

**International Public Partnerships Limited**  
**Half yearly financial report for the**  
**six months ended 30 June 2011**

Registered number: 45241

# International Public Partnerships Limited

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### Cautionary Statement

The Chairman's Statement and Investment Advisor's Report ("IAR") have been prepared solely to provide additional information for shareholders to assess the Group's strategies and the potential for those strategies to succeed. These should not be relied on by any other party or for any other purpose.

The Chairman's Statement and IAR may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology.

These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Directors and the Investment Advisor concerning, amongst other things, the investment objectives and investment policy, financing strategies, investment performance, results of operations, financial condition, liquidity, prospects, and distribution policy of the Company and the markets in which it invests.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company's actual investment performance, results of operations, financial condition, liquidity, distribution policy and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this document.

Subject to their legal and regulatory obligations, the Directors and the Investment Advisor expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

This Half Yearly Report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to International Public Partnerships Limited and its subsidiary undertakings when viewed as a whole.

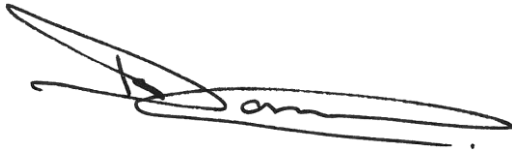
# International Public Partnerships Limited

## Directors' Responsibility Statement

The Directors are responsible for preparing this half-yearly financial report in accordance with applicable law and regulations. The Directors confirm that to the best of their knowledge:

- a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board,



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Keith Dorrian

Chairman

30 August 2011

# International Public Partnerships Limited

## Summary

International Public Partnerships Limited (LSE:INPP, the “Company”, “INPP”) is a FTSE 250 Company that invests in social infrastructure projects. As at 30 June 2011, the portfolio consisted of 60 operational and construction-phase projects in the UK, Australia, Canada, Germany, France, Belgium, Italy and Ireland. Investments include schools, hospitals, courthouses, police stations, offshore energy transmission links, transport infrastructure and rolling stock.

The Company listed on the London Stock Exchange in November 2006 with a market capitalisation of £300 million. In April 2008, INPP raised a further £84 million via a C-share capital listing and in January 2010 the Company completed a further capital raising of £89 million through a placement, open offer and offer for subscription. The proceeds from the January 2010 issue were used to repay INPP’s corporate debt facility with the remainder used to fund the acquisition of new projects. Tap issues, raising £25 million, were undertaken in September 2010 and January 2011 and have now been committed to fund new asset acquisitions.

The Company has a progressive dividend policy. Since listing, it has increased its dividends to investors by in excess of 2.5% per annum and currently intends that its dividend to the financial year ended 31 December 2011 will be 5.85 pence, or an increase of 2.6% over the prior year.

International Public Partnerships is advised by Amber Fund Management Limited (“Amber”), a specialist infrastructure advisor and manager with in excess of £4.1 billion assets under management advisory as at 30 June 2011. Amber has over 50 staff with offices in the UK, Australia, Europe and North America dedicated to advising, managing, investing in and developing infrastructure projects and investments.

## Overview

### Market Capitalisation

£570.7 million at 30 June 2011 (£558.1 million at 31 December 2010)

### Shares in Issue

484.3 million at 30 June 2011 (479.0 million at 31 December 2010)

### Index Inclusion

FTSE AllShare, FTSE 250

### ISA/PEPs/SIPPs Status

INPP’s shares are eligible for ISA/PEPs and SIPPs transfers

### Capital Structure

The Company has a capital structure comprising of Ordinary Shares only, although INPP’s articles of association include provision for the creation of an additional class of shares.

### Investment Objective

The investment objective of the Company is to provide shareholders with long-term distributions at levels that are attractive and sustainable arising from public infrastructure investments. The Directors also believe that continued capital growth can be achieved from further investment in public infrastructure assets. The Directors believe that investments in public infrastructure are likely, to a material extent, to be uncorrelated with general economic conditions or equity markets.

### Investment Advisor

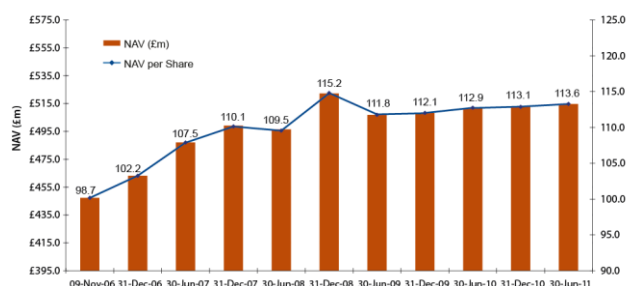
Amber Fund Management Limited (AFML) is a wholly owned subsidiary of Amber Infrastructure Group Holdings Limited. Amber Infrastructure has a global investment and advisory remit and AFML is authorised and regulated by the Financial Services Authority. AFML is deemed to be a related party of the Company under IAS 24. Details of transactions between AFML and the Company are disclosed in note 17.

# International Public Partnerships Limited

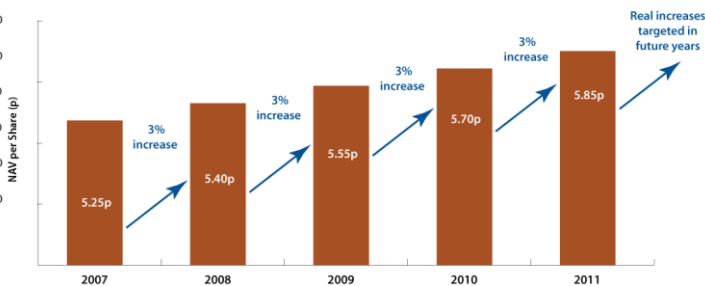
## Highlights

- Net Asset Value (NAV)<sup>1</sup> of £550.0 million as at 30 June 2011 (£541.9 million – 31 December 2010)
- NAV per share of 113.6 pence as at 30 June 2011 (113.1 pence – 31 December 2010)
- Full year target dividend for the year ended 31 December 2011 of 5.85 pence per share (up 2.6% from full year 2010)
- Half year 2011 dividend of 2.925 pence per share (forecast for payment 28 October 2011)
- IFRS accounting profit before tax of £11.4 million for the period ended 30 June 2011 (£2.4 million loss before tax – 30 June 2011)
- IFRS Net Assets of £416.6 million as at 30 June 2011 (£416.4 million – 31 December 2010)
- Thirteen investments totalling £39.8 million made during the period
- Net uncommitted cash available for investment purposes at 30 June 2011 of £24.3 million (representing recourse Group cash balances adjusted for the first half 2011 distribution) together with £100 million corporate debt facility
- Total Shareholder Return since listing in 2006 of 46.2% compared to 14.8% on the FTSE AllShare over that same period
- Two additional acquisitions totalling £68.7 million made post period end
- Company will keep under review appropriate capital raising initiatives to support opportunities for accretive growth

INPP NAV



INPP Dividend Growth



Net Asset Value (NAV) as shown above is fair market valuation of the Group's economic interests, calculated utilising discounted cash flow methodology<sup>a</sup>, adjusted for EVCA (European Private Equity and Venture Capital Association) guidelines, a methodology considered appropriate, given the special nature of infrastructure investments. Estimated future cash flows accruing to each economic interest<sup>b</sup> have been discounted using discount rates that reflect the risks associated with that interest. The Net Asset Value referred to above and on other pages differs from the basis of recording net assets utilising International Financial Reporting Standards as set out in the balance sheet included in the financial statements. The key differences are that the IFRS balance sheet includes assets and liabilities valued initially on acquisition at fair value and subsequently at amortised cost. Further, the IFRS net assets have been impacted, amongst other things, by changes in the fair value of financial hedging instruments that are entered into by the Group to minimise risk associated with changes in interest rates.

a The Net Asset Value also includes:

- an adjustment to reflect that in prior periods, the Company's portfolio was valued utilising risk free rates offered at each of 30 June and 31 December. To reduce the potential impact of volatility in risk free rates, the 30 June 2011 valuation is based on average risk free rates over the previous six month period. It is expected that the Company will continue to calculate risk free rates on this basis in the future. The change in methodology had no impact on the Company's NAV as at 30 June 2011.
- the Strathclyde and Hereford and Worcester senior debt interests which are owned by the Group and have been valued at the loan principal outstanding at 30 June 2011 plus the costs associated with terminating the underlying fixed interest rate arrangements at 9 November 2006.
- cash, cash equivalents and assets and liabilities attributable to the Company and intermediate holding companies at 30 June 2011.

b The Group's economic interests at 30 June 2011 are set out in the Portfolio Interests section of this half yearly financial report.

# International Public Partnerships Limited

## Chairman's Statement

I am pleased to report that, despite a period of heightened market volatility, your Company continued to perform well for the six months ended 30 June 2011. Consistent with your Board's stated dividend policy, the portfolio of assets continued to provide a steadily growing dividend (which is fully funded from cash flow) for our investors together with additional potential for capital growth.

The period was again marked by continuing political, financial and market uncertainty. The principal benefit of investing in public infrastructure as an asset class remains that, by virtue of the long-term, government backed contracts that underpin it, portfolio performance is largely uncorrelated to some of the wider economic factors which have caused such volatility in other asset classes. Despite increased volatility in equities markets in general, INPP modestly outperformed the FTSE AllShare by 0.6% between 1 January 2011 and 30 June 2011 and by 12.8% between 1 January 2011 and 23 August 2011 (the date of preparation of this statement) without significant volatility in the share price.<sup>1</sup>

The longer-term return prospects of the Company remain very strong and enable the Board to feel confident in predicting regular and increasing fully covered dividend performance allied to potential for capital gains, which will be realised as the 'in construction' assets reach maturity. A shareholder who had held INPP's stock since the initial public offer had, at 30 June 2011, seen a total return (through capital appreciation and dividend) of 46.2% compared to a total return on the FTSE AllShare of 14.8% over that same period.<sup>1</sup>

## Operational Highlights in the Period

The existing portfolio continued to perform in line with the Board's expectations during the reporting period. Pleasingly, one of the Company's top 10 assets, Orange Hospital in Australia was commissioned three months early, following the substantial completion of construction and, since March, has been providing clinical services to patients in the surrounding area. In addition, construction was successfully completed at the South East Resource Centre, a health facility in the UK.

The continuing robust performance of the portfolio has enabled the Board to continue its policy of incrementally increasing distributions paid to shareholders, with the 2011 half year dividend increasing 2.6% to 2.925 pence per share (30 June 2010: 2.85 pence per share).

During the period, £39.8 million of investment was made into thirteen high quality projects, including:

- £11.1 million for a 26.6% interest in the A\$1 billion Gold Coast Rapid Transit project in Queensland, Australia;
- Financial close was reached on INPP's first offshore transmission project, where a £12.4 million investment was made in the £50 million Robin Rigg scheme;
- 80.1% interest for £1.9 million in the Liverpool Central Library, from a company associated with Amber, its Investment Adviser;
- Investment in eight NHS LIFT projects across the UK, including additional investments in five existing projects, with an equity value of £4.4 million; and,
- An additional 50% investment in both Long Bay Forensic and Prison Hospital and the Royal Melbourne Showgrounds in Australia for £6.7 million and £3.3 million respectively, taking both holdings to 100%.

