INTERNATIONAL PUBLIC PARTNERSHIPS

2019

Half-yearly Financial Report
for the six months ended 30 June 2019

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COMPANY FACTS

- London Stock Exchange trading code: INPP.L
- Member of the FTSE 250 and FTSE All-Share indices
- £2.2 billion market capitalisation at 30 June 2019
- 1,485 billion shares in issue at 30 June 2019
- Eligible for ISA/PEPs and SIPPs
- Guernsey incorporated company
- International Public Partnerships (the 'Company', 'INPP', the 'Group' (where including consolidated entities)) shares are excluded from the Financial Conduct Authority's ('FCA') restrictions, which apply to non-mainstream investment products, and can be recommended by independent financial advisers to their clients

COVER IMAGE:

- Agilis depot in Germany, owned by BeNEX. Photo credit - Dirk Uhlenbrock, Hamburg

HALF-YEAR FINANCIAL HIGHLIGHTS

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

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

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

DIVIDENDS

3.59p

H1 2019 distribution[1] per share

7.18p

2019 full-year distribution target[2] per share

7.36p

2020 full-year distribution target[2] per share

c.2.5%

Average annual dividend increase since Initial Public Offering ('IPO')[2]

1.3x

H1 2019 cash dividend cover[3]
(H1 2018: 1.2x)

NET ASSET VALUE ('NAV')[4]

£2.2bn

NAV at 30 June 2019[4]
(31 Dec 2018: £2.2bn)

1.5%

Increase in NAV for the six months to 30 June 2019

150.3p

NAV per share at 30 June 2019[4]
(31 Dec 2018: 148.1p)

1.5%

Increase in NAV per share for the six months to 30 June 2019

PORTFOLIO ACTIVITY

£200.5m

Cash investments and commitments made during H1 2019

PROFIT BEFORE TAX

£83.7m

H1 2019 profit before tax
(H1 2018: £65.9m)

REAL RETURNS

0.86%

Portfolio inflation linkage at 30 June 2019[5]
(31 Dec 2018: 0.82%)

TOTAL SHAREHOLDER RETURN ('TSR')

170.8%

TSR since IPO[6]

8.2% p.a.

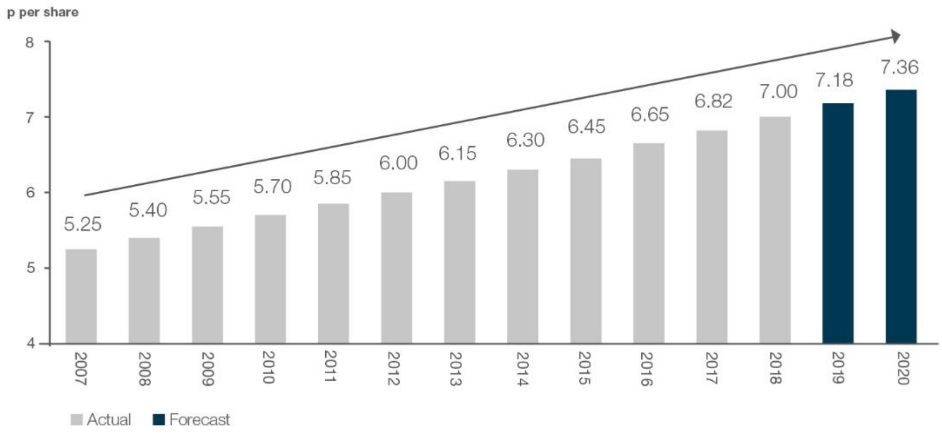
Annualised TSR since IPO[6]

1 The forecast date for payment of the dividend relating to the half-year ending 30 June 2019 is 7 November 2019.
2 Future profit projection and dividends cannot be guaranteed. Projections are based on current estimates and may vary in future.
3 Cash dividend payments to investors are paid from net operating cash flow before capital activity as detailed on pages 20-21.
4 The methodology used to determine the NAV is described in detail on pages 22-29.
5 Calculated by running a 'plus 1.00%' inflation sensitivity for each investment and solving each investment's discount rate to return the original valuation. The inflation linkage is the increase in the portfolio weighted average discount rate.
6 Since IPO November 2006. Source: Bloomberg. Share price plus dividends assumed to be reinvested.

COMPANY OVERVIEW

CONSISTENT AND GROWING RETURNS

INPP Dividend Payments



Annualised TSR since IPO of 8.2% p.a.[1]

Since IPO, INPP has grown from £300m market capitalisation to £2.2bn

Annual dividend growth has averaged 2.5% since IPO[2]

High degree of inflation linkage

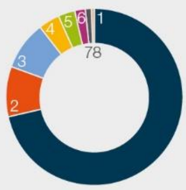
LOW RISK, DIVERSIFIED PORTFOLIO

Sector Breakdown

1 Transport	**21%**
2 Energy Transmission	**20%**
3 Education	**18%**
4 Gas Distribution	**18%**
5 Waste Water	**10%**
6 Health	**4%**
7 Courts	**3%**
8 Military Housing	**3%**
9 Other	**3%**

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

Geographic Split



1 U.K.	**72%**
2 Belgium	**9%**
3 Australia	**9%**
4 Germany	**4%**
5 U.S.	**3%**
6 Canada	**2%**
7 Ireland	**1%**
8 Italy	**<1%**

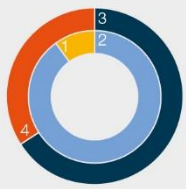
Invested in selected global regions that meet INPP's specific risk and return requirements

Investment Type

1 Investments with third party senior debt	**92%**
2 Investments with no third party senior debt[4]	**8%**

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

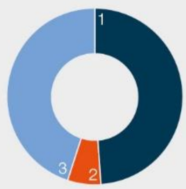
Mode of Acquisition/Asset Status



1 Construction	**10%**
2 Operational	**90%**
3 Early Stage Investor[5]	**66%**
4 Later Stage Investor[6]	**34%**

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

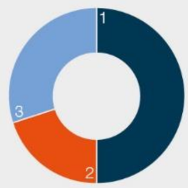
Asset Ownership



1 100%	**49%**
2 50%–100%	**6%**
3 <50%	**45%**

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

Investment Life



1 <20 years	**50%**
2 20–30 years	**20%**
3 >30 years	**30%**

Weighted average portfolio life of 35 years[7]

1 Since IPO in November 2006. Source: Bloomberg. Share price plus dividends assumed to be reinvested.
2 Future dividends cannot be guaranteed. Projections are based on current estimates and may vary in future.
3 There are many factors that may influence the actual achievement of long-term cash flows to the Company. These include both internal as well as external factors and investors should not treat the chart above as being more than an indicative profile and not a projection, estimate or profit forecast. The actual achieved profile will almost certainly be different and may be higher or lower than indicated.
4 Investments where the Company holds the Risk Capital and the senior debt or the senior debt has been repaid. Risk Capital includes both project level equity and subordinated shareholder debt.
5 'Early Stage Investor' – asset developed or originated by the Investment Adviser or predecessor team in primary or early phase investments.
6 'Later Stage Investor' – asset acquired from a third party investor in the secondary market.
7 Includes non-concession entities which have potentially a perpetual life but assumed to have finite lives for this illustration.

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

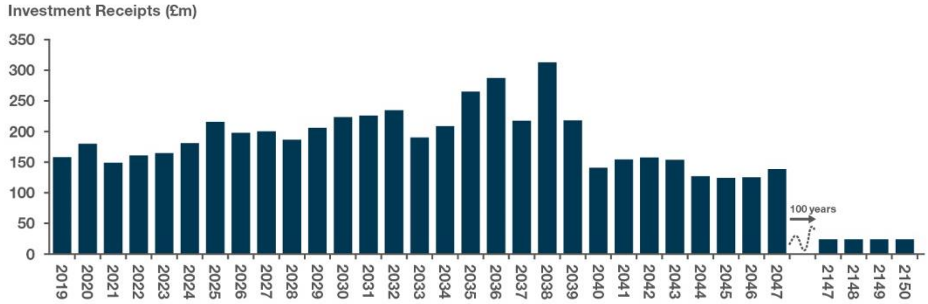
Long-dated, predictable cash flows

Revenue streams principally from regulated or government-backed counterparties

Investments focused on high-quality, OECD countries

HIGHLY PREDICTABLE PORTFOLIO PERFORMANCE

Projected Investment Receipts[3]



Note: This chart is not intended to provide any future profit forecast. Cash flows shown are projections based on the current individual asset financial models and may vary in future. Only investments committed as at 30 June 2019 are included.

STRONG INVESTMENT STEWARDSHIP

- Experienced independent Board and strong corporate governance
- We have a long-standing relationship with Amber Infrastructure ('Amber'), the Company's Investment Adviser – the Investment Adviser has managed the Company's assets since IPO in 2006
- The Investment Adviser is a leading originator, asset and fund manager
- The Investment Adviser has one of the largest independent teams in the sector with over 125 employees working internationally
- The Investment Adviser has a strong track record of originating and developing opportunities for new investment
- The Investment Adviser's active management approach to underlying asset investments supports sustainable performance
- We aim to integrate ESG considerations throughout the investment lifecycle
- The Company has first right over qualifying infrastructure assets developed by Amber and for U.S. investments, by its main shareholder, U.S. Group, Hunt Companies LLC

See more about Corporate Governance on pages 7-8

See more about the Investment Adviser on pages 17-19

Relationship with Amber Infrastructure (the 'Investment Adviser')

TOP 10 INVESTMENTS

International Public Partnerships' ('INPP's', the 'Company's') top 10 investments by fair value at 30 June 2019 are summarised below. A complete listing of the Company's investments can be found on the Company's website (www.internationalpublicpartnerships.com).

CADENT

Location	**U.K.**
Sector	**Gas Distribution**
Status at 30 June 2019	**Operational**
% Holding at 30 June 2019	**7% Risk Capital**[1]
% Investment Fair Value 30 June 2019	**17.7%**
% Investment Fair Value 31 December 2018	**12.4%**

Cadent owns four of the U.K.'s eight regional gas distribution networks ('GDNs') and in aggregate provides gas to approximately 11 million consumers.

DIABOLO RAIL LINK

Location	**Belgium**
Sector	**Transport**
Status at 30 June 2019	**Operational**
% Holding at 30 June 2019	**100% Risk Capital**[1]
% Investment Fair Value 30 June 2019	**9.0%**
% Investment Fair Value 31 December 2018	**10.0%**

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

TIDEWAY

Location	**U.K.**
Sector	**Waste Water**
Status at 30 June 2019	**Under Construction**
% Holding at 30 June 2019	**16% Risk Capital**[1]
% Investment Fair Value 30 June 2019	**9.7%**
% Investment Fair Value 31 December 2018	**10.6%**

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

LINCS OFFSHORE TRANSMISSION

Location	**U.K.**
Sector	**Energy Transmission**
Status at 30 June 2019	**Operational**
% Holding at 30 June 2019	**100% Risk Capital**[1]
% Investment Fair Value 30 June 2019	**8.2%**
% Investment Fair Value 31 December 2018	**9.0%**

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

Significant movements in the Group's portfolio for the six months to 30 June 2019 can be found on page 13 of the Financial and Operating Review.

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

TOP 10 INVESTMENTS

(CONTINUED)

ORMONDE OFFSHORE TRANSMISSION

Location	**U.K.**
Sector	**Energy Transmission**
Status at 30 June 2019	**Operational**
% Holding at 30 June 2019	**100% Risk Capital[1] and 100% senior debt**
% Investment Fair Value 30 June 2019	**5.6%**
% Investment Fair Value 31 December 2018	**6.2%**

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

ANGEL TRAINS

Location	**U.K.**
Sector	**Transport**
Status at 30 June 2019	**Operational**
% Holding at 30 June 2019	**4% Risk Capital[1]**
% Investment Fair Value 30 June 2019	**3.4%**
% Investment Fair Value 31 December 2018	**3.5%**

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

RELIANCE RAIL

Location	**Australia**
Sector	**Transport**
Status at 30 June 2019	**Operational**
% Holding at 30 June 2019	**33% Risk Capital[1]**
% Investment Fair Value 30 June 2019	**3.9%**
% Investment Fair Value 31 December 2018	**4.3%**

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

U.S. MILITARY HOUSING[2]

Location	**U.S.**
Sector	**Military Housing**
Status at 30 June 2019	**Operational**
% Holding at 30 June 2019	**100% Risk Capital[1]**
% Investment Fair Value 30 June 2019	**2.9%**
% Investment Fair Value 31 December 2018	**3.1%**

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

BENEX

Location	**Germany**
Sector	**Transport**
Status at 30 June 2019	**Operational**
% Holding at 30 June 2019	**100% Risk Capital[1]**
% Investment Fair Value 30 June 2019	**3.8%**
% Investment Fair Value 31 December 2018	**2.0%**

BeNEX is both a rolling stock leasing company as well as an investor in train operating companies, providing approximately 40 million km of annual rail transport.

DUDGEON OFFSHORE TRANSMISSION

Location	**U.K.**
Sector	**Energy Transmission**
Status at 30 June 2019	**Operational**
% Holding at 30 June 2019	**100% Risk Capital[1]**
% Investment Fair Value 30 June 2019	**2.1%**
% Investment Fair Value 31 December 2018	**2.2%**

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

CHAIRMAN'S LETTER

Dear Shareholders,

I am pleased to report on another successful six-month period for the Company in which we have continued to generate high-quality cash flows that underpin both our dividend payments and our dividend targets for the future.

During the first half of the year, the Company's portfolio of infrastructure projects and businesses has continued to deliver robust operational performance. We attribute this to our long-term focus and the active approach to asset management of our Investment Adviser. The application of this approach over many years has created the foundation for the delivery of strong financial returns and, as a result, the Company's performance remains fully in line with our expectations.

The predictable nature of the Company's long-dated investments allows us to maintain good forward visibility of investment cash flows. This, in turn, allows the Board to provide as much transparency as possible concerning our future prospects, in particular by providing two-year forward guidance of the Company's expected dividends. Accordingly, the Board is pleased to reaffirm its 2019 and 2020 dividend targets of 7.18 and 7.36 pence per share respectively, and has announced a dividend of 3.59 pence per share for the six months to 30 June 2019. This equates to a 2.6% increase compared to the previous half-year period (30 June 2018: 3.50 pence) and is consistent with our track record of delivering an average annual dividend increase of 2.5%.[1]

Inflation-linkage remains a cornerstone of the Company's investment proposition. Currently, we project that a 1.00% sustained increase in the currently assumed future inflation rate across our portfolio would lead to a 0.86% increase in portfolio returns.

As an infrastructure investment company, the Company invests in what many call 'alternative assets', meaning assets that are alternatives to more conventional investment categories such as listed equity investment. An important consequence of this is the historically low level of correlation between the Company's share price and wider listed equity market indices. The correlation to the FTSE All-Share over the five-year period to 30 June 2019 was 0.17, demonstrating the nature of the Company's shares as a genuine alternative asset.

These and other factors have allowed us to generate a TSR of 170.8% since IPO in 2006. This is equivalent to an average annualised TSR of 8.2%.

We continue to be optimistic about new investment opportunities – in particular within Germany and North America, although not to the exclusion of other jurisdictions. In the U.K., the Company recognises the continued uncertainty of the current political landscape, both in regard to Brexit and the emerging policies of the Labour Party relating to the use of private capital in certain infrastructure sectors.

The Company monitors these, and other relevant politico-economic developments, carefully and regularly reviews ways in which such risks that may affect portfolio performance can be mitigated, so as to protect our shareholders' interests as far as possible. Whilst the Company will be proactive as well as vigilant in the event that these risks crystallise, the Company also believes that the best counter argument to adverse political policy developments is to continuously demonstrate, to the end-users of its assets, governments and other key stakeholders, the value for money that our investments deliver to the societies that they serve.

With this in mind, the Company (through the activities of its Investment Adviser) continues to devote significant and growing resources to evidencing its environmental, social and governance policies and achievements.

ASSET STEWARDSHIP AND PORTFOLIO PERFORMANCE

Active asset management continues to govern the way in which the Company manages its portfolio and interacts with its customers and end-users who benefit from the services our assets provide. This approach ensures that we are responsive to stakeholder feedback and that the returns we generate, both social and financial, are well understood by our stakeholders.

