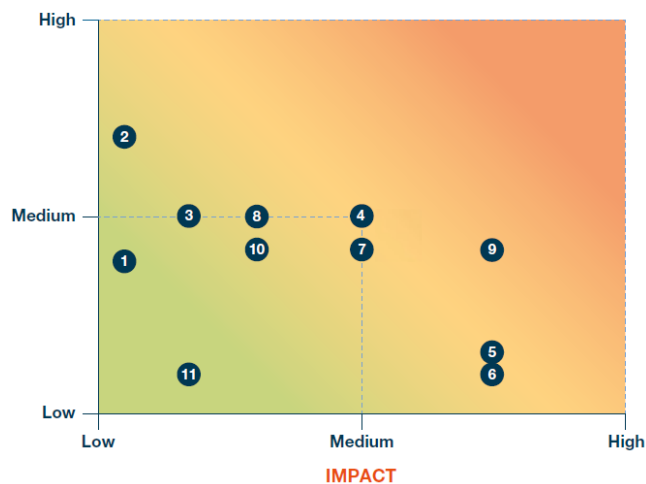
CONTINUOUS RISK MANAGEMENT

CONTINUED

PRINCIPAL RISKS ASSESSMENT

This section provides a summary of the Board's assessment of the Company's principal risks. This is not intended to highlight all the potential risks to the business. There may be other risks that are currently unknown or regarded as less material, which could turn out to materially impact the performance of the Company, its assets, capital resources and reputation. Where the Company has applied mitigation processes, it is unlikely that the techniques applied will fully mitigate the risk.

PROBABILITY



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

RISK TYPE

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

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

RISK	DESCRIPTION	MITIGATION/APPROACH
MACROECONOMIC RISKS		
Inflation <div style="display: flex; align-items: center;"> <div style="border: 1px solid black; border-radius: 50%; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center; margin-right: 5px;">1</div> <div style="font-size: 24px; margin-right: 5px;">↔</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>


CONTINUOUS RISK MANAGEMENT

CONTINUED

RISK	DESCRIPTION	MITIGATION/APPROACH
MACROECONOMIC RISKS CONTINUED		
Foreign Exchange Movements 	<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 UK's withdrawal from the EU. We note a devaluation of sterling against the main currencies (in which non-UK 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>
Interest Rates 	<p>Changes in market rates of interest can affect the Company in a variety of different ways:</p> <p>Valuation Discount Rate</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>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>Corporate Debt Facility</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>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. The maximum facility is £400 million compared to a current investment portfolio valuation of c.£2.4 billion.</p>
	<p>Underlying portfolio considerations</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>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>

CONTINUOUS RISK MANAGEMENT

CONTINUED

RISK	DESCRIPTION	MITIGATION/APPROACH
MACROECONOMIC RISKS CONTINUED		
Tax and Accounting 	Change in Tax Rates Rates of tax, both in the UK and overseas jurisdictions in which the Company operates, may increase in the future if government policy were to change.	The Company typically incorporates changes in tax rates within its forecast cash flows and NAV once substantively enacted. We have conservatively departed from this approach on this occasion with regard to the UK tax rates following the UK Government's recent corporation tax rate announcements.
	Change in tax legislation 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). 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.	The diversified jurisdictional mix of the Company's investments may provide some mitigation to tax changes in any one jurisdiction. 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. 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.
	Accounting 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.	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.


CONTINUOUS RISK MANAGEMENT

CONTINUED

RISK	DESCRIPTION	MITIGATION/APPROACH
POLITICAL AND REGULATORY RISKS		
	<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>
Political Policy 	<p>Change in political policy</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 UK, 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>Termination of Contracts</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 UK (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 UK. The voluntary code of conduct sets out the basis on which public and private sector partners agree to work together to make savings in operational PPP contracts.</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>Nationalisation</p> <p>The UK Labour Party's policy is to nationalise privately owned infrastructure. Despite the recent UK general election results, this risk remains over the medium term.</p>	<p>The Company believes significant compensation would be required in order to enact this policy legitimately within existing contractual arrangements. Therefore, we maintain the view that the Company is defensively positioned in this regard.</p>
Law and Regulation 	<p>Change in law or regulation</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 (including for example in relation to climate change, 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>

CONTINUOUS RISK MANAGEMENT

CONTINUED

RISK	DESCRIPTION	MITIGATION/APPROACH
OPERATIONAL AND VALUATION RISKS		
Asset Performance 	Construction <p>For the Company's assets under construction, there is an element of construction risk that takes the form of cost overruns or delays that could impact on investment returns. Of particular note at this time are the implications of Covid-19 on the construction industry and potential consequential impacts on the Company. At this time, it is not possible to fully assess with confidence what the short, medium or long-term impacts of Covid-19 may be on the Company or if these will be negative or positive.</p>	<p>Contractual mechanisms allow for significant pass-down of construction cost overrun and delay risk to sub-contractors and/or consumers, subject to credit risk (see below). The Company's investment in Tideway benefits from a government support mechanism which ultimately backstops investors' downside risk in the event of a major construction cost overrun.</p>
	Operational Performance <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>The Board reviews underlying investment performance of each investment, quarterly, allowing asset performance to be monitored.</p> <p>Historically, the Company has seen very high levels of asset performance, which suggests a positive trend for the future.</p>
	<p>Two of the Company's investments are subject to regulatory regimes which are designed by the regulators to, among other things, protect the interests of consumers whilst ensuring that regulated companies are able to earn a reasonable return on their capital. Changes in the regulatory regimes have the potential to impact the returns of the Company's two regulated assets.</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 below).</p> <p>In addition, investments in regulated assets are considered very long-term, beyond any individual regulatory cycle. This long-term view of such assets takes into account the robustness of yield as well as potential for increases in the regulated asset base over time.</p>
	<p>At this time, it is not possible to fully assess with confidence what the short, medium or long impacts of Covid-19 may be on the Company or if these will be negative or positive. Covid-19 may affect services provision as well as impact the facilities management industry. Certain assets within the portfolio have demand risk based on the usage of the underlying infrastructure</p>	<p>In order to manage the implications of Covid-19, the Company through its Investment Adviser has sight of detailed business continuity plans of its counterparties designed to manage services in adverse circumstances. In addition, the Company has the ability to pass down certain costs to the service providers and can potentially rely on business interruption cover where available. Certain demand-based assets have contractual arrangements to adjust pricing in the event of a substantial decrease in usage.</p>
	Termination <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 above.</p>

CONTINUOUS RISK MANAGEMENT

CONTINUED

RISK	DESCRIPTION	MITIGATION/APPROACH
OPERATIONAL AND VALUATION RISKS CONTINUED		
Counterparty Risk 	<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 UK.</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>Covid-19 can potentially lead to a greater pressure on the facilities management sector, however the recent government announcements to support businesses are encouraging and should help mitigate the risk of counterparty defaults.</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>The Company closely monitors the risk of adverse developments occurring in relation to its significant counterparties, and develops contingency plans as appropriate to ensure risk of counterparty failure is minimised. Information regarding relevant counterparty risk developments during the year can be found on pages 21-23.</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. The Company continues to aim to use reputed financial institutions with good credit ratings.</p>
Physical Asset Risk 	<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>
	<p>Climate change</p> <p>Investments may be subject to extreme weather and changes in precipitation and temperature, all of which may result in physical damage to assets.</p>	<p>The Company continues to strengthen its climate change considerations and processes throughout the investment cycle.</p>

CONTINUOUS RISK MANAGEMENT

CONTINUED

RISK	DESCRIPTION	MITIGATION/APPROACH
OPERATIONAL AND VALUATION RISKS CONTINUED		
Contract Risk 	<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 49 for further commentary on contractual risk of voluntary termination.</p>
Financial Forecasts 	<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>Sensitivities</p> <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>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> <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>

CONTINUOUS RISK MANAGEMENT

CONTINUED

VIABILITY STATEMENT

In accordance with provision 31 of the 2018 revision of the UK 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 68-70;
- 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 2025. 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 2019 NAV valuation
- Continued availability of sufficient capital and market liquidity, in particular that the disruption arising from Covid-19 is not so severe and long lasting such that it impacts on the refinancing/repayment of any short-term recourse debt facility obligations as they become due.



