International Public Partnerships Limited

(formerly Babcock & Brown Public Partnerships Limited)

Annual report and financial statements

for the year ended 31 December 2009

Registered number: 45241

Cautionary Statement

The Pages 2 to 37 of this report (including the Chairman's Statement and Investment Advisor's Report), the "Review Section" have been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. These should not be relied on by any other party or for any other purpose.

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

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

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

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

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

International Public Partnerships Limited

Contents

International Public Partnerships Limited

Summary

International Public Partnerships invests in social infrastructure projects such as Public Private Partnership (PPP) and Private Finance Initiative (PFI) projects. The portfolio consists of 50 projects in the U.K., Australia, Canada, Germany, France, Belgium, Italy and Ireland. Examples include schools, hospitals, courthouses, police stations, transport infrastructure and rolling stock.

International Public Partnerships is advised by Amber Fund Management Limited, a specialist infrastructure advisor and manager whose 48 staff are dedicated to advising, managing, investing in and developing infrastructure projects and investments.

The Company listed on the London Stock Exchange in November 2006 with a market capitalisation of £300m. In April 2008, the Company raised a further £84m via a C-share capital listing and in January 2010 the Company completed a further capital raising of £89m by way of a placement and open offer.

Overview

Shareholders' funds	£324.8 million at 31 December 2009
Market Capitalisation	£428m at 31 December 2009
Shares on Issue	374.7 million at 31 December 2009
Index Inclusion	FTSE AllShare, FTSE 250
Objective	The investment objective of the Company is to provide shareholders with long-term distributions at levels that are attractive and sustainable arising from public infrastructure investments. The Directors' also believe that continued capital growth can be achieved from further investment in public infrastructure assets. The Directors' believe that investments in public infrastructure are likely, to a material extent, to be uncorrelated in their investment performance when compared to certain other investment classes.
Investment Advisor	Amber Fund Management Limited (AFML) is a wholly owned subsidiary of Amber Infrastructure Group Limited. Amber Infrastructure has a global investment and advisory remit and AFML is authorised and regulated by the Financial Services Authority. Amber Fund Management Limited 1st Floor, Two London Bridge, London, SE1 9RA
Capital Structure	The Company has a capital structure comprising of Ordinary Shares only, although the Company's articles of association include provision for the creation of an additional class of shares.

International Public Partnerships Limited

Summary (continued)

Registered Office	Heritage Hall PO Box 225, Le Marchant Street, St Peter Port, Guernsey, Channel Islands, GY1 4HY
Administrator & Company Secretary	Heritage International Fund Managers Limited Heritage Hall, PO Box 225, Le Marchant Street, St Peter Port, Guernsey, Channel Islands, GY1 4HY
Auditors	Deloitte LLP P.O. Box 137, Regency Court, Glategny Esplanade, St Peter Port, Guernsey, Channel Islands, GY1 3HW
Legal Advisor	Ozannes 1 Le Marchant Street St Peter Port, Guernsey, Channel Islands, GY1 4HP
Corporate Brokers	Numis Securities Limited The London Stock Exchange Building, 10 Paternoster Square, London, EC4M 7LT
Corporate Bankers	Royal Bank of Scotland International 1 Glategny Esplanade, St Peter Port, Guernsey, Channel Islands, GY1 4BQ
ISA/PEPs/SIPPs Status	The Company's shares are eligible for ISA/PEPs and SIPPs transfers.
Website	www.internationalpublicpartnerships.com

Summary (continued)

History

International Public Partnerships Limited (LSE: INPP), (formerly Babcock & Brown Public Partnerships Limited), is a limited liability, Guernsey incorporated, authorised closed-ended investment company. The Company offers shareholders an exposure to investments in international infrastructure assets, particularly those with a public or social character, including those developed in conjunction with public bodies under Private Finance Initiative (PFI) or Public Private Partnership (PPP) type procurements.

The Company floated on the main market of the London Stock Exchange at an issue price of 100 pence per share on 9 November 2006 raising a total of £300 million and acquired a seed portfolio of 23 projects. Since then the Company successfully completed a C share capital listing, raising a total of £84 million in April 2008. Following this capital raising and as a result of the continued strength of the share price the Company was included in the FTSE 250 from 19 September 2008.

At 31 December 2009, the portfolio comprised economic interests in 50 projects, including thirty-six projects in the UK, seven in Australia, two in Canada and one in each of the following countries, Ireland, France, Belgium, Germany and Italy. There is also diversification across several PFI/PPP sectors, including roads and tunnels, railways, schools, courthouses, police and custodial facilities, government offices and health facilities.

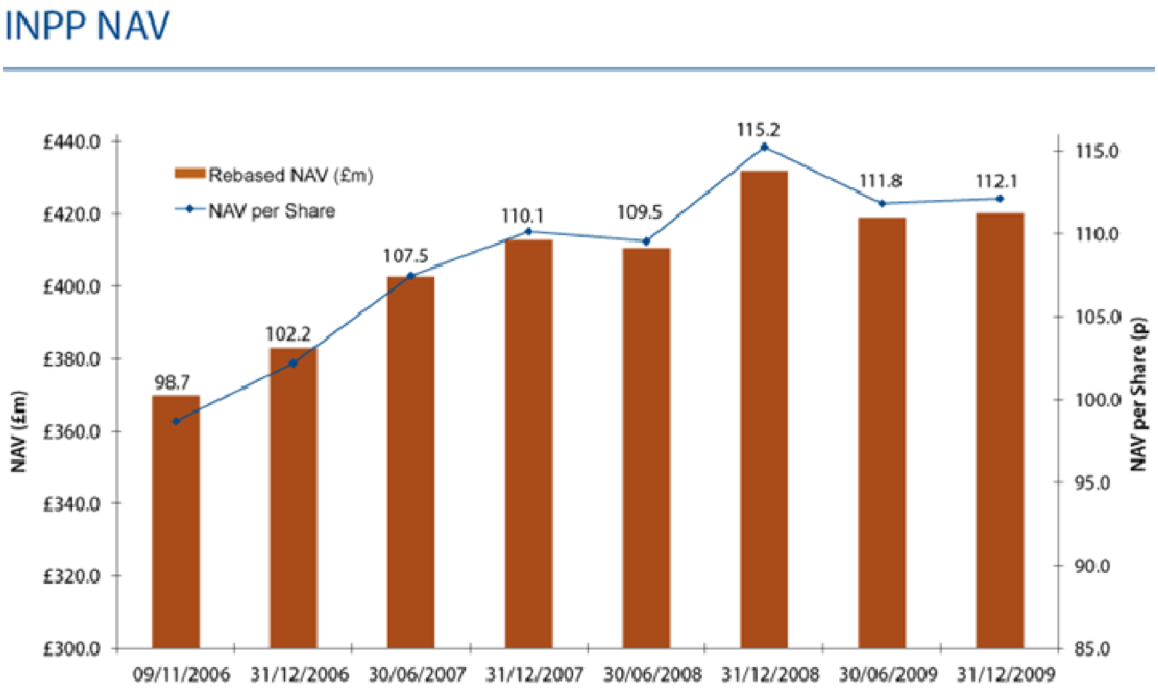
The Company undertook a further capital raising in January 2010 and raised an additional £89 million which is currently available for future investment.

International Public Partnerships Limited

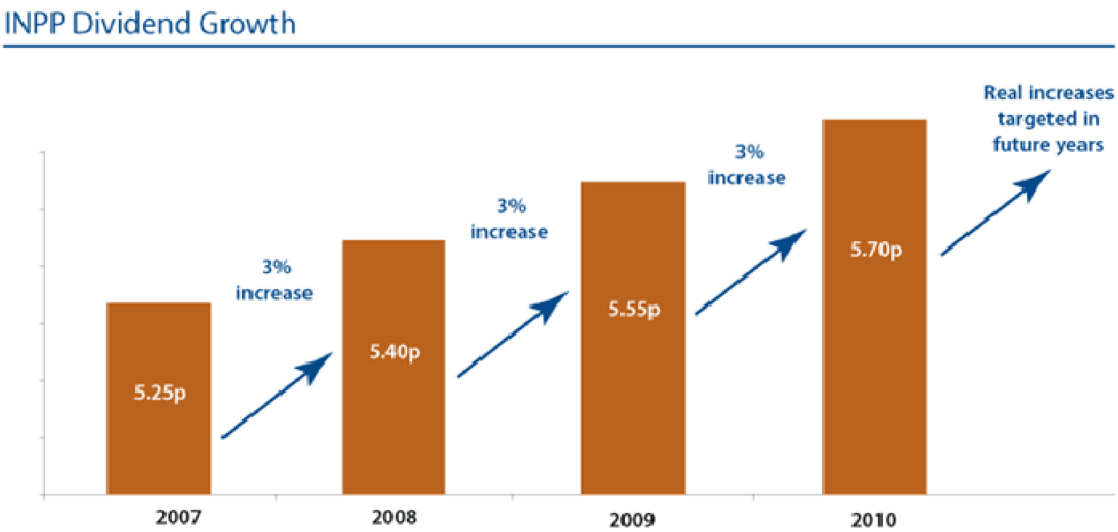
Summary (continued)

Financial Highlights

- Net Asset Value (NAV) of £420.2 million as at 31 December 2009.



- IFRS accounting profit before tax of £11.4 million for the year ended 31 December 2009.
- IFRS Net Assets of £331.2 million as at 31 December 2009.
- Full year 2009 distribution of 5.55 pence per share.



Summary (continued)

- Target distribution for year ended 31 December 2010 of 5.7p per share.

- Solid financial position for future opportunities following recent capital raising – £30m of uncommitted cash at 31 December 2009, plus undrawn debt facilities available.

- Outperformance of FTSE All Share by 20.5% since 1 January 2009

Analysis of Change in NAV Portfolio Valuation for the year ended 31 December 2009

	£m
Net Asset Value as at 31 December 2008[1]	431.8
Change in risk-free rates	(26.5)
Change in project risk premium	1.0
Change in foreign exchange curve	4.6
Investments made in the period	3.5
Full year 2009 distribution	(20.5)
Return on investment portfolio	26.3
Net Asset Value as at 31 December 2009[1]	**420.2**

[1] Net Asset Value (NAV) as shown above is fair market valuation of the Group's economic interests, calculated utilising discounted cash flow methodology[2], adjusted for EVCA (European Private Equity and Venture Capital Association) guidelines, a methodology considered appropriate, given the special nature of infrastructure investments. Estimated future cash flows accruing to each economic interest[3] have been discounted using discount rates that reflect the risks associated with that interest. The Net Asset Value referred to above and on other pages differs from the basis of recording net assets utilising International Financial Reporting Standards as set out in the balance sheet included in the financial statements. The key differences are that the IFRS balance sheet includes assets and liabilities valued initially on acquisition at fair value and subsequently at amortised cost. Further the IFRS net assets have been impacted, amongst other things, by changes in the fair value of financial hedging instruments that are entered into by the Group to minimise risk associated with changes in interest rates.

[2] The only current exception to this methodology is with respect to the valuation of the stapled units in RiverCity Motorway project. These have been valued using the closing share price at 31 December ('market value').

The Net Asset Value also includes:

- the Strathclyde and Hereford and Worcester senior debt interests which have been valued at the loan principal outstanding at 31 December plus the costs associated with terminating the underlying fixed interest rate arrangements at 9 November 2006.
- Cash, cash equivalents and assets and liabilities attributable to the Company and intermediate holding companies at 31 December.

[3] The Group's economic interests at 31 December are set out in the Portfolio Interests section of the Annual Report.

International Public Partnerships Limited

Chairman's Statement

In this my fourth annual report to shareholders, I am pleased to report that the year to 31 December 2009 was another successful year for International Public Partnerships Limited. At the start of the year, the combination of the global financial crisis and the uncertainties surrounding the parent company of the investment manager (Babcock & Brown) had combined to impact the share price of the Company. Your Board spent a considerable amount of time reviewing all options available and the solution recommended by your Board was accepted by you in June 2009 and by the end of the year the Company's share price stood close to its highest level since listing and had materially exceeded benchmarks.

Over the year the Company's share price increased by 45% and outperformed the FTSE All Share index by 20.5% and was stable against the FTSE 250 index.

The major initiative recommended by the Directors and accepted by the shareholders in June 2009 was the novation of the investment advisory agreement from Babcock & Brown to Amber Fund Management Limited (AFML). AFML is owned by the senior staff who had previously provided services to the Company through their previous employer Babcock & Brown. The novation provided full continuity in all aspects of the Company's operations and we have been very pleased with the smooth transition of responsibilities and the performance of the new investment manager.

Other notable events in the year included:

- an increase in the distribution to investors over the previous year;
- completion of the construction work and commencement of the operational phases at the delivery of Durham Regional Courthouse in Ontario, Canada and Dublin Central Criminal Courts in Ireland;
- acquisition of additional equity in the Brescia Hospital and Diabolo Rail projects;
- the award of new rail concessions to BeNEX, the rail operating concession holder in which the Company has a 49% interest;
- successful placing of the residual 8.3% stake in the Company previously held by Babcock & Brown with both new and existing investors;
- the appointment of Mr John Whittle, an independent Non Executive Director, as the fifth Board member;
- the appointment of Numis Securities as broker to the Company;
- the change of Company name in June 2009 to International Public Partnerships Limited (INPP);
- the revaluation of Australian minority held assets resulting in a £12.9 million impairment charge to the Income Statement;
- the launch of a secondary capital raising which was subsequently completed in January 2010 raising £89m of additional capital for the Company.

During the period the Company's portfolio of 50 PPP/PFI assets continued to perform in line with expectations and cashflow arising from these investments was in line with forecasts.

In the second half of 2009, the Company acquired additional equity in Brescia Hospital, the Diabolo Rail project and new rail concessions were awarded to BeNEX. Each of these transactions had the effect of increasing the projected overall returns to investors in the Company. In addition, the Company completed the construction of the Durham Courthouse in Oshawa, Ontario, Canada and the new Central Criminal Courts in Dublin, Ireland, both of which are now operational. I was very pleased to be able to welcome a number of our investors and analysts to a successful Investor Day held at the Dublin Courts in November 2009. The Courts provided striking evidence of the ability of the Company and its managers to work closely with the end users to create a superior and economical solution to a defined need. During the course of the day, presentations were made by AFML, Royal Bank of Scotland, the Dublin procurement agency and PJ Hegarty (our Construction partner). Our ability to transform a brownfield site on the edge of Phoenix Park to a superior and functional court complex fully evidenced the fact that INPP and its advisor work in true partnership with all interested parties to ensure that end users receive a high quality asset on time and on budget.

Chairman's Statement (continued)

Distributions

Despite the difficulties which have been affecting global markets, I am pleased to report that the portfolio performed in line with forecast and the Board has confirmed that it will pay a distribution for the second half of 2009 of 2.775 pence per share (total distribution for 2009: 5.55 pence per share). This is in line with our previously announced increased annual distribution and fully evidences the non-correlated performance which our portfolio produces. The dividend will be paid in May 2010, and, as in previous periods, the cash from which the distribution will be paid has been generated entirely from operating cash flow.

The Board is also pleased to advise a third consecutive annual increase in its target annual distributions. For 2010, it is the Board's intention to target a total distribution of 5.70 pence per share, which represents a near 3% increase over the previous year. The first payment of 2.85 pence per share in respect of this target is expected to be made in October 2010. The second payment is expected to be made in May 2011.

Shareholders recently approved amendments to the Company's Articles that will enable the Directors to offer a scrip dividend option. The Company intends to offer this option in respect of the May 2010 distribution as well as in respect of future distributions, subject to the Directors being satisfied that this is in the best interests of the Company at the relevant time. Applications for participation in the scrip dividend option will be sent to all investors in April 2010.

The Company continues to operate a progressive distribution policy and the fact that the Company's portfolio consists of long term government-backed contracts enables confidence in our cash flows for future years and our aim is to continue to grow the distribution in 2011 and beyond.

Financial results

In this Annual Report the Company is reporting a Net Asset Value (NAV) of £420.2million (as defined in the Summary section), net assets on an IFRS basis of £331.2 million and a profit before tax for the year of £11.4 million. As the Company reports on an IFRS basis the Company's profit and loss account is impacted by non-cash, as well as cash items. On a cash basis, cash received from the portfolio of investments (i.e. the underlying PFI/PPP concessions) produced a net investment cashflow to the Company of £5.7 million.

The Company's overall cash balance at 31 March 2010, net of the money earmarked for the distribution due in May 2010 and after the repayment of the corporate debt facility, is £58.7m (as at 31 December 2009 this was £30m) and is available for future investment. This takes into account the capital raising of £89.3 million completed in January 2010.

Gearing

Net Company debt, excluding intercompany loans, at 31 December 2009 was £21m, representing gearing of 5%, however this was repaid in full in February 2010 from the proceeds of the equity capital raising and the Company now has no external debt at the Company level. It is the expectation of the Board only to use Company level debt to bridge finance new investment acquisitions in between future equity capital raisings.

Corporate Governance

The appointment of Mr John Whittle to the Board in August 2009 further strengthened the Board's financial acumen. John is an FCA with substantial experience in both the corporate and investment fund sectors and his experience and knowledge has further enhanced the Board's existing skill base. The Board now consists of five Directors, four of whom are Guernsey based non-executives. John is also a member of the Audit Committee.

The past year has been particularly demanding and I would like to take this opportunity to publicly thank my fellow Directors for the considerable amount of time and effort they gave to the Company during the period when the future was unclear. It was their effort, knowledge and support that culminated in the successful novation of the Investment Advisory Agreement. I must also publicly thank all of the Amber staff (previously employed by Babcock & Brown) who continued to provide a superior level of service in the management of the Group's portfolio. As a Board, we kept

Chairman's Statement (continued)

in close contact with them, always aware that their future was by no means secure, but their dedication, skill, professionalism and commitment ensured that there was no change or deterioration in the level of service. The staff are now employed by Amber and I am very pleased to report that we continue, as a Board, to work in close partnership with them all. The board continues to expend considerable time on matters of corporate governance, we aim to be compliant with all relevant aspects of the AIC code. The Board regularly reviews what is best practice among investment companies and is keeping a watching brief on any likely consequences for the Company arising out of the proposed European Alternative Investment Fund Management Directive.

Investment Strategy

The investment strategy of the Company is unchanged and the strong cash position, along with the undrawn credit facility, means that the Company begins 2010 well placed to capitalise on further investment opportunities.

It is your Board's view that the interests of investors are best served if the Company ensures continuing diversification in its investments both by sector and geographic split. 29% of the portfolio remains under construction, which provides future capital growth potential, while 71% is now operational and providing steady income to investors. More than 78% of the portfolio is majority-owned ensuring strong control over project operations and therefore returns.

The Company will continue to target investments in the public infrastructure sector including those in the health, education, government office and transport sectors in regions including the U.K., Europe, Canada and Australia. We expect most new opportunities to have the same, or largely similar, characteristics to the existing portfolio, including:

- long term direct or indirect government backed cash flows, typically for 25-30 years;
- revenues which are either fixed or index-linked;
- strong influence over project operations; and
- secure debt financing in place with interest rate risk hedged.

While to date the majority of investment opportunities have been developed by associates of the Investment Advisor or its predecessor, the Investment Advisor is currently also in discussions with a number of third party vendors of assets. The events of the last 18 months have seen liquidity pressures on both buyers and sellers such that competition for assets has reduced and it is now possible to identify quality third party assets which fully comply with our Investment strategy and which will also provide significant accretive returns over an extended period.

The combination of these and the other opportunities currently being developed within the Amber group should provide an excellent opportunity to increase the size of the Company's portfolio at attractive rates of return and with increasing economies of scale. I look forward to updating investors on the development of these opportunities and the benefits which can accrue to our shareholders.

Outlook

We believe the long-term outlook for PPP/PFI investment both in the U.K. and overseas remains solid. Governments around the world are continuing to require new infrastructure projects to be delivered and the majority of countries are encouraging the use of private sector investment to fund these. Despite potential public spending cuts in the U.K., core public services such as health, education and transport will always require ongoing capital and privately-financed solutions and the Group is well placed and qualified to meet this need.

From an investor perspective, with interest rates remaining low, the ability of the Company to provide consistent non correlated returns to investors at or ahead of current levels should remain attractive and this, coupled with what appear to be significant and accretive market opportunities, will ensure the continued development of your Company.

Chairman’s Statement (continued)

The combination of current market conditions, the completion of several significant initiatives and the opportunities we see before us indicate to me the potential for another successful year ahead for the Company and I look forward to updating investors on developments throughout the period.