In the six months to 30 June 2011, Transmission Capital Partners Consortium, in which INPP and a company associated with its Investment Adviser are members, was also shortlisted for a further three projects in the £1 billion second round of offshore transmission tenders. Preferred bidder status on these projects will be announced by the Government within in the next four to twelve months.

The Company completed one equity issuance in the period when, in January this year, under the block listing authority it obtained in September 2010, it raised an additional two million shares at 117.0 pence per share. The proceeds of these issues have been allocated to projects into which INPP has invested.

<sup>1</sup> Bloomberg

# **International Public Partnerships Limited**

## **Chairman's Statement (continued)**

### **Financial Results for the Period**

The Net Asset Value (NAV) of INPP's investments was £550.0 million at 30 June 2011, an increase of 1.5% from £541.9 million at 31 December 2010. On a per share basis this represents an increase of 0.5 pence since 31 December 2010 and reflects the solid performance of the portfolio despite more volatile market and economic conditions during the period.

On a cash basis, receipts from the portfolio (i.e. the underlying private finance initiative ("PFI")/public-private partnership ("PPP") concessions) produced net investment cash flows to the Company of £16.0 million covering the first half 2011 dividend of approximately £14.2 million.

On a consolidated International Financial Reporting Standards ("IFRS") basis, the Company reported a profit before tax of £11.4 million (June 30 2010: small loss of £(2.4) million) for the period. The result was driven by currency movements during the period, notably a further depreciation of Sterling against the Australian dollar. In addition, there were revenue streams from new investments together with those from assets that commenced operations during the period and there was a reduction in the impairment charge from £7.3 million to £0.7 million.

There was a £92.7 million reduction in revenue from £245.8 million for the six months to 30 June 2010 to £153.1 million reflecting a reduction in expenditure on construction assets as a result of the completion of Alberta Schools, Orange Hospital and the nearing completion of Royal Children's Hospital Melbourne. Under IFRS, expenditure on constructing assets is taken through the Income Statement.

The Board has continued its policy of hedging forward a major portion of its anticipated foreign currency cash flows; the approximate value of these hedges is marked to market in the accounts.

### **Distribution**

As detailed above, based on the continuing performance of the portfolio, the Board is pleased to confirm a distribution of 2.925 pence per share for the first half of 2011. The dividend will be paid to investors in October 2011 and represents a 2.6% increase on the previous period (30 June 2010: 2.85 pence per share). The targeted final instalment of 2.925 pence per share for the second half of the year is expected to be paid in May 2012.

A scrip dividend option will again be in operation for the 28 October 2011 distribution. Applications for participation in the scrip dividend option will be sent to investors in September 2011. Subject to the Directors being satisfied that this is in the best interests of the Company at the relevant time, the Board anticipates that this arrangement will also be in place for future distributions.

Given the anticipated robust coverage of the distribution by operating cash flow in future years, the Directors are currently confident of increasing the distribution again in 2012 and expect to make an announcement about this later in the year.

### **Gearing**

The Board continues its policy of not intending to maintain long-term corporate debt within the Company. It expects to use the Company's revolving corporate debt facility to bridge the acquisition of attractive investment opportunities for the Company in between equity capital raisings. All other borrowings relate to the underlying project vehicles, are match funded and remain non-recourse to INPP.

During the period, the corporate debt facility remained undrawn, with a zero balance. However, acquisitions made subsequent to the 30 June 2011 balance date saw the utilisation of the corporate debt facility as noted below.

# **International Public Partnerships Limited**

## **Chairman's Statement (continued)**

### **Current environment**

There has been increased scrutiny of the value that the UK Government achieves from PPP/PFI projects. In January 2011, HM Treasury issued guidance on how PFI contracts should be managed, including highlighting the need for the sector to seek savings on operational assets financed by this initiative. As has been its long standing practice, INPP, through the Investment Advisor, actively engages with its public sector clients to examine the services provided and whether value for money can be improved. To the extent that the required savings have not already been achieved, HM Treasury's focus is directed towards achieving further savings at an operational level; as a result these initiatives are not anticipated to impact the projected returns on the Company's investments.

The political environment continues to be an important factor to consider with respect to future acquisitions in the UK, and the Board will continue to monitor developments. These issues notwithstanding, there remains broad recognition by international governments that private firms are an important means by which to fund growing public infrastructure. As evidence of this, the UK Government announced in July 2011 a £2 billion programme to develop between 100 and 300 schools through the private finance initiative. In addition, in June this year, the Australian government introduced a new Infrastructure Financing Working Group to identify ways to secure additional private funds for investment in infrastructure, including through PPP. This further supports the fact that PFI and PPP continue to be an important means of delivering public infrastructure for governments who are increasingly challenged to balance their budgets. Moreover, in the current climate of economic uncertainty, the Board and its Advisor anticipate that there is likely to be continued investor appetite for investments such as those held by the Company which are backed – directly or indirectly – by contracted long-term cash flows from the public sector. It has been the Board's policy to invest primarily, if not exclusively, in investments which are subject to availability rather than usage-based income streams and this policy enables the Board to forecast cash flows with a high level of certainty.

### **Post period end events**

A number of significant acquisitions were made by the Company following the half year ended 30 June 2011:

- In August, INPP acquired, at a cost of £58.4 million, 100% of the interests in Building Schools for the Future Investments LLP from the Department for Education and Partnerships UK. This provides the Company with 10% to 20% interests in 48 'Building Schools for the Future' projects, relating to over 100 individual schools. The acquisition, which, to date, is INPP's largest transaction in the secondary market, has been funded partly through available cash and partly through use of the £100 million corporate debt facility; and
- The Company also completed the acquisition of its second offshore transmission project, Gunfleet Sands, where it is investing 100% of the equity and subordinated debt for £10.3 million.

As at the date of this report, the Company held interests in a portfolio of some 109 assets.

### **Principal risks and uncertainties**

The principal risks and uncertainties facing the Company are set out on pages 47 to 56 in the 31 December 2010 Annual Report and Financial Statements. These are expected to remain relevant to the Company for the next six months of its financial year and comprise credit risk, liquidity risk, inflation risk, foreign exchange risk and counterparty risk.

The Board has concluded that these do not represent a significant threat to the Group as its income is generated from a portfolio of PFI concessions which are supported by government backed cash flows and are forecast to cover the Group's committed costs.



# International Public Partnerships Limited

## Chairman's Statement (continued)

### Change of Auditor

During the period, the Board decided to put the Company's auditing arrangements out to competitive tender as the previous auditors had been in place since the Company's listing in 2006. Following this process, the Board is pleased to advise that Ernst & Young were appointed as the Company's auditor and welcomes them to their new role.

### Outlook

INPP's existing portfolio of assets has performed well and, despite recent market volatility, we expect this performance to continue and the Board remains confident in the Company's ability to grow dividends to shareholders over the long-term.

Notwithstanding the UK Government's focus on cost savings from operational PPP/PFI projects, the Board remains confident in the long-term outlook for PPP/PFI investment both in the UK and internationally. Governments around the world continue to require new infrastructure projects to be delivered and the majority of countries are encouraging the use of private sector investment to fund these. The Board expects that this trend will continue to result in a strong pipeline of opportunities being offered to the Company, both in the UK and overseas, and believes that INPP is well positioned to capture these opportunities as they arise.

I would like to express the Board's appreciation of the support which our Investors have given to the Company during the year. We feel confident that within the near future we shall be in a position to announce further expansion giving investors the ability to participate in additional opportunities to invest in the stable and increasing income stream provided by investment in INPP.



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Keith Dorrian

Chairman

30 August 2011

# International Public Partnerships Limited

## Portfolio Interests

The Company holds economic interests in the following projects.

### Transport

Angel Trains UK  
BENeX  
Diabolo  
Reliance Rail  
River City Motorway  
Gold Coast Rapid Transit

### Police Authority

Abingdon Police  
Norfolk Police HQ  
North Wales Police HQ  
Strathclyde Police Training Centre

### Health

Medicaste Amiens Hospital Project  
Brescia Hospital  
Orange Hospital  
Royal Childrens' Hospital

### Courts

Derbyshire Magistrates Courts  
Dublin Criminal Courts Project  
Durham (Canada) Courthouse Project  
Hereford & Worcester Magistrates Courts

### Education

Alberta Schools  
Calderdale Schools  
Derbyshire Schools Phase 1  
Derbyshire Schools Phase 2  
Maesteg Schools  
Moray Schools

Northamptonshire Schools  
NSW Schools  
Pforzheim Schools  
St Thomas More School  
Tower Hamlets Schools  
Building Schools for the Future - 48 projects

### Health / Custodial

Long Bay Forensic and Prison Hospitals Project

### Government Accommodation

Bootle Government Offices

### Community and Leisure

Royal Melbourne Showgrounds Redevelopment  
Liverpool Central Library

### Energy

Robin Rigg Offshore Transmission  
Gunfleet Sands Offshore Transmission

### Health Subordinated Debt interests

Alexandra Avenue Primary Care Centre  
Barkantine Health Centre  
Barking Road Health Centre  
Beckenham Hospital  
Brierley Hill  
Church Road Health Centre  
Dunnock Way & East Oxford  
Fishponds & Hampton House  
Frail Elders Hospital  
Garland Road Health Centre  
Gem Centre Bentley Bridge  
Goscote Palliative Care Centre  
Hackney Childrens' Development Centre

Harrow Neighbourhood Resource Centres  
Lakeside  
Mile End Specialist Addition Unit  
Monks Park Health Centre  
Mt Vernon  
Phoenix Centre  
Ridge Hill & Stourbridge  
Shirehampton & Whitechurch  
South East Resource Centre  
South Bristol Community Hospital  
Sudbury Health Centre  
Vicarage Lane Health Centre

Acquired during six months to 30 June 2011

Additional stake acquired during six months to 30 June 2011

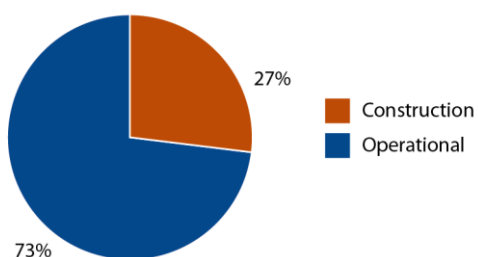
Acquired since 30 June 2011

# International Public Partnerships Limited

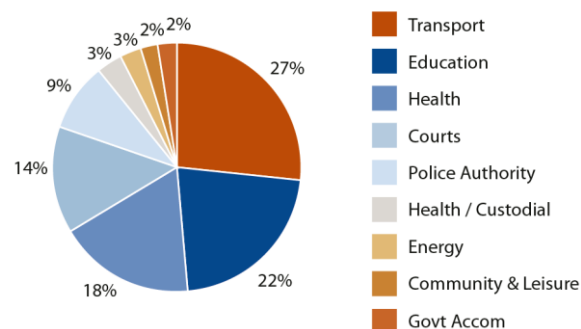
## Portfolio Interests (continued)