Mike Gerrard
Chairman
8 April 2020



John Le Poidevin
Director
8 April 2020

CORPORATE GOVERNANCE

SUMMARY OF INVESTMENT POLICY

OVERVIEW

The Company invests in public or social infrastructure assets and related businesses located in the UK, 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 licence 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.

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 pages 2-3 has details of the current composition of the investment portfolio.

INVESTMENT RESTRICTIONS

The Company's Investment Policy restricts it from making any investment of more than 20% of the 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 UKLA Listing Rules.

MANAGING CONFLICTS OF INTEREST

Further investments will continue to be sourced by the Investment Adviser, Amber Fund Management Limited. Some of these investments will have been originated and developed by, and in certain cases may be acquired from, members of the Amber Infrastructure group.

The Company has established detailed procedures to deal with conflicts of interest that may arise and manage conduct in respect of any such acquisition. The Corporate Governance Report sets out more details on the conflicts management process.

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 25.

CHANGES TO INVESTMENT POLICY

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

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
Mike Gerrard Board Chair, Chair, Investment Committee Date of Appointment: 4 September 2018	Aged 62 and a resident in the UK, Mike has over 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 UK plc and, most recently, a managing director of Thames Water Utilities Limited. 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 UK. He is a Fellow of the Institution of Civil Engineers.	Mike holds no other listed company positions but holds several non-executive positions within boards and committees that oversee the development and delivery of infrastructure investments in the UK and Europe.
Julia Bond ¹ Chair, Risk Sub-Committee; (with effect from 1 February 2019), Chair, Nomination and Remuneration Committee (with effect from 1 February 2019) Date of Appointment: 1 September 2017	Aged 60 and a resident in the UK, 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.	European Assets Trust ('EAT') Julia is currently a non-executive director British Foreign and Commonwealth and Vice Chair of the Royal Academy of Dance.
Sally-Ann David Date of Appointment: 10 January 2020	Aged 56 and a resident of Guernsey, Sally-Ann has over 34 years of experience in infrastructure projects in the energy sector, including international offshore transmission systems and the challenges of the energy transition. Having held senior positions within the power utility arena, Sally-Ann is currently the Chief Operating Officer of Guernsey Electricity Ltd. She is a Chartered Engineer and Chartered Director.	Guernsey Electricity Ltd Channel Islands Electricity Grid Sally-Ann is also a director for several charities
Meriel Lenfestey Date of Appointment: 10 January 2020	Aged 50 and a resident of Guernsey, Meriel has over 25 years of multi-sector business experience. With a background in human centered design for technology, she brings a strategic end user focus and a broad set of experiences encompassing many sectors and scales of organisation ranging from her own start-ups through global corporations and governmental programmes.	Bluefield Solar Income Fund Limited Meriel sits on a number of other commercial boards including Gemserv, Jersey Telecom, Aurigny Air Services and is a committee member for the Guernsey Institute of Directors
John Le Poidevin ¹ Chair, Audit and Risk Committee Date of Appointment: 1 January 2016	Aged 49 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 leadership 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 UK and overseas. John is a non-executive director on several plc boards and chairs a number of audit committees.	Episode Inc. BH Macro Ltd
John Stares ¹ Chair, Risk Sub-Committee (until 1 February 2019), Chair, Nomination and Remuneration Committee (until 1 February 2019) Date of Appointment: 28 August 2013	Aged 68 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.	Governor of More House School New Philanthropy Capital (Trustee)

CORPORATE GOVERNANCE

BOARD OF DIRECTORS CONTINUED

BACKGROUND AND EXPERIENCE		LISTED COMPANY AND OTHER RELEVANT DIRECTORSHIPS
<p>Claire Whittet¹ Chair, Management Engagement Committee</p> <p>Senior Independent Director, with effect from 28 May 2020</p> <p>Date of Appointment: 10 September 2012</p>	<p>Aged 64 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 a non-executive director of a number of other investment companies and is not involved in any trading companies.</p> <p>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.</p>	<p>BH Macro Ltd</p> <p>Eurocastle Investment Ltd</p> <p>Riverstone Energy Ltd</p> <p>TwentyFour Select Monthly Income Fund Ltd</p> <p>Third Point Offshore Investors Ltd</p>
<p>John Whittle¹ Senior Independent Director until 27 May 2020</p> <p>Date of Appointment: 6 August 2009</p>	<p>Aged 64, 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.</p> <p>John was previously finance director of Close Fund Services, a large independent administrator.</p> <p>Prior to moving to Guernsey, John was at Price Waterhouse Coopers in London before embarking on a career in business services, predominantly telecoms.</p>	<p>Aberdeen Frontier Markets Investment Company Ltd</p> <p>Globalworth Real Estate Investments Ltd</p> <p>GLI Finance Ltd</p> <p>India Capital Growth Fund Ltd</p> <p>Starwood European Real Estate Finance Ltd</p> <p>Chenavari Toro Income Fund Ltd</p>
<p>Giles Frost</p> <p>Date of Appointment: 2 August 2006</p>	<p>Aged 57 and a resident in the UK, Giles is a founder 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).</p> <p>Giles is chairman and a director of Amber Infrastructure Group Holdings Ltd, the ultimate holding company of the Investment Adviser to the Company and various of its subsidiaries.</p>	<p>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.</p>

¹ 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. Mr Frost is a non-independent director. Mr Stares retired from the Company's Board on 31 March 2020.

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 UK Corporate Governance Code (the 'UK Code'). This requirement applies regardless of where the company is incorporated. A revised UK Code was issued in July 2018, which applies to accounting periods beginning on or after 1 January 2019 and therefore applies to the Company for this financial year.

The Company is a member of the Association of Investment Companies (the 'AIC'). The Financial Reporting Council acknowledges that the AIC Corporate Governance Code issued in February 2019 (the 'AIC Code') can assist externally managed companies in meeting their obligations under the UK Code in areas that are of specific relevance to investment companies. This also applies to accounting periods beginning on or after 1 January 2019. However, the Board took a forward-looking position during 2018 and had already adopted some of the recommendations in the AIC Code in advance of the proposed application date.

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

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

The Company has complied throughout the year with all the provisions of the AIC Code and as such also meets the requirements of the UK Code. 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 UK Code's two separate principles of setting out the responsibilities of the chief executive and disclosing the remuneration of executive directors (Principles G and Q of the UK Code) are therefore not applicable.

The Company is subject to a 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 6 September 2019. The KID is available on the Company's website www.internationalpublicpartnerships.com/investors and will be updated at least every 12 months.

BOARD AND COMMITTEES

The Board sets the strategy for the Company and makes decisions on changes to the portfolio (including approvals of acquisitions, disposals and valuations). Through Committees, and the use of external independent advisers, it manages risk and governance of the Company. The Board has a majority of independent directors – currently eight of the nine directors are independent.

BOARD OF DIRECTORS

The Board of Directors consists of nine non-executive directors, whose biographies, on pages 56-57, demonstrate a breadth of investment and business experience. Following the retirement of Mr Stares and Mr Whittle, as previously announced, the Board will return to seven non-executive directors.

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 Gerrard, who was responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Board considered that Mr Gerrard 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 Board Chair to do so. It is intended that Ms Whittet will be appointed as the Senior Independent Director upon Mr Whittle's retirement.

For the purposes of the AIC Code, Mr Frost is not treated as 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 Whittle has been a Board member since August 2009 and will be retiring from the Board at the 2020 AGM. In addition, Mr Stares has been a Board member since August 2013 and retired from the Board as at 31 March 2020. During the year the Board commenced an externally facilitated selection process using an independent search firm. Accordingly, on 10 January 2020, the Board appointed Ms David and Ms Lenfestey as part of its ongoing succession programme.

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 the Company's mandate, objectives and strategy;
- Strategic matters and financial reporting;
- Board composition and accountability to shareholders;
- Overall 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 Board Chair, 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 four female directors. Following the retirement of the Company's non-executive directors, Mr Stares and Mr Whittle, the gender balance will be 57% female and 43% male.

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 2019, the Nomination and Remuneration Committee recommended that, in line with changing market practise and the recommendations made by Trust Associates in their evaluation of Board remuneration undertaken in 2018 that Board remuneration be increased annually in line with inflation. The Board accepted this recommendation. Board remuneration will still be reviewed regularly to ensure that it remains appropriate to the business of the Company and remains in line with the market.