The Investment Adviser's role and reputation in delivering high-quality stewardship of public infrastructure assets that support the delivery of essential public services is fundamental to the Company's long-term performance. This approach supported a 1.5% increase in NAV to over £2.2 billion during the six months to 30 June 2019 (31 December 2018: £2.2 billion) or 150.3 pence per share (31 December 2018: 148.1 pence per share). More information is set out in the Investor Returns section of the report.

During the six months to 30 June 2019, the alignment of interest between the Company and its public sector counterparties was again underlined through the refinancing of the senior debt in Blackburn Building Schools for Future ('BSF') (Phase 1). The refinancing delivered significant financial benefit to Blackburn and Darwen Council. The Company also completed a subsequent refinancing in August 2019 of Ealing BSF.

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

CHAIRMAN'S LETTER
(CONTINUED)

We are pleased to announce that our Investment Adviser is now a signatory to the United Nations Principles for Responsible Investment ('UN PRI'), and we look forward to further developing the Company's already robust approach to the integration of environmental, social and governance ('ESG') concerns into the Company's investment processes. Further details on our approach and activity during the period are available on pages 30-35.

INVESTMENT ACTIVITY

The Company's globally diversified portfolio now comprises 130 projects and businesses. During the period, the Company made value-enhancing new investments and investment commitments of £200.5 million.

This included £153.2 million for the previously announced acquisition of a remaining interest in Cadent, as part of a group of leading institutional investors who make up the Quadgas consortium (the 'Consortium'). Our additional investment delivers long-term cash flows with low levels of volatility and a strong degree of inflation-linkage. In aggregate, the Company now holds a 7.25% ownership interest in Cadent giving access to a permanent board seat through which it can influence the long-term direction of the business. This includes supporting the important work Cadent is undertaking, as part of the current regulatory consultation, to build greater network resilience, including through investing in pilot programmes to examine ways in which Cadent's network can play a leading role in the U.K.'s target to transition to a net-zero emissions economy by 2050.

The Company also completed the acquisition of a further 51% shareholding in BeNEX, a rolling stock leasing and operating business in Germany, with an investment of £29.4 million[1]. The Company has been a shareholder in the business since 2007 and our additional investment will support BeNEX's ongoing role in providing high-quality public transport to the areas of Germany that the business services. Affordable public transport is critical to reducing global emissions, so this investment also delivers important environmental and social benefits. This is an example of where the Company continues to make further investments in existing projects and businesses, where opportunities are value accretive.

As reported in the Company's full-year 2018 results, a small amount of construction work remains outstanding on the Midlands Batch Priority Schools Project (Batch 4), where the Company originally provided senior debt to the project, and members of the Carillion Group were previously equity sponsors. During the period, the Company announced a recapitalisation of this project and committed to invest up to £12.4 million of Risk Capital such that it now additionally owns 92.5% of the equity in the project. This proactive approach, which involved over 700 days' worth of dedicated management resource time from our Investment Adviser and notwithstanding that the assets in question represented less than 0.4% of NAV (as at 31 December 2018), demonstrates our commitment to client service and the strength of our counterparty risk management and asset management team. The remaining construction and remedial works are due to complete in early 2020.

The Company continues to originate primary investment opportunities where the skills and knowledge of the Investment Adviser can be deployed most effectively to uncover unique, harder-to-access assets that match our risk-return profile. As the core infrastructure asset class continues to mature, there are several sectors which are demonstrating the potential to offer the future characteristics of more established utility-style businesses in the way they are anticipated to generate long-term, predictable cash flow with high barriers to entry. In March 2019, the Company made an investment commitment into the full-fibre broadband provider toob, via its commitment to the National Digital Infrastructure Fund ('NDIF'). Digital infrastructure continues to be a promising emerging asset class which is producing selective investment opportunities for the Company via NDIF, and which to date has invested £18.5 million of the Company's original £45 million commitment. Further details on investments made during the period can be found on pages 13-16.

CORPORATE GOVERNANCE

The Board seeks to maintain a direct dialogue with the Company's shareholders and the broader investment community. Over the course of the six months to 30 June 2019, I and other directors had the pleasure of meeting with a number of the Company's largest shareholders and I expect that this engagement will continue over the remainder of the year.

The Board regularly monitors its composition and succession plans. John Whittle has been a Board member since August 2009 and, as previously signalled, will be retiring from the Board at the 2020 Annual General Meeting. John Stares has been a Board member since August 2013 and is expected to retire from the Board during the course of 2020. Accordingly, the Board has commenced an externally facilitated selection process to identify two new Non-Executive Directors with suitable complementary skills and knowledge.

1 In addition, there is a deferred commitment of £18.9 million which is due to be settled from future returns generated by BeNEX.

CHAIRMAN'S LETTER
(CONTINUED)

In accordance with the Company's Investment Policy, it is a long-term holder of investments within its portfolio, and the Board has a disciplined and structured approach to reviewing portfolio performance and overall composition. This may include considering divestment from time to time. During the period, the Board felt it appropriate to formally set out its divestment policy and to assess whether an investment continues to meet its investment criteria.

As previously noted, a number of listed investment funds have redomiciled from Guernsey to the U.K. and registered as U.K. investment companies. The Company maintains, based on professional advice, that whilst the Board will continue to keep this matter under regular review, it sees no current compelling reason to become a U.K. investment company or to otherwise change its long-established domicile. The Board continues to monitor any proposed legislative changes governing listed investment funds.

The Company complies with the Association of Investment Companies Code of Corporate Governance and the U.K. Corporate Governance Code as set out in the Corporate Governance section of the 2018 Annual Report and financial statements.

BALANCE SHEET POSITION AND FINANCIAL RESOURCES

The Company's overall financial position remains robust. At 30 June 2019, the Company had used £144.7 million of the credit available under its corporate debt facility ('CDF'), leaving £255.3 million of the £400 million facility available. Of this, £42.0 million is currently earmarked to meet existing and future investment commitments, including to digital infrastructure via NDIF, the Offenbach Police Headquarters in Germany and Midlands Batch Priority Schools Project (Batch 4) – described above.

The Board has reviewed comprehensive cash flow forecasts, and continues to believe, based on those forecasts and an assessment of the Group's committed banking facilities and available headroom, that it is appropriate to prepare the financial statements of the Group on the going concern basis. Further details can be found on page 44.

CURRENT MARKET ENVIRONMENT AND OUTLOOK

The infrastructure investment sector worldwide remains highly active and diverse, and the pipeline for the types of assets in which the Company invests remains strong and evolving. Moreover, across the geographical areas in which the Company invests, the general policy and regulatory environments continue to support long-term investment of private capital into public infrastructure. Notwithstanding my earlier comments about current uncertainties within the U.K., it is encouraging to note that HM Treasury and the Infrastructure and Projects Authority ('IPA') recently consulted on the development of mechanisms for the continued delivery of private capital into infrastructure investment. Our Investment Adviser fully participated in this consultation.

The potential risks to the Company arising from Brexit continue to be evaluated by our Investment Adviser and the Board. While we see possible market and other issues arising from anything other than an orderly Brexit, we do not believe that the Company is unusually exposed to such risks, or that there will be significant impact on the Company as a direct result of Brexit. However, this cannot be guaranteed, and we continue to monitor developments closely, as the withdrawal process continues to evolve.

While headwinds exist in terms of the nearer-term investment opportunities in the U.K., we remain very positive about the pipeline in the other jurisdictions in which the Company is active, as highlighted earlier.

Overall, the Company remains confident in the ability of our diversified portfolio of high-quality, well-performing assets to continue to generate long-term, predictable cash flows with strong inflation-linkage. Our focus and that of the Investment Adviser remains on the completion and integration of our existing commitments; continued development of suitable opportunities arising from a strong and well-diversified global investment pipeline; active and hands-on management of our existing assets; and delivering on our commitment to achieve consistently high levels of customer satisfaction delivered as part of our ESG framework. It is these investment fundamentals that drive our long-term success.

Mike Gerrard
Chairman
5 September 2019

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

BUSINESS MODEL

DELIVERING INVESTOR RETURNS

OUR OBJECTIVES

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

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

This is supported by robust investment cash flows with inflation-linkage

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

See Company Investment Policy on pages 50–51 of the 2018 Annual Report and Financial Statements

1 On the IPO issue price of 100 pence per Ordinary Share.
2 See pages 26-29 for information relating to the Company's use of sensitivity analysis.
3 See pages 22-29 for the methodology used to determine NAV.
4 Future profit projection and dividends cannot be guaranteed. Projections are based on current estimates and may vary in future.
5 Source: Bloomberg. Share price plus dividends assumed to be reinvested.

OUR STRENGTHS

A SUSTAINABLE APPROACH

- **Long-term alignment of interests** between the Company, Investment Adviser and other key suppliers
- **A vertically integrated model** with direct relationships with **public sector customers**
- The Investment Adviser has one of the **largest independent teams in the sector** (over 125 people)
- **Experts** in all aspects of infrastructure development, investment and management
- The Investment Adviser has **physical presence** in all the major countries in which we invest, which provides local insights and relationships
- **'Hands-on' approach to asset management** – with an experienced and dedicated team
- Active approach to **investment stewardship**, which is the cornerstone of successful investment
- Consideration and integration of material **ESG** issues and opportunities
- **Strong relationships** with our service providers and clients
- Active **engagement** with key stakeholders

OUR OPERATING MODEL

VALUE-FOCUSED PORTFOLIO DEVELOPMENT

Together with the Investment Adviser, we seek new investments that:
- enhance predictable, long-term cash flows
- provide opportunities for capital appreciation
- protect the environment and enhance society

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

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

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

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

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

EFFICIENT FINANCIAL MANAGEMENT

CONTINUOUS RISK MANAGEMENT

STRONG INVESTMENT STEWARDSHIP

OUR VALUE CREATION

ACTIVE ASSET MANAGEMENT

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

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

ENTITY MANAGEMENT

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

MONITOR PERFORMANCE

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

REPORT

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

DRIVE GROWTH

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

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

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

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

INVESTOR RETURNS

We focus on the following KPIs to track the value we provide to shareholders:

- Distributions to shareholders
- TSR
- NAV and NAV per share

3.59p
H1 2019 dividend per share[1]
(H1 2018: 3.50p)

0.86%
Real returns
Portfolio inflation linkage[2]
(31 Dec 2018: 0.82%)

150.3p
NAV per share[3] at 30 June 2019
(31 Dec 2018: 148.1p)

c.2.5%
Average dividend growth since IPO[4]

8.2% p.a.
Annualised TSR since IPO[5]

£83.7m
H1 2019 profit before tax
(H1 2018: £65.9m)

BROADER VALUE CREATION

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

See Environmental, Social and Governance on pages 30-35

PERFORMANCE AGAINST STRATEGIC PRIORITIES

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

The Company's strategy covers three interlinked areas of focus. This three-pronged approach helps us to manage our assets and finances throughout the investment cycle and also to identify new opportunities that meet our investment objectives. We link Key Performance Indicators ('KPIs') to these Strategic Priorities and review our performance against these KPIs throughout the year. We also assess the risks relating to each KPI (as identified in the Risk Management section of the 2018 Annual Report and Financial Statements).

KPIs	PERFORMANCE IN H1 2019
- Value of new investment	- Up to £12.4 million commitment in Midlands Batch Priority Schools Project (Batch 4)[1]
- Proportion of investments in construction	- 10.4% of portfolio currently under construction
- Value of additional investments acquired off-market or through preferred access	- Acquisitions totalling £188.1 million secured through preferential access including additional stakes in Cadent, BeNEX, Luton and Wolverhampton BSF projects, and further investments through NDIF
- Improvement of risk/return, inflation-linkage and diversification of cash flows, including geographical diversification	- Assets acquired exhibited robust cash flow profiles - Overall portfolio value inflation-linkage increased from 0.82% to 0.86% for every 1.00% p.a. increase over assumed inflation rates[2]
- Availability for all controlled investments at 98% or above - returns from investments in line with expectations	- Availability for investments at 99.9%
- Performance deductions below 3% for all projects	- Performance deductions of 0.38% for all projects
- Number of change requests from existing contracts	- Over 462 change requests undertaken
- Management of investments during the course of construction projects in line with overall delivery timetable	- Majority of construction projects managed on time and to budget. Costs of small project delays absorbed by construction partners
- Number of investments actively managing ESG factors	- Over 94%[3] of the portfolio's total investments (by number) have an ESG policy in place
- Dividends paid to investors covered by operating cash flow	- Cash dividends paid to investors 1.3x times covered by net operating cash flow
- New investments made from available cash (after payment of dividend) ahead of using corporate debt	- All investments in the year to date funded through excess cash in the first instance and subsequently by utilising the CDF
- Competitive cash deposit rates	- Market benchmarked cash deposit rates
- Use of appropriate hedging strategies	- £64.7 million of foreign exchange forward contracts in place to mitigate short-term foreign exchange cash flow volatility
- Management of ongoing charges	- Ongoing charges 1.16% p.a. (H1 2018: 1.21%)

1 As at 30 June 2019, £5.3 million has been invested in the Midlands Batch Priority Schools Project (Batch 4).
2 Calculated by running a 'plus 1.00%' inflation sensitivity for each investment and solving each investment's discount rate to return the original valuation. The inflation-linkage is the increase in the portfolio weighted average discount rate.
3 The nature of ESG policies varies across investments, depending on their ownership structure and services provided.

OPERATING REVIEW

VALUE-FOCUSED PORTFOLIO DEVELOPMENT

New investments that meet the Company's Investment Policy are made after assessing their risk and return profile relative to the existing portfolio. In particular, we seek investments to complement the existing portfolio through enhancing long-term, predictable cash flows and/or to provide the opportunity for higher capital growth. The Board also regularly reviews the overall composition of the portfolio to ensure it continues to remain aligned with the Company's investment objectives.

Desirable key attributes for the portfolio include:

1 Long-term, stable returns
2 Inflation-linked investor cash flows
3 Early stage investor (e.g. the Company is an early stage investor in a new asset developed by the Investment Adviser)
4 Preferential access (e.g. sourced through pre-emptive rights or through the activities of the Investment Adviser)
5 Enhanced capital attributes (e.g. potential for additional capital growth through construction 'de-risking' or the potential for residual/terminal value growth)
6 Broader ESG considerations

During the six months to 30 June 2019, the Company invested or made investment commitments up to £200.5 million. The majority of these opportunities were sourced by the Investment Adviser, either from the start of the project (e.g. early stage developments in response to an initial government procurement process); through increasing its interest in existing assets; or as part of a larger consortium, building on the Company's experience and credibility to participate in multi-billion-pound regulated infrastructure transactions. These three origination approaches are the Company's preferred routes to market as they limit bidding in the competitive secondary market.

Details of investment activity for the six months to 30 June 2019 are provided below.

INVESTMENTS MADE DURING THE SIX MONTHS TO 30 JUNE 2019	LOCATION	KEY ATTRIBUTES						OPERATIONAL STATUS	INVESTMENT	INVESTMENT DATE
		1	2	3	4	5	6			
BSF Luton Project	U.K.	✓	✓		✓		✓	Operational	£0.2 million	17 January 2019
Midlands Batch Priority Schools Project (Batch 4)	U.K.	✓	✓		✓		✓	Under construction	£5.3 million[1]	30 April 2019
BSF Wolverhampton Projects 1 & 2	U.K.	✓	✓		✓		✓	Operational	£1.8 million	7 June 2019
Cadent	U.K.	✓	✓		✓	✓	✓	Operational	£153.2 million	28 June 2019
BeNEX	Germany	✓	✓	✓	✓	✓	✓	Operational	£29.4 million[2, 3]	28 June 2019
NDIF	U.K.			✓	✓	✓	✓	Operational	£3.5 million	Various
									£193.4 million	
INVESTMENT COMMITMENTS MADE DURING THE SIX MONTHS TO 30 JUNE 2019										**COMMITMENT DATE**
Midlands Batch Priority Schools Project (Batch 4)	U.K.	✓	✓		✓		✓	Under construction	£7.1 million[1]	30 April 2019

1 Up to £12.4 million has been committed. As at 30 June 2019, £5.3 million had been invested.
2 In addition, there is a deferred commitment of £18.9 million which is due to be settled from future returns generated by BeNEX.
3 GBP translated value of investment.

Further details for each of these transactions are provided overleaf.

OPERATING REVIEW
(CONTINUED)

INVESTMENT OR INVESTMENT COMMITMENTS MADE DURING THE PERIOD

ADDITIONAL INVESTMENT IN BSF PROJECTS, U.K.