### Portfolio Breakdown at 30 June 2011

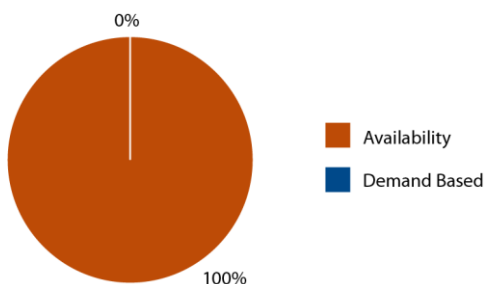
1H 2011 Asset Status



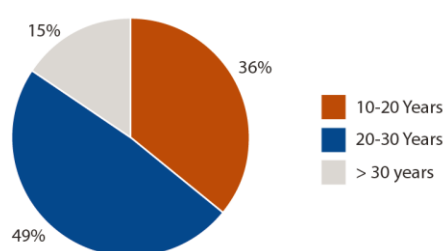
1H 2011 Sector Breakdown



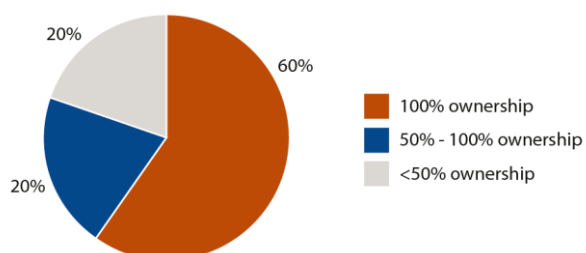
1H 2011 Payment Type



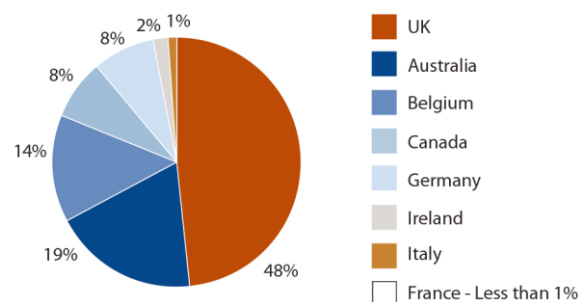
1H 2011 Concession Length



1H 2011 Project Stake



1H 2011 Geographic Split



The pie charts above show a breakdown of the Group's portfolio at 30 June 2011. This breakdown is based on the fair market valuation of the Group's investments calculated utilising discounted cash flow methodology, as referred to on page 3. The discount rate used reflects the risks associated with the individual projects. During the period the RiverCity Motorway project was revalued to zero.

# International Public Partnerships Limited

## Investment Advisor's Report

### Investment Advisor

Amber Fund Management Limited (AFML) is a wholly owned subsidiary of Amber Infrastructure Group Holdings Limited. Amber Infrastructure has a global investment and advisory focus and AFML is authorised and regulated in the UK by the Financial Services Authority. As at 30 June 2011, the Group had over £4.1 billion of assets under management advisory across its funds, and had over 50 staff based in the UK, Germany, Australia and North America.

### Introduction

International Public Partnerships Limited performed well in the first six months of 2011. The portfolio of investments has performed in line with expectations and delivered the 2.925 pence per share dividend forecast for the period entirely from project level distributions.

The Net Asset Value (NAV) at 30 June 2011 increased to 113.6 pence per share (at 31 December 2010: 113.1) in line with the Company's share price, which remained broadly unchanged and continued to trade at a premium to Net Asset Value through the period.

INPP invested £39.8 million into thirteen projects during the period and, at 30 June 2011, held investments in 60 assets. A breakdown of the Company's portfolio is provided earlier in the Portfolio section of this report. INPP continues to target new investment opportunities in the UK, Europe, Australia and Canada and, following the period end, announced that it had entered into another two investments for a combined £68.7 million investment.

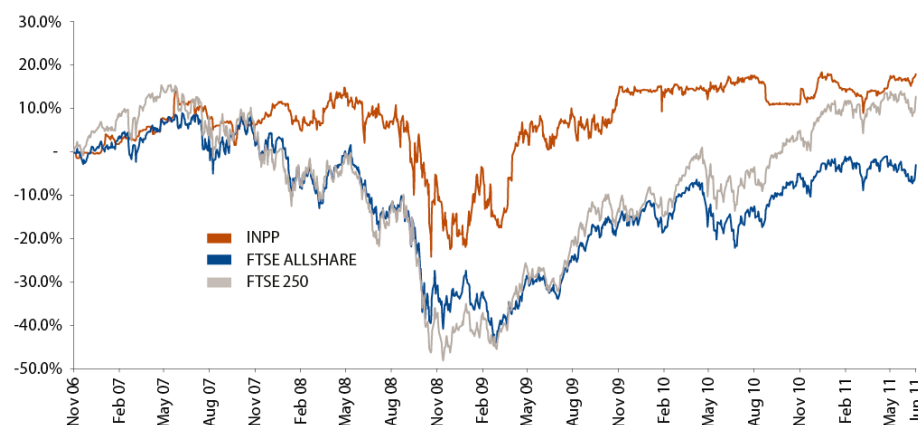
### Investment Performance

We believe that the Company continues to offer an attractive proposition for those investors seeking returns from investments whose performance is, to a substantial extent, uncorrelated with general economic conditions or equity markets.

The infrastructure investments that the Company makes are selected to provide long-term predictable returns to investors. Returns from these assets are not linked to the underlying demand for their use, rather they are "availability" based and tend not to be subject to market factors which may impact the value of other asset classes.

In this context, INPP's market performance continued to be strong. The Total Shareholder Return (share price growth plus distributions) for investors from the launch of the Company in November 2006 to 30 June 2011 has been 46.2%, compared to a total return on the FTSE AllShare of 14.8%.<sup>1</sup>

INPP Performance v FTSE



<sup>1</sup> Bloomberg

# International Public Partnerships Limited

## Investment Advisor's Report (continued)

### Portfolio Performance

The assets within the Portfolio continued to perform in line with the Company's projections.

The Investment Adviser's asset management team continued to work with each of the portfolio assets to ensure that they operate at an optimal level and to review where additional returns for investors can be achieved. Operational and compliance performance standards across the portfolio were maintained at high levels and an additional £15 million of variation requests were delivered in the period.

The Investment Adviser is also mindful of HM Treasury's review of PFI procurement and its focus on reducing costs by least £1.5 billion across the 495 operational PFI projects it has oversight of in England. The Advisor has an active approach to asset management and, as part of its regular asset management activities, works with the operational contractors involved in its projects to identify suitable costs savings with the Procuring Authority and is confident that it can contribute to HM Treasury's objectives. These savings are not expected to impact the returns to investors in the Company, as they will be passed through to those companies providing operational services to the underlying assets, to which the Company does not have any exposure.

At 30 June 2011, 27% of the portfolio was under construction, a reduction from 28% at 31 December 2010. This follows the completion of Orange Hospital in Australia, the South East Resource Centre in the UK and the acquisition of other operational LIFT projects and the Robin Rigg offshore transmission asset. This was partially offset by new projects requiring construction, including Liverpool Library and the Gold Coast Rapid Transit, which is scheduled for completion during 2014.

Following the 30 June 2011 balance date, the Reliance Rail project in Australia (0.2% of the portfolio by value) successfully commissioned its first rolling stock into service. This was a major milestone given the fourteen month delay to the first stage of the project because of the late completion of train sets by the manufacturers Hitachi and EDI Downer. The final contractual completion date for this project remains September 2013, although the achievement of this date, along with the financial condition of Reliance Rail, continues to pose an ongoing challenge.

Each of the projects in the table below are currently under construction and, with the one exception mentioned above, are either on schedule or ahead of time.

Asset	Location	Contract Completion Date	Status	% of INPP NAV
Nightingale Lane	UK	October 2011	On schedule	<0.1%
South Bristol Community Hospital LIFT	UK	February 2012	On schedule	0.5%
Moray Schools	UK	February 2012	On schedule	1.2%
Diabolo Rail	Belgium	June 2012 <sup>1</sup>	On schedule	13.7%
Newby Place LIFT	UK	May 2012	On schedule	0.1%
Liverpool Library	UK	November 2012	On schedule	1.2%
Reliance Rail	Australia	September 2013	On schedule <sup>2</sup>	0.2%
Royal Children's Hospital	Australia	December 2014	On schedule	7.3%
Gold Coast Rapid Transit	Australia	May 2014	On schedule	2.2%

1 Construction completion due to occur February 2012, final project acceptance June 2012.

2 Stage 1 is currently fourteen months behind schedule; however the last independent report indicates that the final delivery date is still capable of achievement. The conclusions of this report are treated cautiously by the Company.

# International Public Partnerships Limited

## Investment Advisor's Report (continued)

### Acquisitions

During the period, the Company acquired additional investments in thirteen projects for a total investment of £39.8 million including:

- A 26.6% interest in Gold Coast Rapid Transit, the A\$1 billion light rail project linking University Hospital and Broadbeach in Queensland, Australia;
- 80.1% interest in Liverpool Central Library, one of the flagship legacy projects for the Liverpool City Council in 2008, as part of the Liverpool European Capital of Culture programme;
- Interests in eight UK LIFT projects: three new projects including South Bristol Community Hospital, Goscote Palliative Care Centre, and Harrow Neighbourhood Resource Centres; as well as additional interests in five existing NHS LIFT projects; and
- An additional 50% investment in both Long Bay Forensic and Prison Hospital and the Royal Melbourne Showgrounds in Australia, taking both holdings to 100%.

Since July 2011, the Company has made two additional investments for £68.7 million. Financial close was reached on the Gunfleet Sands offshore transmission project and the Company purchased the UK Government's interest in the Building Schools for the Future scheme, bringing stakes of between 10-20% in 48 projects. The latter is a significant milestone for the Company as it brings a large number of education assets in one transaction and it is the first secondary transaction of this scale undertaken by INPP.

### Net Asset Valuation

The Administrator (Heritage International Fund Managers Limited) calculates the Net Asset Value (NAV) of an Ordinary Share with the assistance of AFML, and produces fair market valuations of the Group's investments on a six-monthly basis as at 30 June and 31 December. The valuation methodology used is based on discounted cash flow methodology and utilises the discount rates set out below, with the exception of the Company's investment in the RiverCity Motorway project which is valued at mark-to-market as it is the Company's only listed investment as disclosed above (during the period this investment was written down to zero).

Over the six month period from 31 December 2010 to 30 June 2011 the Company's Net Asset Value increased by 0.5 pence per share to 113.6 pence per share (31 December 2010: 113.1 pence per share). This increase reflects the good performance of the portfolio's underlying assets over the period. Changes in the foreign exchange rates associated with assets outside the UK together with a reduction in the risk profile of projects in construction phase as they neared completion, also contributed positively to the NAV. This was offset by a 6 basis point increase in risk free rates across the portfolio, which had a negative impact on the portfolio during the period.<sup>1</sup> The Company's portfolio was valued at £550.0 million at 30 June 2011 (31 December 2010: £541.9 million).