As a result, the Board resolved to increase Board remuneration with effect from 1 January 2019 as outlined in the table below.

POSITION	2020 FEE P.A. £	2019 FEE P.A. £
Board Chair	86,800	85,000
Audit and Risk Committee Chair	59,200	58,000
Director (Independent and Non-Independent)	45,900	45,000
Senior Independent Director ¹	£2,000	£2,000
Risk Sub-Committee Chair ¹	£2,000	£2,000
Management Engagement Committee Chair ¹	£2,000	£2,000
Nomination & Remuneration Committee Chair ¹	£2,000	£2,000

1. These are additional fees payable to directors chairing a committee.

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 Chair 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 and 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 AGM of the Company.

DIRECTOR	2019 FEES PAID £	2018 FEES PAID £
Mike Gerrard	85,000	21,683
Julia Bond ¹	48,666	43,000
John Le Poidevin	58,000	46,000
John Stares ²	45,333	43,000
Claire Whittet	47,000	43,000
John Whittle	47,000	49,000
Giles Frost ³	45,000	43,000

1 Ms Bond was appointed as Chair of the Risk Sub-Committee and the Nomination & Remuneration Committee, effective from 1 February 2019.

2 Mr Stares retired as Chair of the Risk Sub-Committee and the Nomination & Remuneration Committee, effective from 1 February 2019.

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

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT CONTINUED

Mr Frost is also a director of a number of other companies in which the Company directly or indirectly has an investment, although he does not control or receive remuneration in relation to these entities.

In addition to the director fees above, Mr Whittle is appointed as director to four Luxembourg subsidiary entities of International Public Partnerships and is entitled to fees of £3,000 per entity for the year ended 2019.

DIRECTORS' INTERESTS

Directors, who held office at 31 December 2019, had the following interests in the shares of the Company:

DIRECTOR	31 DECEMBER 2019 NUMBER OF ORDINARY SHARES ¹	31 DECEMBER 2018 NUMBER OF ORDINARY SHARES ¹
Mike Gerrard	136,851	55,739
Julia Bond	43,014	14,020
John Le Poidevin	130,350	97,883
John Stares	75,000	75,000
Claire Whittet ²	71,134	69,602
John Whittle ³	58,864	58,864
Giles Frost ⁴	917,833	893,797

¹ All shares are beneficially held.

² Holds shares through a Retirement Annuity Trust Scheme jointly with Ms Whittet's spouse.

³ Holds shares through a Retirement Annuity Trust Scheme.

⁴ Holds some shares through a personal investment company.

There have been no changes to the holdings of existing directors between 31 December 2019 and the date of this report.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT CONTINUED

COMMITTEES OF THE BOARD



BOARD

Responsibilities

- Statutory obligations and public disclosure
- Sets overall strategy for investments
- Strategic matters and financial reporting
- Board composition and accountability to shareholders
- Risk assessment and management including reporting compliance, monitoring, governance and control
- Responsible for financial statements



AUDIT AND RISK COMMITTEE

Delegated Responsibilities

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



MANAGEMENT ENGAGEMENT COMMITTEE

Delegated Responsibilities

- Review on a regular basis the performance of the Investment Adviser and the Company's other advisers and major service suppliers to ensure that performance is satisfactory and in accordance with the terms and conditions of the respective appointments
- Review the Terms of the Investment Advisory Agreement and recommend any changes considered necessary
- Ensure there are no conflicts of interest between service partners



INVESTMENT COMMITTEE

Delegated Responsibilities

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



NOMINATION AND REMUNERATION COMMITTEE

Delegated Responsibilities

- Review, and change as necessary, structure, size and composition of the Board
- Identify and appoint suitable Board candidates as vacancies arise and ensure succession planning is in place
- Articulate the roles of the Chairman and Non-Executive Directors
- Conduct induction training for new Board members
- Undertake annual Board performance evaluation
- Review remuneration of the Board and its Committees

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

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is comprised of the full Board, with the exception of Mr Gerrard as Board Chair and Mr Frost as the Non-Independent Director. However, Mr Gerrard and Mr Frost routinely attend meetings of the Audit and Risk Committee as observers.

Mr Le Poidevin is the current Chair of the Audit and Risk Committee. Mr Stares had lead responsibility for risk within the Risk Sub-Committee until 1 February 2019, when he was succeeded in the role by Ms Bond.

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. Topics considered during the year can be found in the Audit and Risk Committee Report on pages 68-71. 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 Chair of the Company.

The Committee considers proposals relating to the acquisition and disposal of investments and, if thought fit, approves those proposals. Details of the transactions completed during the period are outlined on pages 14-16 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 62.

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 by Mr Stares until 1 February 2019, with Ms Bond succeeding him as Committee Chair with effect from that date.

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 62 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 independent 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. An external review of the performance of the Board and its Committees is planned to take place during 2020.

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, two ad hoc Board meetings and eight Board Committee meetings¹ 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	2	1	3
Mike Gerrard	4	N/A	1	1	3
Julia Bond	4	4	-	1	2
John Le Poidevin	4	5	2	1	3
John Stares	4	5	1	1	3
Claire Whittet	4	4	2	1	3
John Whittle	4	4	2	1	3
Giles Frost ²	4	N/A	N/A	N/A	N/A

¹ 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 Board Chair, Investment Adviser or other advisers, as required.

² 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

Ocorian Administration (Guernsey) Limited (formerly 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. In July 2019 it was announced that Estera International Fund Managers (Guernsey) Limited would join Ocorian. This merger completed on 7 February 2020 and a formal name change took place on 6 April 2020.

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 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 Investment 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 46-52.

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 2019, the Investment Adviser and members of the Board held formal meetings with over 100 shareholders in addition to day-to-day interaction, including calls and other forms of correspondence. 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. In October 2019, the Company held a successful investor briefing, including a portfolio update, and an asset tour of Tideway.

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

The Committee is chaired by Mr Le Poidevin. From 1 February 2019, Ms Bond assumed lead responsibility for risk within the Risk Sub-Committee, succeeding Mr Stares who previously held the role. An overview of the Committee's work during the year and details of how the Committee has discharged its duties is set out below.

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 the annual audit cycle, 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 Corporate Governance Code. Biographies of the Committee members can be found on pages 56-57

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 emerging risks including climate change;
- Review of the effectiveness of the Company's internal control systems;
- 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 and estimates therein);
- Review of the appropriateness of the Company's accounting policies;
- Consideration and challenging 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.

Valuations are prepared by the Investment Adviser and the 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 its 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 has 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, Administrator and external third-party advisers.

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

Fair, balanced and understandable

The Committee seeks to establish arrangements to ensure fair, balanced and understandable reporting. The Committee engaged in extensive dialogue with management throughout the year, and considered the Interim and Annual financial statements as well as quarterly updates and reports prepared by management. Following review of the Company's 2019 Annual Report and financial statements, the Committee advised the Board that, in its 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.

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. The Committee was also mindful of the new ethical standards for auditors and changes in auditor independence which became effective in December 2019. Work expected to be completed by an external auditor included formal reporting for shareholders, regulatory assurance reports and assurance work in connection with new investments.

AUDIT AND RISK COMMITTEE REPORT

CONTINUED

Under the Company's policy for non-audit services, 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 7.6% 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 auditor.

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 2019 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. In accordance with the relevant Corporate Governance Code principles, the Committee will continue to review the effectiveness of the external auditor in line with best practice.

Review of auditor's remuneration

The Committee carried out a review of the proposed audit fees for 2019. The audit fee for the Group (including unconsolidated subsidiaries) remained broadly consistent with the prior year. The Committee consider that the audit fees for the current year present good value for money for the Company's shareholders.

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 2019 was the fourth 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 its audit out to formal tender in October 2010. One year in advance of the auditor rotation requirements for listed companies and to ensure continued audit quality, the Board initiated the next formal tender process in late 2019. A longlist of suitable audit firms were approached, and following an initial dialogue and screening process, a shortlist of firms were formally invited to tender for the audit of the Company. Formal tender proposals from participating firms and meetings with the Board of Directors are scheduled for the period from April to June 2020, with the results of the tender expected to be concluded and disclosed ahead of the Company's 2020 interim report.