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

In January 2019, the Company acquired additional Risk Capital in Luton BSF project, investing a further c.£0.2 million. As a result, this has brought the Company's ownership level to 50% equity and 54% subordinated debt.

In June 2019, the Company invested a further £1.8 million for an additional 10% stake in Wolverhampton BSF projects 1 and 2. As a result, the Company's investment was increased from 90% to 100%.

MIDLANDS BATCH PRIORITY SCHOOLS PROJECT (BATCH 4), U.K.

As part of a successful recapitalisation of the project, the Company announced it will invest up to £12.4 million of additional Risk Capital into the Midlands Batch Priority Schools Project (Batch 4) such that it now owns 92.5% of the equity in the project. The Company has been a lender to the project since March 2015, when its senior debt requirements were funded by the Aggregator vehicle. The Aggregator was set up to combine lending from the European Investment Bank (46%), Aviva Annuity UK Ltd (46%) and the Company (8%) to fund five batches of new schools making up the Priority Schools Building Programme sponsored by the Department for Education.

Members of Carillion Group were one of the original equity sponsors of the Midlands Batch Priority Schools Project (Batch 4), and also provided construction and facilities management services to it. At the time of Carillion's liquidation in January 2018, a sports hall and some external post-completion works at five of the eight schools in the project had not been completed.

The Company agreed, alongside the other Aggregator lenders, the Department for Education, the IPA, and other stakeholders that it would make the additional investment required to complete the works, remedy defects and finance its operations. The additional investment has been made on commercial terms and is projected to provide returns in line with similar investments in the Company's existing portfolio. A new construction contractor was appointed at the same time as the additional Risk Capital was injected and construction is now progressing towards completion.

CADENT GAS DISTRIBUTION NETWORK, U.K.

Cadent solely owns and operates four gas distribution networks which, in aggregate, supply gas to approximately 50% of the U.K. population, or over 11 million households and businesses. The Consortium, of which the Company is a part, acquired a 61% interest in Cadent in March 2017, and at the time of acquisition entered into a put and call option to acquire an additional 14% stake of Cadent. The Company then entered into a second put and call option agreement in May 2018, in respect of the residual 25% shareholding.

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

In July 2019, Cadent published their first safety and sustainability report, demonstrating their ongoing commitment to future-proofing the business. As one of their five key areas of focus, Cadent continued their leadership towards a low carbon future through testing of the networks to transport low carbon fuels. For more detail, please see our ESG section on pages 30-35.

OPERATING REVIEW
(CONTINUED)

ADDITIONAL INVESTMENT IN BENEX, GERMANY

In June 2019, the Company acquired an additional 51% shareholding in BeNEX from Hamburger Hochbahn AG ('HHA'), increasing the Company's ownership from 49% to 100%. The transaction involved the Company investing £29.4 million[1], of which part was committed as additional capital to BeNEX and the remainder used to acquire the additional 51% shareholding. The acquisition also included a deferred commitment which is due to be settled through future returns generated by the project.

BeNEX both leases rolling stock and invests in train operating companies which operate rail services under concession agreements with German federal states. Since acquisition in 2007, BeNEX has been a successful investment for the Company with continued potential for growth.

DIGITAL INFRASTRUCTURE CO-INVESTMENT, U.K.

In July 2017, the Company committed jointly with HM Government to invest in digital infrastructure and particularly the deployment of fibre broadband connections through NDIF, a vehicle managed by the Investment Adviser. The Company has agreed to invest up to £45 million into U.K. digital infrastructure alongside HM Government through NDIF. As part of this £45 million commitment, in March 2019, the Company made an investment into toob, a new full fibre broadband provider. The expectation is that this investment will support the delivery of gigabit broadband speeds to more than 100,000 premises by the end of 2021. To date, £18.5 million of the Company's £45 million commitment has been called by NDIF, supporting NDIF's four investments.

The Company's commitment to digital infrastructure contributes to reducing the digital divide in society and supporting U.K. businesses, as well as playing an important role in reducing U.K. emissions by delivering enhanced access to technology-enabled solutions.

CURRENT MARKET ENVIRONMENT AND FUTURE OPPORTUNITIES

The Investment Adviser has an experienced team of specialists that continue to originate and deliver investments that meet the Company's risk-return profile. The Investment Adviser continues to monitor opportunities and through the Investment Adviser's specialist expertise and network we are able to access high-quality, well-performing assets. All opportunities undergo rigorous due diligence and are individually appraised to ensure each investment opportunity contributes towards inflation-linkage, yield and/or enhanced capital attributes and offers attractive risk-adjusted returns. As part of the appraisal process, we also consider the long-term viability of investments to ensure they are fit for the future. As a long-term investor, the Investment Adviser also considers ESG aspects including resilience to technology changes, environmental impact and shifting societal expectations. The Company's portfolio which has been carefully developed since IPO, will continue to be enhanced by the Investment Adviser focusing on both existing and future opportunities.

As referred to in the Chairman's Letter, the infrastructure sector remains strong globally and there is a good pipeline for the types of assets in which the Company invests. There continues to be a number of drivers for new and improved infrastructure across the geographical areas in which the Company invests, supporting the need for private and public investment into infrastructure. For example, the IPA have forecast that in the U.K. there is a requirement for £600 billion of infrastructure investment over the next 10 years, with contributions from both the public and private sectors.

As discussed elsewhere, whilst the Company acknowledges that the political landscape is somewhat uncertain, due to the emerging policies of the U.K. opposition party to nationalise certain infrastructure in the U.K., the Company and the Investment Adviser believe there are practical mitigants that exist to the implementation of these policies. While we continue to monitor these and other portfolio risks very closely, we remain confident about the pipeline in other jurisdictions in which the Company operates.

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

1 In addition, there is a deferred commitment of £18.9 million which is due to be settled from future returns generated by BeNEX.

OPERATING REVIEW

(CONTINUED)

CURRENT PIPELINE

The Company's performance does not depend upon additional investments to deliver projected returns. Further investment opportunities will be judged by their anticipated contribution to overall portfolio returns relative to risk. Selected opportunities that may be considered for investment in due course, as identified by the Investment Adviser, are outlined below.

KNOWN/COMMITTED OPPORTUNITIES	LOCATION	ESTIMATED INVESTMENT	EXPECTED INVESTMENT PERIOD	INVESTMENT STATUS
NDIF	U.K.	£26.5 million[1]	Operational businesses	As part of up to £45 million commitment to NDIF, £18.5 million has been invested
Offenbach Police Headquarters	Germany	£8.4 million[2]	c.30 years	Investment commitment made. Expected to be funded mid-2021
Midlands Batch Priority Schools Project (Batch 4)	U.K.	£7.1 million	c.24 years	Investment commitment made. £5.3 million has been invested to date

SECTOR OF INVESTMENT OPPORTUNITY	LOCATION	ESTIMATED CAPITAL VALUE[3]	EXPECTED INVESTMENT LENGTH	INVESTMENT STATUS
Other, including regulated investments	U.K., Europe	c.£7.2 billion	Various, including operational businesses	Regulated opportunities at varying stages of consideration
OFTO	U.K.	c.£3.8 billion	c.25 years	Shortlisted on four OFTOs[4]
Accommodation/PPP	U.K., Europe, Australia, U.S.	c.£2.4 billion	Various	Variety of opportunities, mainly PPP-style investments under review
Education	U.K., Europe	c.£670 million	Various	Opportunities through variations to existing PPP contracts and through the Investment Adviser's wider relationships
Health	Australia	c.£460 million	Various	
Transport	U.K., Europe, Australia	c.£325 million	Various	Includes possible follow-on opportunities

1 Represents the current estimate of total future investment commitment by the Company.
2 Project has reached financial close. Commitment to invest once construction has completed, expected to be mid-2021.
3 Includes both third-party debt and equity.
4 The Company was appointed as preferred bidder for Rampion OFTO in August 2019, as part of the Transmission Capital Partners consortium.

The pipeline above includes commitments and a selection of potential opportunities currently under review by the Investment Adviser comprising current bids, preferred bidder opportunities and the estimated value of opportunities to acquire additional investments including under pre-emption/first refusal rights and future opportunities that meet the Company's investment criteria. There is no certainty that potential opportunities will translate to actual investments for the Company. In relation to opportunities where the current estimated gross value of the relevant project or business is given (which includes an estimate of both third-party debt and equity), the estimates provided are not necessarily indicative of the eventual acquisition price for, or the value of, any interest that may be acquired.

OPERATING REVIEW
(CONTINUED)

ACTIVE ASSET MANAGEMENT

The active asset management approach taken by the Investment Adviser and the Company across the portfolio is fundamental to its long-term performance. This approach has enabled the Company to develop a reputation of delivering transparent, responsible stewardship of public infrastructure assets that support essential public services.

Through the Company's Investment Adviser, we operate as an active investor and are involved in the full investment lifecycle, engaging with our service providers and clients, regulators, the operating businesses and their end-users. The Company's Investment Adviser has a global team of over 125 employees, of which c.35 are dedicated in-house asset managers. This allows the Investment Adviser the flexibility, resource and experience to respond quickly to changing requirements of its clients and counterparties, mitigate risks and identify opportunities to enhance value.

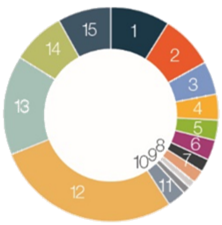
For our public-private partnership projects, the requirement to ensure that the Company's assets are available for use and are performing in accordance with contractual expectations is critical for the Company and its service providers. By using contractual requirements as a framework to deliver on its projects' expected outcomes, the Company ensures that performance standards are met. In addition to this, the Company works with its partners to improve the Company's environmental and social performance through the investment lifecycle in line with its ESG approach. Consistent with the UN Principles for the UN PRI[1], to which the Investment Adviser has recently become a signatory, we consider material ESG risks and value creation opportunities for each investment, and actively manage assets in accordance with those ESG factors. The Investment Adviser's knowledge of each project and business, combined with frequent site visits, and interactions with management and customer contacts, allows it to mitigate the risks and ascertain the opportunities that each investment entails.

Each investment is actively managed to drive performance, although the Investment Adviser's involvement varies depending on each investment type. For investments where the Company does not own 100%, we typically engage through our board director positions and membership of management committees. Through these mechanisms, we actively work with respective boards to establish appropriate governance structures and practices that are focused on long-term success.

OPERATIONAL PORTFOLIO PERFORMANCE

The Company's Investment Adviser maintains a highly experienced, well-resourced, dedicated asset management team. This ensures a high-level of integrated hands-on involvement across the Company's portfolio with robust internal processes and monitoring. The Company has a diverse exposure to service providers across its portfolio and counterparty risk is actively managed and mitigated. The chart below illustrates the Company's service providers (by investment fair value), highlighting the diversification across the portfolio.

INPP Service Providers[1]



1	Infrabel NV Van Publiek Recht	9%
2	Downer & Spotless	8%
3	ENGIE	5%
4	Interserve	4%
5	G4S	3%
6	Hunt Military Communities	3%
7	OCS	2%
8	Amey	2%
9	Honeywell International	1%
10	Kier	1%
11	Others	3%
12	Regulated Investments – Cadent & Thames Tideway Tunnel[2]	28%
13	Regulated Investments – OFTOs[2]	15%
14	Senior Debt[3]	8%
15	Other – Angel Trains, BeNEX and NDIF	8%

1 Based on Investment at Fair value as at 30 June 2019.
2 Three Risk Capital investments operate with no significant exposure to any one service provider or delivery partner.
3 Senior debt includes OFTO (4.5%), Interserve (1.4%), FES (0.5%), Integral (0.5%), Galliford try (0.4%), Laing O' Rourke (0.3%).

1 Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

OPERATING REVIEW
(CONTINUED)

During the year, the Company's public sector clients commissioned over 462 contract variations in projects, resulting in over £15.4 million of additional project work conducted on behalf of the commissioning body, with individual variations ranging in value to over £9.4 million. The Investment Adviser assesses each case on its individual merits and ensures there is no material change to the risk profile or financial return, whilst assisting their clients to achieve their objectives. For example, due to increased interest of public visitors at German Federal Ministry of Education and Research ('BMBF') in Berlin, the authority requested a new visitor entrance with enhanced security controls. The extension works completed in Q2 2019 and the new entrance has been operating since May 2019. The total value of the variation is expected to exceed €1.5 million.

The Investment Adviser seeks to actively manage and add value to the portfolio where it is in the best interests of its clients and the end-user. During the period, the Company undertook a debt refinancing of the senior debt in Blackburn BSF (Phase 1). The refinancing delivered significant financial benefit to Blackburn and Darwen Council, demonstrating the Investment Adviser's active asset management approach across the portfolio. Such refinancings generate improved financial returns which are shared with the public sector counterparty and demonstrate an important pillar of our active asset management and financial approach - delivering benefits to our clients and the end-users, whilst not increasing the charge paid by the public sector. The Company completed a further refinancing at one of its education assets under the BSF programme in August 2019 and expects further refinancings to progress through 2019 (subject to market conditions remaining favourable).

The Investment Adviser works with its public sector counterparties to deliver ongoing value and operational savings. An example is the ongoing efforts to identify and deliver operational savings for North Wales Police Project, including the responsibility for procurement and lifecycle for furniture, fittings and equipment, change in law risk and insurance policy payments. These initiatives are due to conclude in 2019 and are expected to allow the authority to deliver savings of £280,000 in the first year. During the period, two benchmarking exercises were also performed across the Company's social accommodation projects, which included reviewing facilities management services delivered on the projects in order to assess value for money for the public sector.

As part of our approach to ESG, we have continued to make improvements against our five key focus areas. These areas are: health, safety and wellbeing, commitment to protecting the environment, supporting public sector clients, commitment to skills and employment, and investing in the community. Further information about our approach to ESG and our performance across these measures is available on pages 30-35.

PROJECTS UNDER CONSTRUCTION

The Investment Adviser's asset management team have extensive experience and possess the key skill sets needed to successfully deliver projects through the construction and into the operational phase. The Company has a strong track record of delivering construction projects safely, on time, to budget and to a high-quality by understanding the project environment and potential risks that may occur. The team work closely with the contractors and technical advisers throughout this stage in order to deliver the expected project performance and create value for investors and communities. Three projects, representing approximately 10.4% of the Company's portfolio, were under construction at 30 June 2019.

Construction progress on Tideway continues in line with expectations with over 40% of the project now completed and final completion targeted for 2024, in line with the original schedule. In April 2019, Tideway announced that their overall cost estimates had been updated; however, the change in costs remain in line with the Company's projections such that there will be no change to the original estimated range of annual costs for Thames Water bill payers and no further funding from stakeholders is required to complete the project. The Company and Tideway remain confident that the project will be delivered within the revised budget and to the original schedule.

As noted in the 2018 Annual Report and financial statements, a small amount of construction work remains outstanding on the Midlands Batch Priority Schools Project (Batch 4). Following the collapse of Carillion in January 2018, the project required a new construction partner to be appointed. During the period, the Company announced a recapitalisation of the project and committed equity to the project (originally provided senior debt only to the project). Construction contractors were appointed during the six months to 30 June 2019 and the outstanding work is expected to reach completion by early 2020. For more information, please refer to page 14.

OPERATING REVIEW
(CONTINUED)

Construction works for Offenbach Police Headquarters continue to proceed as scheduled and to budget. The underground car park has been completed. In one building, the ground plate has been set, and the structural work up to the ground floor has been completed for two other building parts. The Company's expectation is that the project will be delivered on schedule in 2021.

Projects under construction as at 30 June 2019 are set out in the table below.

ASSET	LOCATION	CONSTRUCTION COMPLETION DATE	DEFECTS COMPLETION DATE	STATUS	% OF FAIR VALUE OF INVESTMENT
Midlands Batch Priority Schools Project (Batch 4)	U.K.	2020	2020	Outstanding construction works[1]	0.7%[2]
Tideway	U.K.	2024[3]	2027[4]	On schedule	9.7%
Offenbach Police Headquarters	Germany	2021	2025	On schedule	0.0%[5]

1 Construction remains outstanding on Midlands Batch Priority Schools Project (Batch 4). These works predominately relate to the outstanding construction of a sports hall at one school and the external works at four other schools (within the eight schools in the fourth batch). The construction works are scheduled to complete in early 2020.
2 Includes Risk Capital and senior debt.
3 Scheduled handover date. Source: Tideway Annual Report 2018-2019.
4 Scheduled system acceptance date. Source: Tideway Annual Report 2018-2019.
5 The Investment Fair Value of Offenbach Police Headquarters as at 30 June 2019 was 0.02%.