Keith Dorrian

Chairman

7 April 2010

Investment Policy

Investment Objectives

Distributions

The Company seeks to provide shareholders with a predictable and attractive yield on the Company's investments:

- the Board of Directors have provided indicative distribution guidance of 5.70 pence per share for 2010, a near 3% increase on 2009;
- as per previous periods, it is the Company's policy to pay distributions entirely from cash flows generated from operations;
- it is the Board's intention to grow distributions at least in line with inflation in future years (the Group's inflation forecast: 2.5% per annum).

Capital Growth

The Directors also believe that long-term capital growth can be achieved. The Company will target an IRR equal to or greater than 8 per cent. on the original Initial Public Offer issue price of 100 pence per ordinary share to be achieved over the long-term and the Company hopes to achieve this through (amongst other techniques) asset development, future acquisitions, active management and prudent use of gearing. The portfolio is performing in line with this target and the Directors believe, based on the advice of the Investment Advisor, that there are currently opportunities to acquire further investments that may enhance the Company's IRR.

Investment Policy

Introduction

The Group intends to continue acquiring operational and construction phase assets from Amber and/or third party vendors. The Group intends (but is not bound) to hold its investments for the long-term and may even hold its investments for the life of a project. The Group will seek to enhance the capital value of its investments and the income derived from its investments.

The Group intends to acquire further investments within any of the following parameters:

- investments with characteristics similar to the existing portfolio;
- investments in other assets or concessions having a public infrastructure character and in respect of which availability based payments are or will become payable or in respect of which a property rental is or will become payable or in respect of which user paid charges (or payments related to amount of use) are or will become payable; or
- investments in infrastructure assets or concessions which, based on the advice of the Investment Advisor, the Directors believe have high barriers to entry and expect to generate an attractive total rate of return over the whole of the life of the investments.

At 31 December 2009, more than 99% of the portfolio (based on NAV) was held in assets in which revenue is received, or will be received, via availability based payments. The Company has minimal exposure to assets where revenue is subject to demand or patronage levels.

Investment Policy (continued)

Such investments may be for investment capital in single assets or portfolios of assets and may arise globally. The Group may therefore make investments in any location or jurisdiction where the investment in question meets the parameters set out above.

Geographic Diversification

The Company's investment policy is to invest directly or indirectly in public or social infrastructure assets located in the U.K., Australia, Europe, North America and, it is anticipated, in due course, in other parts of the world. While there are no restrictions on the amount of the Company's assets which may be invested in any one area or sector, the Group will, over the long-term, seek a spread of investments both geographically and across industry sectors in order to achieve a broad balance of risk in the Company's portfolio. Shareholders should note that the actual asset allocation will depend on the development of the infrastructure market, market conditions and the judgment of the Investment Advisor and the Board as to what is in the best interests of Shareholders at the time of the relevant investment. Since listing, the percentage of assets located outside the U.K. has increased from 10% at the time of the IPO to 47% at 31 December 2009.

New Investments and Conflicts of Interest

It is expected that further investments will be sourced by the Investment Advisor and it is likely that some of these will be investments that have been originated and developed by, and may be acquired from the Amber Group. The Group has established the following procedures and arrangements to deal with the possible conflicts of interest that may arise in respect of any proposed acquisition of an investment from the Amber Group and to manage the conduct of such acquisitions accordingly. The potential conflicts of interest that may arise include that Amber will be an existing investor in the asset while its subsidiary, AFML, acts on the "buyside" as Investment Advisor. The Investment Advisory Agreement contains procedures with the intention of ensuring that the terms on which the vendors of such assets dispose of their assets are fair and reasonable to the vendors; and on the "buyside" AFML as Investment Advisor must be satisfied as to the appropriateness of the terms for and the price of, the acquisition. These include a requirement for any offer made for the assets to be supported by advice on the fair market value for the transaction from an independent expert. The acquisition of assets from any member of the Amber Group will be considered and approved by the Independent Directors of the Company. The purpose of these procedures is to ensure that the terms upon which any investment is acquired from a member of the Amber Group is on an arm's length basis.

Single Asset Exposure

The Group will not (other than in respect of Holding Entities) lend to, or invest in the securities of, any one company or group, more than 20 per cent. of the Group's total assets (as calculated at the time the investment or loan is made). The Directors have adopted this investment restriction with the intention of maintaining a spread of investment risk. This investment restriction applies at the time of investment. The Group will not be required to rebalance its Investment Portfolio in accordance with such investment restriction as a result of a change in the Net Asset Value of any investment or of the Net Asset Value of the Group as a whole. At 31 December 2009, the largest investment in the Company's portfolio, the Diabolo Rail project, accounted for 10.7%. While the Company's largest ten investments accounted for 68% of the portfolio.

Cash Management

Until the Group is fully invested and pending re-investment or distribution of cash receipts, cash received by the Group will be invested in cash, cash equivalents, near cash instruments, money market instruments and money market funds and cash funds. The Group may also hold derivative or other financial instruments designed for efficient portfolio management or to hedge interest, inflation or currency rate risks. The Company and any other member of the Group may also lend cash which it holds as part of its cash management policy.

International Public Partnerships Limited

Investment Policy (continued)

Hedging

Where investments are made in currencies other than GBP, it is expected that the Group will consider whether to hedge currency risk in accordance with the Group's currency and hedging policy as determined from time to time by the Directors.

A portion of the Group's underlying investments may be denominated in currencies other than GBP. For example, a portion of the Existing Portfolio and some of the Pipeline Investments are denominated in Australian Dollars, Canadian Dollars and Euro. However, any dividends or distributions in respect of the Ordinary Shares will be made in GBP and the market prices and Net Asset Value of the New Shares and the Existing Ordinary Shares will be reported in GBP.

Currency hedging may be carried out to seek to provide some protection to the level of GBP dividends and other distributions that the Group aims to pay on the Ordinary Shares, and in order to reduce the risk of currency fluctuations and the volatility of returns that may result from such currency exposure. Such currency hedging may include the use of foreign currency borrowings to finance foreign currency assets and forward foreign exchange contracts.

Interest rate hedging may be carried out to seek to provide protection against increasing costs of servicing debt drawn down by the Group to finance investments. This may involve the use of interest rate derivatives and similar derivative instruments. Hedging against inflation may also be carried out and this may involve the use of RPI swaps and similar derivative instruments.

It is intended that the currency, interest rate and any inflationary hedging policies be reviewed by the Directors on a regular basis to ensure that the risks associated with movements in foreign exchange rates, interest rates and inflation are being appropriately managed. Such transactions (if carried out) will only be undertaken for the purpose of efficient portfolio management to stabilise returns from the portfolio and will not be carried out for speculative purposes. The execution of currency, interest rate and inflationary hedging transactions is at the discretion of AFML in its capacity as Operator (as defined in note 39), subject to the policies set by and the overall supervision of the Directors.

Leverage

The Group intends to make prudent use of leverage to enhance returns to investors, to finance the acquisition of investments and to satisfy working capital requirements. Borrowings may be made by the Company itself or by any of the Holding Entities.

Under the Articles, the Group's outstanding borrowings, including any financial guarantees to support subscription obligations in relation to investments, are limited to up to 50 per cent. of the Gross Asset Value of the Group's investments and cash balances, with the Company having the ability to borrow in aggregate up to 66 per cent. of such Gross Asset Value on a short term (i.e. less than 365 days) basis if considered appropriate. Circumstances where this might be the case include for the purposes of new acquisitions. For the purposes of the borrowing limitation, outstanding borrowings exclude intra-group borrowings and the debts of underlying Project Entities. The Group may borrow in currencies other than GBP as part of any currency hedging strategy. Following the capital raising in January 2010, the Company repaid in entirety its Group-level borrowings and has no gearing.

Debt secured against each of the projects is on an individual asset basis and is non-recourse to the Company. The Company also seeks to secure long-term debt matched to the concession life of the asset. For example, the average life of the existing project-level debt is 23 years compared to the average remaining life of the Company's assets of 24 years.

International Public Partnerships Limited

Investment Policy (continued)

Changes to Investment Policy

Material changes to the investment policy set out in this section may only be made by ordinary resolution of the Shareholders in accordance with the Listing Rules.

Investment Strategy

The Directors believe that the opportunity offered to the Company by its relationship with Amber will lead to the Group being well placed to acquire further investments meeting the Company's investment objectives and policy.

The Directors believe that there are two ways in which this is likely to occur:

- acquisition of further investments developed by Amber (the Directors are aware of a number of further transactions within the PPP sector for which Amber is Preferred Bidder or which are under development by Amber). These opportunities should offer strong capital growth potential; and

- acquisitions from third parties. Such acquisitions may be of single assets, of portfolios or of shares in companies or partnership interests. These investments are likely to be at an operational stage, having been developed by the vendor, and offer strong support to the Company's income and therefore yield paid to investors.

The Directors anticipate, based on the advice of the Investment Advisor, that sufficient attractive investment opportunities will be available to the Company to utilise the proceeds from the recent capital raising over the next 6 to 12 months.

Opportunities are currently under review in the U.K., Europe, Australia and Canada, having all the same or similar characteristics as the Company's existing portfolio, including:

- long term concession terms, typically 25-30 years;

- revenues subject to availability based payments, rather than demand or patronage levels such as is the case with toll roads for example:
  - revenues which are to a large extent either linked to inflation or fixed;
  - majority ownership and Board representation;
  - long term debt secured against the asset ensuring minimal refinancing requirements.

The acquisition of further investments will be financed from cash reserves including those arising from the capital raising and should these reserves be exhausted by raising debt and/or through seeking additional capital from shareholders and equity capital markets or a combination of these. Acquisitions will be led by a desire to increase value for shareholders.

Further investments may be either direct or indirect (i.e. through the Group investing in a company or other entity which itself has a direct or indirect interest in the underlying investment opportunity).

It is currently expected that any further investments will, as with the existing portfolio, be held through the Group structure but the Directors and the Investment Advisor will keep the structure under review and amend it as may be appropriate for the most efficient holding of investments. Any material changes to the investment policy set out in this section may only be made by ordinary resolution of the Shareholders in accordance with the Listing Rules.

International Public Partnerships Limited

Portfolio Interests

The Company held economic interests in the following projects at 31 December 2009 as set out below.

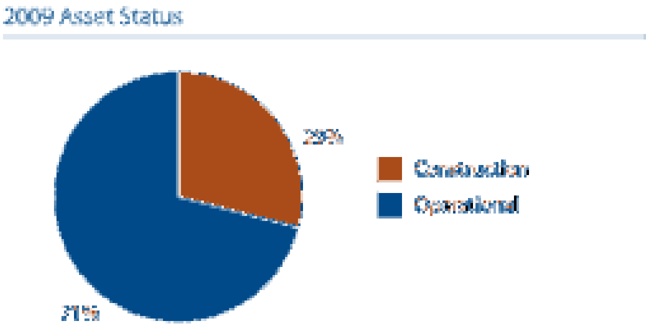
Portfolio by Sector

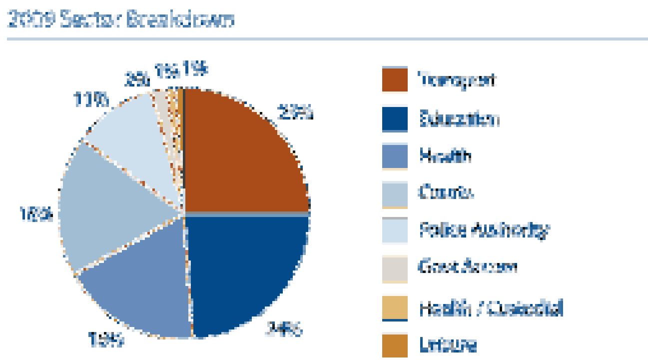
Transport	Education
• Angel Trains UK • BENeX • Diabolo • Reliance Rail • River City Motorway	• Alberta Schools • Calderdale Schools • Derbyshire Schools Phase 1 • Derbyshire Schools Phase 2 • Maesteg Schools • Northamptonshire Schools • NSW Schools • St Thomas More School • Tower Hamlets Schools
Health	**Courts**
• Amiens (France) Hospital Project • Brescia Hospital • Orange Hospital • Royal Childrens' Hospital	• Derbyshire Magistrates Courts • Dublin Criminal Courts Project • Durham (Canada) Courthouse Project • Hereford & Worcester Magistrates Courts
Police Authority	**Government Accommodation**
• Abingdon Police • Norfolk Police HQ • North Wales Police HQ • Strathclyde Police Training Centre	• Bootle Government Offices
Health / Custodial	**Leisure**
• Long Bay Forensic and Prison Hospitals Project	• Royal Melbourne Showgrounds Redevelopment Project
Health Subordinated Debt interests	**Health Subordinated Debt interests**
• Alexandra Avenue Primary Care Centre • Barkantine Health Centre • Barking Road Health Centre • Beckenham Hospital • Brierley Hill • Church Road Health Centre • Dunnock Way & East Oxford • Fishponds & Hampton House • Frail Elders Hospital • Garland Road Health Centre • Gem Centre Bentley Bridge	• Hackney Childrens' Development Centre • Lakeside • Mile End Specialist Addition Unit • Monks Park Health Centre • Mt Vernon • Phoenix Centre • Ridge Hill & Stourbridge • Shirehampton & Whitchurch • Sudbury Health Centre • Vicarage Lane Health Centre

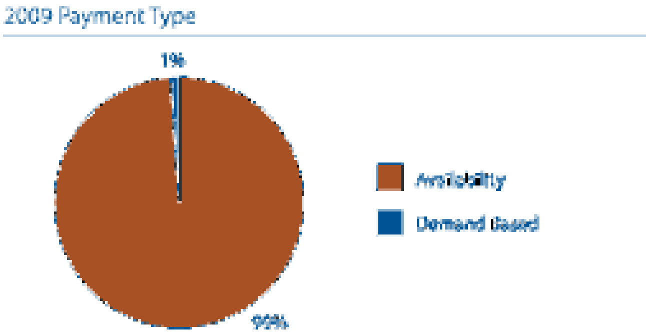
International Public Partnerships Limited

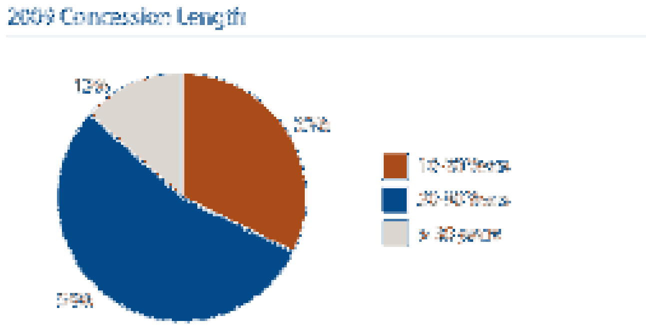
Portfolio Interests (continued)

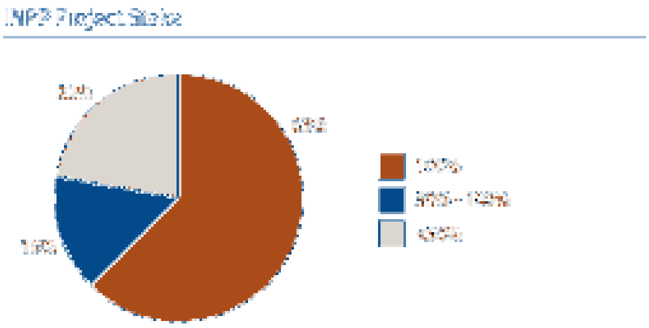
Portfolio Breakdown at 31 December 2009

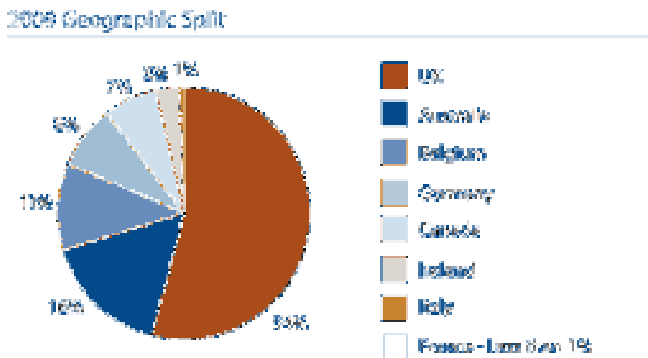












The pie charts above show a breakdown of the Group's portfolio at 31 December 2009. This breakdown is based on the fair market valuation of the Group's investments calculated utilising discounted cash flow methodology, as referred to on page 6. The discount rate used reflects the risks associated with the individual projects. The RiverCity Motorway project has been valued based on the project's closing share price ('market value') at 31 December 2009.

Investment Advisor's Report

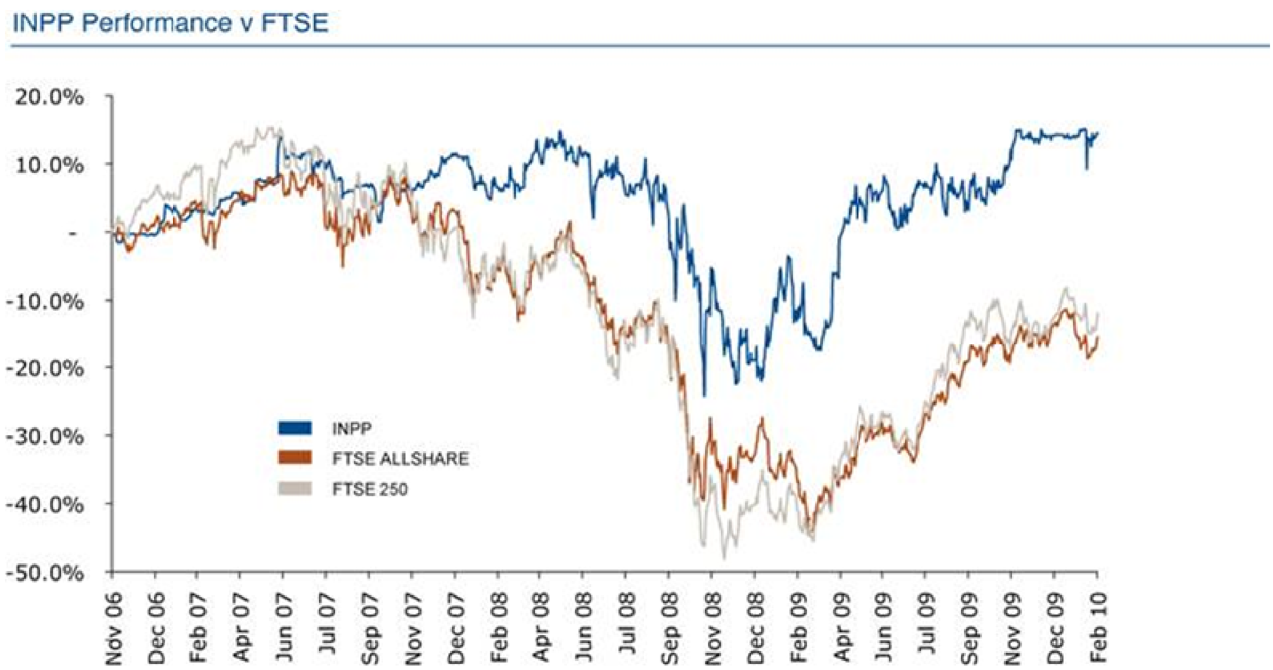
About the Investment Advisor

Amber Fund Management Limited (AFML) is a wholly owned subsidiary of Amber Infrastructure Group Limited. Amber Infrastructure has a global investment and advisory focus and AFML is authorised and regulated in the U.K. by the Financial Services Authority.

In June 2009, Amber Infrastructure Group acquired the public private partnerships business of Babcock & Brown, which previously provided investment advisory services to the Company and at the same time, following approval at a meeting of the shareholders of the Company and regulatory approval, the management and advisory arrangements relating to the Company were transferred to AFML.

Investment Performance

Performance across the portfolio remains good. In particular, it has been pleasing to note the strong recovery in the Company's share price over the period to 31 December 2009. This was driven by strong investment performance as well as a positive response by shareholders to the change of the management and advisory arrangements. We believe that the Company continues to offer an attractive proposition for those investors seeking returns from investments whose performance is to a substantial extent uncorrelated with general economic conditions. The total shareholder return (share price growth plus distributions) for investors from the launch of the Company in November 2006 to 31 December 2009 has been 31%, compared to a total return on the FTSE 250 of negative 3%.



Portfolio Performance

The assets within the Portfolio again performed on an overall basis in line with the Company's projections during the period.

At 31 December 2008, 33% of the portfolio was under construction. This has reduced to 29% at 31 December 2009, following the handover of Durham Courthouse in Canada and Dublin Courts in Ireland which occurred in November

Investment Advisor's Report (continued)

2009. Notably Dublin Courts was completed ahead of schedule which allowed the Courts Service of Ireland to occupy the premises three months earlier than anticipated with all 22 courtrooms occupied by January 2010. The Durham Courthouse in Canada was also completed on time.