AUDIT AND RISK COMMITTEE REPORT

CONTINUED

RISK MANAGEMENT

During the year, the Committee continued to ensure that the Company's risk management framework and processes remained effective in managing the Company's risks. Areas of note for the year are discussed below. A review of significant developments relating to the Company's risks arising in the year can be found in the risk management section of this report, starting on page 42.

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 53.

ESG external controls review

During the year the Committee progressed the independent external review of the Company's ESG policies and procedures and this is expected to be concluded over the coming months. Further details of the Company's ESG approach for responsible investment can be found on pages 34-41.

Climate change

The Committee continued to strengthen the Company's approach to managing climate change. During the year, climate change was further embedded in the risk management process and details of these actions can be found in the review of principal and emerging risks, starting on page 43.

UK withdrawal from the EU

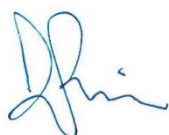
Potential risks which may arise on the Company as a result of the UK's withdrawal from the EU continued to be monitored. Following particular attention given to potential impacts arising from a no deal scenario during 2019, attention will refocus to any potential longer-term risks resulting from changes in the relationship between the UK and the EU going forward.

REGULATORY AND TAX ENVIRONMENT

The Committee received regular reports from the Administrator and Investment Adviser on regulation and regulatory developments. The Company continues to maintain compliance with the requirements of the Common Reporting Standard, the Retail distribution of unregulated collective investment schemes (regulation which the Company remains excluded from), the UK 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').

FOCUS FOR 2020

Alongside an obvious focus on the impacts to the Company of the Covid-19 pandemic and additional to its continued attention to regular and routine matters, this year the Committee will additionally finalise 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
8 April 2020

DIRECTORS' REPORT

INTRODUCTION

The Directors present their Annual Report on the performance of the Company and Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITY

The Company is a limited liability, Guernsey-incorporated and domiciled, authorised closed-ended investment company under Companies (Guernsey) Law, 2008. The Company's shares have a premium listing on the Official List of the UK 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 58-67.

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 2019, the Company had been notified, in accordance with Chapter 5 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	12.00%	168,673,159	5 September 2018

There have been no additional notices between 31 December 2019 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 26 May 2020. The Company will seek to renew such authority at the AGM to take place on 27 May 2020. 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 UK 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 during the prior year. 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 12-53. The financial position of the Company (and consolidated subsidiaries), its cash flows, liquidity position and borrowing are described in the financial statements from page 81.

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.



Mike Gerrard
Chairman
8 April 2020



John Le Poidevin
Director
8 April 2020

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 EU, 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 EU, 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 UK CORPORATE GOVERNANCE CODE

The Board, as advised by the Audit and Risk Committee, has considered the Annual Report and financial statements and, taken as a whole, 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
8 April 2020



John Le Poidevin
Director
8 April 2020

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 2019 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 2019;
- Consolidated balance sheet as at 31 December 2019;
- Consolidated statement of changes in equity for the year ended 31 December 2019;
- Consolidated cash flow statement for the year ended 31 December 2019; and
- Related notes 1 to 21 to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) 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, including the UK 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 (UK) 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 46 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 43 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 74 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 53 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"> - Misstatement or manipulation of investment fair value - Income recognition - Going concern (including potential impact of Covid-19)
Audit scope	<ul style="list-style-type: none"> - We performed an audit of International Public Partnerships Limited and the consolidated service entities ('the Group'), for the year ended 31 December 2019 - 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. - All audit work performed for the purposes of the audit was undertaken by the Group audit team.
Materiality	<ul style="list-style-type: none"> - Overall Group materiality of £24.3 million (2018: £22.0 million) which represents 1% (2018: 1%) of Equity.

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>Misstatement or manipulation of investment fair value £2,383 million (2018: 2,097 million)</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 “continuous 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>
Our response to the risk	<p>Test of Controls: We have tested the effectiveness of controls in operation over investment acquisitions, valuation, forecasting cashflows and distributions and placed reliance on control over these processes.</p> <p>Verification of existence and ownership of Investments: We have tested, on a sample basis, the existence and ownership of investments to ensure the Group is entitled to distributions from the investments</p> <p>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.</p> <p>We selected a sample of investments that cover specific risks identified. The following procedures were performed:</p> <p>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.</p> <p>Discount Rates: We engaged our EYVBM specialists to test the discount rates used in the selected models</p>

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

Our response to the risk continued

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 changes to the logical operation on the selected models. We have compared the model used to determine the year end valuation to the most recent model that was audited or was reviewed as a part of previous audit work.

Model inputs: We agreed a sample of contractual cashflows to contractual agreements and actual cashflows. 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.

For an extended sample, 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 to the models.

We performed the following procedures across the whole portfolio:

- We reviewed the changes in discount rate of the assets in INPP's portfolio by analysing the components of the discount rate build up approach adopted by management. Any material movements in the components were discussed/challenged with management and explanations obtained were corroborated with appropriate evidence.
- 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.

Acquisitions: We tested all acquisitions during the year, reviewing the key transaction documents, including share purchase agreements and agreeing the consideration paid to bank statements. 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.

Key Observations communicated to the Audit Committee	<p>We confirmed that there were no material matters arising from our audit work that we needed 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 IFRSs as adopted by the European Union.</p>
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Risk	<p>Income recognition</p> <p>Income primarily comprises of the dividend and interest income stream (i.e. distributions) generated by the investments held in underlying consolidated subsidiaries.</p> <p>Management may seek to overstate income as a result of seeking to report the desired level of return to investors.</p>
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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 board meetings during the year to ensure dividends declared have been recognised and checked bank statements to ensure any dividends paid have also been recognised.</p> <p>We compared the actual distributions received in 2019 to the forecast made at the end of 2018 to test the completeness of distributions.</p> <p>We agreed a representative sample of dividend and interest receipts to documentation from underlying project entities and we checked the calculation of interest amounts and the allocation thereof to the appropriate period.</p> <p>We have performed cut off and completeness testing to conclude on accuracy.</p>
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL PUBLIC PARTNERSHIPS LIMITED CONTINUED

Key observations communicated to the Audit Committee	We confirmed that there were no matters to bring to the attention of the Audit Committee.
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Risk	<p>Going Concern (including potential impact of Covid-19)</p> <p>Since the balance sheet date there has been a global Covid-19 pandemic which continues to affect all businesses across the world in different ways. The governments of the countries affected have designed measures to mitigate the resulting adverse economic impact of this pandemic.</p> <p>There is a risk that this Covid-19 pandemic may impact some infrastructure investment activity in the short to medium term, and lead to issues with asset performance (e.g. staff shortages, supply chain breakdowns) which impacts Going Concern.</p> <p>There is also a risk that management has not appropriately disclosed the impact of Covid-19 in the financial statements.</p>
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Our response to the risk	<p>We obtained an understanding of the process followed by management to make its going concern assessment and assessment of the impact of Covid-19. We reviewed the underlying project cashflows to ensure there are no unidentified or undisclosed events that could have an impact on the forecasts.</p> <p>We challenged management on the appropriateness of the key assumptions and considered their reasonableness in the context of other supporting evidence gained from our audit work.</p> <p>We reviewed corporate level cash flows including management's ability to access future financing.</p> <p>We performed testing to evaluate whether the covenant requirements of the corporate debt facility would be met under all base and stress scenarios.</p> <p>We performed back testing on the historical accuracy of management's cash flow forecasts.</p> <p>We evaluated the appropriateness of management's stress test scenarios and their impact on the cashflow/liquidity position.</p> <p>We performed our own scenario analysis using a number of alternative assumptions to assess the reasonableness of management's assessment.</p> <p>We obtained supporting evidence to assess the appropriateness of mitigation plans in relation to management's Covid-19 risk assessment.</p> <p>We reviewed minutes of board meetings with a view to identifying any matters which may impact the going concern assessment.</p> <p>We ensured the disclosures in the financial statements in relation to Covid-19 adequately disclose the risk, impact on the group and mitigation actions adopted.</p>
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Key observations communicated to the Audit Committee	We confirm that the matter has been appropriately evaluated and reflected in the financial statements.
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AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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

The Group consists of the Company 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.

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

MATERIALITY

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

We determined materiality for the Group to be £24.3 million (2018: £22.0 million), which is 1% (2018: 1%) of equity. We believe that total equity provides us with an appropriate basis for audit materiality as net asset value is a key published performance measure and is a key metric used by management in assessing and reporting on the overall performance of the Group.