OPERATING REVIEW
(CONTINUED)

EFFICIENT FINANCIAL MANAGEMENT

The Company aims to manage its finances efficiently by minimising its unutilised cash holdings, while maintaining the financial flexibility to pursue new investment opportunities. This is achieved through active monitoring of cash held and generated from operations, appropriate hedging strategies, and prudent use of the Company's CDF.

SUMMARY OF CASH FLOWS

SUMMARY OF CONSOLIDATED CASH FLOW	SIX MONTHS TO 30 JUNE 2019 £ MILLION	SIX MONTHS TO 30 JUNE 2018 £ MILLION	YEAR TO 31 DECEMBER 2018 £ MILLION
Opening cash balance	**84.7**	33.9	33.9
Cash from investments	**77.9**	71.7	138.8
Corporate costs (for ongoing charges ratio)	**(12.8)**	(12.4)	(24.5)
Other corporate costs	**(0.1)**	(0.2)	(0.1)
Net financing costs	**(1.3)**	(1.5)	(3.2)
Net operating cash flows before capital activity[1]	**63.7**	57.6	111.0
Cost of new investments	**(193.4)**	(10.5)	(63.3)
Investment transaction costs	**-**	(0.3)	(1.2)
Net movement of CDF	**143.3**	7.0	(17.8)
Proceeds of capital raisings (net of costs)	**-**	-	114.9
Distributions paid	**(50.5)**	(47.9)	(92.8)
Net cash at period end	**47.8**	39.8	84.7
Cash dividend cover	**1.3x**	1.2x	1.2x

1 Net operating cash flows before capital activity as disclosed above of c.£63.7 million (30 June 2018: c.£57.6 million) include net repayments from investments at fair value through profit and loss of c.£19.5 million (30 June 2018: c.£21.5 million), and finance costs paid of c.£1.3 million (30 June 2018: c.£1.5 million) and exclude investment transaction costs of £nil (30 June 2018: c.£0.3 million) when compared to net cash inflows from operations of c.£45.5 million (30 June 2018: c.£37.4 million) as disclosed in the statutory cash flow statement on page 43 of the financial statements.

CASH FLOWS ASSOCIATED WITH ONGOING CHARGES RATIO

CORPORATE COSTS	SIX MONTHS TO 30 JUNE 2019 £ MILLION	SIX MONTHS TO 30 JUNE 2018 £ MILLION	YEAR TO 31 DECEMBER 2018 £ MILLION
Management fees	**(11.6)**	(11.4)	(22.7)
Audit fees	**(0.2)**	(0.2)	(0.3)
Directors' fees	**(0.2)**	(0.2)	(0.4)
Other running costs	**(0.8)**	(0.6)	(1.1)
Corporate costs	**(12.8)**	(12.4)	(24.5)

ONGOING CHARGES RATIO	SIX MONTHS TO 30 JUNE 2019 £ MILLION	SIX MONTHS TO 30 JUNE 2018 £ MILLION	YEAR TO 31 DECEMBER 2018 £ MILLION
Annualised Ongoing Charges[1]	**(25.6)**	(24.8)	(24.5)
Average NAV[2]	**2,215.4**	2,047.3	2,097.8
Ongoing Charges	**(1.16%)**	(1.21%)	(1.17%)

1 The Ongoing Charges ratio was prepared in accordance with the Association of Investment Companies' ('AIC') recommended methodology, noting this excludes non-recurring costs.
2 Average of published NAVs for the relevant period.

OPERATING REVIEW
(CONTINUED)

The Company's cash balance at 30 June 2019 was £47.8 million (December 2018: £84.7 million). The decrease in the cash balance in the period was primarily a result of the £42.2 million of capital raise proceeds remaining at the start of the year being used in the period to fund new investments.

Cash receipts from investments in the period increased by £6.2 million compared to the previous half-year period, to £77.9 million (H1 2018: £71.7 million), reflecting the further growth and maturity of the portfolio. Corporate costs overall have increased as expected, driven by NAV growth, and include management fees of £11.6 million for the six months to 30 June 2019 (H1 2018: £11.4 million). Net financing costs were £1.3 million during the period, a slight decrease of £0.2 million compared to June 2018 (H1 2018: £1.5 million) reflecting the varying level of utilisation of the Company's CDF during the two corresponding periods. Other corporate costs during the period were negligible (H1 2018: £0.2 million).

During the six months to 30 June 2019, £193.4 million of new investments were made (H1 2018: £10.5 million), and these are further detailed in note 10 of the financial statements, as well as on pages 13-16 of the Operating Review. Associated investment transaction costs were mainly accrued as payable balances at 30 June 2019, with minimal transaction costs paid during the period (H1 2018: £0.3 million).

The Company has a £400 million CDF (available until July 2021) and as at 30 June 2019, the facility was £143.3 million cash drawn (December 2018: nil cash drawn) to help fund new investments made in the period. The Company continues to use the facility for short-term funding, rather than for long-term financing.

Cash dividends paid in the period of £50.5 million (H1 2018: £47.9 million) were in respect of the six months to 31 December 2018. The Company seeks to generate dividends paid to investors through its operating cash flows, and cash dividends paid were 1.3 times covered by the Company's net operating cash flows before capital activity in the period.

OPERATING REVIEW
(CONTINUED)

INVESTOR RETURNS

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

DIVIDEND GROWTH AND PERFORMANCE

The Company targets predictable and, where possible, growing dividends. During the period, the Company paid a dividend of 3.50 pence per share relating to the six months ended 31 December 2018. This brought the total dividends paid in respect of 2018 to 7.00 pence per share. As illustrated in the chart on page 2, the Company has delivered a c.2.5% average annual dividend increase since IPO. The Company forecasts to pay 7.18 pence and 7.36 pence per share in respect of 2019 and 2020 respectively.

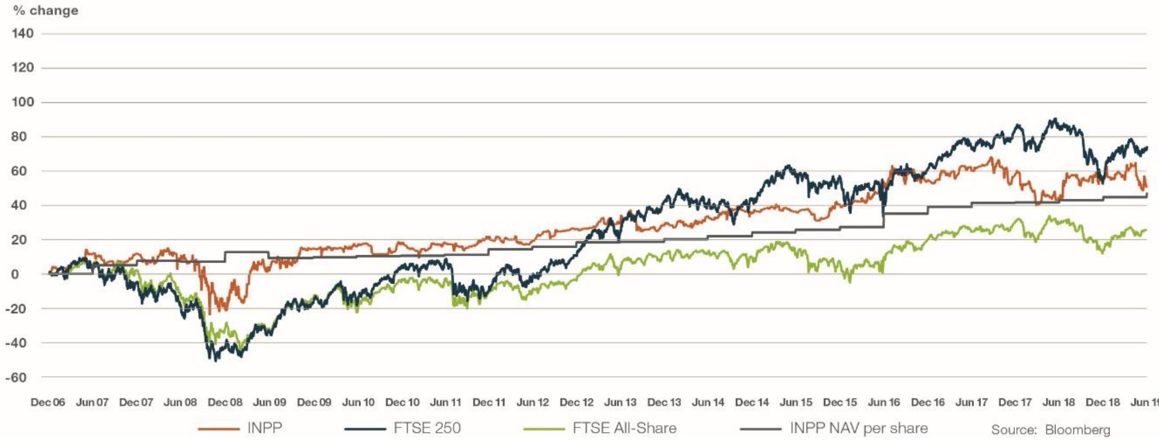
Total investment income in the period was £99.6 million (H1 2018: £79.5 million) including fair value movements, dividends and interest. These returns were partially offset by operating expenses (including finance costs) of £16.7 million (H1 2018: £14.2 million), as shown in the Consolidated Statement of Comprehensive Income on page 40.

Profit before tax was £83.7 million, an increase in comparison to the same period in 2018 (H1 2018: £65.9 million) due to increased investment income as a result of the growing portfolio as well as the impact of fair value movements. Earnings per share were 5.64 pence (H1 2018: 4.70 pence).

TOTAL SHAREHOLDER RETURN

The Company's TSR (share price growth plus reinvested dividends) since IPO in November 2006 to 30 June 2019 was 170.8% (8.2% on an annualised basis). This compares to a FTSE All-Share index total return over the same period of 101.5% (5.7% on an annualised basis). As shown in the share price performance graph below, the Company has historically exhibited relatively low levels of volatility compared to the market. This is a continuing trend as demonstrated by the correlation of 0.18 and 0.17 with the FTSE All-Share index over the 12 months and five years to 30 June 2019 respectively.

The Company's Share Price Performance



INFLATION-LINKED CASH FLOWS

In an environment where investors are increasingly focused on achieving long-term real rates of return on their investments, inflation protection is an important consideration for the Company. At 30 June 2019, the majority of assets in the portfolio had some degree of inflation-linkage and, in aggregate, the weighted average return of the portfolio (before fund-level costs) would be expected to increase by 0.86% per annum in response to a 1.00% per annum increase in the currently assumed inflation rates across the whole portfolio[1].

1 Calculated by running a 'plus 1.00%' inflation sensitivity for each investment and solving each investment's discount rate to return the original valuation. The inflation-linkage is the increase in the portfolio weighted average discount rate.

OPERATING REVIEW

(CONTINUED)

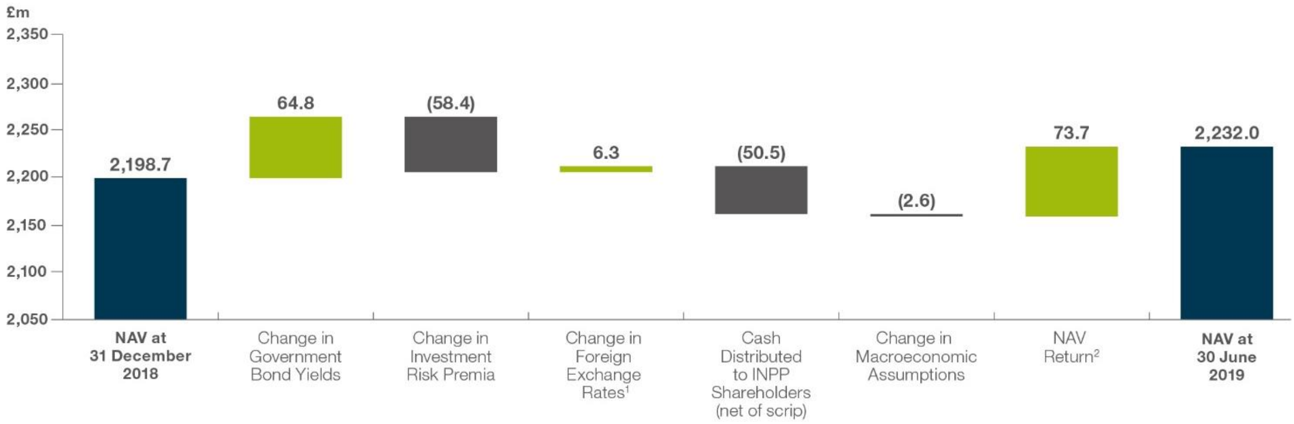
VALUATIONS

NET ASSET VALUATION

The Company reported a 1.5% increase in NAV from £2,198.7 million at 31 December 2018 to £2,232.0 million at 30 June 2019. Over the same period, the NAV per share also increased by 1.5%, from 148.1 pence to 150.3 pence.

The NAV represents the fair value of the Company's investments plus the value of other net assets or liabilities held within the Group. The key drivers of the change to the NAV between 31 December 2018 and 30 June 2019 are described in more detail below.

NAV Movements (£m)



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

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

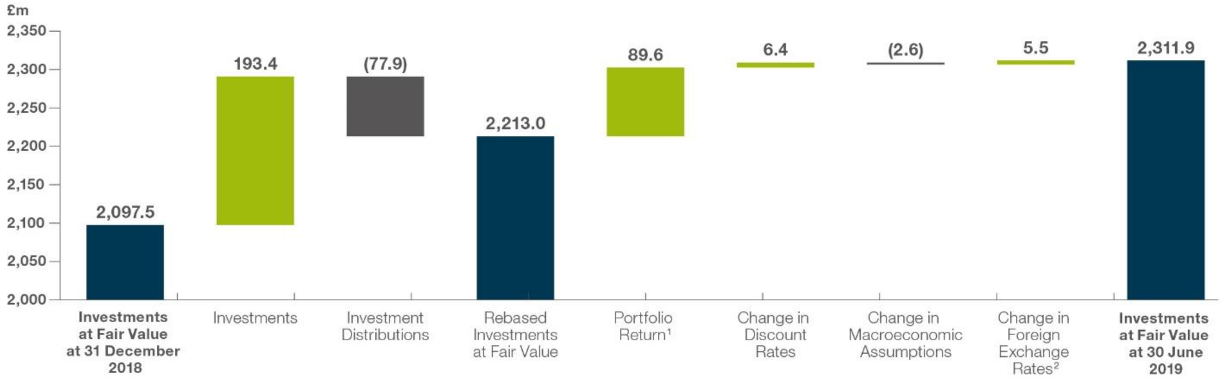
- During the six months to 30 June 2019, government bond yields decreased in all jurisdictions in which the Company is invested, resulting in a positive impact on the NAV;
- This was broadly offset by an increase in the investment risk premia which reflects the limited availability of recent market-based evidence suggesting a change of pricing for infrastructure investments;
- Sterling weakened against the Australian, Canadian and the U.S. dollar, but strengthened against the euro. The net impact was positive on the NAV, with the most significant impact seen on the Company's Australian investments;
- Two adjustments were made to the macroeconomic assumptions, including: (i) an increase in the deposit rate assumption used for the Company's Canadian investments and (ii) a one-year delay in the step-up to the long-term deposit rate assumptions used for all of the Company's investments. These changes resulted in a small negative impact on the NAV;
- In line with forward guidance provided previously, a cash dividend totalling £50.5 million was paid to the Company's shareholders during the six months to 30 June 2019. This dividend was made in respect of the six months ended 31 December 2018;
- Among other things, the NAV Return of £73.7 million captures the impact of the following:
    - The movement in the valuation date from 31 December 2018 to 30 June 2019 and the receipt of forecast distributions;
    - The value generated by the investments made during the period;
    - Updated operating assumptions to reflect current expectations of forecast cash flows;
    - Actual distributions received above the forecast amount due to active management of the Company's portfolio, including negotiating and optimising investment cash flows; and
    - Movements in the Company's working capital position.

OPERATING REVIEW
(CONTINUED)

INVESTMENTS AT FAIR VALUE

The valuation of the Company's investment portfolio is determined by the Board, with the benefit of advice from the Investment Adviser, and is reviewed by the Company's auditors. It is considered quarterly for approval by the Company's Directors. Investments at fair value as at 30 June 2019 were £2,311.9 million, an increase of 10.2% compared to 31 December 2018 (£2,097.5 million).

Investments at Fair Value Movements (£m)



1 The Portfolio Return represents, amongst other things, (i) variances in both realised and forecast investment cash flows and (ii) the unwinding of the discount factor applied to those future investment cash flows.

2 Represent movements in the forward rates used to translate forecast non-GBP investment receipts and the port rates used to translate non-GBP cash balances.

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

- An increase of £193.4 million owing to new investments made during the period;
- A decrease of £77.9 million due to investment distributions paid out from the portfolio during the period;
- The Rebased Investments at Fair Value is presented in order to allow an assessment of the Portfolio Return assuming that the investments and distributions occurred at the start of the relevant period;
- The Portfolio Return of £89.6 million captures broadly the same items as the NAV Return (set out in detail on page 23) with the principal exception being the fund-level operating costs;
- There was a small reduction in the discount rates used by the Company to value its investments. The component parts of the £6.4 million impact shown above can be seen in the NAV movements chart on page 23;
- Two adjustments were made to the macroeconomic assumptions, including: (i) an increase in the deposit rate assumption used for the Company's Canadian investments to reflect recent market long-term interest rate forecasts and (ii) a one-year delay in the step-up to the long-term deposit rate assumptions used for all of the Company's investments to reflect the prevailing low interest rate environment across all our investment jurisdictions. These changes resulted in a £2.6 million negative impact on the Investments at Fair Value; and
- Sterling weakened against the Australian, Canadian and the U.S. dollar, but strengthened against the euro. The net impact was a positive £5.5 million, with the most significant impact seen on the Company's Australian investments.