Each of the following projects under construction is either on schedule or ahead of time. The single exception within the Company's construction portfolio is the Reliance Rail project in Australia (less than 1% of the portfolio by value) where there has been a five month delay in the delivery of the first complete train set by the manufacturers Hitachi and EDI Downer. The final completion date for this project remains projected for 2013. The Reliance Rail project is protected by contracts that provide in certain circumstances for the contractors, Hitachi and EDI Downer, to pay compensation for loss of revenue resulting from the late delivery of the rolling stock. In addition, the Reliance Rail project has been adversely affected by the fact that it is financed though a monoline wrapped bond structure. The loss of creditworthiness of the monoline insurers coupled with the downgrade in the credit rating on the project debt has, along with the delayed construction, led to the Company's investment in this asset being re-valued downwards. The project is closely overseen by the Amber asset management team in Australia who meet regularly with the consortium to consider the progress of the project.

Asset	**Location**	**Expected Completion Date**	**Status**	**% of INPP NAV**
Dudley Brierley Hill LIFT	U.K.	April 2010	On schedule	<1
River City Motorway	Australia	April 2010	5 months ahead	1
Alberta Schools	Canada	June 2010	On schedule	5
Orange Hospital	Australia	July 2011	On schedule	3
Diabolo Rail	Belgium	February 2012	On schedule	11
Reliance Rail	Australia	September 2013	On schedule[1]	<1
Royal Children's Hospital	Australia	December 2014	On schedule	9

1 Stage 1 is currently 5 months behind schedule; however the last independent report indicates that the final delivery date is still on schedule.

The revaluation of the Company's investment in Reliance Rail together with the mark to market of the Company's investment in River City Motorway results in a lower IFRS accounting profit for the year. It is worth emphasising however that the cash received by the Company in the period from its investments was in line with projections. As a consequence of this strong cashflow the Company remained fully covered on its 2009 distribution.

Opportunities to enhance value continue to be keenly pursed by the asset management division within the Investment Advisor. During the period the Company worked to deliver additional returns for investors this included managing further investment in three projects for its public sector counterparties. These included:

- £12m of works for Tower Hamlets Schools which are expected to commence in Q2 2010 and includes additional construction works at four schools sites;

- £25m of additional works for Orange Hospital in New South Wales which commenced construction in 2009 and includes extensive remodelling of the existing facilities along with a further 6000m2 of new building works; and

Investment Advisor's Report (continued)

- £3m investment in Abingdon police station in the U.K. for the construction of an additional police cell block which will be completed in January 2011.

These variations reflect successful partnerships with our public sector clients. These, and future variations provide opportunities to grow revenues and will be reflected in the Directors' valuation upon completion.

Acquisitions

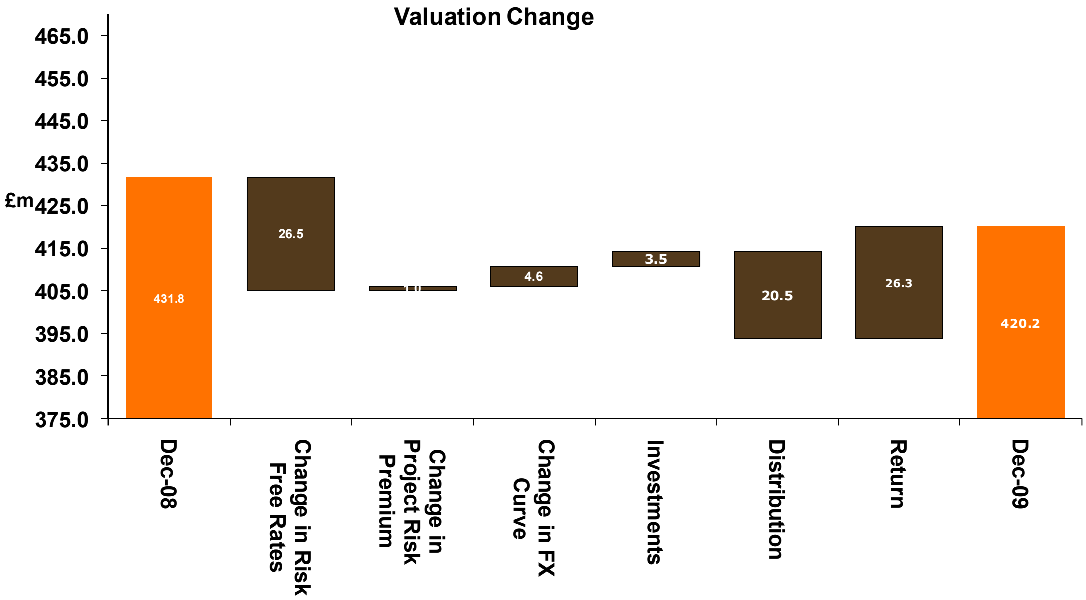
During the period the Company acquired additional stakes in two projects – the Brescia Hospital project in Italy and the Diabolo Rail project in Belgium. Both of these opportunities were acquired at projected return levels ahead of the original projected rate of return and reflected the vendors' needs for liquidity. INPP was well placed to capitalise on these circumstances and increase the Company's interests in these attractive projects. We expect the Company to continue to review further attractive investment opportunities with respect to projects meeting the Company's investment policy in 2010 and beyond.

During 2009, the German rail company in which the Company has a 49% investment, BeNEX, was awarded two new rail operating concessions (City Railway Berlin and North Net). BeNEX was established in 2007 and since that time has grown to become one of the four largest rail operators in Germany.

Valuation and Net Asset Valuation Calculation

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

Over the 12 month period ending 31 December 2009 the Company's Net Asset Value decreased by 3.1 pence per share to 112.1 pence per share. There was a 69 basis point increase in risk-free rates during this period. The Company's portfolio was valued at £420 million at 31 December 2009 (2008 - £432m).



Investment Advisor's Report (continued)

The major determinants of the discount rate utilised in establishing a present value for the Company's assets includes the risk free rate (derived from the relevant government bond) applicable in the geography in which each asset is located as at the valuation date and the risk premium over the risk free rate deemed applicable to the asset in question. Typically this risk premium will reduce over the life of any asset as an asset matures, its operating performance becomes more established, and the risks associated with its future cash flows decrease. This is particularly the case where assets move from being in construction to becoming operational. This risk premium is based on the advice of the Investment Advisor, market knowledge, advice from the Company's external advisors and is consistent with information in the public domain from comparable transactions.

Over the period the weighted average discount rate applicable across the portfolio increased by 68b.p. to 8.63%. The discount rates used for valuing each of the underlying assets in the Company's portfolio range from 6.42% to 15.33%.

Valuation Methodology	31 December 2009	31 December 2008	Movement (Dec - Dec)
NAV per share	112.1	115.20	-3.1 pence per share
Weighted Average Discount Rate	8.63%	7.95%	+68 b.p.
Weighted Average Risk-Free Rate	4.68%	3.99%	+69 b.p.
Weighted Average Project Premium	3.96%	3.96%	No change
Discount Rate Range	6.42% - 15.33%	5.93% - 11.43%	+49 b.p. - +390 b.p.

Despite the movement in macro economic factors during the period, there were no significant changes to the Company's future expected cash flows. Future net operating cashflows remain as forecast and are projected to cover the Company's forecast future distributions until 2034.

Gearing

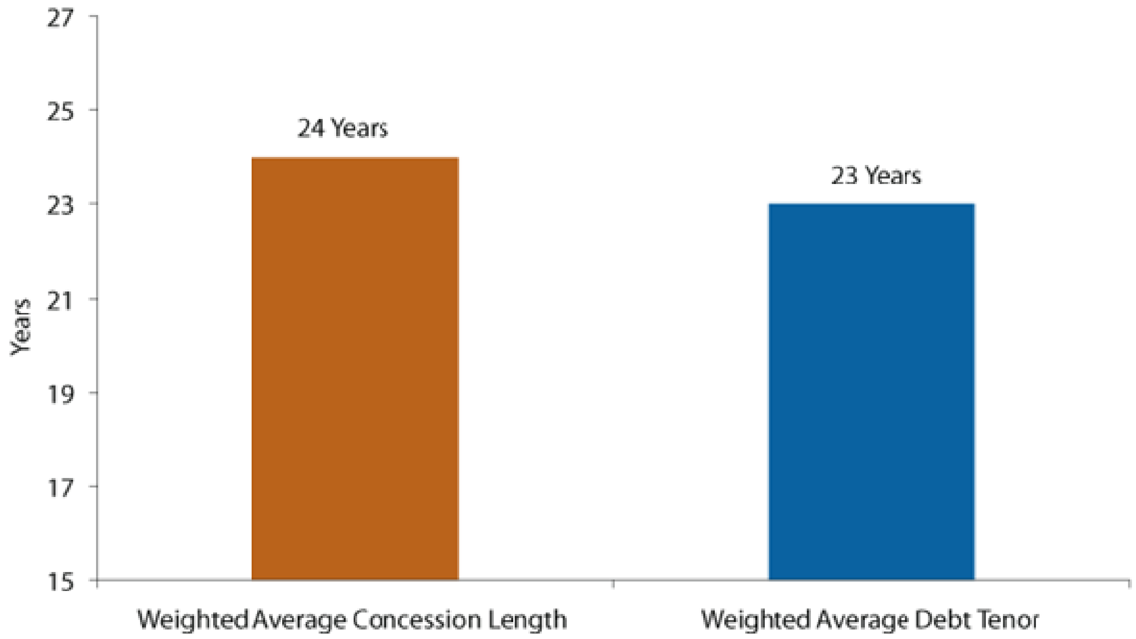
The outstanding balance on the Company's corporate debt facility was repaid in entirety from the proceeds of the equity capital raising in February 2010 and the Company now has a zero debt balance at the Group level. At the asset-level, the Company seeks to secure long-term debt matched where possible to the concession life of an asset at the time of acquisition.

Currently, the weighted average concession life remaining in the portfolio is 24 years, compared to a weighted average debt tenure of 23 years. As a result, less than 1% of total debt is required to be refinanced over the next 31 years, ensuring strong protection from any future interest rate movements.

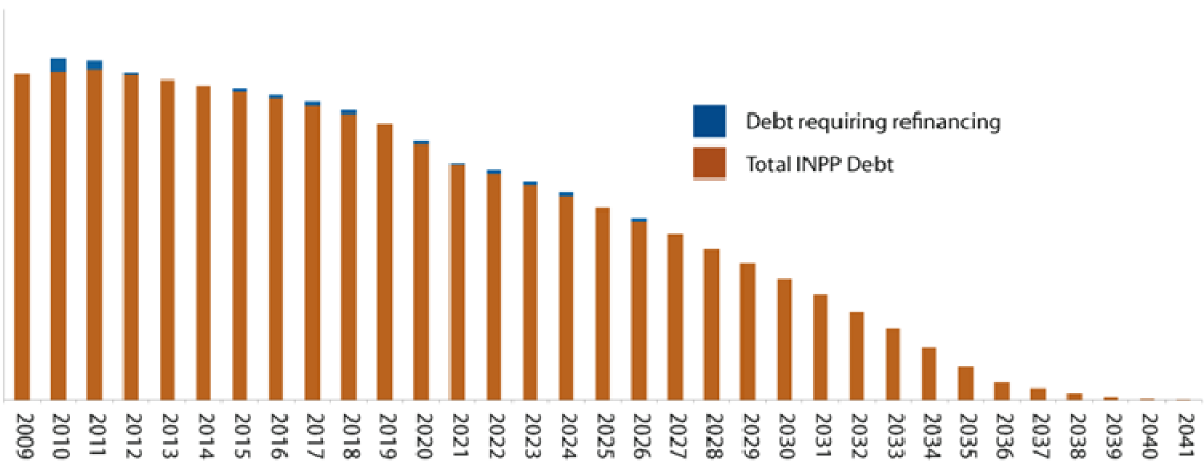
International Public Partnerships Limited

Investment Advisor's Report (continued)

Concession Length vs Debt Tenor



INPP Debt Profile



Distributions

The continued performance of the portfolio has allowed the Directors to increase the target distribution for 2010. The target distribution for 2010 is 5.7 pence per share, an increase of close to 3% on 2009, and is again expected to be entirely covered by operating cash flow.

Investment Advisor's Report (continued)

Inflation Protection

Movements in inflation result in changes to revenue due to the inflation linkage inherent in most of INPP's concessions. At 31 December 2009, 72% of total revenue was inflation linked, however payments to facilities management providers and a portion of the asset-level debt have similar arrangements. INPP has assumed a long-term inflation forecast for the purposes of establishing a fair market valuation of 2.5% (2008:2.5%). This is in line with the Bank of England's long term inflation target.

Outlook

As outlined in the Chairman's Report, the combination of the recent capital raising and the state of the market puts the Company in a good position to acquire new investments that should enhance investor returns. The first of these, an investment in the South East Resource Centre in Hackney, London was completed in February 2010 and the Company expects to make further investments during the course of the year.

There are at least nine further projects with an estimated total development value in excess of £180m being developed within the Amber Infrastructure Group. The Company enjoys a contractual right to invest in projects developed by Amber and which it disposes of. The Company is expected to have the opportunity to invest in a number of these during the course of 2010. If such investments are made, it is anticipated that they will increase the diversification of the Company's portfolio both in terms of sector and geographical exposure and should also enhance the overall investment return projected to investors. The Investment Advisor also continues to receive invitations to review high quality opportunities that have been developed by third parties. The financial events of the last 12 months have motivated some owners of assets of the sort in which the Company invests, to seek to sell at prices that appear attractive compared to historic pricing in the sector. The Investment Advisor believes that the Company is extremely well placed to take advantage of such opportunities where they meet the Company's investment criteria.

Given the solid performance of the Company's existing portfolio and the investment opportunities we see before us, we continue to believe 2010 is likely to be another successful year for the Company.

Amber Fund Management Limited
7 April 2010

International Public Partnerships Limited

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditors' report thereon, for the year ended 31 December 2009.

These financial statements have been prepared by the Directors in compliance with the provisions of the Companies (Guernsey) Law, 2008 as permitted by The Companies (Transitional Provisions) (No. 2) Regulations, 2008.

Change of name

On 24 June 2009, the Company changed its name from Babcock & Brown Public Partnerships Limited to International Public Partnerships Limited.

Board of Directors

The Directors, all of whom are non-executive and the majority of whom are independent, who served throughout the year are listed below and were appointed on 2 August 2006 (unless stated otherwise):

Keith Dorrian (Chairman)

A resident of Guernsey, is an experienced professional in the banking, finance and fund management industries. A former committee member of the Guernsey Investment Fund Association he was also a director of ANZ Bank (Guernsey) Limited and until his retirement in December 2003, Managing Director of Management International (Guernsey) Limited, the Fund Administration Company of the Bank of Bermuda Group in Guernsey. Prior to retirement he had local responsibility for the Bank's Global Fund Services products with over USD14 billion of assets being administered from Guernsey. Prior to this he was employed by Manufacturers Hanover Trust and First National Bank of Chicago. He holds the Institute of Directors Diploma in Company Direction and holds a number of directorships in listed offshore property funds, funds of hedge funds and hedge funds.

As at the date of this report Mr Dorrian is a director of the following companies:

AB Alternative Strategies PCC Limited	IIAB PCC Limited
AB International Fund PCC Limited	K A N Consulting Limited
Arab Bank Fund Managers (Guernsey) Limited	MasterCapital Fund Limited
CS Opportunistic Alternative Investment Limited	Montier Asia and Emerging Markets Fund of Funds Limited
Eagle & Dominion Limited	Montier Long Short Equity Fund of Funds Limited
Eagle & Dominion Growth Fund Limited	Montier Multistrategy Fund of Funds Limited
ELVEN Investments Limited	Montier Asset Management Limited
Eurocastle Investments Limited	Montier Multistrategy Master Fund

GTA University Centre Limited	Montier Multi Strategy Closed End Fund of Funds Limited
Hermes Commodities Umbrella Fund Limited	PSource Structured Debt Limited
HCIF Index Sub Fund Limited	Strategic Investment Portfolio Holdings Limited
HSBC Global Absolute Limited	Third Point Offshore Investors Limited
IDFC General Partner Limited	UK Commercial Property Trust Limited

Rupert Dorey

A resident of Guernsey, has over 22 years experience in debt capital markets, specialising in credit related products, including derivative instruments. Mr Dorey's expertise is principally in the areas of debt distribution, origination and trading, covering all types of debt from investment grade to high yield and distressed debt. He was at Credit Suisse First Boston for 17 years from 1988 until May 2005, holding a number of positions including fixed income credit product coordinator for European offices and head of UK Credit and Rates Sales. Since leaving CSFB, Mr Dorey is acting in a non-executive directorship capacity for a number of hedge funds, funds of hedge funds and private equity funds.

As at the date of this report Mr Dorey is a director of the following companies:

AAA Guernsey Limited	Corazon Argentum Fund Limited
AIAF PCC Limited Convertible Bond Arbitrage Fund	Dexion Commodities Limited
AIAF PCC Limited G7 Fixed Income Fund	Endurance High Performance Fund Limited
AIAF PCC Limited Fixed Income Macro Fund	Episode Inc
AIAF PCC Limited Global Macro Fund	Episode LLP
AIAF PCC Limited Strategic Equity Advantage Fund	Global Credit Opportunities Master Investment Company Limited
AP Alternative Assets LP	Green Park Capital Investment Management Limited
Castle Asia Alternatives PCC Limited	M&G General Partner Inc
Celadon Fund PCC Limited	Onesimus Dorey (Holdings) Limited
Clifford Estate Company Limited	Partners Group Global Opportunities Limited
Clifford Estate Company (Chattels) Limited	Saltus European Debt Strategies Limited
Cognis General Partner Limited	Tetragon Financial Group Fund Limited
Cognis 1 Fund LP	Tetragon Financial Group Master Fund Limited
Cognis 1 Master Fund LP	

Giles Frost

A resident in the United Kingdom, is a director of Amber. Prior to the management buyout by Amber described below, he was joint head of the European public infrastructure business unit at Babcock & Brown. He was employed at Babcock & Brown for nine years and was involved in the development, investment and management of projects in

Directors Report (continued)

the public infrastructure sector throughout this time. Prior to joining Babcock & Brown he was a solicitor and partner in the law firm Wilde Sapte (now Denton Wilde Sapte).

In addition, Mr Frost is a director of Amber Group Holdings Limited, the ultimate holding company of the Investment Advisor to the Company.

Carol Goodwin (appointed 19 February 2007)

A resident of Guernsey, has extensive experience in the finance industry and has held senior executive positions with several European and North American banks, managing businesses in London, Toronto, Montreal, Amsterdam, Nassau and Guernsey. During the periods 1994-1996 and 1998-2001 Ms Goodwin held the position of Managing Director of Investec Bank (Channel Islands) Limited and continues to be a director of the bank and other subsidiary and associated Investec companies. She is also Vice Chairman of another Guernsey bank and serves as a non-executive director for a number of other financial services entities, including a variety of listed and unlisted investment funds. Ms Goodwin is a Fellow of the Institute of Canadian Bankers, a Trust and Estate Practitioner and a Chartered Director of the Institute of Directors.

As at the date of this report Mrs Goodwin is a director of the following companies:

AB Alternative Strategies Fund PCC Limited	General Holdings Limited
AB International Fund PCC Limited	Investec Bank (Channel Islands) Limited
Arab Bank Fund Managers (Guernsey) Limited	Investec Bank (Channel Islands) Nominees Limited
Curlew Group Holdings Limited	IIAB PCC Limited
Dalton Capital (Asia) Limited	Melchior European Fund Limited
Dalton Capital (Guernsey) Limited	Melchior European (Master) Fund Limited
Dexion Trading Limited	Melchior Global Macro Fund Limited
Eastern European Property Fund	Melchior Global Macro (Master) Fund Limited
Episode Inc.	M&G General Partner Inc.
Episode L.P.	Yorkshire Guernsey Limited

John Whittle (appointed 6 August 2009)

A resident of Guernsey, was until recently Finance Director of Close Fund Services where he successfully initiated a restructuring of client financial reporting services and was a key member of the business transition team. He was at Price Waterhouse in London before embarking on a career in business services, predominantly in telecoms. He co-led the business turnaround of Talkland International (now Vodafone Retail). He is a non-executive director of several investment funds and is a Chartered Accountant.