The major determinants of the discount rate utilised in establishing a present value for the Company's assets includes the risk free rate (derived from the relevant government bond) applicable in the geography in which each asset is located as at the valuation date and the risk premium over the risk free rate deemed applicable to the asset in question. 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. This is particularly the case where assets move from being in construction to becoming operational. This risk premium is based on the advice of the Investment Advisor, market knowledge, advice from the Company's external advisors and is consistent with information in the public domain from comparable transactions.

<sup>1</sup> In prior periods, the Company's portfolio was valued utilising risk free rates offered at each of 30 June and 31 December. To reduce the potential impact of volatility in risk free rates, the 30 June 2011 valuation is based on average risk free rates over the previous six month period. It is expected that the Company will continue to calculate risk free rates on this basis in the future. The change in methodology had no impact on the Company's NAV as at 30 June 2011.

# International Public Partnerships Limited

## Investment Advisor's Report (continued)

Over the period from 31 December 2010 to 30 June 2011, the weighted average discount rate applicable across the portfolio decreased by 1 basis point to 8.62%. The discount rates used for valuing each of the underlying assets in the Company's portfolio range from 6.36% to 15.23%.

Valuation Methodology	30 June 2011	31 December 2010	30 June 2010	Movement (June 11 – Dec 10)
NAV per share	113.6p	113.1p	112.9p	+ 0.5p
Weighted Average Discount Rate	8.62%	8.63%	8.18%	- 1bps
Weighted Average Risk-Free Rate	4.55% <sup>1</sup>	4.49%	4.25%	+ 6bps
Weighted Average Project Premium	4.07%	4.13%	3.93%	- 6bps
Discount Rate Range	6.36% to 15.23%	6.24% to 15.52%	6.04% to 14.98%	+ 12bps to -29bps

1 In prior periods, the Company's portfolio was valued utilising risk free rates offered at each of 30 June and 31 December. To reduce the potential impact of volatility in risk free rates, the 30 June 2011 valuation is based on average risk free rates over the previous six month period. It is expected that the Company will continue to calculate risk free rates on this basis in the future. The change in methodology had no impact on the Company's NAV as at 30 June 2011.

Despite the movement in macro economic factors during the period, there were no significant changes to the Company's future expected cash flows. Future net operating cash flows remain as forecast.

## Financial Results

As in previous periods, in addition to its statutory reporting obligations under IFRS, the Company has prepared proforma financial information on an Investment basis, treating its holdings in its 60 assets as investments. This proforma financial information is provided to give additional guidance, in combination with consideration of the primary financial statements, to aid visibility of the financial results based on the dividends, interest and capital receipts that are received from the individual investments of the Group.

Cash received from the portfolio of investments by way of distributions including dividends, interest payments, capital and principal repayments (the latter from subordinated debt and senior debt held in investments) was £21.7 million (30 June 2010: £15.7 million). This is an increase over the previous period of £6.0 million and is the result of additional distributions being generated as project concessions complete construction and move into their operational phase. Net cash receipts to the investment holding companies within the Group were £16.0 million (30 June 2010: £11.5 million) and were after group level corporate costs of £5.7 million (30 June 2010: £4.2 million).

# International Public Partnerships Limited

## Investment Advisor's Report (continued)

The tables below summarise cash received from investments net of corporate costs of the holding companies within the Group (including from subsidiaries).

### Summary Net Corporate Income

	Six months to 30 June 2011 £ million	Six months to 30 June 2010 £ million	Year to 31 December 2010 £ million
Cash received from investments			
Dividends and interest	20.7	14.8	40.3
Capital receipts	1.0	0.9	2.7
Corporate expenses and net finance costs (excluding performance fees)	(5.7)	(4.2)	(9.4)
<b>Net cash</b>	<b>16.0</b>	<b>11.5</b>	<b>33.6</b>
<b>Net cash per share</b>	<b>3.3 pence</b>	<b>2.5 pence</b>	<b>7.4pence</b>

The corporate cost base of INPP increased primarily due to the renewal fee associated with the establishment of the new corporate debt facility, which took place during the period. Interest expense from the six months to 30 June 2011 includes the annual fee for the corporate debt facility which remains payable and provides the Company with flexibility around acquisition opportunities.

The base management fee payable to AFML is calculated based on 1.2% of the adjusted Gross Asset Value of the company at semi-annual reporting dates. For the period to 30 June 2011 the base management fee was £3.3 million, a £0.4 million increase from £2.9 million for the period to 30 June 2010 due to a 1.5% increase in the Gross Asset Value over the period. No performance incentive fee was payable for the period.

For the six months to 30 June 2011 the Total Expense Ratio (TER) remained stable at 0.8% (30 June 2010: 0.8%).

### Group Level Corporate Cost Analysis

	Six months to 30 June 2011 £ million	Six months to 30 June 2010 £ million	Year to 31 December 2010 £ million
Interest income	0.3	0.3	0.3
Interest expense	(0.5)	(0.5)	(1.0)
Other interest expense	(1.0)	(0.0)	(1.0)
Investment Advisor fees (excluding performance fees)	(3.3)	(2.9)	(6.5)
Audit fees	(0.1)	(0.1)	(0.1)
Direct fees & expenses	(0.1)	(0.1)	(0.2)
Other expenses	(1.0)	(0.9)	(1.9)
<b>Corporate expenses &amp; net finance costs</b>	<b>(5.7)</b>	<b>(4.2)</b>	<b>(9.4)</b>



# International Public Partnerships Limited

## Investment Advisor's Report (continued)

### Total Expense Ratio ("TER")

	Six months to 30 June 2011 £ million	Six months to 30 June 2010 £ million	Year to 31 December 2010 £ million
Total corporate expenses	(4.5)	(4.0)	(8.7)
Net Asset Value	550.0	516.5	541.9
<b>TER<sup>1</sup></b>	<b>(0.8)%</b>	<b>(0.8)%</b>	<b>(1.6)%</b>

1 Excludes any variable performance fees. TER for six months to 30 June is for a half year period and is not annualised.

Included in the NAV are investments at fair value of £509.2 million (31 December 2010: £464.9 million) together with uncommitted cash of £38.5 million (31 December 2010: £66.8 million). The increase in the fair value of the Group's investment is attributed to the movements in the risk free rate, enhancements of existing portfolio and investments made during the period. Further details are provided in the Net Asset Value section of the Investment Advisor's Report.

On an IFRS basis the increase is due to additional investments during the period and the capitalisation of construction costs.

The analysis below compares the components of the NAV to IFRS net assets

### Unaudited Summary Balance Sheet

	Six months to 30 June 2011			Year to 31 December 2010		
	NAV basis £million	Adjustments <sup>1</sup> £million	Consolidated IFRS £million	NAV basis <sup>2</sup> £million	Adjustments £million	Consolidated IFRS £million
Investments at fair value	509.2	825.8	1,335.0	464.9	764.8	1,229.7
Financial assets at amortised cost	-	731.8	731.8	-	474.0	474.0
Other current & non-current assets	6.6	425.0	431.6	14.5	405.0	419.5
Net cash/(borrowings)	38.5	(1,840.2)	(1,801.7)	66.8	(1,456.6)	(1,389.8)
Other current & non-current liabilities	(4.3)	(275.8)	(280.1)	(4.3)	(312.6)	(316.9)
Non-controlling interests	-	(3.1)	(3.1)	-	(2.8)	(2.8)
<b>Net assets to equity holders of the parent</b>	<b>550.0</b>	<b>(136.5)</b>	<b>413.5</b>	<b>541.9</b>	<b>(128.2)</b>	<b>413.7</b>

1 The adjustments above reflect that the consolidated IFRS balances in line with accounting standards include the Group's investments in the projects as a variety of classifications of assets, including intangible assets, investments in associates, loans and receivables and available for sale financial assets with the corresponding debt associated to these investments. The NAV in effect includes the above balance as one line and is calculated by discounting post-tax forecast distributions and subordinated debt repayments. Other current & non-current assets and other current & non-current liabilities include such balances as deferred tax assets and liabilities and derivative financial instruments which will not be included in the NAV balance.

2 Investments at fair value on an investment basis reflected an investment in the capital, subordinated or senior debt of the underlying projects as represented in the Financial Statements, with the exception of the interest in Long Bay Forensic & Prison Hospital Project and the Royal Melbourne Showgrounds Redevelopment Project. At 31 December 2010, the Group included the acquisition of the additional 50% of the Share Capital and Subordinated Loans in accordance with an executed Sale & Purchase agreement signed on 22 December 2010 with Brookfield Infrastructure Partners LP. Legal completion of the acquisition of these investments was not completed by 31 December 2010 and accordingly these investments were presented as associates and were not consolidated in the Groups December 2010 Financial Statements.

# International Public Partnerships Limited

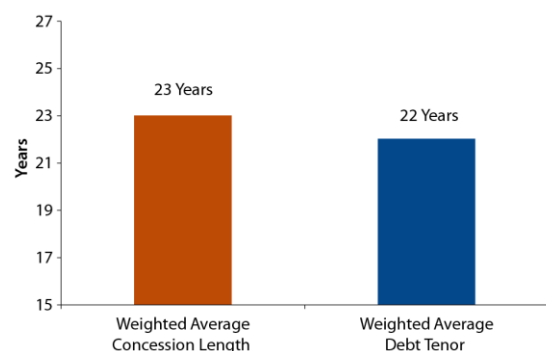
## Investment Advisor's Report (continued)

### Gearing

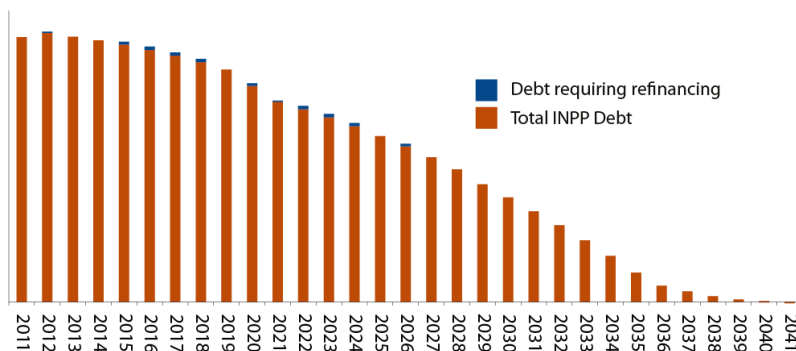
At 30 June 2011, the Group's £100 million three year revolving facility from Royal Bank of Scotland and National Australia Bank remained undrawn during the period and retained a zero debt balance. As a result of the acquisitions completed following the half-year end, the undrawn balance of the facility as at the date of the preparation of this report, was approximately £39 million.

At the asset level, the Company seeks to secure long-term, non-recourse debt match where possible to the concession life of an asset at the time of acquisition. Currently, the weighted average concession life remaining in the portfolio is 23 years, compared to a weighted average debt tenure of 22 years. As a result, less than 1% of total debt is required to be refinanced over the next 30 years, ensuring strong protection from any future interest rate movements.