During the course of our audit, we reassessed initial materiality and noted that total equity had increased from £2,232 million at 30 June 2019 to £2,425 million as at 31 December 2019 mainly due to capital raise in October and December 2019. This resulted in a higher materiality of £24.3 million compared to £22.3 million that was originally determined at the audit planning stage.

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 £18.2 million (2018: £16.5 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 £4.7 million (2018: £3.7 million) to audit 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 £1.2million (2018: £1.1million), 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 set out on pages 1 to 74, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

We have nothing to report in this regard.

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

- Fair, balanced and understandable statement set out on page 69 by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

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

- Audit committee reporting set out on page 68; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 74 - the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK 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 UK Corporate Governance Code.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 74, 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 (UK) 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 company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Le Tissier

for and on behalf of Ernst & Young LLP,
Guernsey, Channel Islands
8 April 2020

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 the 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 2019

	Notes	Year ended 31 December 2019 £'000s	Year ended 31 December 2018 £'000s
Interest income	4	76,405	71,201
Dividend income	4	48,181	32,018
Net change in investments at fair value through profit or loss	4	44,132	63,826
Total investment income		168,718	167,045
Other operating income	5	4,797	622
Total income		173,515	167,667
Management costs	17	(24,537)	(22,798)
Administrative costs		(1,568)	(1,520)
Transaction costs	6, 17	(4,221)	(957)
Directors' fees		(386)	(359)
Total expenses		(30,712)	(25,634)
Profit before finance costs and tax		142,803	142,033
Finance costs	8	(5,053)	(3,944)
Profit before tax		137,750	138,089
Tax credit	9	418	280
Profit for the year		138,168	138,369
Earnings per share			
From continuing operations			
Basic and diluted (pence)	10	9.17	9.75

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 (2018: nil). The profit for the year represents the Total Comprehensive Income for the year.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital and share premium £'000s	Other distributable reserve £'000s	Retained earnings £'000s	Total £'000s
Balance at 31 December 2018		1,560,243	182,481	456,023	2,198,747
Total comprehensive income		-	-	138,168	138,168
Issue of Ordinary shares	15	195,553	-	-	195,553
Issue costs applied to new shares	15	(1,956)	-	-	(1,956)
Dividends in the year	15	-	-	(105,273)	(105,273)
Balance at 31 December 2019		1,753,840	182,481	488,918	2,425,239

YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital and share premium £'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)
Dividends in the year	15	-	-	(97,115)	(97,115)
Balance at 31 December 2018		1,560,243	182,481	456,023	2,198,747

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	31 December 2019 £'000s	31 December 2018 £'000s
Non-current assets			
Investments at fair value through profit or loss	11	2,382,645	2,097,468
Total non-current assets		2,382,645	2,097,468
Current assets			
Other financial assets	11, 13	31,150	25,234
Cash and cash equivalents	11	45,610	84,718
Derivative financial instruments	11	4,161	-
Total current assets		80,921	109,952
Total assets		2,463,566	2,207,420
Current liabilities			
Trade and other payables	11, 14	10,471	8,366
Derivative financial instruments	11	-	307
Total current liabilities		10,471	8,673
Non-current liabilities			
Bank loans	8, 11	27,856	-
Total non-current liabilities		27,856	-
Total liabilities		38,327	8,673
Net assets		2,425,239	2,198,747
Equity			
Share capital and share premium	15	1,753,840	1,560,243
Other distributable reserve	15	182,481	182,481
Retained earnings	15	488,918	456,023
Equity attributable to equity holders of the parent		2,425,239	2,198,747
Net assets per share (pence per share)	16	150.6	148.1

The financial statements were approved by the Board of Directors on 25 March 2020.

They were signed on its behalf by:



Mike Gerrard
Chairman
8 April 2020



John Le Poidevin
Director
8 April 2020

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December 2019 £'000s	Year ended 31 December 2018 £'000s
Profit before tax in the Consolidated Statement of Comprehensive Income¹		137,750	138,089
Adjusted for:			
Gain on investments at fair value through profit or loss	4	(44,132)	(63,826)
Finance costs ²	8	5,053	3,944
Fair value movement on derivative financial instruments	5, 11	(4,468)	(1,397)
Working capital adjustments			
(Increase) / decrease in receivables		(6,929)	1,645
Increase in payables		2,105	62
		89,379	78,517
Income tax received / (paid) ³		1,071	(296)
Net cash inflow from operations⁴		90,450	78,221
Investing activities			
Acquisition of investments at fair value through profit or loss	12	(281,286)	(63,293)
Net repayments from investments at fair value through profit or loss		40,241	34,943
Net cash outflow from investing activities		(241,045)	(28,350)
Financing activities			
Proceeds from issue of shares net of issue costs		190,115	114,925
Dividends paid	15	(101,791)	(92,845)
Finance costs paid ²		(4,699)	(3,234)
Loan drawdowns ²		218,300	54,991
Loan repayments ²		(190,444)	(72,791)
Net cash provided by financing activities		111,481	1,046
Net (decrease) / increase in cash and cash equivalents		(39,114)	50,917
Cash and cash equivalents at beginning of year		84,718	33,850
Foreign exchange gain / (loss) on cash and cash equivalents		6	(49)
Cash and cash equivalents at end of year⁵		45,610	84,718

¹ Includes interest received of £69.8 million (December 2018: £68.5 million) and dividends received of £48.2 million (December 2018: £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 Includes restricted cash of £nil (December 2018: £42.2 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 2019

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 4-5.

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 EU, interpretations issued by the International Financial Reporting Interpretations Committee, applicable legal and regulatory requirements of Guernsey, and the Listing Rules of the UK Listing Authority. 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 which include the reassessment of the operational forecasts as a result of Covid-19 as described in note 19. 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 £45.6 million as at 31 December 2019. 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 £371.5 million was uncommitted as at 31 December 2019, and is available for investment in new and existing projects until July 2021. In addition, a £20 million 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 2019.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

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 Group, 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 UK, Europe (excl. UK), North America and Australia.

Year ended 31 December 2019					
	UK £'000s	Europe (Excl. UK) £'000s	North America £'000s	Australia £'000s	Total £'000s
Segmental results					
Dividend and interest income	94,707	7,674	8,795	13,410	124,586
Fair value gain on investments	26,442	11,324	2,102	4,264	44,132
Total investment income	121,149	18,998	10,897	17,674	168,718
Reporting segment profit¹	85,803	22,242	11,429	18,694	138,168
Segmental financial position					
Investments at fair value	1,755,755	321,337	105,001	200,552	2,382,645
Current assets	80,921	-	-	-	80,921
Total assets	1,836,676	321,337	105,001	200,552	2,463,566
Total liabilities	(38,327)	-	-	-	(38,327)
Net assets	1,798,349	321,337	105,001	200,552	2,425,239

Year ended 31 December 2018					
	UK £'000s	Europe (Excl. UK) £'000s	North America £'000s	Australia £'000s	Total £'000s
Segmental results					
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
Reporting segment profit¹	77,348	30,887	14,570	15,564	138,369
Segmental financial position					
Investments at fair value	1,496,423	290,406	103,767	206,872	2,097,468
Current assets	109,952	-	-	-	109,952
Total assets	1,606,375	290,406	103,767	206,872	2,207,420
Total liabilities	(8,673)	-	-	-	(8,673)
Net assets	1,597,702	290,406	103,767	206,872	2,198,747

¹ Reporting segment results are stated net of operational costs including management fees.

Revenue from investments which individually represent more than 10% of the Group's interest and dividend income approximates £20.7 million (2018: £23.0 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 £'000s	Year ended 31 December 2018 £'000s
Interest income		
Interest on investments	76,405	71,201
Total interest income	76,405	71,201
 Dividend income	 48,181	 32,018
Net change in investments at fair value through profit or loss	44,132	63,826
Total investment income	168,718	167,045

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 2019 £'000s	Year ended 31 December 2018 £'000s
Fair value gain on foreign exchange contracts	4,468	1,397
Other gains / (losses) on foreign exchange movements	329	(775)
Total other operating income	4,797	622

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

6. TRANSACTION COSTS

	Year ended 31 December 2019 £'000s	Year ended 31 December 2018 £'000s
Investment advisory costs	4,221	935
Legal and professional costs	-	22
Total transaction costs	4,221	957

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

7. AUDITOR'S REMUNERATION

	Year ended 31 December 2019 £'000s	Year ended 31 December 2018 £'000s
Fees payable to the Group's auditor for the audit of the Group's financial statements	304	304
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	46
- The audit of the Group's unconsolidated subsidiaries	111	111
Total audit fees	461	461
Other fees		
- Audit related assurance services	11	11
- Other services	24	42
Total non-audit fees	35	53

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 £5.1 million (2018: £3.9 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 2019 the facility was £27.9 million cash drawn (December 2018: £nil cash drawn). The uncommitted balance of the facility which was not cash drawn or notionally drawn via letters of credit, was £371.5 million (December 2018: £399.5 million).