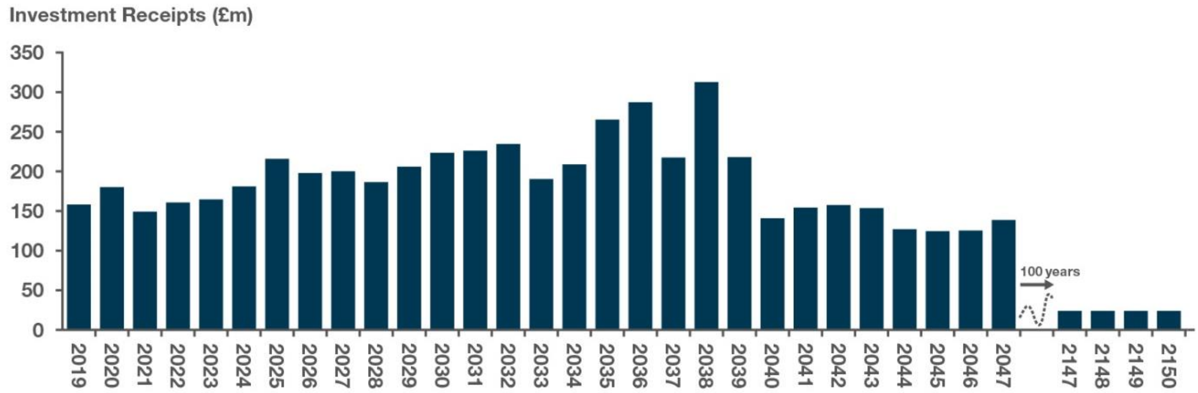
OPERATING REVIEW
(CONTINUED)

PROJECTED CASH FLOWS

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

The majority of the forecast investment receipts are in the form of dividends or interest and principal payments from subordinated and senior debt investments. The Company's portfolio comprises both investments with finite lives (determined by concession or licence terms) and perpetual investments that may be held for a much longer term. Over the term of investments with finite lives, the Company's receipts from these investments effectively represent a return of capital as well as income, and the fair value of such investments is expected to reduce to zero over time.

Projected Investment Receipts



Note: This chart is not intended to provide any future profit forecast. Cash flows shown are projections based on the current individual asset financial models and may vary in future. Only investments committed as at 30 June 2019 are included.

OPERATING REVIEW (CONTINUED)

MACROECONOMIC ASSUMPTIONS

The Company reviews the macroeconomic assumptions underlying its forecasts on a regular basis. Following a thorough market assessment, it was resolved that certain adjustments should be made, including to the deposit rates and foreign exchange rates used to value the Company's overseas investments.

The key macroeconomic assumptions used as the basis for deriving the Company's portfolio valuation are summarised below, with further details provided in note 9 of the financial statements.

MACROECONOMIC ASSUMPTIONS		30 JUNE 2019	31 DECEMBER 2018
Inflation Rates	U.K.	2.75% RPI/2.00% CPIH	2.75% RPI/2.00% CPIH
	Australia	2.50%	2.50%
	Europe	2.00%	2.00%
	Canada	2.00%	2.00%
	U.S.[1]	N/A	N/A
Long-term Deposit Rates[2]	U.K.	2.00%	2.00%
	Australia	3.00%	3.00%
	Europe	2.00%	2.00%
	Canada	2.50%	2.00%
	U.S.[1]	N/A	N/A
Foreign Exchange Rates[3]	GBP/AUD	1.84	1.88
	GBP/EUR	1.06	1.05
	GBP/CAD	1.71	1.80
	GBP/USD	1.32	1.34
Tax Rates[4]	U.K.	17.00%-19.00%	17.00%-19.00%
	Australia	30.00%	30.00%
	Europe	Various (12.50%-29.58%)	Various (12.50%-29.58%)
	Canada	Various (26.50%-27.00%)	Various (26.50%-27.00%)
	U.S.[1]	N/A	N/A

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

2 The portfolio valuation assumes actual current deposit rates are maintained until 31 December 2020 before adjusting to the long-term rates noted in the table above.

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

4 Tax rates reflect rates substantively enacted or enacted as at the valuation date.

DISCOUNT RATES

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

The majority of the Company's portfolio (92.4%) comprises Risk Capital investments, while the remaining portfolio (7.6%) comprises senior debt investments. To provide investors with a greater level of transparency, the Company publishes both a Risk Capital weighted average discount rate and a portfolio weighted average discount rate, the latter of which captures the discount rates of all investments including the senior debt interests.

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

OPERATING REVIEW
(CONTINUED)

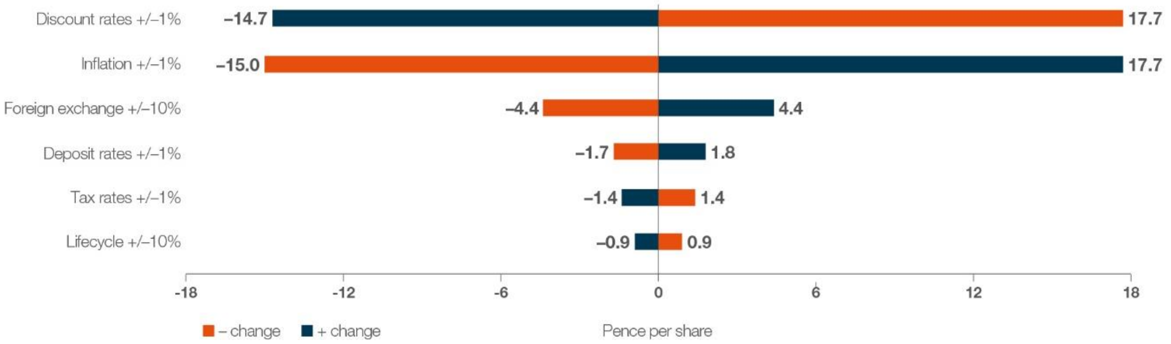
	30 JUNE 2019	31 DECEMBER 2018	MOVEMENT
Weighted Average Government Bond Yield – Portfolio	1.51%	1.83%	(0.32%)
Weighted Average Investment Premium over Government Bond Yield – Portfolio	5.82%	5.43%	0.39%
Weighted Average Discount Rate – Portfolio	7.33%	7.26%	0.07%
Weighted Average Discount Rate – Risk Capital only	7.62%	7.55%	0.07%
NAV per share	150.3p	148.1p	2.2p

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

VALUATION SENSITIVITIES

This section indicates the sensitivity of the 30 June 2019 NAV per share of 150.3 pence to changes in key assumptions. Further details can be found in note 9 of the financial statements. This analysis is provided as an indication of the potential impact of these assumptions on the NAV per share on the basis that they apply uniformly across the portfolio, whereas in practice the impact is unlikely to be uniform. The movement in each assumption could be higher or lower than presented. Further, forecasting the impact of these assumptions on the NAV in isolation cannot be relied on as an accurate guide to the future performance of the Company as many other factors and variables will combine to determine what actual future returns are available. These sensitivities should therefore be used only for general guidance and not as an accurate prediction of outcomes.

Estimated impact of changes in key variables to 30 June 2019 based on nav of 150.3 per share



DISCOUNT RATES

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

OPERATING REVIEW

(CONTINUED)

INFLATION

The impact of inflation on the value of each investment depends upon the extent to which the revenues and costs, including the financing arrangements, of that particular investment are linked to an inflation index. On a portfolio basis, there is a positive correlation to inflation with a 1.00% sustained increase in the assumed inflation rate projected to generate a 0.86% increase in portfolio returns. The returns generated by the Company's U.K. investments are typically linked to the Retail Price Index ('RPI'), whereas the Company's non-U.K. investments are typically linked to the relevant Consumer Price Index ('CPI') for that jurisdiction. Further to recent announcements by the regulators, the revenues earned by Cadent and Tideway will be linked to the CPIH (CPI including owner occupied housing costs) from 2021 and 2030 respectively. The regulators have stated that this is not designed to negatively impact companies but rather to reflect the perceived shortcomings of the RPI (i.e. the regulators' intention is for the transition from RPI to CPIH to be valuation neutral). The inflation sensitivities by geographical region are provided in note 9.5 of the financial statements.

FOREIGN EXCHANGE

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

DEPOSIT RATES

The long-term weighted average deposit rate assumption across the portfolio is 1.88% per annum. While operating cash balances tend to be low given the structured nature of the investments, project finance structures typically include reserve accounts to mitigate certain costs and therefore variations to deposit rates may impact valuations. The impact of a 1.00% increase or decrease in these rates is provided for illustration.

TAX RATES

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

LIFECYCLE SPEND

There is a process of renewal required to keep physical assets fit for use and at the standard required of them under agreements with relevant public sector counterparties. The proportion of total cost that represents this 'lifecycle spend' will depend on the nature of the asset. To enhance the certainty around cash flows, and excluding the Company's regulated investments, around 80% of the Company's assets (by value) are currently structured such that lifecycle cost risk is taken by a sub-contractor for a fixed price (isolating equity investors from such downside risk). As a result, the impact of changes to the forecast lifecycle costs is relatively small.

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

OPERATING REVIEW
(CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES

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

The Group's approach to risk is set out in the Risk Report in the 2018 Annual Report and financial statements (pages 40- 49), the Risk Report includes an overview of the principal risks and their mitigation. Risk factors are also detailed further in the Company's last Prospectus (the Placing, Open Offer and Offer for Subscription and Placing Programme Prospectus published on 12 April 2017). These risks and uncertainties are expected to remain relevant to the Group for the next six months of its financial year and include (but are not limited to):

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

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

By order of the Board

Mike Gerrard Chairman 5 September 2019	John Le Poidevin Director 5 September 2019

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

STRONG PROJECT STEWARDSHIP

OUR APPROACH

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

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

- **ESG drivers present an opportunity for new markets and investments.** In response to evolving environmental and social challenges, there are increasing numbers of businesses, regulatory regimes and technologies being developed to help solve significant environmental and social challenges. For example, climate change has led the U.K. to be a leader in offshore wind production, which in turn led to the OFTO regulatory regime. Recognising this emerging trend, the Company was able to position itself strategically to capitalise on this trend and is now a leader in this market.
- **Incorporating ESG into the Company's management processes supports its high standards of financial rigour and requirements for long-term financial performance**. The Company firmly believes that a foundation of sound governance combined with positive management of environmental and social factors will improve whole-life performance of the investments it develops and manages.
- **By investing in infrastructure and associated businesses, the Company can meaningfully support sustainable development**. The infrastructure that the Company invests in determines how healthy and productive communities can be, both now and in the future. For example, by investing in public transport systems, local communities can choose to use a healthy, clean way of commuting to work or for leisure.

For these reasons, the Company incorporates ESG across the investment lifecycle, both before and after investment. This includes undertaking ESG screening and due diligence before making an investment, and the integration of ESG requirements for stewardship and monitoring of investments.

As part of the Company's evolving approach to ESG, the Investment Adviser became a signatory to the UN PRI[1] in 2019, UNPRI is one of the world's leading proponents of responsible investment. The Investment Adviser decided to become a signatory to the UN PRI, as it will allow the Company to benchmark its ESG processes, improve performance, and provide its investors with the comfort that that the Company is in line with international best practice.

Further to becoming a signatory to the UN PRI, the Investment Adviser is increasingly focusing on driving action against the UN Sustainable Development Goals ('UNSDGs'). This will guide action across the Company as our approach to ESG develops and will continue to help improve its approach to the communities that the Company serves.

The Company's performance against the five key areas of impact is summarised below.

1 https://www.unpri.org/

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

HEALTH, SAFETY & WELLBEING

Highlights[1]

- 100% of investments have a Health, Safety and Wellbeing Policy in place
- 88% of investments have at least partial access to greenspace
- 83% of investments have provision to support active transport

Relevance to INPP

Health, Safety and Wellbeing are of paramount importance to the Company. Infrastructure projects inherently involve health and safety risk from construction through to operation. The health and safety of the Company's end-users, delivery partners, employees and members of the public who come into contact with our assets are of the upmost importance to the Company, and we accordingly adopt the highest priority to health and safety by adopting a zero-tolerance approach to accidents and near-misses.

The agenda of public health, both physical and mental, continues to grow in importance within the communities that the Company serves and is receiving increased attention from government. For example, advice published by the National Institute for Health and Care Excellence estimates that physical inactivity is costing businesses around £126,000 every year per 1,000 employees[2].

Living and working environments are key determinants of how healthy society can be and can impact the economic performance of businesses and academic performance of our education institutions. With statistics suggesting that the general public spends around 90% of its time indoors, it is unsurprising that factors such as good air quality, comfortable ambient temperatures and lighting are becoming increasingly important quality indicators for high-performing buildings[3].

This is directly relevant to the Company's performance and is an important part of supporting its public sector clients over the long-term.

Performance

Safety

The Company undertakes a proactive approach to ensuring that all parties are aware of their health and safety obligations, which is monitored through quarterly reporting. In 2019, 100%[1] of the Company's assets continue to be covered by a Health and Safety Policy, with several of our investments taking a leading role in pushing the safety agenda forward. For instance, Tideway's award-winning safety regime, Employers Project Induction Centre ('EPIC'), trained an additional 3,300 staff and contractors in 2018/2019[4].

Physical health

Active transport includes non-motorised forms of transport involving physical activity, such as walking and cycling. Biking or walking to work has been associated with lower rates of diabetes, hypertension, overweight and obesity[5]. By providing amenities and facilities on-site, the Company can support the ability of occupants to engage in active commuting[6]. In 2019, the Company identified that 83%[1] of its investments provided equipment to support active transport at site level, including bike racks and showers.

Mental health

In 2019, Tideway continued to focus on mental health and there are now more than 160 trained mental health first aiders at all levels throughout the workforce[4]. This is extremely important, considering the mental health challenges within the construction sector[7].

1 Metrics are estimates and exclude digital infrastructure investments, U.S. Military Housing, Brescia Hospital, Italy and construction projects (except Tideway).
2 https://www.nice.org.uk/guidance/ng13
3 https://www.wellcertified.com/certification/v1/
4 https://www.tideway.london/media/3326/tideway-ar18-19_d_full_web.pdf
5 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/256796/Briefing_Obesity_and_active_travel_final.pdf
6 https://standard.wellcertified.com/fitness/active-transportation-support
7 https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/articles/suicidebyoccupation/england2011to2015#main-points

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

COMMITMENT TO PROTECTING THE ENVIRONMENT

Highlights

- 1.5 GW offshore wind energy transported
- 92%[1] of investments monitor their assets' energy usage
- 92%[1] of investments have an Environmental Management System

Relevance to INPP

Environmental issues present both risk and opportunity for the Company. By reducing the portfolio's impact on climate change, improving air quality, and restoring biodiversity the Company can help improve the health and wellbeing of its end-users and support its main stakeholders delivering their key objectives. The recent heatwave throughout Europe serves as another reminder of the scale of the climate change challenge. In July, a widespread and intense heatwave impacted Europe, with many new maximum temperature records, disruption to transport and infrastructure and stress on people's health and the environment. For instance, Belgium, Germany, Luxembourg and the Netherlands saw new national temperature records, as temperatures passed the 40°C mark at the peak of the heatwave on 25 July.

With climate change continuing to rise, public consciousness and the seriousness of the threat is becoming better understood and governments are responding. In June, the U.K. became the first country to pass net-zero emissions legislation, closely followed by Sweden in July[2 3]. Despite this increased action on mitigating the impact of climate change, it is widely accepted that there will be a degree of unavoidable climate change. The Company recognises the need to understand how this risk might affect our investments.

By staying informed of physical and political changes being driven by climate change, the Company can support its stakeholders, adapt to changing weather patterns and identify new areas for potential investment.

Performance

Climate change

During 2018, the Company identified that 92% of its investments monitored their energy usage[1]. In addition, 55% of the Company's portfolio implemented energy saving initiatives[3], increasing from 34% last year.

Reflecting the importance of climate action, the Company has been actively engaging with its investments, with the following highlights so far in 2019:

In 2019, Cadent continued to explore how they can play a leading role in transitioning the U.K. to a zero-carbon economy by announcing practical trials of introducing hydrogen into the network through the ground-breaking HyDeploy project[4]. HyDeploy is an energy trial to establish the potential for blending hydrogen, up to 20%, into the normal gas supply to reduce carbon dioxide (CO2) emissions.