Concession Length vs Debt Tenor



INPP Debt Profile



On a consolidated IFRS basis, the Group had net debt of £1,801.6 million at 30 June 2011 (31 December 2010: £1,389.8 million). This reflects new acquisitions during the period and increased borrowing to fund construction costs.

### Inflation Protection

Inflation continues to be a feature of the current economic environment. However, the Company is well placed for any changes to inflation. As at 30 June 2011, all assets in the portfolio had a degree of inflation linkage and in excess of 70% of the Company's gross revenue was inflation linked.

The Company has assumed a long-term inflation forecast for the purposes of establishing a fair market valuation of 2.5% (2006-2011: 2.5%). This is in line with the Bank of England's long-term Retail Price Index inflation target although below the current actual levels of inflation which will have a beneficial impact on the Company's NAV in the short-term. If the Company were to assume a long-term inflation rate for all its assets of 2.75% per annum instead of 2.5% per annum then, if all other assumptions remained the same, the Company's NAV would be 114.9 pence per share.

While the Company has no plans to change its inflation assumptions it will continue to monitor the environment and may choose to consider changing its long-term inflation assumptions depending on market conditions.

### Outlook

We remain very positive about the Company's outlook and, despite some political headwinds, we believe that some sectors of the PPP market will continue to offer very attractive opportunities. These include:

- Local and community health (eg NHS LIFT) in which the Company has been a leading sponsor and investor over the last four years;

# **International Public Partnerships Limited**

## **Investment Advisor's Report (continued)**

- The subsequent tender rounds for offshore wind power transmission projects in the UK in which the Company's consortium has already completed two transactions and has been shortlisted by Ofgem for three projects in the second round of tenders;
- The number of secondary market opportunities being offered by existing owners of PPP assets as they look to recapitalise their balance sheets;
- The very significant development pipeline of new projects being brought forward in Australia and Canada; and,
- The fact that the utilisation of private capital to finance public infrastructure projects has become a mainstream means of procurement in most developed economies.

Given the solid outlook, and the continued strong performance of the assets within the portfolio, we believe the Company is well positioned to continue to deliver on its investment objectives.

*Amber Fund Management Limited*  
*30 August 2011*

# **International Public Partnerships Limited**

## **Independent Review Report to International Public Partnership Limited**

### **Introduction**

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of financial position, the condensed consolidated cash flow statement and the related notes 1 to 18. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

### **Directors' Responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

### **Our Responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP  
Guernsey  
30 August 2011

#### **Notes :**

1. The maintenance and integrity of the International Public Partnerships Limited web site 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 information since it was initially presented on the web site.
2. Legislation in the United Kingdom and Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# International Public Partnerships Limited

## Condensed Consolidated Income Statement (unaudited) Six months ended 30 June 2011

		Six months ended 30 June 2011 £'000s	Six months ended 30 June 2010 £'000s
	Notes		
<b>Continuing operations</b>			
Revenue	3,4	153,064	245,774
Cost of sales		(141,505)	(236,733)
<b>Gross profit</b>		<b>11,559</b>	<b>9,041</b>
Investment income		81,900	73,593
Other gains and (losses)	3	2,300	(6,729)
Share of results from associates		118	2,562
Other operating income	3	1,648	3,064
<b>Total other income</b>		<b>85,966</b>	<b>72,490</b>
Finance costs	3	(72,726)	(62,583)
Operating expenses	3	(11,483)	(12,652)
Administrative expenses	3	(1,206)	(1,406)
Impairment charges	3	(754)	(7,330)
<b>Total other expenses</b>	3	<b>(86,169)</b>	<b>(83,971)</b>
<b>Profit/ (loss) before tax</b>		<b>11,356</b>	<b>(2,440)</b>
Tax credit	5	202	921
<b>Profit/ (loss) for the period from continuing operations</b>		<b>11,558</b>	<b>(1,519)</b>
<b>Attributable to:</b>			
Equity holders of the parent		<b>11,212</b>	<b>(2,016)</b>
Non-controlling interests – share of profits/ (losses) <sup>1</sup>		<b>346</b>	<b>497</b>
		<b>Pence</b>	<b>Pence</b>
<b>Earnings/ (loss) per share</b>			
From continuing operations			
Basic	7	2.33	(0.45)
Diluted	7	2.33	(0.45)

1 The non-controlling interest share of profit/ (losses) relates to the 25% holding in the Diabolo project, the 25% holding in the Alberta Schools project, 5% holding in the Amiens (France) Hospital project and the 19.9% holding in the Liverpool Library project that are not held by the Group.

# International Public Partnerships Limited

## Condensed Consolidated Statement of Comprehensive Income (unaudited) Six months ended 30 June 2011

	Six months ended 30 June 2011 £'000s	Six months ended 30 June 2010 £'000s
<b>Profit/ (loss) for the period from continuing operations</b>	<b>11,558</b>	<b>(1,519)</b>
<b>Other comprehensive income, net of tax</b>		
Net decrease in foreign exchange translation reserves	(5,464)	(2,901)
Net increase in fair value of available for sale financial assets	1,727	1,833
Net increase/ (decrease) in fair value of hedging derivatives	250	(43,991)
<b>Other comprehensive loss for the six months, net of tax</b>	<b>(3,487)</b>	<b>(45,059)</b>
<b>Total comprehensive income/ (loss)</b>	<b>8,071</b>	<b>(46,578)</b>
<b>Total comprehensive income/ (loss) attributable to:</b>		
Equity holders of the parent	7,591	(42,063)
Non-controlling interests	480	(4,515)

# International Public Partnerships Limited

## Condensed Consolidated Statement of Changes in Equity (unaudited) Six months ended 30 June 2011

	Share capital Ordinary	Hedging and translation reserves	Revaluation reserves	Other distribut- able reserve	Retained earnings	Total	Non- controlli ng interests	Total Equity
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 31 December 2009	81,795	(30,595)	(7,694)	272,991	8,281	324,778	6,419	331,197
Issue of Ordinary share capital	8	-	-	-	-	8	-	8
Issue fees applied to share premium account	(1,804)	-	-	-	-	(1,804)	-	(1,804)
Share premium on issue of Ordinary Shares	94,081	-	-	-	-	94,081	-	94,081
Distribution in the period	-	-	-	(12,577)	-	(12,577)	-	(12,577)
(Loss)/ profit for the period	-	-	-	-	(2,016)	(2,016)	497	(1,519)
Other comprehensive (loss)/income for the six months	-	(41,786)	1,739	-	-	(40,047)	(5,012)	(45,059)
<b>Balance at 30 June 2010</b>	<b>174,080</b>	<b>(72,381)</b>	<b>(5,955)</b>	<b>260,414</b>	<b>6,265</b>	<b>362,423</b>	<b>1,904</b>	<b>364,327</b>

# International Public Partnerships Limited

## Condensed Consolidated Statement of Changes in Equity (unaudited) Six months ended 30 June 2011 (continued)

	Share capital Ordinary	Hedging and translation reserves	Revaluation reserves	Other distribut -able reserve	Retained earnings	Total	Non- controlli ng interests	Total Equity
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 31 December 2010	198,259	(48,443)	(6,006)	247,235	22,682	413,727	2,704	416,431
Issue of Ordinary share capital								
Share premium on issue of Ordinary Shares	5,936					5,936		5,936
Distribution in the period				(13,710)		(13,710)		(13,710)
Distribution to non- controlling interests							(100)	(100)
Profit for the period					11,212	11,212	346	11,558
Other comprehensive (loss)/income for the six months		(5,305)	1,682			(3,623)	134	(3,489)
<b>Balance at 30 June 2011</b>	<b>204,195</b>	<b>(53,748)</b>	<b>(4,324)</b>	<b>233,525</b>	<b>33,894</b>	<b>413,542</b>	<b>3,084</b>	<b>416,626</b>



# International Public Partnerships Limited

## Condensed Consolidated Statement of Financial Position (unaudited) As at 30 June 2011

		30 June 2011 £'000s	31 December 2010 £'000s
	Notes		
<b>Non-current assets</b>			
Intangible assets	10	326,923	308,751
Property, plant and equipment		7,876	8,087
Interests in associates	9	60,411	55,685
Available for sale financial assets	11	1,310,055	1,200,955
Deferred tax asset		2,809	3,581
Financial asset loans and receivables		718,462	463,209
<b>Total non-current assets</b>		<b>2,426,536</b>	<b>2,040,268</b>
<b>Current assets</b>			
Available for sale financial assets	11	24,910	28,690
Financial asset loans and receivables		13,322	10,789
Trade and other receivables		33,657	43,460
Cash and cash equivalents		475,609	629,866
<b>Total current assets</b>		<b>547,498</b>	<b>712,805</b>
<b>Total assets</b>		<b>2,974,034</b>	<b>2,753,073</b>
<b>Current liabilities</b>			
Trade and other payables		51,046	87,702
Current tax liabilities		684	3,371
Bank loans	12	38,250	30,410
Derivative financial instruments		1,638	1,716
<b>Total current liabilities</b>		<b>91,618</b>	<b>123,199</b>
<b>Non-current liabilities</b>			
Bank loans	12	2,239,011	1,989,287
Derivative financial instruments		131,774	130,941
Deferred tax liabilities		95,005	93,215
<b>Total non-current liabilities</b>		<b>2,465,790</b>	<b>2,213,443</b>
<b>Total liabilities</b>		<b>2,557,408</b>	<b>2,336,642</b>
<b>Net assets</b>		<b>416,626</b>	<b>416,431</b>

# International Public Partnerships Limited

## Condensed Consolidated Statement of Financial Position (unaudited) As at 30 June 2011 (continued)

		30 June 2011 £'000s	31 December 2010 £'000s
	Notes		
<b>Equity</b>			
Share capital	14	204,195	198,259
Revaluation reserves		(4,324)	(6,006)
Hedging and translation reserves		(53,748)	(48,443)
Other distributable reserves		233,525	247,235
Retained earnings		33,894	22,682
<b>Equity attributable to equity holders of the parent</b>		<b>413,542</b>	<b>413,727</b>
Non-controlling interests		3,084	2,704
<b>Total equity</b>		<b>416,626</b>	<b>416,431</b>

The half yearly financial report was approved by the Board of Directors on 30 August 2010.