The facility was renewed in July 2018 on improved terms. The interest rate margin on the corporate debt facility is 165 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 2019

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 2019 £'000s	Year ended 31 December 2018 £'000s
Current tax:		
UK corporation tax credit – current year	(521)	(412)
UK corporation tax – prior year	23	-
Other overseas tax – current year	106	82
Other overseas tax – prior year	(26)	50
Tax credit for the year	(418)	(280)

Reconciliation of effective tax rate:	Year ended 31 December 2019 £'000s	Year ended 31 December 2018 £'000s
Profit before tax	137,750	138,089
Exempt tax status in Guernsey	-	-
Application of overseas tax rates	106	82
Group tax losses surrendered to unconsolidated investee entities	(521)	(412)
Adjustments to previous year's assessment	(3)	50
Tax credit for the year	(418)	(280)

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 (December 2018: £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 2019 £'000s	Year ended 31 December 2018 £'000s
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	138,168	138,369
	Number	Number
Weighted average number of Ordinary shares for the purposes of basic and diluted earnings per share	1,506,701,793	1,418,962,119
Basic and diluted (pence)	9.17	9.75

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 2019

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 2019 £'000s	31 December 2018 £'000s
Investments at fair value through profit and loss	2,382,645	2,097,468
Financial assets		
Other financial assets	31,150	25,234
Cash and cash equivalents	45,610	84,718
Derivative financial instruments		
Foreign exchange contracts	4,161	-
Total financial assets	2,463,566	2,207,420

ACCOUNTING POLICY

The Group classifies its financial assets as at fair value through profit or loss or as financial assets at amortised cost. 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 or 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.

Other 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 other financial assets. 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 2019

11. FINANCIAL INSTRUMENTS (CONTINUED)

11.2 FINANCIAL LIABILITIES

	31 December 2019 £'000s	31 December 2018 £'000s
Financial liabilities at amortised cost		
Trade and other payables	10,471	8,366
Bank loans	27,856	-
Derivative financial instruments		
Foreign exchange contracts	-	307
Total financial liabilities	38,327	8,673

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 stakeholder 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 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 Board of Directors is ultimately responsible for the overall risk management of the Group, with delegation of oversight and activities (including identifying and controlling risks) provided to the Audit and Risk Committee and the Group's Investment Adviser. The Group's risk management framework and approach is set out within the Strategic Report (pages 42-53). 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 2019

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 2019 £'000s	31 December 2018 £'000s
Cash		
Euro	2,951	2,555
Canadian dollar	654	1,184
Australian dollar	1,623	97
US dollar	664	1,227
	5,892	5,063
Current receivables		
Euro receivables	124	1,454
US dollar receivables	539	183
	663	1,637
Investments at fair value through profit or loss		
Euro	321,337	290,406
Canadian dollar	39,911	38,163
Australian dollar	200,552	206,872
US dollar	65,090	65,604
	626,890	601,045
Total	633,445	607,745

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 2019

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 2019, the Group's only derivative financial instruments were currency forward contracts amounting to an asset of £4.2 million (December 2018: liability of £0.3 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 2019, the fair value of financial instruments classified within Level 3 totalled £2,382.6 million (December 2018: £2,097.5 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 quarterly¹ basis by the Investment Adviser. The valuation is reviewed by the senior members of the Investment Adviser, and reviewed and approved by the Board.

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.

¹ 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 2019

11. FINANCIAL INSTRUMENTS (CONTINUED)

11.4 FAIR VALUE HIERARCHY (CONTINUED)

Valuation process (continued)

31 December 2019	UK	Europe (Excl. UK)	North America	Australia
Inflation	2.75% RPI, 2.00% CPIH	2.00%	2.00%	2.50%
Long-term tax	19.00%	12.50%-32.28%	23.00% -26.50% ¹	30.00%
Foreign exchange rates	N/A	1.13	1.37-1.80	1.92
Long-term deposit rates	2.00%	2.00%	2.50%	3.00%

31 December 2018	UK	Europe (Excl. UK)	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% ¹	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%

¹ 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 decreased by 0.85%. The weighted average investment risk premium increased by 0.61%, reflecting observable market-based evidence. Further details are provided within the Strategic Report on pages 30-31.

Valuation Assumptions	31 December 2019	31 December 2018	Movement
Weighted Average Government Bond Yield	0.98%	1.83%	(0.85%)
Weighted Average Investment Risk Premium	6.04%	5.43%	0.61%
Weighted Average Discount Rate	7.02%	7.26%	(0.24%)
Weighted Average Discount Rate on Risk Capital¹	7.52%	7.55%	(0.03%)

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

11. FINANCIAL INSTRUMENTS (CONTINUED)

11.4 FAIR VALUE HIERARCHY (CONTINUED)

	31 December 2019 £'000s	31 December 2018 £'000s
Reconciliation of Level 3 fair value measurements of financial assets		
Balance at 1 January	2,097,468	2,005,292
Additional investments during the year	281,286	63,293
Net repayments during the year	(40,241)	(34,943)
Net change in investments at fair value through profit or loss	44,132	63,826
Balance at 31 December	2,382,645	2,097,468

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 2019	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	7.02%	+1.00%	(221,830)	-1.00%	266,321
Inflation rate (overall)	2.26%	+1.00%	247,568	-1.00%	(204,613)
UK	2.47%	+1.00%	198,445	-1.00%	(160,506)
Europe	2.00%	+1.00%	39,398	-1.00%	(33,825)
North America	2.00%	+1.00%	1,037	-1.00%	(899)
Australia	2.50%	+1.00%	8,700	-1.00%	(9,384)
FX rate	N/A	+10.00%	63,017	-10.00%	(63,017)
Tax rate	18.31%	+1.00%	(20,668)	-1.00%	19,729
Deposit rate	1.81%	+1.00%	23,642	-1.00%	(20,778)

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)
UK	2.50%	+1.00%	204,773	-1.00%	(173,197)
Europe	2.00%	+1.00%	46,126	-1.00%	(39,019)
North America	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)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

12. INVESTMENTS

2019

Date of investment	Description	Consideration £'000s	% Ownership post investment
January 2019	The Group made a follow on investment into the Luton Building Schools for the Future project, UK	211	50.00%
March - December 2019	The Group made further investments as part of its commitment to the National Digital Infrastructure Fund, UK	12,805	45.00%
April - October 2019	The Group made investments into the Midlands Batch Priority Schools Building Project (Batch 4), UK	12,291	100.00%
June 2019	The Group made a follow on investment into the Wolverhampton Building Schools for the Future projects 1 & 2, UK	1,800	100.00%
June 2019	The Group, as part of a consortium, made further investments into the Cadent gas distribution network, UK	153,240	7.25%
June 2019	The Group acquired an additional interest in BeNEX, Germany	29,397	100%
September 2019	The Group invested additional amounts as part of its refinancing and restructure of its OFTOs portfolio	71,542	100%
Total capital spend on investments during the year		281,286	

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, UK	1,745	100%
April – December 2018	The Group made investments as part of its commitment to the National Digital Infrastructure Fund, UK	14,807	45%
7 November 2018	The Group made an investment in the Dudgeon offshore transmission project, UK	46,166	100%
Total capital spend on investments during the year		63,293	

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

13. OTHER FINANCIAL ASSETS

	31 December 2019 £ '000s	31 December 2018 £ '000s
Accrued interest receivable	27,273	20,704
Other debtors	3,877	4,530
Total other financial assets	31,150	25,234

Other debtors included £3.7 million (December 2018: £4.3 million) of receivables from unconsolidated subsidiary entities for surrender of Group tax losses.