As at the date of this report Mr Whittle is a director of the following companies:

Aurora Russia Ltd	Pont du Val Ltd
EMP Europe (CI) Limited	Saunderton Data Cente GP Ltd
GS Dynamic Strategy IC Ltd	Sciens Global Strategic Fund Limited
GS High Frequency	Sustainable Agroforestry IC Ltd

Directors Report (continued)

GS Investments ICC Ltd	Sustainable Red IC Ltd
GS Volatility Strategy IC Ltd	Sustainable Teak and Agarwood IC Ltd
Guernsey International Management Company Ltd	The IPM renewable Energy Fund ICC Ltd
Legion International Ltd	The Offshore Mutual Fund PCC Ltd
Mid Europa III Management Limited	The Sustainable Forestry ICC Ltd
MSS UK Property Index Fund Management Ltd	The Solar Park Fund (GBP) IC Ltd

Principal activities

The principal activity of the Group comprises the investment in the equity and debt of public infrastructure projects in order to provide shareholders with long-term distributions at levels that are both sustainable and preserve the capital value of the Group's investments, and increasing the capital value where possible through active management.

The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in note 17 to the financial statements.

A review of the business for the year ended 31 December 2009 is contained in the Chairman's Statement (pages 7 to 10) and Investment Advisors Report (pages 17 to 22).

The Company is a member of the Association of Investment Companies (AIC).

Directors' remuneration

During the period 1 January 2009 to 31 December 2009 the Directors' remuneration was paid as follows:

		Base	**Business continuity**	**Total 2009**	**Total 2008**
		(£)	**(£)**	**(£)**	**(£)**
Keith Dorrian	Independent Non-Executive Chairman	38,500	15,000	**53,500**	51,875
Rupert Dorey	Independent Non-Executive Director	31,000	8,250	**39,250**	38,250
Giles Frost	Non- Executive Director	28,500	-	**28,500**	30,000
Carol Goodwin	Independent Non-Executive Director	28,500	8,250	**36,750**	38,250
John Whittle[1]	Independent Non-Executive Director	12,870	-	**12,870**	-

[1] Appointed 6 August 2009

Directors Report (continued)

There are no service contracts in existence between the Company and any Directors but each of the Directors was appointed by a letter of appointment which sets out the terms of their appointment.

The emoluments for Mr. Frost are paid to his employer Amber Infrastructure Limited, a related company of the Group.

Directors' interests

The Directors who held office at 31 December 2009 had the following interests in the shares of International Public Partnerships Limited:

	31 December 2009 Number of Ordinary Shares		31 December 2008 Number of Ordinary Shares	
Name of Director	Non-Beneficial	Beneficial	Non-beneficial	Beneficial
Keith Dorrian	41,500	-	10,000	-
Giles Frost	-	273,745	-	273,745
Rupert Dorey[1]	-	313,630	-	-
Carol Goodwin	-	11,000	-	-
John Whittle	-	-	-	-

[1]Included in the above shareholding, 200,000 shares are held Mr Dorey's spouse.

The following directors have purchased New Ordinary Shares during the period between 31 December 2009 and 7 April 2010.

Keith Dorrian	2,075
Carol Goodwin	20,550
Rupert Dorey (including spouse)	170,000

Mr Frost is also a Director of International Public Partnerships Lux 1 Sarl. and International Public Partnerships Lux 2 Sarl., wholly-owned subsidiary undertakings of the Company. Mr Frost is also a director of a number of other companies in which the Company directly or indirectly has an investment.

At least one third of the Independent Directors will retire at each Annual General Meeting whilst the non independent Director will retire at each Annual General Meeting.

The Board believes that the performance of each Director continues to be effective and demonstrates commitment to the role.

Directors' indemnities

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

Business continuity planning

On 13 June 2008, the Board resolved to form a contingency committee to manage the relationship with the Investment Advisor following announcements made by Babcock & Brown Ltd.

Directors Report (continued)

Members of the contingency committee comprised all non-executive directors of the Company. The contingency committee met on a number of occasions during 2008 and 2009 to develop a strategy and action plans to ensure the continued success of the Company, maintain the commitment of management and to effectively communicate this to shareholders.

Substantial shareholdings

As at 31 March 2010, the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following substantial voting rights as shareholders of the Company.

Name of holder	Percentage of voting rights and issued share capital	No. of ordinary shares	Nature of holding
Schroder Investment Management Ltd.	12.47	56,500,104	Indirect
Rensburg Sheppards Investment Management	10.08	45,685,391	Indirect
Brewin Dolphin Securities Ltd.	5.99	27,164,989	Indirect
M&G Investment Management Ltd.	5.99	27,139,240	Indirect
CCLA Investment Managers Ltd.	5.95	26,981,300	Indirect
Corus UK - British Steel Pension Fund	4.52	20,482,153	Indirect
Legal & General Investment Management Ltd.	3.89	17,635,693	Indirect
Tilney Investment Management Ltd.	3.48	15,762,796	Indirect
London Borough of Enfield Pension Fund	3.19	14,464,000	Indirect
BlackRock Investment Management (UK) Ltd.	3.10	14,048,510	Indirect

Listing Requirements

On 9 November 2006, the Company's Ordinary Shares were admitted to the Official List maintained by the Financial Services Authority. Throughout the year the Company has complied with the Listing Rules of the UK Listing Authority.

Advisory Services

Amber Fund Management Limited (AFML) provides advisory services to the Company. A summary of the contract between the Company and AMFL in respect of investment advisory services provided is given in note 39 to the financial statements.

Amber Fund Management Limited has also been appointed as Operator to International Public Partnerships Limited Partnership (a subsidiary of the Company) pursuant to the Limited Partnership Agreement and Operating Agreement. As Operator, Amber Fund Management Limited, is responsible for the discretionary investment management of International Public Partnership Limited Partnership's investment portfolio. In addition, it provides (in conjunction with the Administrator) accounting and finance resource, legal, compliance and risk management services, and IT systems to the Group.

Directors Report (continued)

Share Capital

The Company's share capital at 31 December 2009, comprised entirely ordinary shares which rank equally in all respects. The rights attached to the ordinary shares, in addition to those conferred on their holders by law, are set out in the Company's Articles of Association. The Company's Articles of Association may only be amended by a special resolution of the shareholders.

On 17 April 2008 the Company raised an additional £84 million of equity through a C Share issue. These shares were listed on the London Stock Exchange on 22 April 2008 at an issue price of 100.00 pence per share. The C Shares were converted to Ordinary Shares on 30 June 2008 at a conversion rate of 0.8928 Ordinary shares for every 1 C share. The total number of Ordinary shares in issue at 31 December 2009 was 374,714,645 (2008 – 374,714,645).

In January 2010, the Company undertook a Firm Placing of 24,604,914 New Ordinary Shares, Open Offer of 18,735,733 New Ordinary Shares and Offer for Subscription of up to 44,571,441 New Ordinary Shares, at an Issue Price of 113.75 pence per New Ordinary Share. Details are set out in note 37.

Details of the Company's share capital are set out in note 30.

Directors' Authority to Buy Back Shares

The Company did not purchase any shares for treasury or cancellation during the year.

The current authority of the Company to make market purchases of up to 14.99% of the issued Ordinary Share Capital expires on 12 June 2010. The Company will seek to renew such authority at the Annual General meeting to take place on 3 June 2010. Any buy back of Ordinary Shares will be made subject to Guernsey law and within any guidelines established from time to time by the Board and the making and timing of any buy backs will be at the absolute discretion of the Board. Purchases of Ordinary Shares will only be made through the market for cash at prices below the prevailing Net Asset Value of the Ordinary Shares (as last calculated) where the Directors believe such purchases will enhance shareholder value. Such purchases will also only be made in accordance with the Listing Rules of the UK Listing Authority which provide that the price to be paid must not be more than 5 per cent above the average of the middle market quotations for the Ordinary Shares for the five business days before the shares are purchased unless previously advised to shareholders. In accordance with the Company's Articles of Association up to 10% of the Company's shares may be held as treasury shares.

Foreign exchange and treasury policy

The Group has exposure to foreign currency as a result of investments outside of the United Kingdom and, as such, is exposed to movements in exchange rates between the Euro, Canadian Dollar, Australian Dollar and Pound Sterling. The Group may enter into forward exchange contracts to mitigate these risks. The Group's risk management policies and procedures are also discussed in note 3 to the financial statements.

Directors Report (continued)

Regulation

The new Guernsey Fund Rules relating to authorised and registered funds (the Authorised Closed-Ended Investment Schemes Rules 2008 and the Registered Collective Investment Scheme Rules 2008, (together "the new rules")) became effective from 15 December 2008. All funds in existence as at that date are automatically deemed to be authorised funds but have a transition period of up to 30 April 2009 to write to the GFSC and convert to a registered fund. The Company's Directors at the board meeting on 27 March 2009 indicated their intention to keep the fund authorised.

Earnings per share

Basic and diluted earnings per share were 2.42 pence for the year ended 31 December 2009 (2008: 2.85 pence).

Dividend and distribution policy

Distributions on Ordinary Shares are expected to be paid twice a year, normally in respect of the six months to 30 June and 31 December each year, subject to the provisions of Guernsey law, by way of dividends. The Company may also make distributions by way of capital as well, or in lieu of, by way of dividends and if to the extent that the Directors consider this to be appropriate and permitted by the Listing Rules, the Laws and the Articles.

In accordance with announcements made, a distribution of 2.775 pence per share for the period 1 January 2009 to 30 June 2009 was paid on 9 October 2009. The distribution of 2.775 pence per share for the period 1 July 2009 to 31 December 2009 is to be paid on 6 May 2010.

Further details of the Company's distributions are set out in note 13.

Post-balance sheet events

At an Extraordinary General Meeting of Shareholders held on 15 January 2010, the Company announced that shareholders had approved a:

- Firm Placing of 24,604,914 New Ordinary Shares;
- Open Offer of 18,735,733 New Ordinary Shares; and
- Offer for Subscription of up to 44,571,441 New Ordinary Shares;

with the ability to increase the size of the Issue by 17,582,418 New Shares, each at an Issue Price of 113.75 pence per New Ordinary Share.

Following the capital raising 78,495,308 New Ordinary Shares were issued raising a total of £89,288,419.

In February 2010, the Company repaid the corporate debt facility in full; the amount outstanding at 31 December 2009 was £58.3 million.

Accounting policies

The Company and the Group have adopted appropriate accounting policies in accordance with International Financial Reporting Standards.

Relations with shareholders

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. The Board receives regular reports on the views of shareholders and the Chairman and other Directors

Directors Report (continued)

are available to meet shareholders as required. The Annual General Meeting of the Company provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors of the Company.

Going concern basis

Comprehensive financial forecasts have been prepared and submitted to the Board for review and the Directors have, based on the information contained in these forecasts and the assessment of the committed banking facilities in place, formed a judgement, at the time of approving the financial statements, a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. As a result the directors continue to adopt the going concern basis in preparing the Financial Statements (refer to note 1).

Auditors

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of The Companies (Guernsey) Law, 2008.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Keith Dorrian

7 April 2010

Chairman

Rupert Dorey

7 April 2010

Director

Corporate Governance Report

Corporate Governance Policy

Guernsey does not have its own corporate governance code and, as a Guernsey incorporated company, the Company is not required to comply with the Combined Code on Corporate Governance as revised by the Financial Reporting Council in June 2006 (the 'Combined Code'). However, it is the Company's policy to comply with best practice on good corporate governance that is applicable to investment companies.

The Board has considered the principles and recommendations of the AIC's Code of Corporate Governance issued in May 2007 (the 'AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies (the 'AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues which are of specific relevance to investment companies. The Board considers that it is appropriate to report against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code).

Except as disclosed below, the Company complied throughout the year with the recommendations of the AIC Code and the relevant provisions of the Combined Code. Since all the Directors are non-executive, and in accordance with the AIC Code and the preamble to the Combined Code, the provisions of the Combined Code on the role of chief executive and, except in so far as they apply to non-executive Directors, on Directors remuneration, are not relevant to the Company and are not reported on further.

In view of the Board's non-executive nature and the requirement of the Articles of Incorporation that one third of Directors retire by rotation at least every three years, the Board considers that it is not appropriate for the Directors to be appointed for a specified term as recommended by principal 3 of the AIC Code.

Board Structure

The Board currently consists of five non-executive Directors, whose biographies, on page 23 to page 26, demonstrate a breadth of investment and business experience. The Chairman of the Board is an independent non-executive; the Board considers it unnecessary to appoint a senior independent Director.

Name	Position	Independent	Date Appointed
Keith Dorrian	Non-Executive Chairman	Yes	2 August 2006
Rupert Dorey	Non-Executive Director	Yes	2 August 2006
Giles Frost	Non-Executive Director	No	2 August 2006
Carol Goodwin	Non-Executive Director	Yes	19 February 2007
John Whittle	Non-Executive Director	Yes	6 August 2009

Corporate Governance Report (continued)

The Board consists solely of non-executive Directors and is chaired by Mr Dorrian. At least one third of the Directors retire by rotation at every AGM with the exception of Mr Frost, who is not considered independent being an employee of Amber Infrastructure Limited, which is an associated company of the Company's Investment Advisor, Amber Fund Management Limited. Mr Frost will therefore be subject to annual re-election by shareholders. All other Directors are considered by the Board to be independent of the Company's investment advisor. Any Directors appointed to the Board since the previous AGM also retire and stand for re-election.

The Board will meet at least four times a year and in addition there is regular contact between the Board, the Investment Advisor and the Administrator and the Board requires to be supplied in a timely manner with information by the Investment Advisor, the Company Secretary and other advisors in a form and of a quality appropriate to enable it to discharge its duties.

An evaluation of the performance of individual Directors and the Chairman was carried out during the year which concluded that the Board is performing satisfactorily in the six areas reviewed: Board composition and meeting process, Board information, training, Board dynamics, Board accountability and effectiveness and an evaluation of the Chairman.

New Directors receive an induction from the Investment Advisor on joining the Board, and all Directors receive other relevant training as necessary.

At least one third of the Independent Directors will retire at each Annual General Meeting whilst the non independent Director will retire at each Annual General Meeting. At the Annual General Meeting scheduled for 3 June 2010, a resolution will be proposed for the re-election of Mr Frost as a non independent Director and for re-election of both Mr Dorey and Mr Whittle as independent directors.

The Company has no executive directors or employees. All matters, including strategy, investment and dividend policies, gearing and corporate governance procedures are reserved for approval by the Board of Directors. The Board currently meets at least quarterly and receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings.

Meeting Attendance Records

The table below lists Directors' attendance at meetings during the year, to the date of this report.

Directors	**Quarterly Board (max 5)**	**Ad-hoc Board (max 7)**	**Audit Committee (max 4)**	**Independent Committee (max 5)**	**Other Committee (max 3)**
K Dorrian	5	7	4	5	3
R Dorey	5	7	4	5	1
G Frost[1]	5	2	n/a	n/a	1
C Goodwin	5	7	4	5	1
J Whittle	3 (max 3)	3 (max 3)	2 (max 2)	n/a	3

1 Mr Frost is not a member of the Audit Committee.

Corporate Governance Report (continued)

Committees of the Board

The Board has not deemed it necessary to appoint a nomination or remuneration committee as, being comprised wholly of non-executive Directors, the whole Board considers these matters.

Directors' Duties and Responsibilities

The Directors have adopted a set of Reserved Powers, which establish the key purpose of the Board and detail its major duties. These duties cover the following areas of responsibility:

- Statutory obligations and public disclosure
- Approval of investment decisions
- Strategic matters and financial reporting
- Oversight of management and personnel matters
- Risk assessment and management, including reporting, monitoring, governance and control
- Other matters having material effects on the Company

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

The Directors are responsible for the overall management and direction of the affairs of the Company. The Company has no Executive Directors or employees. Under the Investment Advisory Agreement, Amber Fund Management Limited acts as Investment Advisor to the Company to review and monitor investments and advise the Company in relation to strategic management of the investment portfolio. In addition, Amber Fund Management Limited is responsible for the discretionary investment management of the Group's investment portfolio under the terms of the Operating Agreement.

Heritage International Fund Managers Limited acts as Administrator and Company Secretary and is responsible to the Board under the terms of the Administration Agreement. The Administrator is also responsible for ensuring compliance with the Rules and Regulations of Guernsey Law, London Stock Exchange listing requirements, money laundering regulation and observation of the Reserved Powers of the Board and in this respect the Board receives detailed quarterly reports.

The Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are followed and that it complies with applicable rules and regulations of Guernsey Law, Guernsey Financial Services Commission and the London Stock Exchange. Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. The Company maintains appropriate Directors' and Officers' liability insurance in respect of legal action against its Directors on an ongoing basis and the Company has maintained appropriate Directors' Liability Insurance cover throughout the period.

The Board is also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Internal Control and Financial Reporting

The Directors acknowledge that they are responsible for establishing and maintaining the Company's system of internal control and reviewing its effectiveness. Internal control systems are designed to manage rather than eliminate the failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatements or loss.

Corporate Governance Report (continued)

The Directors review all controls including operations, compliance and risk management. The key procedures which have been established to provide internal control are:

- Investment advisory services are provided by Amber Fund Management Limited ("AFML"). The Board is responsible for setting the overall investment policy and monitors the action of the Investment Advisor and Operator at regular Board meetings. The Board has also delegated administration and company secretarial services to Heritage International Fund Managers Limited ("Heritage"); however it retains accountability for all functions it delegates.
- The Board considers the process for identifying, evaluating and managing any significant risks faced by the Company on an on-going basis. It ensures that effective controls are in place to mitigate these risks and that a satisfactory compliance regime exists to ensure all local and international laws and regulations are upheld. In light of recent market volatility and economic turmoil, particular attention has been given to the effectiveness of controls to monitor liquidity risk, asset values, counterparty exposure and credit availability.
- The Non-Executive Directors of the Company clearly define the duties and responsibilities of their agents and advisers and appointments are made by the Board after due and careful consideration. The Board monitors the ongoing performance of such agents and advisors.
- AFML and Heritage maintain their own systems of internal control, on which they report to the Board. The Company, in common with other investment companies, does not have an internal audit function. The Board has considered the need for an internal audit function, but because of the internal control systems in place at AFML and Heritage, has decided to place reliance on their systems and internal control procedures.
- The systems are designed to ensure effectiveness and efficient operation, internal control and compliance with laws and regulations. In establishing the systems of internal control, regard is paid to the materiality of relevant risks, the likelihood of costs being incurred and costs of control. It follows therefore that the systems of internal control can only provide reasonable but not absolute assurance against the risk of material misstatement or loss.

Relations with Shareholders

The Board welcomes shareholder's views and places great importance on communication with shareholders. The Board receives regular reports on the views of shareholders and the Chairman and other Directors are available to meet shareholders if required. The Investment Advisor meets with major shareholders on a regular basis and reports to the Board on these meetings. Issues of concern can be addressed by any shareholder by writing to the Company at its registered address (see page 1). The Annual General Meeting of the Company provides a forum for shareholders to meet and discuss issues with the Directors and the Investment Advisor of the Company.

Audit Committee Report

The Audit Committee comprises the independent non executive Directors and is chaired by Mr. R Dorey. The Committee's terms of reference include all matters indicated by the Combined Code. The terms of reference are considered annually by the Audit Committee and are then referred to the Board for approval.

The Audit Committee is required to report its findings to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and make recommendations as to the steps to be taken.

The duties of the Audit Committee in discharging its responsibilities include reviewing the Annual Report and Financial Statements and the Interim Report and Financial Statements, the system of internal controls and the terms of appointment of the auditors together with their remuneration. It is also the forum through which the auditor's report to the Board of Directors and Committee and will meet at least twice yearly.

The objectivity of the auditors is reviewed by the Audit Committee which also reviews the terms under which the external auditors are appointed to perform non-audit services. The Audit Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditors, with particular regard to non-audit fees. Deloitte LLP provides ongoing tax advice when requested by the Company. Notwithstanding such services the Audit Committee considers Deloitte LLP to be independent of the Company and that the provision of such non-audit services is not a threat to the objectivity and independence of the conduct of the audit.

Following its assessment of the performance of the external auditors, the Audit Committee has recommended to the Board that the external auditors are re-appointed.

The Board receives copies of the minutes of the Audit Committee Meetings. The Audit Committee has met four times from the period 1 January 2009 to date.

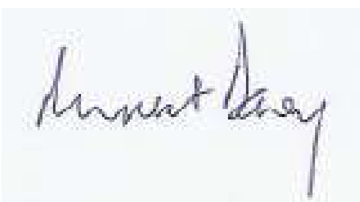
Matters considered at these meetings include but were not limited to:

- review of the 2008 Annual Report and Financial Statements,
- review of the 2009 Half Year Financial Report,
- review of the audit plan and timetable for the preparation of the 2009 Annual Report and Financial Statements,
- review of the 2009 Annual Report and Financial Statements.