They were signed on its behalf by:



Keith Dorrian  
Chairman  
30 August 2011



Carol Goodwin  
Director  
30 August 2011

# International Public Partnerships Limited

## Condensed Consolidated Cash Flow Statement (unaudited) Six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 £'000s	Six months ended 30 June 2010 £'000s
<b>Net cash used in operating activities</b>	15	(217,306)	(1,608)
<b>Investing Activities</b>			
Bank interest received		15,779	23,145
Dividends received from associates and investments		1,032	3,513
Acquisition of subsidiaries (net of cash acquired)		(1,307)	(420)
Acquisition of equity in associates		(17,700)	-
Investment in financial and intangible assets <sup>1</sup>		(80,790)	(235,312)
Investment in debt instruments		(4,400)	(4,106)
Sales of listed securities		-	445
<b>Net cash used in investing activities</b>		<b>(87,386)</b>	<b>(212,735)</b>
<b>Financing Activities</b>			
Proceeds from issue of shares		2,340	89,289
Share issue expenses paid		-	(1,804)
Dividends paid		(10,117)	(11,197)
Proceeds from borrowings		160,848	17,158
Loan amendment fee		(1,000)	-
<b>Net cash provided by financing activities</b>		<b>152,071</b>	<b>93,446</b>
Net decrease in cash and cash equivalents		(152,621)	(120,897)
Cash and cash equivalents at beginning of period		629,866	839,133
Exchange (losses)/gains		(1,636)	9,653
<b>Cash and cash equivalents at end of period</b>		<b>475,609</b>	<b>727,889</b>

<sup>1</sup> Net cash used in investing activities represents the construction costs incurred on service concessions under development.

Cash and cash equivalents of £475.6 million at 30 June 2011 (£727.9 million at 30 June 2010) includes £437.1 million held by non-recourse PFI project entities (£673.0 million at 30 June 2010).

# International Public Partnerships Limited

## Notes to the Condensed set of Financial Statements (unaudited) Six months ended 30 June 2011 (continued)

### 1. General information

International Public Partnerships Limited is an authorised closed ended investment company incorporated in Guernsey under The Companies (Guernsey) Law, 2008. The address of the registered office is given on page 40. The nature of the Group's operations and its principal activities are set out in the Investment Advisor's Report on pages 9 to 15.

These condensed financial statements are presented in Pounds Sterling as the currency of the primary economic environment in which the Group operates and represents the functional currency of the Group.

The financial information for the year ended 31 December 2010 is derived from the financial statements delivered to the UK Listing Authority. The financial information for the year ended 31 December 2010 included in this half-yearly report does not constitute statutory accounts as defined in The Companies (Guernsey) Law, 2008. The previous auditors, Deloitte LLP, reported on those accounts, their report was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under section 263 (2) and (3) of The Companies (Guernsey) Law, 2008.

### 2. Accounting policies

The annual financial statements of International Public Partnerships Limited are prepared in accordance with IFRS. The set of condensed financial statements included in this half-yearly financial report has been prepared in accordance with the amended International Accounting Standards 34 - '*Interim Financial Reporting*' (included in the 2010 improvements to IFRS') and should be read in conjunction with the consolidated financial statements for the period to 31 December 2010, as they provide an update of previously reported information.

The same accounting policies, presentation and methods of computation are followed in this set of condensed financial statements as applied in the Group's latest annual audited financial statements for the year ended 31 December 2010. The new and revised IFRS and interpretations becoming effective in the period have had no impact on the accounting policies of the Group. Where necessary, comparative information has been reclassified or expanded from the previously reported half-year financial statements to take into account any presentational changes made in the financial statements for the year ended 31 December 2010. The half-yearly financial statements do not constitute statutory accounts. The statutory accounts for the year to 31 December 2010, prepared under IFRS have been filed with the Financial Services Authority, on which the auditors issue a report, which was unqualified.

The preparation of the half-yearly financial statements requires the Board to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that believe to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. All accounting policies used in the preparation of the half-yearly financial statements are consistent with those stated in the financial statements for the year ended 31 December 2010.

The Directors, in their consideration of going concern have reviewed comprehensive cash flow forecasts prepared by management, which are based on prudent market data and past experience and believe, based on those forecasts and an assessment of the Group's committed banking facilities and the available headroom, that it is appropriate to prepare the financial statements of the Group on the going concern basis.

# International Public Partnerships Limited

## Notes to the Condensed set of Financial Statements (unaudited) Six months ended 30 June 2011 (continued)

In arriving at their conclusion that the Group has adequate financial resources, the Directors were mindful that the Group had unrestricted cash of £38.5 million as at 30 June 2011, banking facilities of £100 million (available for investment in new or existing projects) which are committed until May 2014 and is forecast to continue in full compliance with the associated banking covenants.

### 3. Profit before tax

Profit before tax for the period has been arrived at after charging:

	<b>Six months ended 30 June 2011 £'000s</b>	<b>Six months ended 30 June 2010 £'000s</b>
Asset management fees	5,965	5,129
Amortisation of intangible assets	4,094	5,066
Other operating expenses	1,424	2,457
<b>Operating expenses</b>	<b>11,483</b>	<b>12,652</b>
Audit & accounting	250	437
Legal fees	579	542
Bank service charges	102	145
Other administrative expenses	275	282
<b>Administrative expenses</b>	<b>1,206</b>	<b>1,406</b>
<b>Impairment of available for sale financial assets</b>	<b>754</b>	<b>7,330</b>
<b>Total finance costs</b>	<b>72,726</b>	<b>62,583</b>
<b>Total other expenses</b>	<b>86,169</b>	<b>83,971</b>
Depreciation	208	208

Revenue of £153.1 million (2010 - £245.8 million) and cost of sales of £141.5 million (2010 - £236.7 million) have both decreased during the period as a result of a number of projects finishing construction in the second half of 2010 including Alberta Schools in Canada and Pforzheim Schools in Germany and projects finishing construction in the period including Orange Hospital in Australia.

Revenue consists of:

	<b>Six months ended 30 June 2011 £'000s</b>	<b>Six months ended 30 June 2010 £'000s</b>
Construction services	116,606	214,286
Availability and facilities maintenance fees	34,245	27,023
Non-core facility recharges	2,213	4,465
<b>Total revenue</b>	<b>153,064</b>	<b>245,774</b>

Other gains and losses of £2.3 million (2010 - £6.7 million) includes £1.9 million of unrealised foreign exchange gains (2010 - £3.5 million loss) and a increase of £0.4 million originating from changes arising in the cash flows of financial assets in the construction phase (2010 - £2.7 million decrease).

Other operating income of £1.6 million (2010 - £3.1 million) includes a £0.6 million distribution from Angel Trains UK which partially offsets the £0.3 impairment charge relating to this investments (as discussed below) representing the revised carrying value of the project.

# International Public Partnerships Limited

## Notes to the Condensed set of Financial Statements (unaudited) Six months ended 30 June 2011 (continued)

The asset management fees noted above excludes fees paid by non consolidated associate entities.

As noted above the Group, incurred impairment losses of £0.7 million as a result of an assessed permanent reduction in the recoverability of Angel Trains UK of £0.3 million and RiverCity Motorway of £0.2 million, the carrying value of this investment at 30 June 2011 has been reduced to £nil. In the period ended 30 June 2010 impairment losses of £4.8 million and £2.7 million were recognised in relation to the RiverCity Motorway and Angel Trains UK projects respectively.

### 4. Segment reporting

IFRS 8 - *Operating segments* adopts a 'through the eyes of the management' approach to an entity's reporting of information relating to its operating segments and also requires an entity to report financial and descriptive information about its reportable segments.

Based on a review of information provided to the chief operating decision makers in International Public Partnerships Limited the Group has identified four reportable segments based on the geographical risk associated within the Group. The factors used to identify the Group's reportable segments are centred on the risk free rates and the maturity of the PFI/PPP industry within each country. 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 reportable segments being UK, Europe (non UK), Australia and North America. These reportable segments are the basis on which the Group reports information to the chief operating decision makers.

Segment information is presented below.

	Six months ended 30 June 2011				
	UK	Europe	Australia	North	TOTAL
	£'000s	Non UK	£'000s	America	£'000s
		£'000s		£'000s	
<b>Revenues from external customers</b>	25,024	38,377	86,056	3,607	153,064
Interest revenue	22,622	5,304	42,061	11,913	81,900
Interest expense	(14,636)	(7,533)	(40,773)	(9,784)	(72,726)
<b>Net interest revenue</b>	<b>7,986</b>	<b>(2,229)</b>	<b>1,288</b>	<b>2,129</b>	<b>9,174</b>
Depreciation	(207)	(1)	-	-	(208)
Amortisation	(2,343)	(1,069)	(679)	(3)	(4,094)
Impairment charges	(296)	-	(458)	-	(754)
Income/(loss) from associates	295	(506)	329	-	118
Taxation (charge)/ credit	1,302	476	(858)	(718)	202
<b>Reportable segment profit</b>	<b>8,391</b>	<b>613</b>	<b>766</b>	<b>1,788</b>	<b>11,558</b>
<b>Assets</b>					
Reportable segment	997,052	328,602	1,275,288	373,092	2,974,034
<b>Liabilities</b>					
Reportable segment	(598,119)	(334,282)	(1,270,026)	(354,981)	(2,557,408)
<b>Interests in associates</b>	<b>15,762</b>	<b>29,720</b>	<b>14,929</b>	<b>-</b>	<b>60,411</b>

# International Public Partnerships Limited

## Notes to the Condensed set of Financial Statements (unaudited) Six months ended 30 June 2011 (continued)

	Six months ended 30 June 2010				
	UK £'000s	Europe Non UK £'000s	Australia £'000s	North America £'000s	TOTAL £'000s
<b>Revenues from external customers</b>	22,438	26,324	154,213	42,799	245,774
Interest revenue	19,951	4,971	35,085	13,586	73,593
Interest expense	(13,720)	(5,321)	(31,400)	(12,142)	(62,583)
<b>Net interest revenue</b>	<b>6,231</b>	<b>(350)</b>	<b>3,685</b>	<b>1,444</b>	<b>11,010</b>
Depreciation	(207)	(1)	-	-	(208)
Amortisation	(2,318)	(2,068)	(678)	(2)	(5,066)
Impairment charges	(2,633)	-	(4,697)	-	(7,330)
Income from associates	71	560	1,931	-	2,562
Taxation (charge)/ credit	411	75	746	(311)	921
<b>Reportable segment profit/(loss)</b>	<b>4,128</b>	<b>(649)</b>	<b>(5,577)</b>	<b>579</b>	<b>(1,519)</b>
	Year ended December 2010				
	UK £'000s	Europe Non UK £'000s	Australia £'000s	North America £'000s	TOTAL £'000s
<b>Assets</b>					
Reportable segment	927,056	328,814	1,118,038	379,165	2,753,073
<b>Liabilities</b>					
Reportable segment	(535,458)	(337,060)	(1,104,669)	(359,455)	(2,336,642)
<b>Interests in associates</b>	<b>11,198</b>	<b>26,016</b>	<b>18,471</b>	<b>-</b>	<b>55,685</b>

No inter-segment sales were made for the six months ended 30 June 2011 (none for the six months ended 30 June 2010).

## 5. Tax

Income tax for the six month period includes a current tax charge of £0.4 million (June 2010 - £0.8 million) and a deferred tax credit of £0.6 million (June 2010 - £1.7 million credit). Tax is calculated at 26.5% (June 2010 - 28%) for the UK operating subsidiaries representing the best estimate of the average annual effective income tax rate expected for the full year, applied to the pre-tax income of the six month period.