A year-long live trial of blended gas will take place on part of the Keele gas network from summer 2019[4]. The results of this trial will be used to inform feasibility of widespread use of hydrogen on the network, which could lead to savings of around six million tonnes of CO2 emissions every year, the equivalent of taking 2.5 million cars off the road[5].

Air quality

Angel Trains are working with their partners to develop reduced pollution, lower carbon solutions for existing rolling stock. Alongside Chiltern Railway, Angel Trains are working on technology that would convert diesel trains to the U.K.'s first retrofitted electric hybrids. The improved efficiency will cut pollution and fuel use by around 25% without the cost and disruption of installing overhead wires[6].

Resource efficiency

In support of increasing resource efficiency, the Company continues to monitor how many of its investments are actively considering waste production and disposal. In 2019, 38%[1] of the Company's investments monitored waste at the site level, which the Company is looking to improve.

In 2018/2019 Cadent sent only 14% of their waste to landfill, continuing their progress towards their goal of zero waste to landfill by 2021/22[7].

Biodiversity

In 2019 Tideway continued their association with the Zoological Society of London ('ZSL') and biodiversity research. ZSL commenced survey work on a study to improve understanding of how smelt fish use the estuary as a breeding ground. Further survey work will be undertaken in 2020 and the results published later that year[8].

1 Metrics are estimates and exclude digital infrastructure investments, U.S. Military Housing, Brescia Hospital, Italy and construction projects (except Tideway).
2 https://www.theccc.org.uk/publication/net-zero-the-uks-contribution-to-stopping-global-warming/
3 https://www.gov.uk/government/news/uk-becomes-first-major-economy-to-pass-net-zero-emissions-law
4 https://hydeploy.co.uk/keele/
5 https://hynet.co.uk/customers/
6 https://www.ft.com/content/4f7d9fd8-ba98-11e8-8274-55b72926558f
7 https://cadentgas.com/news-media/news/july-2019/safety-sustainability-report-published
8 https://www.tideway.london/media/3326/tideway-ar18-19_d_full_web.pdf

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

SUPPORTING PUBLIC-SECTOR CLIENTS

Highlights

- >190,000[1] Number of pupils at schools within the portfolio
- 79%[1] Ofsted rating of 'Good' or above
- 1,497[2] management meeting hours with public sector

Relevance to INPP

The provision of essential services to the Company's public sector clients is a core component of their success and that of the regions and societies in which it operates. The Company's investments provide the capital required by the public sector to deliver the vital infrastructure and services they need for local communities to thrive.

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

Performance

Partnerships

Stakeholder engagement is a key part of supporting our public sector clients and the Company's 'hands-on' approach facilitates a strong collaborative relationship that generates mutual benefits. The Investment Adviser maintains these relationships by holding regular meetings and engaging with the Company's public sector clients, with over 1,400 hours[2] of face-to-face meetings during the first half of 2019.

For example, in 2019, the Investment Adviser has been working with Maesteg School, the local authority and facilities management company to identify ways in which the passive and active supervision of students can be improved, with the intention of reducing the instances of vandalism and reducing the wear and tear on the building. Works identified, which will be carried out as school funded enhancements to lifecycle works over summer 2019, include enhancements to the CCTV system and remodelling of a toilet block.

Availability

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

Education performance

Educational assets within the portfolio represent c.20% of the Company and provide educational development and facilities to over 190,000 pupils[1]. Over the first six months of 2019, the Company's supply chain has prepared more than 300,000 free school meals[3]. Across the INPP U.K. school estate, 79% of the portfolio achieved an Ofsted rating of 'Good' or above[1].

Whilst, of course, the services provided by the school accommodation projects in which the Company invests do not include teaching, there is understood to be a positive relationship between the quality of the teaching environment and the pupils' standard of educational attainment[4].

1 www.gov.uk/government/organisations/ofsted
2 Metrics are estimates and exclude digital infrastructure investments, U.S. Military Housing, Brescia Hospital, Italy and construction projects (except Tideway).
3 Metrics are estimates and include U.K. school investments
4 Clark. H (2002) Building Education: The Role of the Physical Environment in Enhancing Teaching and Research. Issues in Practice.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

COMMITMENT TO SKILLS AND EMPLOYMENT

Highlights[1]

- 96% of investments have an employee development/training programme
- 94% of investments are influenced by an Equality, Diversity and Inclusion Policy

Relevance to INPP

Well-run and maintained projects and businesses are of critical importance to the success of the Company's portfolio. Through active management of assets, the Company monitors the relationships between its service providers and clients, the regulator, the operating business and the end-user. Whilst the Company uses contractual requirements as a framework to deliver on expected outcomes, it recognises that companies with high employee satisfaction can outperform their competitors[2]. To realise these benefits, the Company is exploring how its service providers are investing in their workforce.

By focusing on improved skills and employment, the Company can encourage improvements in productivity of its supply chain.

Performance

Staff training

The Company actively engages with its delivery partners to achieve a high-level of employee satisfaction. 96%[1] of the Company's assets are covered by a staff development/training programme, with many providing additional performance incentives.

Equality, Diversity and Inclusion

As part of the Company's approach to active management of our investments, it is exploring how Equality, Diversity and Inclusion is considered. 94%[1] of the Company's investments – or the facilities management company delivering the services – has adopted an Equality, Diversity and Inclusion Policy to help promote a good working environment.

For instance, Cadent are supporting the new 'Talent Source Network' programme[3], which focuses on the engagement, attraction and awareness of key target audiences, including:

- Women;
- Black, Asian and minority ethnic ('BAME');
- Service leavers;
- Parents;
- Unemployed; and
- Not in Education, Employment or Training ('NEETS').

Productivity

According to the U.K. government, apprenticeships are an important component of improving the productivity of businesses, their efficiency, boosting the economy and supporting young people's employment prospects[4].
In 2019, Tideway continued to be ahead of their target of one apprentice for every 50 staff employed, achieving one in 49[5].

Cadent's Education and Skills Strategy focuses on STEM enrichment, careers inspiration and work experience. By building relationships with a number of schools in recruitment hotspots, Cadent provides opportunities for its people to volunteer as mentors across a range of subjects and age groups.

1 Metrics are estimates and exclude digital infrastructure investments, U.S. Military Housing, Brescia Hospital, Italy and construction projects (except Tideway).
2 http://faculty.london.edu/aedmans/RoweAMP.pdf
3 http://www.talentsourcenetwork.co.uk/
4 http://www.southampton.gov.uk/moderngov/documents/s17298/Appendix
5 https://www.tideway.london/media/3326/tideway-ar18-19_d_full_web.pdf

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

(CONTINUED)

INVESTING IN THE COMMUNITY

Highlights[1]

- 63,460 out of hours community use
- >3,250 permanently employed staff on social infrastructure projects

Relevance to INPP

Engaged communities can play an important role in the successful delivery of new assets and their long-term operations. Strong communities have the potential to influence the operations of the Company's assets as the positive effects can include lower crime rates, better educational achievement, higher employment and better health. Through its investments, the Company is exploring how it can work with the local communities where it invests and bring socio-economic benefits to the area.

Performance

Local employment

Providing employment opportunities for the communities the Company serves is important. Through the Company's social infrastructure projects, it has estimated that 3,250[1] permanent employment opportunities have been created as a result of the Company's investments. One of Tideway's commitments is to target employment in the boroughs affected by our works. At the end of 2018/19, 21% of Tideway's Mains Work Contract workforce resides locally, within the 14 boroughs affected by the work.

Community hours

Across all of the Company's investments, an estimation of over 63,460 hours[1] have been provided to support local groups and wider community use. For example, the Company's investment in Newbold in Derby has provided an estimated >3,000 hours[1] of community use. The school is typically used by a Church group at the weekends, and a local football team use the all-weather sports pitch.

Community support

In 2019, one of the Company's BSF investments committed to sponsor a commercial café for a special education needs school in Nottingham. The purpose is to provide students with an opportunity to get some real-life experience, boost their confidence and build their CVs.

In Australia, the Project Company which owns Long Bay Forensic and Prison Hospitals supported the Authority (Western Area Health District) Living Quality and Safety awards. The Project Company sponsored and presented the 'Supporting our People Award' to the winning clinical team.

1 Metrics are estimates and exclude digital infrastructure investments, U.S. Military Housing, Brescia Hospital, Italy and construction projects (except Tideway). Where applicable, jobs referred to are employees of the Company's Facilities Management subcontractors and not of the Company of its subsidiaries.

BOARD OF DIRECTORS

The table below details all Directors of the Company as at 30 June 2019.

BACKGROUND AND EXPERIENCE		LISTED COMPANY AND OTHER RELEVANT DIRECTORSHIPS
Mike Gerrard Board Chair, Chair, Investment Committee (with effect from 31 December 2018) Date of Appointment: 4 September 2018	Aged 61 and a resident in the U.K., Mike has 30 years of financial and management experience in global infrastructure investment. He has held a number of senior positions, including as an assistant director of Morgan Grenfell plc, a director of HM Treasury Taskforce, deputy CEO and later CEO of Partnerships U.K. plc and, most recently, a managing director of Thames Water Utilities Limited. Mike has a breadth of experience across a range of economic and social infrastructure sectors and has been involved in some of the largest infrastructure projects in the U.K. He is a Fellow of the Institution of Civil Engineers.	Mike holds several non-executive positions within boards and committees that oversee the development and delivery of infrastructure investments in the U.K. and Europe.
Julia Bond[1] Chair, Risk Sub-Committee (with effect from 1 February 2019), Chair, Nomination and Remuneration Committee (with effect from 1 February 2019) Date of Appointment: 1 September 2017	Aged 60 and a resident in the U.K., Julia has 27 years' experience of capital markets in the financial sector and held senior positions within Credit Suisse, including Head of One Bank Delivery and Global Head of Sovereign Wealth funds activity.	European Assets Trust ('EAT') Julia is currently a non-executive director and trustee of several governmental bodies and charities including the British Foreign and Commonwealth.
John Le Poidevin[1] Chair, Audit and Risk Committee Date of Appointment: 1 January 2016	Aged 49 and a resident of Guernsey, John has over 25 years of business experience. John is a Fellow of the Institute of Chartered Accountants in England and Wales and a former partner of BDO LLP, where he held a number of leaderships rules, including Head of Consumer Markets, where he developed an extensive breadth of experience and knowledge across the real estate, leisure and retail sectors in the U.K. and overseas. John is a non-executive director on several plc boards and chairs a number of Audit Committees.	Episode Inc BH Macro Ltd Stride Gaming plc
John Stares[1] Chair, Risk Sub-Committee (until 1 February 2019), Chair, Nomination and Remuneration Committee (until 1 February 2019) Date of Appointment: 28 August 2013	Aged 68 and a resident of Guernsey since 2001, John has over 40 years' experience. Before moving to Guernsey, John worked for 23 years as a management consultant with Accenture, where he held a wide variety of leadership roles. He currently holds non-executive positions on the boards of several other companies. John is a Fellow of the Institute of Chartered Accountants in England and Wales, a member of the Worshipful Company of Management Consultants, and a Freeman of the City of London.	Terra Firma (for a number of Guernsey-based entities) Governor of More House School New Philanthropy Capital (Trustee)
Claire Whittet[1] Chair, Management Engagement Committee Date of Appointment: 10 September 2012	Aged 64 and a resident of Guernsey, Claire has 40 years' experience in the banking industry with Bank of Scotland, Bank of Bermuda and Rothschild and Co Bank International, where she was latterly, managing director and co-Head until May 2016 when she became a non-executive director. She is also a non-executive director of a number of other investment companies and is not involved in any trading companies. Claire is a member of the Chartered Institute of Bankers in Scotland, the Chartered Insurance Institute, is a Chartered Banker, a member of the Institute of Directors and holds the Institute of Directors Diploma in Company Direction.	BH Macro Ltd Eurocastle Investment Ltd Riverstone Energy Ltd TwentyFour Select Monthly Income Fund Ltd Third Point Offshore Investors Ltd

BOARD OF DIRECTORS
(CONTINUED)

BACKGROUND AND EXPERIENCE		LISTED COMPANY AND OTHER RELEVANT DIRECTORSHIPS
John Whittle[1] Senior Independent Director, Date of Appointment: 6 August 2009	Aged 64, John is a resident of Guernsey. John is a Fellow of the Institute of Chartered Accountants in England and Wales and holds the Institute of Directors Diploma in Company Direction. John holds non-executive positions on a number of other boards. John was previously finance director of Close Fund Services, a large independent administrator. Prior to moving to Guernsey, John was at Price Waterhouse in London before embarking on a career in business services, predominantly telecoms.	Aberdeen Frontier Markets Investment Company Ltd Globalworth Real Estate Investments Ltd GLI Finance Ltd India Capital Growth Fund Ltd Starwood European Real Estate Finance Ltd Chenavari Toro Income Fund Ltd
Giles Frost Date of Appointment: 2 August 2006	Aged 56 and a resident in the U.K., Giles is a founder and director of Amber Infrastructure and has worked in the infrastructure investments sector for over 20 years. Giles qualified as a solicitor and partner in the law firm Wilde Sapte (now Dentons). Giles is a director of Amber Infrastructure Group Holdings Ltd, the ultimate holding company of the Investment Adviser to the Company and various of its subsidiaries.	Giles is also a director of a number of the Company's subsidiary and investment holding entities and of other entities in which the Company has an investment. He does not receive directors' fees from such roles for the Company.

1 All of the independent directors are members of all Committees with the exception of Mr Gerrard, who is not a member of the Audit and Risk Committee. Mr Frost is a non-independent director.

DIRECTORS RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Half-yearly Financial Report in accordance with applicable law and regulations. The Directors confirm to the best of their knowledge:

a) The condensed set of financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting';
b) The interim financial and operating review 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 financial and operating review 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

Mike Gerrard	John Le Poidevin
Chairman	Director
5 September 2019	5 September 2019

INDEPENDENT REVIEW REPORT TO INTERNATIONAL PUBLIC PARTNERSHIPS 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 2019 which comprises the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Balance Sheet, 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 (U.K. 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 Guidance and Transparency Rules of the U.K.'s Financial Conduct Authority.

As disclosed in note 1, the Annual Financial Statements of the Company are prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the E.U. 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 E.U.

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 (U.K. 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 U.K. 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 (U.K. 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 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the E.U. and the Disclosure Guidance and Transparency Rules of the U.K.'s Financial Conduct Authority.

Ernst & Young LLP
Guernsey
5 September 2019

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) SIX MONTHS ENDED 30 JUNE 2019

	Notes	**Six months ended 30 June 2019 £'000s**	Six months ended 30 June 2018 £'000s
Interest income	4	**36,533**	35,224
Dividend income	4	**22,654**	13,161
Net change in investments at fair value through profit or loss	4	**40,427**	31,115
Total investment income		**99,614**	79,500
Other operating income	5	**745**	673
Total income		**100,359**	80,173
Management costs	15	**(11,607)**	(11,278)
Administrative costs		**(945)**	(761)
Transaction costs	15	**(2,449)**	(168)
Directors' fees		**(198)**	(169)
Total expenses		**(15,199)**	(12,376)
Profit before finance costs and tax		**85,160**	67,797
Finance costs	6	**(1,480)**	(1,858)
Profit before tax		**83,680**	65,939
Tax credit	7	**37**	55
Profit for the period		**83,717**	65,994
Earnings per share			
From continuing operations			
Basic and diluted (pence)	8	**5.64**	4.70

All results are from continuing operations in the period.

All income is attributable to the equity holders of the parent. There are no non-controlling interests within the consolidated Group.