The Chairman of the Audit Committee will be available at the Annual General Meeting to answer any questions about the work of the committee.

Approval

This report was approved by the Audit Committee and signed on its behalf by:



Chairman of the Audit Committee

7 April 2010

International Public Partnerships Limited

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements including the Profit and Loss and Balance Sheet of the Group and Company for that reporting period.

The Directors have elected to prepare financial statements for the Group and Company in accordance with International Financial Reporting Standards as issued and adopted by the International Accounting Standards Board. International Accounting Standard 1 requires that the financial statements present fairly for each financial period the Group and Company's financial position, financial performance and cash flows. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards (IFRS) as issued and adopted by the International Accounting Standards Board.

Directors are also required to:

- properly select and apply accounting policies;
- make judgements that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements have been properly prepared in accordance with The Companies (Guernsey) Law, 2008. The directors are also responsible for safeguarding the assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

International Public Partnerships Limited

Independent Auditors' Report

to the members of International Public Partnerships Limited (formerly Babcock & Brown Public Partnerships Limited)

We have audited the financial statements of International Public Partnerships Limited (the "financial statements") for the year ended 31 December 2009 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, the Consolidated balance sheet, the Consolidated cash flow statement and the related notes 1 to 39. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by Law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with International Financial Reporting Standards as issued and adopted by the International Accounting Standards Board and applicable Guernsey Law are set out in the statement of Directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant Guernsey legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with The Companies (Guernsey) Law, 2008. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the Group and Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed. We are not required to review any Corporate Governance disclosures required by The Listing Rules of the Financial Services Authority as the Company has availed itself of an exemption, as an overseas Company, from the requirement to publish a statement of compliance with The Combined Code.

Independent Auditors' Report
to the members of International Public Partnerships Limited (formerly Babcock & Brown Public Partnerships Limited) (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, as issued and adopted by the International Accounting Standards Board, of the state of the Group's affairs as at 31 December 2009 and of the Group's profit for the year to 31 December 2009 and have been properly prepared in accordance with The Companies (Guernsey) Law, 2008.

Deloitte LLP
Chartered Accountants
St Peter Port, Guernsey
7 April 2010

International Public Partnerships Limited

Consolidated Income Statement
Year ended 31 December 2009

	Notes	Year ended 31 December 2009 £'000s	Year ended 31 December 2008 £'000s
Continuing operations			
Revenue	5	599,759	224,855
Cost of sales		(585,351)	(214,292)
Gross profit		14,408	10,563
Investment income	5,7	123,210	83,510
Other gains and losses	8	4,355	7,574
Share of results from associates	18	3,025	3,306
Other operating income	5	8,595	761
Total other income		139,185	95,151
Finance costs	9,10	(95,035)	(72,121)
Operating expenses	10	(29,408)	(18,891)
Administrative expenses	10	(3,077)	(2,461)
Impairment charges	10	(14,710)	-
Total other expenses		(142,230)	(93,473)
Profit before tax	10	11,363	12,241
Tax	12	(3,017)	(3,421)
Profit for the year from continuing operations		8,346	8,820
Attributable to:			
Equity holders of the parent		9,083	10,015
Minority interest – share of losses[1]		(737)	(1,195)

	Notes	Pence	Pence
Earnings per share			
From continuing operations			
Basic	14	2.42	2.85
Diluted	14	2.42	2.85

[1] The minority interest share of losses relates to the 35% holding in the Diabolo project (which was decreased to 25% on 12 October 2009) , the 25% holding in the Alberta Schools project and the 5% holding in the Amiens (France) Hospital project that are not held by the Group.

International Public Partnerships Limited

Consolidated Statement of Comprehensive Income
Year ended 31 December 2009

	Year ended 31 Dec 2009 £'000s	Year ended 31 Dec 2008 £'000s
Profit for the year from continuing operations	**8,346**	**8,820**
Other comprehensive income		
Net increase in foreign exchange translation reserves	4,399	15,113
Net decrease in fair value of available for sale financial assets	(3,358)	(6,382)
Net increase/(decrease) in fair value of hedging derivatives	38,599	(94,408)
Other comprehensive income/(loss) for the year, net of tax	**39,640**	**(85,677)**
Total comprehensive income/(loss)	**47,986**	**(76,857)**
Total comprehensive income/(loss) attributable to:		
Equity holders of the parent	**43,581**	**(66,309)**
Minority interest	**4,405**	**(10,548)**

Tax of £15.9 million (2008 – £37.1 million) has been netted off the components of other comprehensive income presented above.

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International Public Partnerships Limited

Consolidated Statement of Changes in Equity
For the year ended 31 December 2009

	Notes	Share capital	Share capital C Share	Share premium account	Hedging and translation reserves	Revalu-ation reserves	Other distribut-able reserve	Retained earnings	Total	Minority Interests	Total
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 31 December 2007		30	-	-	1,322	2,215	293,506	7,175	304,248	18	304,266
Issue of C share capital	30	-	7	-	-	-	-	-	7	-	7
Share premium on issue of C Shares	31	-	-	83,678	-	-	-	-	83,678	-	83,678
Conversion of C Shares	31	7	(7)	-	-	-	-	-	-	-	-
Minority share net assets acquired		-	-	-	-	-	-	-	-	13,981	13,981
Issue fees applied to share premium account	31	-	-	(1,920)	-	-	-	-	(1,920)	-	(1,920)
Distributions in the year	13	-	-	-	-	-	-	(17,992)	(17,992)	-	(17,992)
Total comprehensive income/(loss) in the year		-	-	-	(69,957)	(6,367)	-	10,015	(66,309)	(10,548)	(76,857)
Balance at 31 December 2008		37	-	81,758	(68,635)	(4,152)	293,506	(802)	301,712	3,451	305,163

International Public Partnerships Limited

Consolidated Statement of Changes in Equity
For the year ended 31 December 2009 (continued)

	Notes	**Share capital**	**Share premium account**	**Hedging and translation reserves**	**Revalu-ation reserves**	**Other distribut-able reserve**	**Retained earnings**	**Total**	**Minority Interests**	**Total**
		£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Balance at 31 December 2008		37	81,758	(68,635)	(4,152)	293,506	(802)	301,712	3,451	305,163
Distributions in the year	13	-	-	-	-	-	(20,515)	(20,515)	-	(20,515)
Reserves transfer	32	-	-	-	-	(20,515)	20,515	-	-	-
Total comprehensive income/(loss) in the year		-	-	38,040	(3,542)	-	9,083	43,581	4,405	47,986
Balance at 31 December 2009		37	81,758	(30,595)	(7,694)	272,991	8,281	324,778	6,419	331,197

International Public Partnerships Limited

Consolidated Balance Sheet
As at 31 December 2009

	Notes	31 December 2009 £'000s	31 December 2008 £'000s
Non-current assets			
Intangible assets	15	272,877	239,879
Property, plant and equipment	16	8,503	8,917
Interests in associates	18	49,357	50,985
Available for sale financial assets	19	844,362	323,389
Deferred tax asset	24	2,928	5,025
Financial asset loans and receivables	20	466,409	486,692
Total non-current assets		1,644,436	1,114,887
Current assets			
Financial asset loans and receivables	20	8,058	7,647
Available for sale financial assets	19	21,631	18,827
Trade and other receivables	25	23,736	13,061
Cash and cash equivalents	21	839,133	1,006,818
Total current assets		892,558	1,046,353
Total assets		2,536,994	2,161,240
Current liabilities			
Trade and other payables	27	135,856	66,476
Current tax liabilities		486	290
Bank loans	22	84,782	26,170
Derivative financial instruments	23	497	-
Short-term provisions	28	900	790
Total current liabilities		222,521	93,726
Non-current liabilities			
Bank loans	22	1,793,127	1,528,991
Derivative financial instruments	23	85,791	141,150
Deferred tax liabilities	24	104,358	92,210
Total non-current liabilities		1,983,276	1,762,351
Total liabilities		2,205,797	1,856,077
Net assets		331,197	305,163

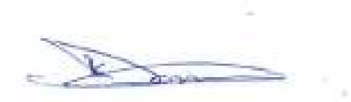
International Public Partnerships Limited

Consolidated Balance Sheet
As at 31 December 2009 (continued)

	Notes	31 December 2009 £'000s	31 December 2008 £'000s
Equity			
Share capital	30	37	37
Share premium account	31	81,758	81,758
Revaluation reserves	19	(7,694)	(4,152)
Hedging and translation reserves	23	(30,595)	(68,635)
Other distributable reserve	32	272,991	293,506
Retained earnings	33	8,281	(802)
Equity attributable to equity holders of the parent		324,778	301,712
Minority interests		6,419	3,451
Total equity		331,197	305,163

The financial statements were approved by the Board of Directors on 7 April 2010.

They were signed on its behalf by:



Keith Dorrian

7 April 2010

Chairman

Rupert Dorey

7 April 2010

Director

International Public Partnerships Limited

Consolidated Cash Flow Statement
For the year ended 31 December 2009

	Notes	Year ended 31 December 2009 £'000s	Year ended 31 December 2008 £'000s
Net cash from operating activities	35	2,716	7,810
Investing Activities			
Interest received		52,402	33,645
Dividends received from associates		2,707	2,921
Acquisition of subsidiaries (net of cash acquired)	34	(836)	644,929
Investment in sub-ordinated debt		-	(10,666)
Investment in financial assets[1]		(484,538)	(174,538)
Acquisition of available for sale investments		-	(22,649)
Acquisition of equity in associates		(579)	(26,150)
Net cash used in investing activities		(430,844)	447,492
Financing Activities			
Proceeds from issue of shares		-	83,686
Dividends paid		(20,515)	(17,824)
Share issue/flotation expenses paid		-	(1,920)
Loan issue costs paid		(500)	-
Proceeds of borrowings		167,574	240,461
Net cash provided by financing activities		146,559	304,403
Net (decrease)/ increase in cash and cash equivalents		(281,569)	759,705
Cash and cash equivalents at beginning of year		1,006,818	234,485
Exchange gains on cash		113,884	12,628
Cash and cash equivalents at end of year		839,133	1,006,818

[1] Net cash used in investing activities represents the construction costs incurred on service concessions under development and includes elements of financial assets and intangible assets.

Cash and cash equivalents of £839.1 million at 31 December 2009 (2008 - £1,006.8 million) includes £802.1 million (2008 - £944.6 million) held by non-recourse PFI project entities.

International Public Partnerships Limited

Notes to the Consolidated Financial Statements

1. General information

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 page 3. The nature of the Group's operations and its principal activities are set out in the Investment Advisor's Report on pages 17 to 22.

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 Group. Foreign operations are included in accordance with the policies set out in note 3.

The United Kingdom partnerships within the International Public Partnerships Limited Group fall to be classified as qualifying partnerships, as defined in the Partnerships and Unlimited Companies (Accounts) Regulations 1993 as amended by SI 2005 No 1987 The Partnerships and Unlimited Companies (Accounts) (Amendment) Regulations 2005, and as such the exemption from preparing accounts is utilised by them as their results are included in these consolidated accounts and appropriate disclosure of this exemption will be provided in the partnership financial statements.

Basis of preparation

As set out in the Directors' Report, the Directors, in their consideration of going concern have reviewed comprehensive cash flow forecasts prepared by management, which are based on prudent market data and past experience and believe, based on those forecasts and an assessment of the Group's committed banking facilities and the available headroom, that it is appropriate to prepare the financial statements of the Group on 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 £37 million as at 31 December 2009, banking facilities (available for investment in new or existing projects) which are committed until May 2011 and is forecast to continue in full compliance with the associated banking covenants.

Further the Company completed a capital raising that concluded in January 2010 which provided additional cash resources in excess of £89 million.

Certain risks and uncertainties which arise as a result of the current economic environment have been considered by the Board. The Board has concluded that these do not represent a significant threat to the Group as its income is generated from a portfolio of PFI concessions which are supported by government backed cash flows and are forecast to cover the Group's committed costs. The Group's cash, liquidity position and borrowing facilities are disclosed in notes 21 and 22. In addition, the Group's policy for management of exposure to financial risk, including liquidity, foreign exchange, credit and interest risks are set out in notes 3, 23 and 29.

2. Adoption of new and revised Standards

In the current year, the following new and revised Standards and Interpretations are effective for the current period and resulted in a change in the accounting policies of the Group. These are:

- IAS 1 (revised 2007) - *Presentation of Financial Statements*

  IAS 1(revised 2007) has introduced a number of changes in the format and content of the financial statements. The revised standard requires the presentation of a statement of comprehensive income in the primary financial statements with the information previously disclosed in the statement of recognised income that formed part of the statement of changes in equity.

As there has been a retrospective change in the accounting policies, in respect of the adoption of IFRS 7 (amended) and IFRS 8, of the Group there is a requirement to present a third balance sheet, however as this change is not deemed material a balance sheet as at 31 December 2007 has not been presented as it is unadjusted from the previously published version.

- IFRS 7 (amended) – *Financial Instrument: Disclosures*

  The amendments to IFRS 7 expand the disclosures regarding reclassifications of financial assets and provided for additional disclosures in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

- IFRS 8 - *Operating Segments*

  IFRS 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments as per note 6. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's Chief Operating Decision Maker in order to allocate resources to the segments and to assess their performance. The information previously disclosed under the predecessor standard (IAS 14 - *Segment Reporting*) required the Group to identify two sets of segments (business and geographical), using a risks and rewards approach. The Directors have reviewed the business segments identified under IAS 14 and concluded that management information is presented in a variety of ways, however, considered that these segments continue to be appropriate under IFRS 8 as the principal way in which information is reported. The requirements of IFRS 8 have resulted in certain changes to disclosures and the introduction of a fourth UK segment.

The adoption of the following Standards and Interpretations has not led to any material changes in the Group's accounting policies for the year.

- IAS 20 (amended) – *Accounting for Government Grants and Disclosure of Government Assistance*
- IAS 23 (revised 2007) - *Borrowing Costs*
- IAS 32 (amended)/IAS 1 (amended) - *Puttable Financial Instruments and Obligations Arising on Liquidation.*
- IAS 38 (amended) - *Intangible Assets*
- IAS 39 (amended) - *Financial Instruments: Recognition and Measurement*

  The amendment to IAS 39 permits an entity to reclassify non-derivative financial assets out of the 'fair value through profit or loss' (FVTPL) and 'available-for-sale' (AFS) categories in very limited circumstances. Such reclassifications are permitted from 1 July 2008. Reclassifications of financial assets made in periods beginning on or after 1 November 2008 take effect only from the date when the reclassification is made. During the period the Group did not undertake any reclassifion

- IAS 40 (amended) – *Investment Property*
- IFRS 1 (amended)/IAS 27 (amended) - *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.*
- IFRS 2 (amended) - *Share-based Payment – Vesting Conditions and Cancellations*
- IFRIC 9 - *Embedded Derivatives (Amendments to Reassessment of Embedded Derivatives and IAS 39) Financial Instruments: Recognition and Measurement*
- IFRIC 15 - *Agreements for the Construction of Real Estate*
- IFRIC 16 - Hedges *of a Net Investment in a Foreign Operation*
- IFRIC 18 - *Transfers of Assets from Customers (adopted for transfers of assets from customers received on or after 1 July 2009)*

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 1 (amended)/IAS 27 (amended) - *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- IFRS 3 (revised 2008) - *Business Combinations*

  The Group did not early adopt the revised IFRS 3 and so will apply it prospectively to all business combinations on or after 1 January 2010. Whilst it is not practicable to estimate the outcome of adoption, the key features of the revised IFRS 3 include a requirement for acquisition related costs to be expensed and not included in the purchase price; and for contingent consideration to be recognised at fair value on the acquisition date (with subsequent changes recognised in the income statement and not as a change to goodwill). The standard also changes the treatment of non-controlling interests (formerly minority interests) with an option to recognise these at full fair value as at the acquisition date and a requirement for previously held non-controlling interests to be fair valued as at the date control is obtained, with gains and losses recognised in the income statement.

- IAS 27 (revised 2008) - *Consolidated and Separate Financial Statements*
- IAS 28 (revised 2008) - *Investments in Associates*
- IFRIC 17 - *Distributions of Non-cash Assets to Owners*
- Improvements to IFRSs (April 2009)

The directors do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Group except for treatment of acquisition of subsidiaries and associates when IFRS 3 (revised 2008), IAS 27 (revised 2008) and IAS 28 (revised 2008) come into effect for business combinations for which the acquisition date is on or after 1 January 2010.

3. Significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by, or adopted by, the International Accounting Standards Board, interpretations issued by the International Financial Reporting Interpretations Committee, applicable legal and regulatory requirements of Guernsey and the Listing Rules of the UK Listing Authority. IFRS requires management to make judgements, estimates and assumptions that affect the application of the reported amounts in these financial statements. The financial statements have been prepared on the historical cost basis, as amended to reflect certain items that are presented at fair value. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) up to 31 December 2009. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition and where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognised at their fair value at the acquisition date. The excess amount arising on acquisition is recognised as an intangible asset and initially carried at fair value at acquisition. This intangible asset represents the rights to future profits on the service element of the related concessions.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the entity.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost and adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are not recognised in the financial statements.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Intangibles

An intangible asset is recognised on the acquisition of service concession arrangements and represents the rights to future profits on the service element of these concessions. This intangible is initially recognised at fair value and is subsequently amortised over the life of the underlying concessions.

The Group also recognises an intangible asset on the right to charge users of the infrastructure assets within a service concession. This intangible asset is initially measured at fair value and is subsequently amortised over the remaining life of the concession from the date on which it is available for use.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at fair value on acquisition, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method at 4.3%.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the following in respect of PFI / PPP projects:

- The value of construction work-in-progress on PFI projects where the principal asset is to be accounted for as a financial or intangible asset;
- Availability fees and usage fees on PFI projects where the principal asset is accounted for as a fixed or intangible asset;
- Revenues from the provision of facilities management services to PFI projects;
- Non-core facility recharges being recovered for ad hoc services delivered by PFI projects at the request of the client; and
- Third-party revenues on PFI projects.

Financial asset interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment has been established.

Acquisition costs

Acquisition costs are those costs (predominantly legal and financial advisory costs, due diligence costs, stamp duty and including the investment advisory fees in respect of the acquisition) incurred by the Group in connection with acquisitions of investments. Acquisition costs are included in the price in determining the cost of the Group's investments.

Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pound sterling which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at spot rates on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at spot rates. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the spot rates at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rate at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Where the property of PFI/PPP projects is accounted for as a financial or intangible asset in the course of construction, the sale is deemed to take place as construction commences and borrowing costs on the associated project finance are recognised in the income statement in the period in which they are incurred.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Taxation

The Company has obtained exempt company status in Guernsey under the terms of the Income Tax (exempt Bodies) (Guernsey) Ordinance, 1989 and accordingly is subject to an annual charge of currently £600.

The Company's subsidiaries are subject to corporate income tax on any taxable income, after allowing for both revenue and capital deductions arising from their activities. The tax expense included in the income statement represents the sum of the current tax and deferred tax and is calculated in accordance with applicable legislation in the jurisdictions in which each entity operates.

Current tax is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in past or future years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

The carrying value of the financial asset is adjusted to reflect changes in actual and estimated cash flows with any adjustment recognised as income or expense in profit or loss. The change in carrying value is calculated by computing the present value of estimated future cash flows at the financial asset's original effective interest rate.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Available for sale financial assets

Investments classified as available for sale are measured initially and at each subsequent reporting date at fair value. For available for sale financial assets, gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period.

The fair value of available for sale financial assets are determined as follows:

- the fair value of available for sale financial assets with standard terms and conditions and traded on an active liquid market are determined with reference to quoted market prices; or
- the fair value of other available for sale financial assets are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable market transactions.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments with an original maturity of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities are classified as either FVTPL or as other financial liabilities. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs which are expensed against the Company's Share Premium Account as allowed by The Companies (Guernsey) Law, 2008.

Financial risk management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group may use foreign exchange forward contracts and interest rate swaps to hedge these exposures.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives. The Group does not use derivative financial instruments for speculative purposes.

Due to the nature of PFI/PPP projects, it is important that key financial risks are hedged at the inception of the project, and indeed the funders of the projects insist on this. Therefore each PFI/PPP project fixes the interest rate on its debt. In a minority of cases, this is achieved by either financing the project with a fixed rate bond or fixed rate bank debt. In the majority of cases, this is achieved by funding the project with a variable rate bank debt which is fully swapped into fixed rate at the inception of the project.