The headline UK corporate tax rate has been reduced from 26% to 25% effective from 1 April 2012. If this rate change had been substantively enacted at 30 June 2011, the impact upon the current period would have been a deferred tax credit of £2.5 million to the Profit and Loss account and a deferred tax credit of £0.1 million to equity.

# International Public Partnerships Limited

## Notes to the Condensed set of Financial Statements (unaudited) Six months ended 30 June 2011 (continued)

### 6. Distributions

The Board has approved an interim distribution for the period 1 January 2011 to 30 June 2011 of 2.925 pence per share.

A summary of the distributions are as follows:

Period	No of Ordinary Shares	Amount per share	Record Date	Payment Date
Incorporation to 30 June 2007	300,000,000	3.35 pence per share	28 Sept '07	26 Oct '07
1 July to 31 December 2007	300,000,000	2.62 pence per share	14 Mar '08	2 May '08
1 January to 30 June 2008	374,714,645	2.70 pence per share	5 Sept '08	3 Oct '08
1 July to 31 December 2008	374,714,645	2.70 pence per share	27 Mar '09	13 May '09
1 January to 30 June 2009	374,714,645	2.77 pence per share	11 Sept '09	9 Oct '09
1 July to 31 December 2009	453,209,953 <sup>1</sup>	2.77 pence per share	19 Mar '10	6 May '10
1 January to 30 June 2010	457,418,171	2.85 pence per share	3 Sept '10	15 Oct '10
1 July to 31 December 2010	481,040,303	2.85 pence per share	18 Mar '11	6 May '11
1 January to 30 June 2011 <sup>2</sup>	484,284,470	2.92 pence per share	16 Sept '11	28 Oct '11

1 This distribution was paid to holders who acquired shares under the Placing, Open Offer and Offer for Subscription that was finalised on 28 January 2010.

2 This distribution was approved by the board of Directors on 25 August 2011 and has not been included as liabilities in the Condensed Statement of Financial Position at 30 June 2011.

### 7. Earnings/(loss) per share

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

#### Earnings/(loss)

	Six months ended 30 June 2011 £'000s	Six months ended 30 June 2010 £'000s
Earnings/(loss) for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	11,212	(2,016)
<b>Number of shares</b>	<b>Number</b>	<b>Number</b>
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	481,882,453	443,313,870
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	481,882,453	443,313,870



# International Public Partnerships Limited

## Notes to the Condensed set of Financial Statements (unaudited) Six months ended 30 June 2011 (continued)

The weighted average number of shares is based on the period from 1 January 2011 to 30 June 2011 and 1 January 2010 to 30 June 2010 for the comparatives.

The denominator for the purposes of calculating both basic and diluted earnings per share are the same for both periods as the Company had not issued any share options or other instruments that would cause dilution.

	<b>Six months ended 30 June 2011 pence/share</b>	<b>Six months ended 30 June 2010 pence/share</b>
Basic	2.33	(0.45)
Diluted	2.33	(0.45)

### 8. Acquisition of subsidiaries

#### 1. Liverpool Library

On 31 March 2011, the Group acquired 80.1% of the issued share capital of Inspire Partnership Holdings Limited for cash consideration of £2.1 million, including the cost of acquisition of £0.2 million.

Inspire Partnership Holdings Limited is the parent company of the entity holding the PFI concession of Liverpool Library. This transaction has been accounted for by the purchase method of accounting.

The acquiree's identified assets and liabilities that meet the conditions for recognition under IFRS 3 are recognised at fair value at the acquisition date.

The intangible asset arising on acquisition is attributable to the right to future profits on the services element of the related concessions acquired.

All amounts shown above are at book value and fair value.

Inspire Partnership Holdings Limited contributed £0.07 million revenue and £0.8 million loss before tax for the period between the date of acquisition and the 30 June 2011.

#### At 31 March 2011

	<b>£'000s</b>
Cash consideration	1,949
<b>Total consideration</b>	<b>1,949</b>
<b>Fair value of the Group's equity interest held before the business combination</b>	<b>-</b>
	1,949
Acquisition related costs	205

# International Public Partnerships Limited

## Notes to the Condensed set of Financial Statements (unaudited) Six months ended 30 June 2011 (continued)

	£'000s
Available for sale financial assets	13,117
Trade and receivables	271
Cash and cash equivalents	1,695
Trade and other payables	(3,031)
Bank loans	(12,081)
<b>Total identifiable net assets</b>	<b>(29)</b>
Non- controlling interest	6
	<b>(23)</b>

### 2. Long Bay Forensic and Prison Hospital

On 6 May 2011, the Group acquired an additional 50% of the issued share capital of PPP Solutions (Long Bay) Nominee Pty Ltd and 50% of the partnership capital and existing partnership loans of PPP Solutions (Long Bay) Partnership for cash consideration of £6.7 million.

PPP Solutions (Long Bay) Nominee Pty Ltd is the trustee company of the entity holding the PFI concession of Long Bay Forensic and Prison Hospital. This transaction has been accounted for by the purchase method of accounting.

The acquiree's identified assets and liabilities that meet the conditions for recognition under IFRS 3 are recognised at fair value at the acquisition date.

All amounts shown above are at book value and fair value.

PPP Solutions (Long Bay) Partnership contributed £2.9 million revenue and profit before tax of £0.2 million for the period between the date of acquisition and the 30 June 2011.

#### At 6 May 2011

	£'000s
Cash consideration	6,745
<b>Total consideration</b>	<b>6,745</b>
<b>Fair value of the Group's equity interest held before the business combination</b>	<b>7,756</b>
	14,501
Acquisition related costs	102

# International Public Partnerships Limited

## Notes to the Condensed set of Financial Statements (unaudited) Six months ended 30 June 2011 (continued)

	£'000s
Financial asset loans and receivables	12,674
Trade and receivables	7,594
Cash and cash equivalents	5,448
Trade and other payables	(1,652)
Bank loans	(8,552)
<b>Total identifiable net assets</b>	<b>15,512</b>
Non- controlling interest	-
	<b>15,512</b>

### 3. Royal Melbourne Showgrounds

On 6 May 2011, the Group acquired an additional 50% of the issued share capital and existing shareholder loan notes of PPPS Showgrounds Pty Ltd for cash consideration of £3.3 million.

PPPS Showgrounds Pty Ltd is the parent company of the entity holding the PFI concession of the Royal Melbourne Showgrounds. This transaction has been accounted for by the purchase method of accounting.

The acquiree's identified assets and liabilities that meet the conditions for recognition under IFRS 3 are recognised at fair value at the acquisition date.

All amounts shown above are at book value and fair value.

The additional 50% acquisition in PPPS Showgrounds Pty Ltd contributed £1.2 million revenue and profit before tax of £0.5 million for the period between the date of acquisition and the 30 June 2011.

#### At 6 May 2011

	£'000s
Cash consideration	3,285
<b>Total consideration</b>	<b>3,285</b>
<b>Fair value of the Group's equity interest before the business combination</b>	<b>3,793</b>
	<b>7,078</b>
Acquisition related costs	50

# International Public Partnerships Limited

## Notes to the Condensed set of Financial Statements (unaudited) Six months ended 30 June 2011 (continued)

	£'000s
Financial asset loans and receivables	67,210
Trade receivables and other assets	4,034
Cash and cash equivalents	909
Deferred tax asset	404
Derivative financial instruments	881
Trade and other payables	(1,058)
Bank loans	(61,038)
Deferred tax liability	(3,756)
<b>Total identifiable net assets</b>	<b>7,586</b>
Non- controlling interest	-
	<b>7,586</b>

### 9. Interests in associates

On 9 June 2011, the Group acquired 26.67% of the issued Ordinary shares and 26.67% of the Class A Preference shares in GoldlinQ Holdings Pty Ltd.

GoldlinQ Holdings Pty Ltd is the parent entity holding the PFI concession to design, build, finance, maintain and operate 13km of above ground light rail on the Gold Coast, Australia.

The consideration paid for the acquisition of the Ordinary and Preferred Shares of the project was £11.1 million.

On 6 May 2011 the Group acquired additional share capital of Long Bay Forensic and Prison Hospital and Royal Melbourne Showgrounds resulting in a decrease in the interests in associates of £9.8 million and £4.3 million respectively (see note 8).

In January 2011 the Group made a further capital injection of £6.6 million into BENex. As the capital injection was made in the same proportion as the other shareholders there is no increase in the Group's interest in BENex.

### 10. Intangible assets

The increase in the intangible asset balance during the period is primarily due to the Diabolo project bifurcated IFRIC 12 asset which represents the right to charge users of the infrastructure assets within a service concession and are amortised over the remaining life of the concession from the date on which it is available for use.

### 11. Financial assets

There has been an increase in the total available for sale financial assets balance from £1,230 million at 31 December 2010 to £1,335 million at 30 June 2011 principally due to construction activity during the period and the additional equity interests acquired in Long Bay Prison Hospital and Royal Melbourne Showgrounds projects.

Despite the movement in macro economic factors during the period, there were no significant changes to the Company's future expected cash flows. Future net operating cash flows remain as forecast. The Company continues to review the volatility of the risk free rates used in the valuation of available for sale financial assets.

# International Public Partnerships Limited

## Notes to the Condensed set of Financial Statements (unaudited) Six months ended 30 June 2011 (continued)

### 12. Bank loans

In April 2011, the Company renewed the £100 million corporate debt facility with the existing providers. The amount undrawn at 30 June 2011 was £100 million representing 100% of the facility. The interest rate margin on the corporate facility is 225 basis points over Libor. The loan facility matures on 8 May 2014 and is secured over all of the assets of the Company.

Current bank loans of £ 38.2 million (2010 - £107.7 million) and non-current bank loans of £2,239.0 million (2010 - £1,807.8 million) relate to non recourse PFI concession loans.

During the 6 month period the most significant movement in debt arose on the acquisition of Long Bay Forensic and Prison Hospital, Royal Melbourne Showgrounds and Liverpool Library.

In addition to the above there was an issue of debt in respect of Robin Rigg and the eight NHS LIFT projects.

### 13. Short-term provisions

The Directors have not identified any short-term provision liabilities at the date of this report.

### 14. Share Capital

The total number of Ordinary shares in issue at 30 June 2011 was 484,284,470, the movement during the period is detailed below:

	Date	Number of Ordinary shares
<b>Opening balance of shares</b>	<b>31 Dec 2010</b>	<b>479,040,303</b>
Number of Ordinary shares issued under the Tap Issue	13 Jan 2011	2,000,000
Number of Ordinary shares issued under the Scrip dividend alternative	6 May 2011	3,244,167
<b>Closing balance of shares</b>	<b>30 June 2011</b>	<b>484,284,470</b>

As a result of changes in the Companies (Guernsey) Law, 2008 ("the Law") proceeds of share issues are now required to be credited to share capital, not share premium account. In addition, there is no longer a requirement to seek court approval to make distributions from the share premium account and distributions may now be made from share capital and share premium accounts, as well as other reserves, subject to meeting the relevant solvency tests in the Law. The existing balance on share premium account has, therefore been transferred to share capital account.