14. TRADE AND OTHER PAYABLES

	31 December 2019 £ '000s	31 December 2018 £ '000s
Accrued management fee	8,285	7,131
Other creditors and accruals	2,186	1,235
Total trade and other payables	10,471	8,366

15. SHARE CAPITAL AND RESERVES

	31 December 2019 shares '000s	31 December 2018 shares '000s
Share capital		
In issue at 1 January	1,484,329	1,405,420
Issued for cash	124,248	76,066
Issued as a scrip dividend alternative	2,218	2,843
In issue at 31 December – fully paid	1,610,795	1,484,329
	31 December 2019 £'000s	31 December 2018 £'000s
Balance at 1 January	1,560,243	1,441,048
Issued for cash (excluding issue costs)	192,071	116,000
Issued as a scrip dividend alternative	3,482	4,270
Total share capital issued in the year	195,553	120,270
Costs on issue of Ordinary Shares	(1,956)	(1,075)
Balance at 31 December	1,753,840	1,560,243

At present, the Company has one class of Ordinary Shares with a par value of 0.01 pence which carry no right to fixed income.

On 10 June 2019, 943,993 new Ordinary fully paid shares were issued as a scrip dividend alternative in lieu of cash for the interim dividend in respect of the six months ended 31 December 2018.

On 1 October 2019, the Group raised an additional £116.5 million of equity through a tap issue of 75,649,350 Ordinary Shares at an issue price per share of 154 pence.

On 7 November 2019, 1,274,471 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 2019.

On 10 December 2019, the Group raised an additional £75.6 million of equity through a tap issue of 48,598,631 Ordinary Shares at an issue price per share of 155.5 pence.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

15. SHARE CAPITAL AND RESERVES (CONTINUED)

	31 December 2019 £'000s	31 December 2018 £'000s
Other distributable reserve		
Balance at 1 January	182,481	182,481
Movement in the year	-	-
Balance at 31 December	182,481	182,481

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

	31 December 2019 £'000s	31 December 2018 £'000s
Retained earnings		
Balance at 1 January	456,023	414,769
Net profit for the year	138,168	138,369
Dividends paid ¹	(105,273)	(97,115)
Balance at 31 December	488,918	456,023

1 Includes scrip element of £3.5 million in 2019 (December 2018: £4.3 million).

DIVIDENDS

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 2019.

The Board has approved interim dividends as follows:

	Year ended 31 December 2019 £'000s	Year ended 31 December 2018 £'000s
Amounts recognised as distributions to equity holders for the year ended 31 December 2019	105,273 ¹	97,115
Declared		
Interim dividend for the period 1 January to 30 June 2019 was 3.59 pence per share (2018: 3.5 pence per share)	53,321	49,189
Interim dividend for the period 1 July to 31 December 2019 was 3.59 pence per share ² (2018: 3.5 pence per share)	57,828	51,952

1 Includes the 2018 interim dividend for the period 1 July to 31 December 2018.

2 The dividend for the period 1 July to 31 December 2019 was approved by the Board on 25 March 2020 and therefore has not been included as a liability in the balance sheet for the year ended 31 December 2019.

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 page 54.

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 2019

16. NET ASSETS PER SHARE

	31 December 2019 £'000s	31 December 2018 £'000s
Net assets attributable to equity holders of the parent	2,425,239	2,198,747
	Number	Number
<i>Number of shares</i>		
Ordinary shares outstanding at the end of the year	1,610,795,476	1,484,329,031
<i>Net assets per share (pence per share)</i>	150.6	148.1

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 £45,000 (2018: £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 2019 £'000s	For the year ended 31 December 2018 £'000s	At 31 December 2019 £'000s	At 31 December 2018 £'000s
International Public Partnerships GP Limited	24,537	22,798	8,285	7,131
Amber Fund Management Limited ¹	4,221	957	533	2
Total	28,758	23,755	8,818	7,133

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019, Amber Infrastructure held 8,002,379 (December 2018: 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	Year ended 31 December 2019	Number of New Ordinary Shares Year ended 31 December 2018
Mike Gerrard	81,112	55,739
Julia Bond	28,994	14,020
John Le Poidevin	32,467	32,550
Claire Whittet	1,532	1,585
John Whittle	-	-
Giles Frost	24,036	13,484
Total purchased	168,141	117,378

Remuneration paid to the Non-Executive Directors is disclosed on page 60.

18. CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2019 the Group has committed funding of up to c.£43.5 million (December 2018: £195.0 million), which includes committed investment amounts as noted in the Strategic Report on page 20, a deferred commitment of £17.8 million for Benex which is due to be settled from future returns generated by BeNEX, and £0.6m of 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 THE BALANCE SHEET DATE

There are a range of contingent risks stemming from Covid-19. These include, but may not be limited to, staff shortages and supply chain breakdowns and their consequences. The Company will continue to monitor and where possible take action to avoid or mitigate any such impacts on its portfolio. The Company is closely monitoring distributions from all investments and through its Investment Adviser is actively engaging with counterparts at the portfolio level - the majority of which are public sector counterparties. The overwhelming majority of revenues come from availability-based payments or regulated cashflows that generally provide a range of protections against adverse scenarios.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

19. EVENTS AFTER THE BALANCE SHEET DATE CONTINUED

In light of the Covid-19 pandemic, the Company has reassessed the operational performance of its material investments as well as the cash flow position for the Company itself, including stress testing for adverse plausible impacts. In addition, the Directors also note that the Company has free cash reserves at the date of this report of c.£91 million and ability to draw £20 million on its corporate debt facility for working capital purposes.

The Company reaffirms that the operational performance of its investment portfolio continues as expected and the Covid-19 pandemic has, to date, had no material impact on the Company's cashflows from its investment portfolio. As the Covid-19 developments remain ongoing, it is premature to assess the implications of recent events on market pricing of underlying assets. Whilst the full consequences of the pandemic and its effects on the portfolio cannot yet be known, the Company believes that its liquidity position, its business model, diversified portfolio and its focus on risk mitigation combined with operational cash and funding reserves, offer a significant degree of protection.

20. OTHER MANDATORY DISCLOSURES

NEW STANDARDS THAT THE GROUP HAS APPLIED FROM 1 JANUARY 2019

Standards and amendments to standards applicable to the Group 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 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)

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.

- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (1 January 2020)
- 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 2019 and proportion of ownership is shown below:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest %
Abingdon Limited Partnership	UK	100
Aggregator PLC	UK	100
Access Justice Durham Limited	Canada	100
AKS Betriebs GmbH & Co. KG	Germany	98
BBPP Alberta Schools Limited	Canada	100
Blackburn with Darwen Phase 1 Limited	UK	90
Blackburn with Darwen Phase 2 Limited	UK	90
BPSL No. 2 Limited Partnership	UK	100
Building Schools for the Future Investments LLP	UK	100
Calderdale Schools Partnership	UK	100
CHP Unit Trust	Australia	100
Derby City BSF Limited	UK	90
Derbyshire Courts Limited Partnership	UK	100
Derbyshire Schools	UK	100
Derbyshire Schools Phase Two Partnership	UK	100
Future Ealing Phase 1 Limited	UK	80

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

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	UK	90
4 Futures Phase 2 Limited	UK	90
Hertfordshire Schools Building Partnership Phase 1 Limited	UK	100
H&W Courts Limited Partnership	UK	100
INPP Infrastructure Germany GmbH & Co. KG	Germany	100
Inspire Partnership Limited Partnership	UK	100
IPP CCC Limited Partnership	Ireland	100
Inspiredspaces Durham (Project Co 1) Limited	UK	91
Kent PFI (Project Co 1) Limited	UK	58
Inspiredspaces Nottingham (Project Co 1) Limited	UK	82
Inspiredspaces Nottingham (Project Co 2) Limited	UK	82
Inspiredspaces STaG (Project Co 1) Limited	UK	90.1
Inspiredspaces STaG (Project Co 2) Limited	UK	90.1
Inspiredspaces Wolverhampton (Project Co 1) Limited	UK	100
Inspiredspaces Wolverhampton (Project Co 2) Limited	UK	100
Transform Islington (Phase 1) Limited	UK	90
Transform Islington (Phase 2) Limited	UK	90
IPP (Moray Schools) Holdings Limited	UK	100
LCV Project Trust	Australia	100
Maesteg School Partnership	UK	100
Norfolk Limited Partnership	UK	100
Northampton Schools Limited Partnership	UK	100
Northern Diabolo N.V.	Belgium	100
Oldham BSF Limited	UK	99
PSBP Midlands Limited	UK	92.5
Pinnacle Healthcare (OAHS) Trust	Australia	100
Plot B Partnership	UK	100
St Thomas More School Partnership	UK	100
PPP Solutions (Long Bay) Partnership	Australia	100
PPP Solutions (Showgrounds) Trust	Australia	100
Strathclyde Limited Partnership	UK	100
TH Schools Limited Partnership	UK	100
TC Robin Rigg OFTO Limited	UK	100
TC Barrow OFTO Limited	UK	100
TC Gunfleet Sands OFTO Limited	UK	100
TC Ormonde OFTO Limited	UK	100
TC Lincs OFTO Limited	UK	100
TC Westernmost Rough OFTO Limited	UK	100
TC Dudgeon OFTO PLC	UK	100