Hedge accounting

The Group designates certain hedging instruments as cash flow hedges. At the inception of the hedge relationship the entity documents the relationships between the hedging instrument and hedged item, along with the risk management objective and its strategy for undertaking various transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the group documents whether the hedging instruments used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement.

Where ineffectiveness is judged to have occurred, either a proportion or the full amount of the ineffectiveness is taken to the income statement depending on the level of effectiveness experienced.

Hedge accounting is discontinued when the hedging instrument expires or is terminated, for example if a project is refinanced. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is recycled through the income statement over the remaining life of the instrument on a straight line basis. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Embedded derivatives

Derivatives embedded in other financial instruments and other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value, with gains or losses reported in the income statement.

Credit risk

The Group is not exposed to significant credit risk as the Group derives revenue from PFI concessions with government departments, local authorities and other public sector clients; with the exception of the following concessions:

- RiverCity Motorway - which derives toll revenue at the point of sale;
- the Diabolo Project which predominately derives revenue from the local authority, however is exposed to an element of demand risk; and
- Angel Trains which provides rolling stock to various Train Operating Companies (TOC's) under long term lease arrangements. Certain elements of the revenue generated by Angel Trains benefits from "Section 54" undertakings. These undertakings provide guaranteed minimum lease rentals to entities such as Angel Trains for periods exceeding the first lease length (therefore greatly mitigating re-lease risk) on fleets considered strategic by the Department for Transport and are granted at the time of the initial investment.

The Group policy is to deal only with credit worthy counter parties in its banking and sub contracting arrangements.

Liquidity risk

The Group adopts a prudent approach to liquidity management and maintains sufficient cash reserves to meet its obligations. The very nature of a PFI concession provides predictable long-term stable cash flows.

Loans in PFI project entities are non-recourse. Non-recourse loans are those which are secured solely on a specific asset and its future income. The terms of the finance agreements provide that the lender will not seek in any way to enforce repayment of either principal or interest from the rest of the Group and the Group is not obliged, nor does it intend, to support any losses.

In 2008 the Group took out a corporate debt facility for £100m, of which, £58.3m was drawn down at 31 December 2009. This facility matures on 8 May 2011 and is secured over all assets of the Company. This facility is of sufficient size to meet the Group's foreseeable funding requirements, including providing significant headroom available to support acquisitions, should suitable opportunities be identified and executed. This facility cannot be used for working capital purposes.

Inflation risk

The revenues and expenditure of project entities developed under PFI/PPP are partly or wholly subject to indexation. An assumption is made that inflation will increase at a long-term rate (which may vary depending on country and from time to time). The effect on investment returns if inflation is above or below the original projections for this long term rate is dependent on the nature of the underlying project earnings and any unitary charge indexation provisions agreed with the Public Sector Client. The Group's ability to meet targets and its objective may be adversely or positively affected by inflation and/or deflation.

Foreign exchange risk

The Group has exposures to foreign currency exchange rate movement, as a result of its investments in assets which have functional currency other than Sterling and are not hedged as at 31 December 2009. The Group has entered into forward exchange contracts to mitigate these risks.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where an intangible is not yet ready for use, it is tested for impairment at each balance sheet date.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and any impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Impairment of financial assets

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

For shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets objective evidence of impairment could include significant financial difficulty of the issuer or counterparty.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

PFI/PPP Concessions

In accordance with International Financial Reporting Interpretations Committee Interpretation 12 – *Service Concessions Arrangements* (IFRIC 12) and the various provisions of IFRS, the Group has determined the appropriate treatment of the principal assets of, and income streams from PFI and similar contracts.

Results of all PFI/PPP concessions which fall within the scope of IFRIC 12 conform to the following policies:

- Financial assets
  Service concessions are accounted for as financial assets where the Group, as operator, has a contractual right to receive cash or another financial asset from or at the direction of the Client (grantor).

  Income is recognised by allocating a proportion of total cash receivable to construction income and service income. The residual element of cash receivable is allocated to the financial asset, using the effective interest method, giving rise to interest income which is recognised in the income statement.

During construction, the financial assets are stated at cost, plus attributable profit to the extent that this is reasonably certain, less any losses incurred or foreseen in bringing construction to completion, and less amounts received as progress payments. Costs for this purpose include valuation of all work done by subcontractors whether certified or not, and all overheads other than those relating to the general administration of the relevant companies. For any contracts where receipts exceed the book value of work done, the excess is included in creditors as payments on account.

Financial assets are accounted for as either:

- loans and receivables and measured at fair value at inception and thereafter carried at amortised cost, less provision for impairment; or
- available for sale financial assets and measured at fair value with fair value gains or losses recognised directly in equity through the statement of changes in equity and recycled into the income statement on sale or impairment of the asset at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss for the period.

The Company's interpretation of this policy is that financial assets in the operational phase or acquired towards the end of the construction phase are classified as loans and receivables as cash flows are deemed to be fixed and determinable. Financial assets for concessions in the construction phases or acquired in early construction, are classified as available for sale financial assets, reflecting the risk in the construction phase that cash flows may not be fixed and determinable.

- Intangible assets (within scope of IFRIC 12):

  Service concessions are accounted for as intangible assets where the Group, as operator, has a contractual right to charge users of the public services. The intangible asset is amortised to estimated residual value over the remaining life of the service concession and tested each year for impairment.

Leases

Service concessions which fall outside of the scope of IFRIC 12 are assessed in terms of IFRIC 4 (Determining whether an arrangement contains a lease). Where it is assessed that the service concession does contain a lease, the concession is considered as either a finance lease or an operating lease in terms of IAS 17 (Leases).

Under IAS 17, a finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When the benefits and risks with the asset reside with the PFI project company these assets are accordingly disclosed in the balance sheet as property, plant and equipment at cost less accumulated depreciation and any recognised impairment loss. Depreciation is calculated over the life of the concession or specific asset life if shorter.

4. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 3, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Notes to the Consolidated Financial Statements (continued)

Adoption of IFRIC 12

The Directors decided to early adopt the principles of the International Financial Reporting Interpretations Committee Interpretation 12 (IFRIC 12). As part of this process each individual service concession was assessed to determine whether it falls within the scope of IFRIC 12. Service concessions fall within the scope where the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and the price; and the grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the service arrangement.

Following this review it was determined that the majority of the PFI concessions controlled fall within this scope.

Service concessions are determined to be financial assets where the operator has a contractual right to receive cash or another financial asset from or at the direction of the grantor. Alternatively, service concessions are determined to be intangible assets to the extent the operator has a contractual right to charge users of the public services. Where service concessions are determined to contain both of these elements, a bifurcated model will be adopted.

The majority of PFI concessions which fall within the scope of IFRIC 12 are considered to be financial assets on the basis that substantially all of the unitary charge is received from the grantor on an ‘availability’ basis. One of the Group's PFI concessions falls to be accounted for using the bifurcated model, where a financial asset is recognised on the basis that substantially all of the unitary charge is received from the grantor on an ‘availability’ basis and an intangible asset in relation to the right to charge users of the infrastructure asset on the 'demand' basis.

Under the guidance of IAS 39, *Financial Instruments: Measurement and Recognition*, the financial asset is accounted for as either a loan and receivable or as an available for sale financial asset. A loan and receivable is appropriate where there are fixed and determinable payments and the operator will recover substantially all of its initial investment, other than because of credit deterioration. Financial assets that do not meet these criteria are designated as available for sale financial assets. Service concessions which have future significant development activities are classified as available for sale financial assets as the timing and amount of future payments and receipts are not necessarily fixed.

The Directors are of the opinion that loans and receivables is the appropriate accounting treatment for the majority of these financial assets, due to the nature of the underlying service concessions.

Financial Assets

The fair value (during the construction phase) of financial assets is determined by reference to the construction spend plus financial income less availability payments received from the grantor.

The fair value (during the operational phase) of financial assets has been determined by discounting future cash flows at an appropriate discount rate and with reference to recent market transactions. The discount rates utilised to discount future cash flows are calculated by adding a project specific premium to the 15-year gilt yield at 31 December 2009.

The premium takes into account several factors, including but not limited to, the stage reached by each project, the period of operation and historical track record.

Notes to the Consolidated Financial Statements (continued)

5. Revenue and other income

An analysis of the Group's revenue and other income is as follows:

	Year ended 31 December 2009 £'000s	Year ended 31 December 2008 £'000s
Continuing operations		
Revenue		
Construction services	550,349	179,856
Availability and facility management fees	39,621	39,674
Non-core facility recharges	9,789	5,325
Sub-total	**599,759**	**224,855**
Other income		
Interest income on deposits	49,343	33,857
Financial asset interest income	73,867	49,653
Investment income	**123,210**	**83,510**
Other operating income	8,595	761
Total	**731,564**	**309,126**

Other operating income includes distributions received from investments that are not consolidated or accounted for under the equity method of accounting.

6. Segmental reporting

IFRS 8 - *Operating segments* was effective for reporting periods from 1 January 2009 and adopts a 'through the eyes of the management' approach to an entity's reporting of information relating to its operating segments and also requires an entity to report financial and descriptive information about its reportable segments.

Based on a review of information provided to the chief operating decision makers in International Public Partnerships Limited the Group has identified four reportable segments based on the geographical risk associated within the Group. The factors used to identify the Group's reportable segments are centred on the risk free rates and the maturity of the PFI/PPP industry within each country. Further, foreign exchange and political risk is identified, as these also determine where resources are allocated. Management has concluded that the Group is currently organised into four reportable segments being UK, Europe (non UK), Australia and North America. These reportable segments are the basis on which the Group reports information to the chief operating decision makers.

The UK and Europe segments were previously reported as a single geographical segment (Europe) in the 2008 annual report. The amounts reported as at 31 December 2008 have been restated accordingly.

Segment information is presented below.

Notes to the Consolidated Financial Statements (continued)

	Year ended 31 December 2009				
	UK £'000s	**Europe Non UK £'000s**	**North America £'000s**	**Australia £'000s**	**Total £'000s**
Revenue from external customers	50,482	135,652	198,676	214,949	599,759
Interest Revenue	41,141	6,018	15,434	60,617	123,210
Interest Expense	(33,079)	(2,515)	(17,850)	(41,591)	(95,035)
Net interest revenue	8,062	3,503	(2,416)	19,026	28,175

No inter-segment sales were made for the year ended 31 December 2009.

	Year ended 31 December 2009				
Results	**UK £'000s**	**Europe Non UK £'000s**	**North America £'000s**	**Australia £'000s**	**Total £'000s**
Depreciation	(413)	(1)	-	-	(414)
Amortisation	(4,674)	(1,803)	(6)	(1,368)	(7,851)
Impairment charges	(1,850)	-	-	(12,860)	(14,710)
Income from associates	(448)	1,712	-	1,761	3,025
Taxation	2,343	530	615	(6,505)	(3,017)
Reportable segment profit/(loss)	**7,393**	**4,369**	**45**	**(3,461)**	**8,346**

Balance Sheet	**UK 31 Dec 2009 £'000s**	**Europe Non UK 31 Dec 2009 £'000s**	**North America 31 Dec 2009 £'000s**	**Australia 31 Dec 2009 £'000s**	**Total 31 Dec 2009 £'000s**
Assets					
Reportable segment assets	928,611	190,915	435,557	932,554	2,487,637
Liabilities					
Reportable segment liabilities	(623,833)	(221,298)	(418,704)	(941,962)	(2,205,797)
Investments in associates	6,357	27,577	-	15,423	49,357

Notes to the Consolidated Financial Statements (continued)

	UK £'000s	Europe Non UK £'000s	North America £'000s	Australia £'000s	Total £'000s
			Year ended 31 December 2008		
Revenue from external customers	50,585	44,475	86,743	43,052	224,855
Interest Revenue	45,980	2,392	3,837	31,301	83,510
Interest Expense	(29,755)	(3,500)	(6,727)	(32,139)	(72,121)
Net interest revenue	16,225	(1,108)	(2,890)	(838)	11,389

No inter-segment sales were made for the year ended 31 December 2008.

Results	UK £'000s	Europe Non UK £'000	North America £'000s	Australia £'000s	Total £'000s
			Year ended 31 December 2008		
Depreciation	(414)	-	-	-	(414)
Amortisation	(4,687)	(2,162)	(6)	(1,372)	(8,227)
Income from associates	(377)	1,868	-	1,815	3,306
Taxation	(4,004)	1,074	481	(972)	(3,421)
Reportable segment profit/(loss)	**12,511**	**661**	**(2,486)**	**(1,866)**	**8,820**

Balance Sheet	UK 31 Dec 2008 £'000s	Europe Non UK 31 Dec 2008 £'000s	North America 31 Dec 2008 £'000s	Australia 31 Dec 2008 £'000s	Total 31 Dec 2008 £'000s
Assets					
Reportable segment assets	888,668	79,373	318,481	823,733	2,110,255
Liabilities					
Reportable segment liabilities	(682,737)	(91,261)	(315,459)	(766,620)	(1,856,077)
Investments in associates	6,805	28,460	-	15,720	50,985

Information about major customers

The Group has two governmental customers which each represent more than 10% of Group revenues. The customers' revenues were respectively £198.6 million (2008 - £86.7 million) reported across the North American segment and £214.9 million (2008 - £43.0 million) reported across the Australian segment.

Notes to the Consolidated Financial Statements (continued)

7. Investment income

	Year ended 31 Dec 2009 £'000s	Year ended 31 Dec 2008 £'000s
Interest on bank deposits – non-recourse	50,889	31,231
Interest on bank deposits – recourse	568	2,626
Available for sale financial assets – non-recourse	33,020	7,430
Available for sale financial assets – recourse	-	1,657
Loans and receivables interest income – non-recourse	37,583	39,619
Loans and receivables - recourse	1,150	947
	123,210	83,510

Non-recourse financial assets and bank deposits are those which are held by a specific PFI project entity and are not readily available for transfer or use elsewhere within the Group.

8. Other gains and losses

	Year ended 31 Dec 2009 £'000s	Year ended 31 Dec 2008 £'000s
Unrealised gains on financial assets	6,155	1,822
Interest rate swap losses	(850)	(463)
Realised foreign exchange losses	(82)	(50)
Gain made on step acquisition (note 34)	1,810	-
Unrealised foreign exchange (losses)/gains	(2,678)	6,265
	4,355	7,574

No gains or losses have been recognised on financial liabilities measured at amortised cost other than as disclosed in note 9.

9. Finance costs

	Year ended 31 Dec 2009 £'000s	Year ended 31 Dec 2008 £'000s
Interest on bank loans – non recourse	89,716	67,513
Interest on bank loans – recourse	1,249	1,665
Other finance costs	4,070	2,943
Total finance costs	95,035	72,121

Non recourse loans are those which are secured solely on a specific PFI asset and its future income (usually contained in a single entity). The terms of the finance agreements provide that the lender will not seek in any way to enforce repayment of either the principal or the interest from the rest of the Group and the Group is not obliged, nor does it intend to support any losses.

The cost associated with the recourse loan represents the interest costs on the corporate facility that was arranged in May 2008.

Notes to the Consolidated Financial Statements (continued)

10. Profit before tax

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

	Year ended 31 Dec 2009 £'000s	Year ended 31 Dec 2008 £'000s
Asset management fees (Note 39)	18,938	8,650
Insurance	2,227	982
Amortisation of intangible assets	7,851	8,227
Other operating expenses	392	1,032
Operating expenses	29,408	18,891
Audit, taxation & accounting	742	870
Legal fees	1,666	890
Bank service charges	207	151
Other	462	550
Administrative expenses	3,077	2,461
Impairment of available for sale financial assets	14,710	-
Depreciation	414	414
Foreign exchange losses/(gains)	2,760	(6,215)
Total finance costs (Note 9)	95,035	72,121

For the year ended 31 December 2009 the Group had one employee (2008: nil). As noted above the Group, incurred impairment losses of £14.7 million as a result of an assessed permanent reduction in the recoverability of certain available for sale financial assets.

11. Auditors' remuneration

	Year ended 31 Dec 2009 £'000s	Year ended 31 Dec 2008 £'000s
Fees payable to the Company's auditors for the audit of the Company's annual accounts	177	143
Fees payable to the Company's auditors and their associates for other services to the group		
- The audit of the Company's subsidiaries pursuant to legislation	307	395
Total audit fees	484	538
- Other services pursuant to legislation	203	265
- Tax services	55	67
Total non-audit fees	258	332

Amounts payable to Deloitte LLP and their associates by the Company and its UK subsidiary undertakings in respect of non-audit services for the year ended 31 December 2008 included £187,000 for work pertaining to their role as reporting accountants on the C Share issue. These fees were included in issue fees applied to the share premium account.

Amounts payable to Deloitte LLP and their associates by the Company and its UK subsidiary undertakings in respect of non-audit services for the year ended 31 December 2009 included £95,000 for work pertaining to their role as reporting accountants on the new Ordinary Share issue.

12. Tax

The Company has obtained exempt company status in Guernsey under the terms of the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 and accordingly is subject to an annual charge of currently £600.

	Year ended 31 Dec 2009 £'000s	Year ended 31 Dec 2008 £'000s
Current tax:		
UK corporation tax – current year	2,490	1,992
UK corporation tax – prior year	(1,031)	(65)
Overseas tax	484	92
Overseas tax – prior year	-	3
Deferred tax (note 24):		
UK - current year	(3,677)	1,904
UK - prior year	(125)	173
Overseas tax - current year	5,992	(678)
Overseas tax – prior year	(1,116)	-
	3,017	**3,421**

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The Group predominantly performs its operational activities within the United Kingdom and the headline UK tax rate of 28% (2008 – 28.5% blended) has therefore been used within the following reconciliation.

The charge/(credit) for the year can be reconciled to the profit as per the income statement as follows:

	Year ended 31 Dec 2009 £'000s	%	Year ended 31 Dec 2008 £'000s	%
Profit before tax	11,363		12,241	
Tax at UK corporation tax rate of 28% (2008 - 28.5%)	3,182	28	3,489	28.50
Tax effect of expenses/(income) not deductible/(assessable) in determining taxable profit	6,974	61.38	5,522	45.11
Tax effect of asset impairments	2,472	21.76	-	-
Tax effect of losses not recognised	2	-	177	1.45
Tax effect of Guernsey income not assessable	(5,950)	(52.37)	(5,393)	(44.05)
Tax effect of the application of overseas tax rates	64	0.57	(431)	(3.52)
Tax effect of prior year adjustments	(3,360)	(29.57)	111	0.90
Deferred tax effect of associate undistributed reserves	(367)	(3.23)	(54)	(0.44)
Tax charge and effective tax rate for the year	**3,017**	**26.54**	**3,421**	**27.95**

In addition to the deferred tax charged to the income statement, a deferred tax charge of £13.2 million (2008 - £37.1 million credit) relating primarily to the movement in the fair value of the Group's interest rate swaps has been taken directly to equity (note 24).

Notes to the Consolidated Financial Statements (continued)

13. 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 2009.

The Board has approved interim distributions as follows:

	Year ended 31 Dec 2009 £'000s	Year ended 31 Dec 2008 £'000s
Amounts recognised as distributions to equity holders for the year ended 31 December.	20,515	17,992
Interim distribution for the period 1 January to 30 June 2009 was 2.775 pence per share (2008 – 2.7 pence per share[1]).	10,398	10,117
Interim distribution for the period 1 July to 31 December 2009[2] was 2.775 pence per share (2008 - 2.7 pence per share).	10,398	10,117

[1] The interim distribution for the period was from 1 January to 30 June 2008.

[2] The distribution for the period 1 July to 31 December 2009 has been approved by the Board and has not been included a liability in the balance sheet for the year ended 31 December 2009.

14. Earnings per share

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

Earnings

	Year ended 31 Dec 2009 £'000s	Year ended 31 Dec 2008 £'000s
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	9,083	10,015
	Number	**Number**
Number of shares		
Weighted average number of Ordinary Shares for the purposes of basic and diluted earnings per share	374,714,645	351,647,009

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

Notes to the Consolidated Financial Statements (continued)

	Year ended 31 Dec 2009 pence	Year ended 31 Dec 2008 pence
Basic	2.42	2.85
Diluted	2.42	2.85

15. Intangible assets

	Cost of Service Concessions £'000s	Bifurcated IFRIC 12 £'000s	Total £'000s
Cost			
At 31 December 2007	112,233	-	112,233
Acquired on acquisition of subsidiaries	110,574	30,846	141,420
At 31 December 2008	222,807	30,846	253,653
Additions in the year	-	40,849	40,849
At 31 December 2009	**222,807**	**71,695**	**294,502**
Amortisation			
At 31 December 2007	(5,194)	-	(5,194)
Charge for the year ended 31 December 2008	(8,227)	(353)	(8,580)
At 31 December 2008	(13,421)	(353)	(13,774)
(Charge)/credit for the year ended 31 December 2009	(8,204)	353	(7,851)
At 31 December 2009	**(21,625)**	**-**	**(21,625)**
Carrying amount			
At 31 December 2008	**209,386**	**30,493**	**239,879**
At 31 December 2009	**201,182**	**71,695**	**272,877**

Cost of service concession intangible assets represent the right to future profits on the service element of the PFI concessions and are amortised over the remaining life of the PFI concessions.