# International Public Partnerships Limited

## Notes to the Condensed set of Financial Statements (unaudited) Six months ended 30 June 2011 (continued)

### 15. Notes to the cash flow statement

	Six months ended 30 June 2011 £'000s	Six months ended 30 June 2010 £'000s
Profit/(loss) for the period after taxation	11,558	(1,519)
Adjusted for:		
Investment revenue recognised in profit and loss	(17,894)	(25,479)
Share of profit from associates	(118)	(2,562)
Interest on bank loans (finance costs)	70,308	60,128
Depreciation of plant property and equipment	208	208
Amortisation of intangible assets	4,094	5,066
Amortisation of loan issue costs	2,418	2,440
Income tax credit recognised in profit & loss	(202)	(921)
Other gains	404	6,729
Impairment	754	7,330
<b>Operating cash flows before movements in working capital</b>	<b>71,530</b>	<b>51,420</b>
(Increase)/ decrease in receivables	(209,152)	9,566
Decrease in payables	(708)	(678)
<b>Cash (utilised)/ generated by operations</b>	<b>(138,330)</b>	<b>60,308</b>
Interest paid	(75,873)	(62,180)
Income taxes (paid)/received	(3,103)	264
<b>Net cash outflow from operating activities</b>	<b>(217,306)</b>	<b>(1,608)</b>

Cash and cash equivalents held by the Group are short-term bank deposits with an original maturity of three months or less. The carrying value of these assets approximates to their fair value.

### 16. Contingent liabilities

The Directors have not identified any contingent liabilities at the date of this report.

### 17. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During the period, the Group entered into certain transactions with Amber Infrastructure Group Holdings Limited, which is the ultimate holding company of the Investment Advisor, Amber Fund Management Limited ("AFML").

Mr Giles Frost is a Director of the Company and also a Director and substantial shareholder of Amber Infrastructure Group Holdings Limited. Hence, transactions with Amber Infrastructure Group Limited are considered related party transactions under IAS 24 "Related Party Disclosures".

Related party transactions arose in the period or the prior period with the following entities all of whom have Amber Infrastructure Group Holdings Limited as their ultimate holding company:

# International Public Partnerships Limited

## Notes to the Condensed set of Financial Statements (unaudited) Six months ended 30 June 2011 (continued)

	Amounts paid to/ (received from) related parties in Income Statement		Amounts paid to related parties in Balance Sheet		Amounts owing to/ (receivable from) related parties on Balance Sheet	
	For the 6 months ended 30 Jun 2011 £'000s	For the period ended 30 Jun 2010 £'000s	30-Jun-11 £'000s	31-Dec-10 £'000s	30-Jun-11 £'000s	31-Dec-10 £'000s
International Public Partnerships GP Ltd (a)	3,569	3,124	-	-	3,569	11,711
Amber Asset Management Holdings Ltd (b)	985	5,012	2,049	145	509	375
Amber Fund Management Ltd (c)	96	70	1,949	778	-	44
Amber Australia Pty Ltd (d)	891	-	529	-	109	-
Amber GmbH (e)	119	-	-	-	119	-
Amber LLC (f)	305	-	-	-	17	-
<b><u>Associates</u></b>						
IPP (Moray Schools) Holdings Ltd (g)	(492)	-	-	-	(4,267)	(3,776)
Axion Education NSW No.2 Pty Ltd (h)	-	-	-	-	(4,337)	(4,315)
Catalyst Brescia Sarl (i)	(23)	-	-	-	(910)	(908)
PPP Solutions (Long Bay) Nominee Pty Ltd (j)	-	-	-	-	-	(9,826)
PPPS Showgrounds Pty Ltd (k)	-	-	-	-	-	(4,330)
AHBB ELL Holdings Ltd (l)	(272)	-	-	-	-	-
<b>Total</b>	<b>5,178</b>	<b>8,206</b>	<b>4,527</b>	<b>923</b>	<b>(5,191)</b>	<b>(11,025)</b>

- a. International Public Partnerships GP Ltd is the General Partner of the limited partnership through which the Company holds its investment and is entitled to a Base Priority Profit Share, Incentive Priority Profit Share and as Operator of International Public Partnerships Limited Partnership (the "Partnership") an operating fee.
- b. Amber Asset Management Holdings Ltd (registered in England and Wales) is a related party of the Group and its subsidiary companies have various asset management agreements with the underlying PFI concession companies of the Group to provide asset management services. This amount also includes fees incurred for the arrangement and origination of the offshore transmission Robin Rigg project.

# International Public Partnerships Limited

## Notes to the Condensed set of Financial Statements (unaudited) Six months ended 30 June 2011 (continued)

- c. Amber Fund Management Ltd (AFML), the Investment Advisor, is a related party of the Group. The aggregate fees payable to AFML in its capacity as Investment Advisor includes both base and performance fees, however the amount is reduced by any base or performance fees that have been paid (or are due and payable) to International Public Partnerships GP Limited (see (a)). During the period acquisition fees payable to AMFL for the offshore transmission Robin Rigg project that was acquired by the Group. AMFL was also the vendor to the Group of the Liverpool Library project which was acquired during the period ended 30 June 2011.
- d. Amber Australia Pty Ltd (registered in NSW, Australia) is a related party of the Group pursuant to having Amber Infrastructure Group Holdings Limited as its ultimate holding company in common with the Investment Advisor and has various asset management agreements with the underlying PFI concession companies of the Group to provide asset management services in Australia.
- e. Amber GmbH is a related party of the Group pursuant to having Amber Infrastructure Group Holdings Limited as its ultimate holding company in common with the Investment Advisor and has a services agreement with International Public Partnerships Infrastructure Group & Co KG.
- f. Amber LLC (Delaware limited liability Company) is a related party of the Group pursuant to having Amber Infrastructure Group Holdings Limited as its ultimate holding company in common with the Investment Advisor and has various asset management agreements with the underlying PFI concession companies of the Group to provide asset management services in Canada.
- g. IPP (Moray Schools) Holdings Ltd is the entity holding the PFI concession, Moray Schools, is a related party of the Group as it 100% of the A Class Ordinary Shares. The rights associated with the A Class Ordinary Shares do not give the Group the ability to control. This amount represents the subordinated loan notes provided by the Group and corresponding interest received.
- h. Axion Education NSW No.2 Pty Ltd the entity holding the PFI concession, NSW Schools, is a related party of the Group as it holds a 25% equity holding. This amount represents the zero percent coupon loan provided by the Group.
- i. Catalyst Brescia Sarl is the entity holding the PFI concession, Brescia Hospital in Italy, is a related party of the Group as it holds a 37% equity holding. This amount represents the shareholder loan provided by the Group and corresponding interest received.
- j. PPP Solutions (Long Bay) Nominee Pty Ltd the trustee company of the entity holding the PFI concession, Long Bay Forensic and Prison Hospital, is a related party of the Group as it historically held a 50% equity holding. During the period the Group purchased the remaining 50% equity holding in the project to take its equity interest at 30 June 2011 to 100%. The prior year amount represents the zero percent coupon loan provided by the Group. In the current period this has been eliminated on consolidation as the entity is now a subsidiary.
- k. PPPS Showgrounds Pty Ltd is the parent company of the entity holding the PFI concession, Royal Melbourne Showgrounds, is a related party of the Group as it historically held a 50% equity holding. During the period the Group purchased the remaining 50% equity holding in the project to take its equity interest at 30 June 2011 to 100%. The prior year amount represents the zero percent coupon loan provided by the Group. In the current period this has been eliminated on consolidation as the entity is now a subsidiary.
- l. AHBB ELL Holdings Ltd the entity holding the Groups interest in the East London NHS LIFT scheme, is a related party of the Group as it holds a 100% interest in the B shares of the entity resulting in an economic entitlement to 30% of the profits and losses of the seven specific East London LIFT schemes that are contained in the two project companies East London LIFT Accommodation Services Limited and East London LIFT Accommodation Services No2 Limited. This amount represents dividends received in the current period.



# **International Public Partnerships Limited**

## **Notes to the Condensed set of Financial Statements (unaudited) Six months ended 30 June 2011 (continued)**

### **Shares held by the Investment Advisor**

In part settlement of the performance fee that was payable at 31 December 2009, 40% of the value was accepted in shares by the Investment Advisor, being £3.4 million. As a result, Amber Infrastructure Limited (AIL) received 2,991,220 Ordinary Shares of the Company on 5 May 2010 at 114.1 pence per share. This shareholding helps strengthen the alignment of interests between the Company and the Investment Advisor. As at 30 June 2011 AIL still held these shares.

### **Transactions with directors**

The directors have not purchased any additional shares in the Company during the period.

### **18. Events after the balance sheet date**

On 19 July 2011, the Company announced that Transmission Capital Partners, the consortium comprising Amber Infrastructure Group Holdings Limited, Transmission Capital and the Company has achieved financial close on the second offshore transmission project, Gunfleet Sands. The project relates to the transmission cable connection to the offshore wind farm at Gunfleet Sands, located 7km off the coast of Clacton-on-Sea, Essex. The cost of this investment at financial close was £10.3 million.

On 12 August 2011, the Company announced that it has acquired the UK Government's interest in the Building Schools for the Future (BSF) programme. The BSF programme was an initiative launched in 2004 by the previous government, with the aim of rebuilding or re-modelling every secondary school in England over a 20 year period. Although the longer term BSF programme has now been cancelled by the Government, BSFI continues to hold between a 10% - 20% interest in all BSF projects developed to date utilising private sector investment capital. There are some 48 such projects in which BSFI has investment. The cost of this investment at financial close was £58.4 million.

# International Public Partnerships Limited

## Directors and Advisors

### Directors

Keith Dorrian	Independent Non- Executive Chairman
Rupert Dorey	Independent Non- Executive Director
Giles Frost	Non- Executive Director
Carol Goodwin	Independent Non- Executive Director
John Whittle	Independent Non- Executive Director

Registered Office	Heritage Hall PO Box 225, Le Marchant Street, St Peter Port, Guernsey, Channel Islands, GY1 4HY
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Administrator & Company Secretary	Heritage International Fund Managers Limited Heritage Hall, PO Box 225, Le Marchant Street, St Peter Port, Guernsey, Channel Islands, GY1 4HY
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Investment Advisor	Amber Fund Management Limited Two London Bridge, London SE1 9RA
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Auditors	Ernst & Young LLP Recognised Auditors Royal Chambers St Julians Avenue St Peter Port, Guernsey, Channel Islands, GY1 4AF
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Legal Advisor	Mourant Ozannes 1 Le Marchant Street St Peter Port, Guernsey, Channel Islands GY1 4HP
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Broker	Numis Securities Limited The London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT
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Bankers	Royal Bank of Scotland International 1 Glatigny Esplanade, St Peter Port, Guernsey, Channel Islands GY1 4BQ
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Public Relations	Financial Dynamics Holborn Gate, 26 Southampton Buildings, London, WC2A 1PB
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Website	<a href="http://www.internationalpublicpartnerships.com">www.internationalpublicpartnerships.com</a>
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