There are no other Comprehensive Income items in the current period (30 June 2018: nil). The profit for the period represents the Total Comprehensive Income for the period.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

SIX MONTHS ENDED 30 JUNE 2019

	Notes	Share Capital £'000s	Other Distributable Reserve £'000s	Retained Earnings £'000s	Total £'000s
Balance at 31 December 2018		1,560,243	182,481	456,023	2,198,747
Total comprehensive income		-	-	83,717	83,717
Issue of Ordinary Shares	13	1,501	-	-	1,501
Issue costs applied to new shares	13	-	-	-	-
Distributions in the period	13	-	-	(51,952)	(51,952)
Balance at 30 June 2019		1,561,744	182,481	487,788	2,232,013

SIX MONTHS ENDED 30 JUNE 2018

	Notes	Share Capital £'000s	Other Distributable Reserve £'000s	Retained Earnings £'000s	Total £'000s
Balance at 31 December 2017		1,441,048	182,481	414,769	2,038,298
Total comprehensive income		-	-	65,994	65,994
Issue of Ordinary Shares	13	-	-	-	-
Issue costs applied to new shares	13	-	-	-	-
Distributions in the period	13	-	-	(47,925)	(47,925)
Balance at 30 June 2018		1,441,048	182,481	432,838	2,056,367

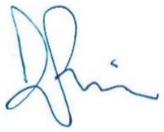
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

AS AT 30 JUNE 2019

	Notes	30 June 2019 £'000s	31 December 2018 £'000s
Non-current assets			
Investments at fair value through profit or loss	9	**2,311,903**	2,097,468
Total non-current assets		**2,311,903**	2,097,468
Current assets			
Financial assets at amortised cost	9, 11	**25,780**	25,234
Cash and cash equivalents	9	**47,804**	84,718
Derivative financial instruments	9	**413**	-
Total current assets		**73,997**	109,952
Total assets		**2,385,900**	2,207,420
Current liabilities			
Trade and other payables	9, 12	**10,587**	8,366
Derivative financial instruments	9	-	307
Total current liabilities		**10,587**	8,673
Non-current liabilities			
Bank loans	6, 9	**143,300**	-
Total non-current liabilities		**143,300**	-
Total liabilities		**153,887**	8,673
Net assets		**2,232,013**	2,198,747
Equity			
Share capital	13	**1,561,744**	1,560,243
Other distributable reserve	13	**182,481**	182,481
Retained earnings	13	**487,788**	456,023
Equity attributable to equity holders of the parent		**2,232,013**	2,198,747
Net assets per share (*pence per share*)	14	**150.3**	148.1

The financial statements were approved by the Board of Directors on 5 September 2019.

They were signed on its behalf by:



Mike Gerrard
Chairman
5 September 2019

John Le Poidevin
Director
5 September 2019

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

SIX MONTHS ENDED 30 JUNE 2019

	Notes	**Six months ended 30 June 2019 £'000s**	Six months ended 30 June 2018 £'000s
Profit before tax in the Consolidated Statement of Comprehensive Income[1]		**83,680**	65,939
Adjusted for:			
Gain on investments at fair value through profit or loss	4	**(40,427)**	(31,115)
Finance costs[2]	6	**1,480**	1,858
Fair value movement on derivative financial instruments	5	**(720)**	(1,039)
Working capital adjustments			
(Increase)/decrease in receivables		**(609)**	1,717
Increase in payables		**2,222**	214
		45,626	37,574
Income tax paid[3]		**(163)**	(204)
Net cash inflow from operations[4]		**45,463**	37,370
Investing activities			
Acquisition of investments at fair value through profit or loss	10	**(193,370)**	(10,504)
Net repayments from investments at fair value through profit or loss		**19,362**	21,468
Net cash flow from investing activities		**(174,008)**	10,964
Financing activities			
Dividends paid	13	**(50,450)**	(47,925)
Finance costs paid[2]		**(1,311)**	(1,458)
Loan drawdowns[2]		**143,300**	6,991
Net cash provided by financing activities		**91,539**	(42,392)
Net (decrease)/increase in cash and cash equivalents		**(37,006)**	5,942
Cash and cash equivalents at beginning of period		**84,718**	33,850
Foreign exchange gain on cash and cash equivalents		**92**	35
Cash and cash equivalents at end of period		**47,804**	39,827

1 Includes interest received of £34.1 million and dividends received of £22.7 million.
2 These are cash flows and non-cash flows for financing liabilities in accordance with IAS 7, 44A-E.
3 Cash flows received from unconsolidated subsidiary entities in respect of surrender of tax losses.
4 Net cash flows from operations above are reconciled to operating cash flows as shown in the Operating Review on pages 20-21.

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS (UNAUDITED) SIX MONTHS ENDED 30 JUNE 2019

1. BASIS OF PREPARATION

International Public Partnerships Limited is a closed-ended authorised investment company incorporated in Guernsey under the Companies (Guernsey) Law, 2008. The address of the registered office is given on the inside back cover. The nature of the Group's ('Parent and consolidated subsidiary entities') operations and its principal activities are set out on pages 2 and 11 respectively.

These financial statements are presented in pounds sterling as this is the currency of the primary economic environment in which the Group operates and represents the functional currency of the Parent and all values are rounded to the nearest (£'000), except where otherwise indicated.

The financial information for the year ended 31 December 2018 included in this Half-yearly Financial Report is derived from the 2018 Annual Report and Financial Statements and does not constitute statutory accounts as defined in the Companies (Guernsey) Law, 2008. The auditors 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.

ACCOUNTING POLICIES

The annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the E.U. The set of condensed consolidated financial statements included in this Half-yearly Financial Report have been prepared in accordance with International Accounting Standard 34 – 'Interim Financial Reporting' as adopted by the E.U. and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2018, 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 2018. The new and revised IFRS and interpretations becoming effective in the period have had no material impact on the accounting policies of the Group.

The Directors have determined that International Public Partnerships Limited is an investment entity as defined by IFRS 10 on the basis that the Company:

a) obtains funds from one or more investor(s) for the purpose of providing those investor(s) with investment management services;

b) commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

Accordingly, these financial statements consolidate only those subsidiaries that provide services relevant to its investment activities, such as management services, strategic advice and financial support to its investees, and that are not themselves investment entities. Subsidiaries that do not provide investment-related services are required to be measured at fair value through profit or loss in accordance with IFRS 9 Financial Instruments.

GOING CONCERN

The Directors have reviewed cash flow forecasts prepared by management. Based on those forecasts and an assessment of the Group's committed banking facilities, it has been considered appropriate to prepare the financial statements of the Group on a going concern basis.

In arriving at their conclusion that the Group has adequate financial resources, the Directors were mindful that the Group had unrestricted cash of £47.8 million as at 30 June 2019. The Company continues to fully cover operating costs and distributions from underlying cash flows from investments. The Company has access to a CDF of £400 million, of which £255.3 million was uncommitted as at 30 June 2019, and is available for investment in new and existing projects until July 2021. In addition, a portion of the facility can be utilised for working capital purposes. The facility is forecast to continue in full compliance with the associated banking covenants.

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS (UNAUDITED) SIX MONTHS ENDED 30 JUNE 2019 (CONTINUED)

2. SIGNIFICANT JUDGEMENTS AND ESTIMATES

FAIR VALUATION OF INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Fair values are determined using the income approach, which discounts the expected cash flows at a rate appropriate to the risk profile of each investment. In determining the discount rate, relevant long-term government bond yields, specific investment risks and evidence of recent transactions are considered. Details of the valuation process and key sensitivities are provided in note 9.

3. SEGMENTAL REPORTING

Based on a review of information provided to the chief operating decision makers of the Company, the Group has identified four reportable segments based on the geographical risk associated with the jurisdictions in which it operates. The factors used to identify the Group's reportable segments are centred on the risk-free rates and the maturity of the Infrastructure sector within each region. Further, foreign exchange and political risk is identified, as these also determine where resources are allocated. Management has concluded that the Group is currently organised into four operating segments, being U.K., Europe (excl. U.K.), North America and Australia.

	Six months ended 30 June 2019				
	U.K. £'000s	Europe (Excl. U.K.) £'000s	North America £'000s	Australia £'000s	Total £'000s
Segmental results					
Dividend and interest income	**44,882**	**3,019**	**4,315**	**6,971**	**59,187**
Fair value gain on investments	**14,302**	**19,646**	**2,564**	**3,915**	**40,427**
Total investment income	**59,184**	**22,665**	**6,879**	**10,886**	**99,614**
Reporting segment profit[1]	**42,542**	**22,910**	**7,490**	**10,775**	**83,717**
Segmental financial position					
Investments at fair value	**1,694,338**	**305,011**	**105,854**	**206,700**	**2,311,903**
Current assets	**73,997**	**-**	-	-	**73,997**
Total assets	**1,768,335**	**305,011**	**105,854**	**206,700**	**2,385,900**
Total liabilities	**(153,887)**	-	-	-	**(153,887)**
Net assets	**1,614,448**	**305,011**	**105,854**	**206,700**	**2,232,013**

	Six months ended 30 June 2018				
	U.K. £'000s	Europe (Excl. U.K.) £'000s	North America £'000s	Australia £'000s	Total £'000s
Segmental results					
Dividend and interest income	**36,265**	**3,283**	**4,090**	**4,747**	**48,385**
Fair value gain/(loss) on investments	**23,725**	**8,719**	**(21)**	**(1,308)**	**31,115**
Total investment income	**59,990**	**12,002**	**4,069**	**3,439**	**79,500**
Reporting segment profit[1]	**45,812**	**12,310**	**4,129**	**3,743**	**65,994**
Segmental financial position					
Investments at fair value	**1,443,639**	**279,336**	**97,988**	**204,480**	**2,025,443**
Current assets	**64,900**	**-**	-	-	**64,900**
Total assets	**1,508,539**	**279,336**	**97,988**	**204,480**	**2,090,343**
Total liabilities	**(33,976)**	-	-	-	**(33,976)**
Net assets	**1,474,563**	**279,336**	**97,988**	**204,480**	**2,056,367**

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

Revenue from investments which individually represent more than 10% of the Group's interest and dividend income approximates £14.6 million (30 June 2018: £10.8 million).

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS (UNAUDITED) SIX MONTHS ENDED 30 JUNE 2019 (CONTINUED)

4. INVESTMENT INCOME

	Six months ended 30 June 2019 £'000s	Six months ended 30 June 2018 £'000s
Interest income		
Interest on investments	**36,533**	35,224
Interest on bank deposits	**-**	-
Total interest income	**36,533**	35,224
Dividend income	**22,654**	13,161
Net change in fair value of investments at fair value through profit or loss	**40,427**	31,115
Total investment income	**99,614**	79,500

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

5. OTHER OPERATING INCOME

	Six months ended 30 June 2019 £'000s	Six months ended 30 June 2018 £'000s
Fair value gain on foreign exchange contracts	**720**	1,039
Other foreign exchange movements	**25**	(366)
Total other operating income	**745**	673

6. FINANCE COSTS

Finance costs for the period were £1.5 million (30 June 2018: £1.9 million). The Group has a CDF of £400 million provided by Royal Bank of Scotland, National Australia Bank, Barclays Bank and Sumitomo Mitsui Banking Corporation. The drawdowns in the period were in the form of cash drawdowns and issuance of letters of credit. Cash drawdowns were used to partially fund investments and the letter of credit drawdowns were used to back the Group's commitment to specific future cash investments. As at 30 June 2019, the facility was £143.3 million cash drawn. The uncommitted balance of the facility which was not cash drawn or notionally drawn via letters of credit was c.£255.3 million.

The interest rate margin on the CDF is 165 basis points over Libor. The loan facility matures in July 2021 and is secured over the assets of the Group.

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS (UNAUDITED) SIX MONTHS ENDED 30 JUNE 2019 (CONTINUED)

7. TAX

	Six months ended 30 June 2019 £'000s	Six months ended 30 June 2018 £'000s
Current tax:		
U.K. corporation tax (credit) – current period	**(67)**	(216)
U.K. corporation tax charge/(credit) – prior period	**23**	(2)
Other overseas tax – current period	**35**	43
Other overseas tax – prior period	**(28)**	120
Tax credit for the period	**(37)**	(55)

Reconciliation of effective tax rate:

	Six months ended 30 June 2019 £'000s	Six months ended 30 June 2018 £'000s
Profit before tax	**83,680**	65,939
Exempt tax status in Guernsey	**-**	-
Application of overseas tax rates	**35**	43
Group tax losses surrendered to unconsolidated investee entities	**(67)**	(216)
Adjustment to prior period	**(5)**	118
Tax credit for the period	**(37)**	(55)

The income tax credit above does not represent the full tax position of the entire Group as the investment returns received by the Company are net of tax payable at the underlying investee entity level. As a consequence of the adoption of the IFRS 10 investment entity consolidation exception, underlying investee entity tax is not consolidated within these financial statements. To provide an indication of the tax paid across the wider portfolio, total forecasted corporation tax payable by the Group's underlying investments is in excess of £1 billion (30 June 2018: £1 billion) over their full concession lives.

8. EARNINGS PER SHARE

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

	Six months ended 30 June 2019 £'000s	Six months ended 30 June 2018 £'000s
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	**83,717**	65,994
	Number	Number
Weighted average number of Ordinary Shares for the purposes of basic and diluted earnings per share	**1,484,433,340**	1,405,420,125
Basic and diluted (pence)	**5.64**	4.70

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

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS (UNAUDITED) SIX MONTHS ENDED 30 JUNE 2019 (CONTINUED)

9. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the instrument expire or the asset is transferred, and the transfer qualifies for derecognition in accordance with IFRS 9 Financial Instruments. Financial liabilities are derecognised when the obligation is discharged, cancelled or expired.

9.1 FINANCIAL ASSETS

	30 June 2019 £'000s	31 December 2018 £'000s
Investments at fair value through profit and loss	**2,311,903**	2,097,468
Financial assets		
Financial assets at amortised cost	**25,780**	25,234
Cash and cash equivalents	**47,804**	84,718
Derivative financial instruments		
Foreign exchange contracts	**413**	-
Total financial assets	**2,385,900**	2,207,420

9.2 FINANCIAL LIABILITIES

	30 June 2019 £'000s	31 December 2018 £'000s
Financial liabilities at amortised cost		
Trade and other payables	**10,587**	8,366
Bank loans	**143,300**	-
Derivative financial instruments		
Foreign exchange contracts	**-**	307
Total financial liabilities	**153,887**	8,873

9.3 FINANCIAL RISK MANAGEMENT

The Group's objective in managing risk is the protection of shareholder value. Risk is inherent in the Group's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Group's continuing profitability. The Group is exposed to market risk (which includes currency risk, interest rate risk and inflation risk), credit risk and liquidity risk arising from the financial instruments it holds. The Group's Investment Adviser is responsible for identifying and controlling risks. The Board of Directors supervises the Investment Adviser and is ultimately responsible for the overall risk management of the Group.

The Group's risk management framework and approach is set out within the Strategic Report, part of the 2018 Annual Report and financial statements. The Board takes into account market, credit and liquidity risks in forming the Group's risk management strategy.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as changes in inflation, foreign exchange rates and interest rates.

Inflation risk

The majority of the Group's cash flows from underlying investments are linked to inflation indices. Changes in inflation rates can have a positive or negative impact on the Group's cash flows from investments. The long-term inflation assumptions applied in the Group's valuation of investments at fair value through profit or loss are disclosed in the fair value hierarchy section 9.4.

The Group's portfolio of investments has been developed in anticipation of continued inflation at or above the levels used in the Group's valuation assumptions. Where inflation is at levels below the assumed levels for a sustained period of time, investment performance may be impaired. The level of inflation-linkage across the investments held by the Group varies and is not consistent.

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS (UNAUDITED) SIX MONTHS ENDED 30 JUNE 2019 (CONTINUED)

9. FINANCIAL INSTRUMENTS (CONTINUED)

9.3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows from underlying investments, therefore impacting the value of investments at fair value through profit or loss. The Group has limited exposure to interest rate risk as the underlying borrowings within the unconsolidated investee entities are either hedged through interest rate swap arrangements, are fixed rate loans, or the risk of adverse movement in interest rates is limited through protections provided by the regulatory regime. For example, it is generally a requirement under a PFI/PPP concession that any borrowings are matched to the life of the concession. Hedging activities are aligned with the period of the loan, which also mirrors the concession period, and are highly effective. However, particularly in Australia, refinancing risk exists in a number of such investments. The Group's CDF is unhedged on the basis it is utilised as an investment bridging facility and therefore drawn for a relatively short period of time. Therefore, the Group is not significantly exposed to cash flow risk due to changes in interest rates over its variable rate borrowings. Interest income on bank deposits held within underlying investments is included within the fair value of investments.

Foreign currency risk

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

	30 June 2019 £'000s	31 December 2018 £'000s
Cash		
Euro	**2,652**	2,555
Canadian dollar	**675**	1,184
Australian dollar	**120**	97
U.S. dollar	**1,210**	1,227
	4,657	5,063
Current receivables		
Euro receivables	**590**	1,454
U.S. dollar receivables	**74**	183
	664	1,637
Investments at fair value through profit or loss		
Euro	**305,011**	290,406
Canadian dollar	**39,366**	38,163
Australian dollar	**206,700**	206,872
U.S. dollar	**66,488**	65,604
	617,565	601,045
Total	**622,886**	607,745

Sensitivity analysis showing the impact of variations of the above risks on the fair value of investments is shown in section 9.5.