Bifurcated IFRIC 12 intangible assets represent the right to charge users of the infrastructure assets within a service concession and are amortised over the remaining life of the concession from the date on which it is available for use.

Notes to the Consolidated Financial Statements (continued)

16. Property, plant and equipment

	Land and buildings £'000s	Fixtures and equipment £'000s	Total £'000s
Cost			
At 1 January 2008	9,759	-	9,759
Acquired on acquisition of subsidiaries	-	4	4
At 1 January 2009	9,759	4	9,763
At 31 December 2009	9,759	4	9,763

	Land and buildings £'000s	Fixtures and equipment £'000s	Total £'000s
Accumulated depreciation and impairment			
At 1 January 2008	(432)	-	(432)
Charge for the year	(414)	-	(414)
At 1 January 2009	(846)	-	(846)
Charge for the year	(414)	-	(414)
At 31 December 2009	**1,260**	**-**	**1,260**
Carrying amount			
At 31 December 2008	8,913	4	8,917
At 31 December 2009	8,499	4	8,503

17. Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation as at 31 December 2009 and proportion of ownership is shown below:

Notes to the Consolidated Financial Statements (continued)

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest %
Directly owned		
International Public Partnerships Lux 1 S.a.r.l (formerly Babcock & Brown Public Partnerships 1 S.a.r.l)	Luxembourg	100
Indirectly owned		
Abingdon Limited Partnership	UK	100
Access Justice Durham Limited	Canada	100
AH BB ELL Holdings Limited	UK	100 – B Shares
IPP CCC Limited Partnership (formerly Babcock & Brown CCC Limited Partnership)	Ireland	100
International Public Infrastructure Germany GmbH & Co. KG (formerly Babcock & Brown Public Infrastructure Germany GmbH & Co. KG)	Germany	100
International Public Partnerships 2 S.a.r.l (formerly Babcock & Brown Public Partnerships 2 S.a.r.l)	Luxembourg	100
BBPP Alberta Schools Limited	Canada	75
IPP (Aust) Limited (formerly BBPP (Aust) Limited)	UK	100
IPP Bond Limited (formerly BBPP Bond Limited)	UK	100
BBPP North America S.a.r.l	Luxembourg	100
BPSL No. 2 Limited Partnership	UK	100
Calderdale Schools Partnership	UK	100
CHP Unit Trust	Australia	100
Derbyshire Courts Limited Partnership	UK	100
Derbyshire Schools Limited Partnership	UK	100
Derbyshire Schools Phase Two Partnership	UK	100
H&W Courts Limited	UK	100
Maesteg School Partnership	UK	100
Medicaste Amiens SAS	France	95
Norfolk Limited Partnership	UK	100
Northampton Schools Limited Partnership	UK	100
Northern Diabolo N.V.	Belgium	75
Pinnacle Healthcare (OAHS) Trust	Australia	100
Plot B Partnerships	UK	100
PPP Senior Funding Limited	UK	100
St. Thomas More School Partnership	UK	100
Strathclyde Limited Partnership	UK	100
TH Schools Limited Partnership	UK	100

The Company has provided loans amounting to £435,941,858 (31 December 2008: £410,041,638) to its subsidiary, International Public Partnerships Lux 1 Sarl. These loans bear fixed interest at rates between 1% and 6.5% and are repayable within 30 years from the dates of the loan agreements.

18. Interests in associates

On 31 July 2009, the Group acquired an additional 13% equity interest in Catalyst Brescia S.r.l, a limited company incorporated in Italy that is involved in the refurbishment and enlargement of two wings of Brescia Hospital.

A list of the significant investments in associates, including the name, country of incorporation and proportion of ownership interest is noted below.

Name	Country of Incorporation	Ownership interest	Date acquired
PPP Solutions (Long Bay) Nominee P/L[1]	Australia	50%	21 December 2006
PPPS Showgrounds Pty Ltd	Australia	50%	21 December 2006
BeNEX GmbH	Germany	49%	31 October 2007
Axiom Education NSW No 2 Pty Ltd[1]	Australia	25%	20 December 2007
Catalyst Brescia S.r.l.	Italy	37%	24%-22 April 2008 13%-31 July 2009
AH BB ELL Holdings Limited	UK	100% B Shares	9 May 2008

[1]These entities have an accounting period ending 30 June which differs from the Group's accounting period of 31 December.

Summarised financial information in respect of the Group's associates is noted below:

	31 Dec 2009 £'000s	31 Dec 2008 £'000s
Share of amounts relating to associates		
Total assets	243,021	193,486
Total liabilities	(193,664)	(142,501)
Carrying value of interests in associates	49,357	50,985
Revenues	20,348	15,285
Share of results of associates	3,025	3,306

Notes to the Consolidated Financial Statements (continued)

19. Available for sale financial assets

	31 Dec 2009 £'000s	31 Dec 2008 £'000s
Current		
Service concession financial assets	18,858	18,827
Listed investments	2,773	-
	21,631	**18,827**
Non-current		
Listed investments	2,773	3,211
Unlisted investments	22,143	37,351
Service concession financial assets	819,446	282,827
	844,362	**323,389**
	865,993	**342,216**

The Group has not designated any financial assets that are classified as held for trading assets at fair value through profit or loss.

The investments included above represent investments in both listed and unlisted equity securities that present the Group with opportunity for return through dividend income, interest income and trading gains. The fair values of these securities are based on quoted market prices where appropriate or discounted cash flow calculations where quoted market prices are not available.

Financial Assets –available for sale are carried at fair value with movements being recorded in equity. They are initially recognised at fair value upon acquisition in accordance with IFRS 3 and subsequently measured at fair value. The effective interest rate method allocates the interest income over the relevant period by applying the 'effective interest rate' to the carrying amount of the asset. The average effective interest rate, referred to in note 3, is 6.79% (2008 – 6.51%). The income will be recognised over the life of the underlying PFI concessions based on this effective rate.

The fair value movement on available for sale financial assets for the year was an increase of £8.2 million (2008 – decrease £6.4 million) of which £14.7 million was taken to the income statement as an impairment charge (2008 – £nil)

All available for sale investments mature in greater than one year and the fair values have been determined in accordance with the policy set out in note 3 of these financial statements.

Details of financial risks associated with these assets are contained in note 29.

20. Financial Assets loans and receivables

	31 Dec 2009 £'000s	31 Dec 2008 £'000s
Loans and receivables - current	8,058	7,647
Loans and receivables - non-current	466,409	486,692
	474,467	494,339

Notes to the Consolidated Financial Statements (continued)

Financial Assets – loans and receivables are carried at amortised cost. They are initially recognised at fair value upon acquisition in accordance with IFRS 3 and subsequently measured at amortised cost using the effective interest rate method. The effective interest rate method allocates the interest income over the relevant period by applying the 'effective interest rate' to the carrying amount of the asset. The average effective interest rate, referred to in note 3, is 8.03% (2008 – 8.02%). The income will be recognised over the life of the underlying PFI concessions based on this effective rate.

Loans and receivables balances include pound sterling denominated loans of £466.0 million (2008 £484.9 million) and £8.4 million (2008 - £9.4 million) denominated in euros.

21. Cash and cash equivalents

There has been a decrease in cash and cash equivalents from 31 December 2009 of £168 million primarily due to an increase in construction activity on Royal Children's Hospital and Alberta Schools which are financed by structured bond financing arrangements.

Cash includes £802,105,000 (2008: £944,567,438) which is held by non-recourse PFI project entities and is restricted.

All cash and cash equivalents are exposed to floating rate interest rate risk.

The currency profile of cash and cash equivalents was:

	31 Dec 2009 £'000s	31 Dec 2008 £'000s
Sterling	84,963	80,789
Australian dollars	650,949	700,080
Canadian dollars	72,678	192,020
Euro	30,543	33,929
	839,133	**1,006,818**

22. Bank loans

All bank loans (including bonds) are secured solely on a specific PFI concession and its future income stream with the exception of the corporate debt facility of £100 million provided to the Company at an interest rate of 175 basis points over LIBOR of which £58.3 million was drawn down at 31 December 2009. This debt facility matures in May 2011 and is secured over all the assets of the Company.

The terms of the PFI concession finance agreements provide that the lender cannot seek in any way to enforce repayment of either principal or interest from the rest of the Group.

For group funding, the financial covenants are in respect of historic and future interest cover ratios and loan to value calculations. There is significant headroom on all of these covenants. For project debt (which is non recourse to the group) covenants are in respect of historic and future interest cover ratios in the range of 1.01 times historic interest cover ratio and 1.75 times future interest cover ratio.

Notes to the Consolidated Financial Statements (continued)

	31 Dec 2009 £'000s	31 Dec 2008 £'000s
Bank loans/bonds	1,877,909	1,555,161
The borrowings are repayable as follows:		
On demand or within one year	84,782	26,170
In the second year	79,307	42,112
In the third to fifth years inclusive	88,540	144,758
After five years	1,625,280	1,342,121
	1,877,909	1,555,161
Less: Amount due for settlement within 12 months (shown under current liabilities)	(84,782)	(26,170)
Amount due for settlement after 12 months	1,793,127	1,528,991

	31 Dec 2009 £'000s	31 Dec 2008 £'000s
Analysis of borrowings by currency:		
31 December	1,877,909	1,555,161
Bank loans/bonds – Australian dollar	872,192	749,754
Bank loans – Pounds sterling	429,347	442,258
Bank loans/bonds – Canadian dollar	369,107	267,540
Bank loans – Euro	207,263	95,609

	31 Dec 2009 £'000s	31 Dec 2008 £'000s
Analysis of borrowings by interest rate profile		
Fixed rate	315,085	302,587
Floating rate	1,562,824	1,252,574
Bank loans/bonds	1,877,909	1,555,161

The weighted average interest rates paid were as follows:		
Bank loans – floating rate	5.33%	5.52%
Bank loans/bonds – fixed rate	5.62%	5.63%

Notes to the Consolidated Financial Statements (continued)

The Directors estimate the fair value of the Group's borrowings as follows:

	31 Dec 2009 £'000s	31 Dec 2008 £'000s
Bank loans	2,038,933	1,629,329

The fair value of the Group's borrowings has been determined by taking the repayment and interest cash flows associated with the loan or bond and discounting these at an appropriate current market rate for a similar instrument. At 31 December 2009, the weighted average range of discount rates applied was 2.3% to 7.1% (2008: 2.7% to 5.2%).

In February 2010, the Company repaid the corporate debt facility in full, the amount outstanding at 31 December 2009 was £58.3 million.

23. Derivative financial instruments

Interest rate swaps

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings. Contracts with nominal values of £592 million (2008 – £437 million) have fixed interest payments at an average rate of 4.61% (2008 – 4.87%) for periods up until 2036 and have floating interest receipts at the relevant inter bank rate.

The net fair value of swaps entered into at 31 December 2009 is estimated at negative £85.0 million (2008: negative £141.1 million). These amounts are based on market values of equivalent instruments at the respective balance sheet dates. All of these interest rate swaps are designated as cash flow hedges. The after tax decrease in the fair value for the year ended 31 December 2009 of £62.3 million (2008: £94.4 million – after tax decrease) has been deferred in equity, with the exception of a £0.3 million loss which has been recognised in the income statement in respect of ineffectiveness.

CPI swaps

The Group uses CPI swaps to manage its exposure to inflationary movements on the bonds issued in the Royal Children's Hospital concession. CPI linked swaps with a net nominal value of £nil (2008 – £nil) have CPI linked payments for periods up until 2021 and have CPI linked receipts for the duration of the project. CPI linked swaps are used to hedge two equal and opposite bond values of AUD250 million, resulting in a net nominal value of nil.

The CPI swaps held by Royal Children's Hospital (fair value at 31 Dec 2009 - £1.9 million liability (2008 – £2.2 million liability) have not been hedge accounted for based on the assumption that the swap is to have a shorter life than the hedged item (the borrowings will be refinanced in 2021 whereas the swap will be terminated) which will give rise to ineffectiveness. The swap movement for the period (profit of £606,000; 2008 loss £463,000) has been recognised in profit and loss, the remainder of the movement for the year is in respect of foreign exchange translation.

Foreign exchange forward contracts

During the year the Company has entered into a number of forward foreign exchange contracts to reduce the Company's exposure to movements in foreign currency. The Company has hedged highly probable revenue from its overseas operations that are derived in Australian Dollars, Canadian Dollars and Euro. All of these forward foreign exchange contracts are designated and effective as cash flow hedges. The nominal value of the forward foreign exchange contracts at 31 December 2009 is £25.9 million (2008 – nil). The fair value of these foreign exchange contracts at 31 December 2009 is £1.3 million liability (2008 – Nil) and has been deferred in equity.

Notes to the Consolidated Financial Statements (continued)

24. Deferred tax

The following are the deferred tax liabilities / (assets) recognised by the Group and movements thereon during the current year:

	Accelerated tax relief in respect of financial assets £'000s	**Intangible asset £'000s**	**Fair value of interest rate swaps £'000s**	**Tax losses £'000s**	**Associate distributable reserves £'000s**	**Financing costs £'000s**	**Total £'000s**
At 1 January 2008	61,629	28,318	(598)	(156)	733	(245)	89,681
On acquisition of subsidiaries	84	35,874	(2,446)	(429)	-	142	33,225
Charge/(credit) to income	4,830	(2,253)	(132)	(1,446)	355	45	1,399
Credit to equity	-	-	(37,120)	-	-	-	(37,120)
At 31 December 2008	66,543	61,939	(40,296)	(2,031)	1,088	(58)	87,185

	Accelerated tax relief in respect of financial assets £'000s	**Intangible asset £'000s**	**Fair value of interest rate swaps £'000s**	**Tax losses £'000s**	**Associate distributable reserves £'000s**	**Financing costs £'000s**	**Total £'000s**
At 1 January 2009	66,543	61,939	(40,296)	(2,031)	1,088	(58)	87,185
Charge/(credit) to income	8,411	(2,371)	178	(3,564)	(1,088)	(492)	1,074
Charge/(credit) to equity	(2,699)	-	15,870	-	-	-	13,171
At 31 December 2009	72,255	59,568	(24,248)	(5,595)	-	(550)	101,430

The balance of deferred tax liability is represented on the balance sheet as deferred tax assets £2,928,000 (2008: £5,025,000) and deferred tax liability £104,358,000 (2008: £92,210,000).

Notes to the Consolidated Financial Statements (continued)

The following deferred tax assets are not recognised by the Group at the balance sheet date:

	£'000s
At 31 December 2007	(815)
On acquisition	(20)
Utilised during the year	89
Current year losses not recognised	(266)
At 31 December 2008	(1,012)
Prior year adjustment	205
Utilised during the year	4
Current year losses not recognised	(6)
At 31 December 2009	(809)

A deferred tax asset has not been recognised in respect of these losses as sufficient taxable profits are not expected to be generated in the near future to utilise the losses.

25. Trade and other receivables

	31 Dec 2009 £'000s	31 Dec 2008 £'000s
Trade receivables	17,508	5,993
Prepayments and accrued income	6,228	7,068
	23,736	13,061

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

26. Operating leases

Operating lease rental income during the year was £1.9 million (2008 – £1.8 million) which represents the availability fees on a PFI/PPP service concession. The carrying amount of the leased property was £8.5 million as at 31 December 2009 (2008 - £8.9 million). The concession has committed lease rental revenue until 2025 with a break clause option exercisable by the client in 2015. At 31 December 2009 the future minimum operating lease rentals receivable were:

	31 Dec 2009 £'000s	31 Dec 2008 £'000s
Amounts receivable under operating leases		
Within one year	1,815	1,771
In the second to fifth years	7,856	7,665
After five years	10,318	10,906
	19,989	20,342

27. Trade and other payables

	31 Dec 2009 £'000s	31 Dec 2008 £'000s
Trade creditors	68,897	7,203
Accrued liabilities	24,885	42,334
Deferred income	522	693
Other creditors	41,552	16,246
	135,856	66,476

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

Trade creditors and accruals principally comprise amounts outstanding for facility management fees and on going costs. The average credit period for trade purchases is 30 days (2008: 30 days). No interest is charged on outstanding balances.

28. Provisions

Short-term provisions	31 Dec 2009 £'000s	31 Dec 2008 £'000s
Balance as at 1 January	790	557
Transfer from long-term provisions (settled)	-	(557)
Increase in provision – Diabolo project	-	790
Foreign exchange movements	110	-
Balance as at 31 December	900	790

Provisions relate to a claim for additional construction costs on a PFI concession. In accordance with IFRS 3 – Business Combinations, this provision was recorded as a contingent liability as part of the net assets and liabilities acquired on acquisition of a subsidiary.

It is anticipated this matter will be resolved within twelve months of the balance sheet date.

29. Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of non-recourse debt and the Group's corporate facility, and includes the borrowings, disclosed in note 22, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 30 to 33. The Group aims to deliver its objective by investing available cash and using leverage whilst maintaining sufficient liquidity to meet on-going expenses and dividend payments. The Group's investment policy is set out on pages 11 to 14 of the Annual Report.

Gearing ratio

Notes to the Consolidated Financial Statements (continued)

The Group's Investment Advisor reviews the capital structure on a semi-annual basis. As part of this review, the Investment Advisor considers the cost of capital and the risks associated with each class of capital. As stated in the initial public offering prospectus, the Group has committed to a maximum gearing ratio of 50% (excluding non-recourse project level debt) as the proportion of recourse debt to portfolio valuation.

As at the date of this Annual Report all debt was non-recourse project level debt with the exception of the corporate debt facility which is secured over all the assets of the Company.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

Categories of financial instruments

	Carrying value	
Financial assets	**31 Dec 2009**	**31 Dec 2008**
	£'000s	**£'000s**
- Available for sale financial assets		
Service concession financial assets	838,304	301,654
Listed investments	5,546	3,211
Unlisted investments	22,143	37,351
Financial assets at fair value	865,993	342,216
- Financial asset loans and receivables		
PFI project financial assets	461,377	480,894
Subordinated debt in NHS lift projects	13,090	13,445
Trade and other receivables	23,736	13,061
Cash and cash equivalents	839,133	1,006,818
Financial assets at amortised cost	1,337,336	1,514,218
Total financial assets	2,203,329	1,856,434

Notes to the Consolidated Financial Statements (continued)

Financial liabilities	Carrying value 31 Dec 2009 £'000s	Carrying value 31 Dec 2008 £'000s
- Derivative instruments in designated hedge accounting relationships	86,288	141,150
Financial liabilities at fair value	86,288	141,150
- Financial liabilities at amortised cost		
Trade and other payables	135,856	66,476
Current tax liabilities	486	290
Bank loans	1,877,909	1,555,161
Financial liabilities at amortised cost	2,014,251	1,621,927
Total financial liabilities	2,100,539	1,763,077

Financial risk management objectives

The Group's Investment Adviser provides advice to the Company and also, as operator of International Public Partnerships Limited Partnership (IPP LP), co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports, which analyse exposures by degree and magnitude of risks. These risks include: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of risks by using derivative financial instruments to hedge certain risk exposures. The use of financial derivatives is governed by the Group's policies which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rates. In line with the lending requirements under project agreements for PFI/PPP type investments there is generally a requirement for the underlying project entity to either enter a fixed rate loan agreement for the life of the concession or, if a variable interest rate loan is agreed, an interest rate swap agreement will be entered into at the commencement of the loan. The effect of the interest rate swap is to mitigate any interest rate risk that the underlying project entity may be exposed to. As a result, the group has minimal exposure to any change in interest rates. The Group may also enter forward foreign exchange contracts to mitigate foreign exchange risk.

Sensitivities around the Group's exposure to foreign currency movements and interest rates are detailed in the note below. There has been no change during the year to the manner in which the Group manages and measures the risks.

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts based on the expected timing of these. Generally, the Group intends to cover forward foreign exchange payments and receipts for up to a four-year period. As at 31 December 2009 the Group had entered into foreign exchange contracts in accordance with the Group's Treasury Policy.