The entities listed above in aggregate represent 58.4% (December 2018: 63.0%) 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 2019

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	UK	100
International Public Partnerships Lux 1 Sarl	Luxembourg	100
International Public Partnerships Lux 2 Sarl	Luxembourg	100
IPP Bond Limited	UK	100
IPP Investments Limited Partnership	UK	100

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 2019

21. INVESTMENTS (CONTINUED)

Investment Name	Country	Status at 31 December 2019	Per cent. Risk Capital Owned by the Group ¹	Investment end
UK				
UK PPP Assets				
Calderdale Schools	UK	Operational	100.0	April 2030
Derbyshire Schools Phase Two	UK	Operational	100.0	February 2032
Northamptonshire Schools	UK	Operational	100.0	December 2037
Derbyshire Courts	UK	Operational	100.0	August 2028
Derbyshire Schools Phase One	UK	Operational	100.0	April 2029
North Wales Police HQ	UK	Operational	100.0	December 2028
St Thomas More Schools	UK	Operational	100.0	April 2028
Tower Hamlets Schools	UK	Operational	100.0	August 2027
Norfolk Police HQ	UK	Operational	100.0	December 2036
Strathclyde Police Training Centre	UK	Operational	100.0 ²	September 2026
Hereford & Worcester Courts	UK	Operational	100.0 ²	September 2025
Abingdon Police Station	UK	Operational	100.0	April 2030
Bootle Government Offices	UK	Operational	100.0	June 2025
Maesteg Schools	UK	Operational	100.0	July 2033
Moray Schools	UK	Operational	100.0	February 2042
Liverpool Library	UK	Operational	100.0	November 2037
Priority Schools Building Aggregator Programme				
Batch 1 – Schools in North East England	UK	Operational	0.0 ²	August 2040
Batch 2 – Schools in Hertfordshire, Luton and Reading	UK	Operational	0.0 ²	November 2040
Batch 3 – Schools in North West of England	UK	Operational	0.0 ²	August 2041
Batch 4 – Schools in the Midlands Region	UK	Operational	92.5 ²	December 2041
Batch 5 – Schools in Yorkshire	UK	Operational	0.0 ²	September 2041
OFTOs				
Robin Rigg OFTO	UK	Operational	100.0 ²	March 2031
Gunfleet Sands OFTO	UK	Operational	100.0 ²	July 2031
Barrow OFTO	UK	Operational	100.0 ²	March 2030
Ormonde OFTO	UK	Operational	100.0 ²	July 2032
Lincs OFTO	UK	Operational	100.0	November 2034
Westermest Rough OFTO	UK	Operational	100.0	February 2036
Dudgeon OFTO	UK	Operational	100.0	November 2038
Building Schools for the Future Portfolio				
Minority Shareholdings in 26 Building Schools for the Future Projects	UK	Operational	Various	Various
Blackburn with Darwen Phase One	UK	Operational	90.0	September 2036
Blackburn with Darwen Phase Two	UK	Operational	90.0	September 2039
Derby City	UK	Operational	90.0	August 2037
Durham Schools	UK	Operational	91.0	January 2036
Ealing Schools Phase One	UK	Operational	80.0	March 2038
Halton Place	UK	Operational	45.0	March 2038
Hertfordshire Schools Phase One	UK	Operational	100.0	August 2037
Islington Phase One	UK	Operational	90.0	August 2034
Islington Phase Two	UK	Operational	90.0	March 2039

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

21. INVESTMENTS (CONTINUED)

Investment Name	Country	Status at 31 December 2019	Per cent. Risk Capital Owned by the Group ¹	Investment end
Oldham Schools	UK	Operational	99.0	August 2037
Tameside Schools One	UK	Operational	46.0	August 2036
Tameside Schools Two	UK	Operational	46.0	August 2037
Nottingham Schools One	UK	Operational	82.0	August 2034
Nottingham Schools Two	UK	Operational	82.0	August 2038
South Tyneside and Gateshead Schools One	UK	Operational	90.1	October 2034
South Tyneside and Gateshead Schools Two	UK	Operational	90.1	September 2036
Southwark Phase One	UK	Operational	90.0	January 2036
Southwark Phase Two	UK	Operational	90.0	December 2036
Wolverhampton Schools Phase One	UK	Operational	100.0	September 2037
Wolverhampton Schools Phase Two	UK	Operational	100.0	August 2040
Kent Schools	UK	Operational	58.0	August 2035
NHS LIFT Portfolio				
Beckenham Hospital	UK	Operational	49.8	December 2033
Garland Road Health Centre	UK	Operational	49.8	December 2031
Alexandra Avenue Primary Care Centre, Monks Park Health Centre (two projects)	UK	Operational	49.8	June 2031
Gem Centre Bentley Bridge, Phoenix Centre (two projects)	UK	Operational	49.8	December 2030
Sudbury Health Centre	UK	Operational	49.8	November 2032
Mt Vernon	UK	Operational	49.8	December 2033
Lakeside	UK	Operational	49.8	November 2032
Fishponds Primary Care Centre, Hampton House Health Centre (two projects)	UK	Operational	33.4	January 2031
Shirehampton Primary Care Centre, Whitchurch Primary Care Centre (two projects)	UK	Operational	33.4	May 2032
Blackbird Leys Health Centre, East Oxford Care Centre (two projects)	UK	Operational	33.4	May 2031
Brierley Hill	UK	Operational	34.3	April 2035
Ridge Hill Learning Disabilities Centre, Stourbridge Health & Social Care Centre (two projects)	UK	Operational	34.3	October 2031
Harrow NRC (three projects)	UK	Operational	49.8	June 2034
Goscote Palliative Care Centre	UK	Operational	49.8	November 2035
South Bristol Community Hospital	UK	Operational	33.4	February 2042
East London LIFT Project One (four projects)	UK	Operational	30.0	October 2030
East London LIFT Project Two (three projects)	UK	Operational	30.0	April 2033
East London LIFT Project Three (Newby Place)	UK	Operational	30.0	May 2037
East London LIFT Project Four (two projects)	UK	Operational	30.0	August 2036
Other UK				
Angel Trains	UK	Operational	4.8	December 2038
Tideway	UK	Construction	15.99	March 2150
Cadent	UK	Operational	7.25	June 2069
National Digital Infrastructure Fund	UK	Operational	45.0	July 2027

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

21. INVESTMENTS (CONTINUED)

Investment Name	Country	Status at 31 December 2019	Per cent. Risk Capital Owned by the Group ¹	Investment end
Australia				
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
North America				
Alberta Schools	Canada	Operational	100.0	June 2040
Durham Courts	Canada	Operational	100.0	November 2039
US Military Housing	US	Operational	0.0 ²	October 2052
Europe (ex UK)				
Diabolo Rail Link	Belgium	Operational	100.0	June 2047
Dublin Courts	Ireland	Operational	100.0	February 2035
BeNEX	Germany	Operational	100.0	December 2037
Federal German Ministry of Education and Research Headquarters	Germany	Operational	98.0	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

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

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

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

PO Box 286
Floor 2, Trafalgar Court
Les Banques
Guernsey
Channel Islands
GY1 4LY

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

Ocorian Administration (Guernsey)
Limited PO Box 286
Floor 2, Trafalgar Court
Les Banques
Guernsey
Channel Islands
GY1 4LY

CORPORATE BANKER

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