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS (UNAUDITED) SIX MONTHS ENDED 30 JUNE 2019 (CONTINUED)

9. FINANCIAL INSTRUMENTS (CONTINUED)

9.3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of dealing with creditworthy counterparties and reviewing this on a regular basis at the underlying entity level. The majority of underlying investments are in public-private partnerships and similar concessions (which are entered into with government, quasi government, other public, equivalent low-risk bodies), or in regulated businesses that inherently exhibit low levels of credit risk. The maximum exposure of credit risk over financial assets as a result of counterparty default is the carrying value of those financial assets in the balance sheet. In addition, the underlying investee entities contract with third-party construction and facilities managements contractors. The Group seeks to mitigate this risk through using a diverse range of sub-contractors and through at least quarterly review of the credit position of major contractors. The Group considers that any impairment under the expected credit losses model was not material at the balance sheet date.

Liquidity risk

Liquidity risk is defined as the risk that the Group would encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group invests in relatively illiquid investments (mainly non-listed equity and loans). As a closed-ended investment vehicle there are no automatic capital redemption rights. The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities and by continuously monitoring forecast and actual cash flows. Cash flow forecasts assume full availability of underlying infrastructure to the relevant public sector body or end-user. Failure to maintain assets available for use or operating in accordance with pre-determined performance standards or licence conditions may lead to a reduction (wholly or partially) in the investment income that the Group has projected to receive. The Directors review the underlying performance of each investment on a quarterly basis, allowing asset performance to be monitored. The terms of public-private partnership contractual mechanisms also allow for significant pass-down of unavailability and performance risk to sub-contractors. Regulated asset regimes allow for the pass through of efficiently incurred costs to the purchaser.

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS (UNAUDITED) SIX MONTHS ENDED 30 JUNE 2019 (CONTINUED)

9. FINANCIAL INSTRUMENTS (CONTINUED)

9.4 FAIR VALUE HIERARCHY

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities

Level 2 — Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)

Level 3 — Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

During the period there were no transfers between Level 2 and Level 3 categories.

Level 1:

The Group has no financial instruments classified as Level 1.

Level 2:

This category includes derivative financial instruments such as interest rate swaps, RPI Swaps and currency forward contracts. As at 30 June 2019, the Group's only derivative financial instruments were currency forward contracts amounting to an asset of £0.4 million (31 December 2018: liability of £0.3 million).

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

Level 3:

This category consists of investments in equity and loan instruments in underlying unconsolidated subsidiary entities and other non-controlled investments which are classified at fair value through profit or loss. At 30 June 2019, the fair value of financial instruments classified within Level 3 totalled £2,311.9 million (31 December 2018: £2,097.5 million).

Financial instruments are classified within Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price.

Valuation process

Valuations are the responsibility of the Board of Directors. The valuation of unlisted equity and debt investments is performed on a quarterly[1] basis by the Investment Adviser and reviewed by the senior members of the Investment Adviser.

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

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS (UNAUDITED) SIX MONTHS ENDED 30 JUNE 2019 (CONTINUED)

9. FINANCIAL INSTRUMENTS (CONTINUED)

9.4 FAIR VALUE HIERARCHY (CONTINUED)

Valuation methodology

The valuation methodologies used are primarily based on discounting projected net cash flows at appropriate discount rates. Valuations are also reviewed against recent market transactions for similar assets in comparable markets observed by the Group or the Investment Adviser and adjusted where appropriate.

Cash flow forecasts for the full-term of each underlying investment are generated by detailed investment specific financial models. These models forecast the dividend, shareholder loan interest payments, capital repayments and senior debt repayments (where applicable) expected from the underlying investments. The cash flows included in the forecasts used to determine fair value are typically fixed under contracts, however there are certain variable cash flows which are based on management's estimations. The significant unobservable inputs and assumptions used in projecting the Group's net future cash flows are shown below.

30 June 2019	**U.K.**	**Europe (Excl. U.K.)**	**North America**	**Australia**
Inflation rates	**2.75% RPI, 2.00% CPI**	**2.00%**	**2.00%**	**2.50%**
Tax rates	**17.00% - 19.00%**	**12.50% - 29.58%**	**26.50% - 27.00%**	**30.00%**
Foreign exchange rates	**N/A**	**1.06**	**1.32 - 1.71**	**1.84**
Long-term deposit rates	**2.00%**	**2.00%**	**2.50%**	**3.00%**

31 December 2018	U.K.	Europe (Excl. U.K.)	North America	Australia
Inflation rates	2.75% RPI, 2.00% CPI	2.00%	2.00%	2.50%
Tax rates	17.00% - 19.00%	12.50% - 29.58%	26.50% - 27.00%	30.00%
Foreign exchange rates	N/A	1.05	1.34 - 1.80	1.88
Long-term deposit rates	2.00%	2.00%	2.00%	3.00%

Discount rate

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

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

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS (UNAUDITED) SIX MONTHS ENDED 30 JUNE 2019 (CONTINUED)

9. FINANCIAL INSTRUMENTS (CONTINUED)

9.4 FAIR VALUE HIERARCHY (CONTINUED)

Discount rate (continued)

Over the period, the weighted average government bond yield decreased by 0.32%. The weighted average investment premium increased, reflecting observable market-based evidence.

Valuation assumptions	**30 June 2019**	31 December 2018	Movement
Weighted Average Government Bond Yield	**1.51%**	1.83%	(0.32%)
Weighted Average Investment Premium over Government Bond Yield	**5.82%**	5.43%	0.39%
Weighted Average Discount Rate	**7.33%**	7.26%	0.07%
Weighted Average Discount Rate on Risk Capital[1]	**7.62%**	7.55%	0.07%

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

Reconciliation of Level 3 fair value measurements of financial assets:	**30 June 2019 £'000s**	31 December 2018 £'000s
Opening balance	**2,097,468**	2,005,292
Additional investments during the period	**193,370**	63,293
Net repayments during the period	**(19,362)**	(34,943)
Net change in fair value of investments at fair value through profit or loss	**40,427**	63,826
Closing balance	**2,311,903**	2,097,468

9.5 SENSITIVITY ANALYSIS

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

Significant assumptions at 30 June 2019	Weighted average rate in base case valuations	Sensitivity factor	Change in fair value of investment £'000s	Sensitivity factor	Change in fair value of investment £'000s
Discount rate	7.33%	+1.00%	(219,050)	-1.00%	263,176
Inflation rate (overall)	2.23%	+1.00%	262,764	-1.00%	(222,515)
U.K.	2.75%	+1.00%	207,985	-1.00%	(175,916)
Europe	2.00%	+1.00%	43,294	-1.00%	(36,930)
North America	2.00%	+1.00%	1,160	-1.00%	(991)
Australia	2.50%	+1.00%	10,318	-1.00%	(8,677)
FX rate	N/A	+10.00%	65,372	-10.00%	(65,368)
Tax rate	17.87%	+1.00%	(20,438)	-1.00%	20,406
Deposit rate	1.89%	+1.00%	27,325	-1.00%	(25,519)

Significant assumptions at 31 December 2018	Weighted average rate in base case valuations	Sensitivity factor	Change in fair value of investment £'000s	Sensitivity factor	Change in fair value of investment £'000s
Discount rate	7.26%	+1.00%	(215,216)	-1.00%	259,450
Inflation rate (overall)	2.38%	+1.00%	260,898	-1.00%	(220,864)
U.K.	2.75%	+1.00%	204,773	-1.00%	(173,197)
Europe	2.00%	+1.00%	46,126	-1.00%	(39,019)
North America	2.00%	+1.00%	1,079	-1.00%	(917)
Australia	2.50%	+1.00%	8,920	-1.00%	(7,709)
FX rate	N/A	+10.00%	60,833	-10.00%	(60,820)
Tax rate	17.65%	+1.00%	(19,044)	-1.00%	18,970
Deposit rate	1.87%	+1.00%	23,842	-1.00%	(22,310)

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS (UNAUDITED) SIX MONTHS ENDED 30 JUNE 2019 (CONTINUED)

10. INVESTMENTS

Date of investment	Description	Consideration £'000s	% Ownership post investment
January 2019	The Group made a follow on investment into the Luton Building Schools for the Future project, U.K.	**211**	50.00%
March - June 2019	The Group made further investments as part of its commitment to the National Digital Infrastructure Fund, U.K.	**3,452**	45.00%
April - June 2019	The Group made investments into the Midlands Batch Priority Schools Building Project (Batch 4), U.K.	**5,270**	92.50%
June 2019	The Group made a follow on investment into the Wolverhampton Building Schools for the Future projects 1 & 2, U.K.	**1,800**	100.00%
June 2019	The Group, as part of a consortium, made further investments into the Cadent gas distribution network, U.K.	**153,240**	7.25%
June 2019	The Group acquired an additional interest in BeNEX, Germany	**29,397**	100.00%
Total capital spend on investments during the period		**193,370**	

11. FINANCIAL ASSETS AT AMORTISED COST

	30 June 2019 £'000s	31 December 2018 £'000s
Accrued interest receivable	**21,521**	20,704
Other debtors	**4,259**	4,530
Total trade and other receivables	**25,780**	25,234

Other debtors included £4.2 million (31 December 2018: £4.3 million) of receivables from unconsolidated subsidiary entities for the surrender of Group tax losses.

12. TRADE AND OTHER PAYABLES

	30 June 2019 £ '000s	31 December 2018 £'000s
Accrued management fee	**6,972**	7,131
Other creditors and accruals	**3,615**	1,235
Total trade and other payables	**10,587**	8,366

13. SHARE CAPITAL AND RESERVES

Share capital	30 June 2019 Shares '000s	31 December 2018 Shares '000s
In issue 1 January	**1,484,329**	1,405,420
Issued for cash	-	76,066
Issued as a scrip dividend alternative	**944**	2,843
Closing balance	**1,485,273**	1,484,329

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS (UNAUDITED) SIX MONTHS ENDED 30 JUNE 2019 (CONTINUED)

13. SHARE CAPITAL AND RESERVES (CONTINUED)

Share capital	30 June 2019 £'000s	31 December 2018 £'000s
Opening balance	**1,560,243**	1,441,048
Issued for cash (excluding issue costs)	-	116,000
Issued as a scrip dividend alternative	**1,501**	4,270
Total share capital issued in the period	**1,501**	120,270
Costs on issue of Ordinary Shares	-	(1,075)
Closing balance	**1,561,744**	1,560,243

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

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

Other distributable reserve	30 June 2019 £'000s	31 December 2018 £'000s
Opening balance	**182,481**	182,481
Movement in the period	-	-
Closing balance	**182,481**	182,481

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

Retained earnings	30 June 2019 £'000s	31 December 2018 £'000s
Opening balance	**456,023**	414,769
Net profit for the period	**83,717**	138,369
Dividends paid[1]	**(51,952)**	(97,115)
Closing balance	**487,788**	456,023

1 Includes scrip element of £1.5 million in 2019 (December 2018: £4.3 million).

DISTRIBUTIONS

The Board is satisfied that, in every respect, the solvency test as required by the Companies (Guernsey) Law, 2008 was satisfied for the proposed dividend and the dividend paid in respect of the year ended 31 December 2018. The Board has approved an interim distribution of 3.59 pence per share (30 June 2018: 3.5 pence per share).

CAPITAL RISK MANAGEMENT

The Group seeks to efficiently manage its financial resources to ensure that it is able to continue as a going concern while providing improved returns to shareholders through the management of the debt and equity balances. The capital structure consists of the Group's CDF and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. The Group aims to deliver its objective by investing available cash and using leverage whilst maintaining sufficient liquidity to meet ongoing expenses and dividend payments.

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

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS (UNAUDITED) SIX MONTHS ENDED 30 JUNE 2019 (CONTINUED)

14. NET ASSETS PER SHARE

	30 June 2019 £'000s	31 December 2018 £'000s
Net assets attributable to equity holders of the parent	**2,232,013**	2,198,747
	Number	Number
Number of shares		
Ordinary Shares outstanding at the end of the period	**1,485,273,024**	1,484,329,031
Net assets per share (pence per share)	**150.3**	148.1

15. RELATED PARTY TRANSACTIONS

During the period, Group companies entered into certain transactions with related parties that are not members of the Group but are related parties by reason of being in the same group as Amber Infrastructure Group Holdings Limited, which is the ultimate holding company of the Investment Adviser, Amber Fund Management Limited ('AFML').

Under the Investment Advisory Agreement ('IAA'), AFML was appointed to provide investment advisory services to the Group including advising the Group as to the strategic management of its portfolio of investments.

AFML and International Public Partnerships GP Limited are subsidiary companies of Amber Infrastructure Group Holdings Limited ('Amber Group'), in which Mr. G Frost is a director and also a substantial shareholder.

Mr. G Frost is also a Director of International Public Partnerships Limited (the 'Company'); International Public Partnerships Lux 1 Sarl; (a wholly owned subsidiary of the Group); and the majority of other companies in which the Group indirectly has an investment. The transactions with the Amber Group are considered related party transactions under IAS 24 'Related Party Disclosures'.

The Director's fees for Mr. G Frost's directorship of the Company are paid to his employer, Amber Infrastructure Limited (a member of the Amber Group).

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

	Related party expense in the Income Statement		Amounts owing to related parties in the Balance Sheet	
	For the six months to 30 June 2019	For the six months to 30 June 2018	**At 30 June 2019**	At 31 December 2018
	£'000s	£'000s	**£'000s**	£'000s
International Public Partnerships GP Limited	**11,607**	11,278	**6,972**	7,131
Amber Fund Management Limited[1]	**2,449**	168	**2,413**	2
Total	**14,056**	11,446	**9,385**	7,133

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

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS (UNAUDITED) SIX MONTHS ENDED 30 JUNE 2019 (CONTINUED)

15. RELATED PARTY TRANSACTIONS (CONTINUED)

INVESTMENT ADVISORY ARRANGEMENTS

Investment advisory fees payable during the period are calculated as follows:

For existing construction assets:

- 1.2% per annum of the Gross Asset Value ('GAV') of investments bearing construction risk

For existing fully operational assets:

- 1.2% per annum of the GAV excluding uncommitted cash from capital raisings up to £750 million
- 1.0% per annum where GAV (excluding uncommitted cash from capital raisings) is between £750 million and £1.5 billion
- 0.9% per annum where GAV (excluding uncommitted cash from capital raisings) value exceeds £1.5 billion

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

The IAA can be terminated where less than 95% of the Group's assets are available for use for certain periods and the Investment Adviser fails to implement a remediation plan agreed with the Group. The IAA may also be terminated by either party giving to the other five years notice of termination, expiring at any time after 10 years from the date of the IAA.

As at 30 June 2019, Amber Infrastructure held 8,002,379 (31 December 2018: 8,002,379) shares in the Company. The shares held by the Investment Adviser in the Company helps further strengthen the alignment of interests between the two parties.

TRANSACTIONS WITH DIRECTORS

Shares acquired by Directors in the six-month period ended 30 June 2019 are disclosed below:

Director	Number of new Ordinary Shares
Michael Gerrard	**53,515**
Julia Bond	**12,826**
Claire Whittet	**1,532**
Giles Frost	**13,011**
Total purchased	**80,884**

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS (UNAUDITED) SIX MONTHS ENDED 30 JUNE 2019 (CONTINUED)

16. CONTINGENT LIABILITIES AND COMMITMENTS

As at 30 June 2019, the Group has funding commitments of up to c.£62.4 million (31 December 2018: £195.0 million), including amounts supported by letter of credit which were notionally drawn against the Group's CDF.

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

17. EVENTS AFTER BALANCE SHEET DATE

In July and August 2019, the Group invested further amounts totalling £3.6 million into the Midlands Batch Priority Schools Project (Batch 4). In addition, in August 2019, the Group invested a further £2.3 million as part of its commitment in the National Digital Infrastructure Fund ('NDIF').

18. OTHER MANDATORY DISCLOSURES

NEW STANDARDS THAT THE GROUP HAS APPLIED FROM 1 JANUARY 2019

Standards and amendments to standards that became effective during the period are listed below. These have no material impact on the reported performance or financial statements of the Group.

- IFRS 16 Leases (1 January 2019)
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (1 January 2019)
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures (1 January 2019)
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (1 January 2019)

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