Notes to the Consolidated Financial Statements (continued)

The following table details the forward foreign currency ('FC') contracts outstanding as at 31 December 2009 (2008: nil):

Outstanding contracts	Average exchange rate 2009	Foreign currency 2009 £'000	Notional value 2009 £'000	Fair value 2009 £'000
Cash flow hedges				
Buy pound sterling				
Less than 12 months	1.0000	9,216	9,216	497
1 to 4 years	1.0000	15,227	15,227	783

Outstanding contracts	Average exchange rate 2009	Local currency 2009 '000	Notional value 2009 £'000	Fair value 2009 £'000
Sell Euro				
Less than 12 months	1.1377	2,897	2,547	27
1 to 4 years	1.1323	5,282	4,661	67
Sell Canadian dollars				
Less than 12 months	1.7950	1,827	1,018	56
1 to 4 years	1.7959	4,051	2,256	124
Sell Australian dollars				
Less than 12 months	1.9894	11,223	5,651	414
1 to 4 years	2.1072	17,338	8,310	592
Forward foreign exchange liability				1,280

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Currency risk arises in financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured. Currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

The carrying amounts of the Group's foreign currency denominated monetary financial instruments at the reporting date are set out in the table below:

	Liabilities		Assets	
	31 Dec 2009 £'000s	31 Dec 2008 £'000s	31 Dec 2009 £'000s	31 Dec 2008 £'000s
Euro	-	-	26,224	19,420
Canadian dollar	-	-	-	8,396
Australian dollar	-	-	6	5,342

In the current year these balances relate to monetary loans to subsidiaries and in the prior year, these represented cash balances held predominantly to cover future equity investments in these currencies.

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of the following countries:

- Australia (AUD dollar currency)
- Canada (CAD dollar currency)
- Belgium, France, Ireland, Italy and Germany (Euro currency).

The following tables detail the Group's sensitivity to a 10% increase and decrease in the Sterling exchange rate against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of a reasonably possible change in foreign exchange rates.

The sensitivity analysis below includes only outstanding foreign currency denominated monetary financial instruments and adjusts their translation at the year end for a 10% change in foreign currency rates against sterling. A negative number below indicates a decrease in profit and other equity where Sterling strengthens 10% against the relevant currency.

For a 10% weakening of the Sterling against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be positive.

	Euro currency impact		AUD dollar currency impact		CAD dollar currency impact	
	31 Dec 2009 £'000s	31 Dec 2008 £'000s	31 Dec 2009 £'000s	31 Dec 2008 £'000s	31 Dec 2009 £'000s	31 Dec 2008 £'000s
Profit or loss before tax	(2,384)	(1,765)	(1)	(486)	-	(763)

The reasons for the foreign currency impacts are the exposure of the Group to foreign exchange fluctuations as a result of holding multi currency financial instruments. In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk, as the year end exposure does not reflect the exposure during the year.

In addition, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing at the balance date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rate at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the translation reserve.

The following table details the Group's sensitivity to a 10% increase and decrease in the Sterling exchange rate against the relevant foreign currencies for foreign operations. The sensitivity table adjusts for the exchange rates prevailing at the balance date as applied to the assets and liabilities of the Group's foreign operations and the average rate for the year applied to the income and expense items for a 10% change in foreign currency rates against Sterling. A positive number below indicates an increase in net assets and profit where Sterling strengthens 10% against the relevant currency.

For a 10% weakening of the Sterling against the relevant currency, there would be an equal and opposite impact on net assets and profit, and the balances below would be negative.

	Euro currency impact		AUD dollar currency impact		CAD dollar currency impact	
	31 Dec 2009 £'000s	**31 Dec 2008 £'000s**	**31 Dec 2009 £'000s**	**31 Dec 2008 £'000s**	**31 Dec 2009 £'000s**	**31 Dec 2008 £'000s**
Impact on net assets	349	(1,507)	(1,532)	(275)	(547)	(5,192)
Impact on profit	(365)	133	(4)	226	315	202

Interest rate risk management

The Group has limited exposure to interest rate risk as the underlying borrowings within the Group are either fixed rate loans or an interest rate swap agreement is entered to mitigate any fluctuations in interest rates. It is generally a requirement under a PFI/PPP concession that any borrowings are matched against 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. Therefore, the Group is not exposed to cash flow risk due to changes in interest rates over its variable rate borrowings. The fixed rate borrowings are carried at amortised cost and hence not exposed to fair value movements due to changes in interest rates.

The Group's exposures to interest rate movements on financial assets are detailed in the interest rate sensitivity analysis section of this note.

Interest rate sensitivity analysis

A sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. A 0.5% (2008: 0.5%) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The Group's available for sale financial assets comprise service concession financial assets that fall within the following categories and have the following values:

Available for sale financial assets under construction, not exposed to interest rate risk £548.4 million
Available for sale financial assets where construction is completed exposed to interest rate risk £289.9 million
Listed and unlisted equity investments not exposed to interest rate risk £27.7 million

The Group's loans and receivable financial assets comprise fixed rate financial assets that are being carried at amortised cost and hence not exposed to fair value movements due to changes in interest rates.

The Group's derivative financial instruments and certain available for sale financial assets are exposed to fair value movements due to changes in interest rates.

If interest rates had been 0.5% higher and all other variables were held constant, the Group's:

- profit for the years ended 31 December 2009 and 2008 would not be materially impacted as the interest rate risk associated with floating rate liabilities has been mitigated through interest rate SWAP agreements with the exception of the corporate facility where a decrease or increase of 0.5% would result in an increase or decrease in profit of £291,000 (2008: £132,000); and

- net assets and other equity reserves would increase/(decrease) by £54.4 million/(£41.9 million) (2008: increase/(decrease) by £58.4 million/(£43.1 million)) as a result of the changes in the fair value of the interest rate SWAP agreements, if the interest rate was 0.5% higher/lower.

While the directors note that due to interest rate movements in the year the valuation of interest rate swaps have moved by £56 million (2008: £141 million), in their opinion interest rates are unlikely to change by more than plus or minus 50 basis points over the next year, which has therefore been used in this sensitivity analysis.

A sensitivity analysis for monetary assets at 31 December 2009 using a 0.5% increase and a 0.5% decrease in the average interest rate would result in an increase in profit of £4.2 million (2008: £5.8 million) and a decrease of £4.2 million (2008: £4.4 million) respectively.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the interest rate yield curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

The following tables detail the notional principal amounts of interest rate swap contracts outstanding as at the reporting date:

Cash flow hedges (floating to fixed rate debt)

Outstanding receive floating pay fixed contracts	Average contract fixed interest rate		Notional principal amount		Fair value liability	
	2009 %	2008 %	2009 £'000s	2008 £'000s	2009 £'000s	2008 £'000s
Total	4.61	4.76	592,281	436,981	85,008	141,150

All interest rate swap contracts exchange floating rate interest amounts for fixed rate interest amounts. These are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the period that the floating rate interest payments on debt impact profit or loss.

Other price risks

The Group is exposed to equity price risks arising from equity investments. Investments in listed equity securities present the Group with opportunity for return through dividend income and trading gains. All equity investments are designated as available for sale and are held for strategic rather than trading purposes. The Group does not actively trade these investments. As these movements all go through the statement of changes in equity there is no impact on the income statement when the equity prices change.

If the price of the listed equity had been 5% higher or lower and all other variables were held constant as at 31 December 2009 and 2008, the Group's net assets and equity reserves would increase/decrease by £277,186 (2008: increase/decrease by £160,000) and the impairment charge in the income statement would have been decreased/increased by £277,186 (2008: £nil).

Notes to the Consolidated Financial Statements (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and PFI/PPP concessions are entered into with government or semi government authorities.

Receivables consist of a small number of government or semi government counterparties that are spread across an increasingly diverse geographical area. The Group does not have any significant credit risk exposure to any single non government or semi government counterparty. The Group is exposed to credit risk on liquid funds, cash held on deposit and financial instruments. The Group mitigates this risk by only transacting with banking counterparties with high credit ratings assigned by international credit rating agencies (currently with Moody's ranging between Aa1 and A1). The Group has considered the creditworthiness of facilities managers and construction sub-contractors and the availability of alternative sub-contractors in the event of default and Group policy is only to deal with creditworthy contractors. Refer to note 22 for further details on the corporate debt facility.

As at 31 December 2009 the Group's maximum exposure to credit risk over financial assets represents the carrying amount of £2.2 billion (2008: £1.9 billion) as disclosed earlier in this note.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. In May 2008, the Group entered into a corporate debt facility in order to allow the Group greater flexibility in respect of accepting investment opportunities as they arise. As at 31 December 2009 the Group had drawn down £58.3m of the £100m facility.

Liquidity risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Less than 1 year	1-2 years	3-5 years	5+ years	Total
Liabilities	**%**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**

Notes to the Consolidated Financial Statements (continued)

2009						
Non-interest bearing		136,311	-	-	-	136,311
Variable interest rate instruments	4.20%	143,264	86,914	340,022	2,609,884	3,180,084
Fixed interest rate instruments	5.69%	43,247	21,958	65,991	481,376	612,572
		322,822	108,872	406,013	3,091,260	3,928,967
2008						
Non-interest bearing		65,884	-	-	-	65,884
Variable interest rate instruments	4.09%	82,846	123,657	314,322	2,460,957	2,981,782
Fixed interest rate instruments	5.67%	18,800	41,242	63,308	480,416	603,766
		167,530	164,899	377,630	2,941,373	3,651,432

The cash flows set out above in respect of variable rate instruments are presented gross of the effect of the associated interest rate swap referred to note 23.

The following table details the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate	**Less than 1 year**	**1-2 years**	**3-5 years**	**5+ years**	**Total**
Assets	**%**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
2009						
Cash and cash equivalents		839,133	-	-	-	839,133
Non-interest bearing		17,189	-	-	-	17,189
Fixed interest rate instruments	8.03%	105,701	120,164	388,629	4,602,574	5,217,068
		962,023	120,164	388,629	4,602,574	6,073,390
2008						
Cash and cash equivalents		1,006,818	-	-	-	1,006,818
Non-interest bearing		6,306	-	-	-	6,306
Fixed interest rate instruments	8.02%	67,076	99,489	362,521	4,305,417	4,834,503
		1,080,200	99,489	362,521	4,305,417	5,847,627

The Group expects to meet its other obligations from existing cash balances, operating cash flows and proceeds of maturing financial assets.

Notes to the Consolidated Financial Statements (continued)

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instruments that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the reporting date.

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
31 December 2009						
Net settled interest rate swaps						
Net payments	1,760	7,290	17,186	101,433	297,808	425,477
	1,760	7,290	17,186	101,433	297,808	425,477
31 December 2008						
Net settled interest rate swaps						
Net payments	248	2,392	7,621	51,216	164,089	225,566
	248	2,392	7,621	51,216	164,089	225,566

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows.

- Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair value of non-derivative financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. Financial assets in this category include equity shares.
- The fair value of other non-derivative financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using current market data.

Except as detailed in the following table, the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values:

	Carrying amount		Fair value	
	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
	£'000s	£'000s	£'000s	£'000s

Notes to the Consolidated Financial Statements (continued)

Financial assets				
Loans and receivables	474,467	494,339	557,504	580,847
Financial liabilities				
Bank loans at fixed interest rates	315,085	302,587	476,109	376,755

Assumptions used in determining fair value of financial assets and liabilities

The fair value of the Group's loans and receivables has been determined using discounted cash flow methodology. In determining the discount rate, consideration is given to a number of market factors including but not limited to the prevailing risk free rate, an appropriate project specific risk premium and recent transactions that have similar characteristics.

At 31 December 2009 for project debt (which is non recourse to the group) covenants are in respect of historic and future interest cover ratios in the range of 1.01 times historic interest cover ratio and 1.75 times future interest cover ratio.

The fair value of the fixed rate bank loans has been calculated using discounted cash flow methodology. The discount rate used reflects changes in the LIBOR rates and lending margins.

At 31 December 2009, the weighted average range of discount rates applied was 2.7% to 5.9% (2008: 2.7% to 5.2%).

Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2009			
	Level 1 £	Level 2 £	Level 3 £	Total £
Available-for-sale financial assets	5,546	-	860,447	865,993
Total	5,546	-	860,447	865,993
Derivative financial liabilities	-	86,288	-	86,288
Total	-	86,288	-	86,288

There were no transfers between Level 1 and 2 during the year.

Reconciliation of Level 3 fair value measurements of financial assets:

	Available-for-sale Unlisted equities 2009 £	Total 2009 £
Balance at 1 January 2009	339,005	339,005
Total gains or losses:		
- in profit or loss	2,023	2.032)
- in other comprehensive income	(15,649)	(15,649)
Construction expense	516,702	516,702
Interest earned	35,402	35,402
Cash received	(32,592)	(32,592)
Foreign exchange movement	15,556	15,556
Balance at 31 December 2009	860,447	860,447

The table above only includes financial assets. There were no financial liabilities subsequently measured at fair value on Level 3 fair value measurement bases.

All gain and losses included in other comprehensive income relate to unlisted equities held at the balance sheet date.

Significant assumptions used in determining fair value of financial assets and liabilities

Unlisted shares

The financial statements include holdings in unlisted shares which are measured at fair value (note 19). Fair value is estimated using a discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates. In determining the fair value a risk adjusted discount factor of 12.13% (2008: 10.72%) is used. If these inputs to the valuation model were 0.5% higher/lower while all the other variables were held constant, the carrying amount of the shares would decrease/increase by £0.7 million (2008: decrease/increase by £2.7 million).

Notes to the Consolidated Financial Statements (continued)

30. Share capital

	31 Dec 2009 £'000s	31 Dec 2008 £'000s
Authorised:		
1,000 million unclassified shares of 0.01pence each	100	100
Issued and fully paid:		
374,714,645 (2008: 374.7 million) Ordinary Shares of 0.01 pence each	37	37

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

On 17 April 2008 the Group raised an additional £84 million of equity through a C Share issue. These shares were listed on the London Stock Exchange on 22 April 2008 at an issue price of 100.00 pence per share. The C Shares were converted to Ordinary Shares on 30 June 2008 at a conversion rate of 0.8928 Ordinary Shares for every 1 C Share.

The total number of Ordinary Shares in issue at 31 December 2009 was 374,714,645.

31. Share premium account

	31 Dec 2009 £'000s	31 Dec 2008 £'000s
Opening balance	81,758	-
Premium arising on issue of equity shares	-	83,678
Expenses on issue of Ordinary Shares	-	(1,920)
Balance at 31 December	81,758	81,758

The balance at 31 December 2009 represents the premium arising on the C Share issue.

32. Other distributable reserve

	31 Dec 2009 £'000s	31 Dec 2008 £'000s
Opening balance	293,506	293,506
Transfer to Retained earnings	(20,515)	-
Balance at 31 December	272,991	293,506

Notes to the Consolidated Financial Statements (continued)

33. Retained earnings

	31 Dec 2009 £'000s	31 Dec 2008 £'000s
Opening balance	(802)	7,175
Dividends paid	(20,515)	(17,992)
Transfer from other distributable reserves	20,515	-
Net profit for the year	9,083	10,015
Balance at 31 December	8,281	(802)

34. Acquisition of subsidiaries

On 12 October 2009, the Group acquired an additional 10% of the issued share capital of Northern Diabolo (Holdings) Sarl for cash consideration of £2.9 million from Babcock & Brown Limited. As part of the acquisition there was a payment for a deferred equity commitment of £2.2 million that related to the shareholding of Babcock & Brown and this was transferred to the Group, resulting in net consideration of £0.7 million.

Northern Diabolo (Holdings) Sarl is the parent company of the Project company holding the PFI concession for the Diabolo project. This transaction has been accounted for by the purchase method of accounting. The acquiree's identified assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at fair value at the acquisition date. The result of this was that the Group acquired this 10% holding at a bargain purchase price (due to an acquisition from a distressed vendor) with £1.8 million being realised in the income statement for the year ended 31 December 2009 (see note 8).

Notes to the Consolidated Financial Statements (continued)

35. Notes to the cash flow statement

	31 Dec 2009 £'000s	31 Dec 2008 £'000s
Profit for the year after taxation	8,346	8,820
Adjusted for:		
Investment revenue recognised in profit and loss	(52,607)	(33,858)
Share of profits of associates	(3,025)	(3,306)
Interest on bank loans (finance costs)	90,965	69,131
Depreciation of plant property and equipment	414	414
Amortisation of intangible assets	7,851	8,227
Income tax recognised in profit and loss	3,017	3,421
Other gains	(4,355)	(7,574)
Impairment	14,710	-
Amortisation of loan issue costs	4,070	2,967
Operating cash flows before movements in working capital	69,386	48,242
(Increase)/decrease in receivables	(2,736)	8,052
Increase in payables	25,975	6,455
Cash generated by operations	92,625	62,749
Income tax paid	(1,347)	(755)
Interest paid	(88,562)	(54,184)
Net cash inflow from operating activities	2,716	7,810

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

36. Contingent liabilities

The Directors have not identified any contingent liabilities at the date of this report with the exception of the item disclosed in note 28.

37. Events after the balance sheet date

At an Extraordinary General Meeting of Shareholders held on 15 January 2010, the Company announced that shareholders had approved a:

- Firm Placing of 24,604,914 New Ordinary Shares;
- Open Offer of 18,735,733 New Ordinary Shares; and
- Offer for Subscription of up to 44,571,441 New Ordinary Shares;

with the ability to increase the size of the Issue by 17,582,418 New Ordinary Shares, each at an Issue Price of 113.75 pence per New Ordinary Share.

Following the capital raising 78,495,308 New Ordinary Shares were issued raising a total of £89,288,419.

In February 2010, the Company repaid the corporate debt facility in full; the amount outstanding at 31 December 2009 was £58.3 million.

38. Disclosure – service concession arrangements

The Group operates 21 service concession arrangements in the Accommodation, Custodial and Transport sectors. The concessions vary on the nature of the asset but typically require the construction and operation of an asset during the concession period. The concession may require the acquisition or replacement of an existing asset or the construction of a new asset. The operation of the accommodation based assets normally includes the provision of facilities management services like cleaning, catering, caretaking, security, maintenance, and lifecycle. At the end of the concession period on the majority of the concessions the assets are returned back to the concession provider. However on four of the projects the Group has a right to retain the asset.

The rights of both the concession provider and concession operator are stated within the specific Project Documentation. The standard rights of the provider to terminate the project include poor performance and in the event of force majeure. The operator's rights to terminate include the failure of the provider to make payment under the agreement, a material breach of contract and relevant changes of law which would render it impossible for the service company to fulfil its requirements

The table overleaf sets out the Group's economic interests in PFI concessions. All economic interests reflect an investment in the capital of the underlying project.

Project	Short description of concession arrangements	Start date	End date	No of years	Construction Value	Key contractual details
Abingdon Police Station	Design, construct, finance and provision of facilities management to a police facility including HQ, station and training base for Thames Valley Police Authority.	25 March 2000	09 March 2030	30 Years	£6.9m	Development value of approximately £8m. Retains an insignificant residual value in buildings/land.
Access Justice Durham	Design, construction, financing and provision of services for a new courthouse facility in Durham, Ontario, Canada.	2 March 2007	30 November 2039	30 Years	£98.0m	Concession payment basis is both availability and service performance-based
Alberta Schools	Design, construction, financing and provision of services for 18 new schools throughout Edmonton and Calgary, Canada.	15 September 2008	30 September 2040	32 Years	CAD490m	An associated company of one member of the construction JV is a 25% equity holder in this project.
Amiens Hospital Project	Design, construct, finance and operate an instrument sterilization facility at Amiens, France.	1 January 2008	31 July 2026	19 Years	£7.1m	Concession payment basis is both availability and service performance-based

Notes to the Consolidated Financial Statements (continued)

Project	Short description of concession arrangements	Start date	End date	No of years	Construction Value	Key contractual details
Bootle Government Offices	Design, construct, finance and provision of facilities management to fully serviced accommodation in Bootle for the occupation of HM Revenue & Customs	17 July 2000	16 July 2025	25 Years	£4.1m	Public Sector Client has an option to break in 2015. Retains an insignificant residual value in buildings/land.
Calderdale Schools	Design, construct, finance and provision of facilities management to five schools in Calderdale	31 August 2004	17 March 2030	26 Years	£44.6m	Start date applies to first operational school - Savile Park Primary
Derbyshire Magistrates Courts	Design, construction, financing and provision of facilities management services to two courthouses in Derbyshire.	04 June 2003	02 September 2028	25 Years	£21.3m	Authority has option to extend Concession date by 5 years
Derbyshire Schools Phase 1	Design, build, finance and provision of facilities management services to two secondary schools in Derbyshire.	28 March 2003	28 March 2029	26 Years	£25.3m	Concession payment basis is both availability and service performance based
Derbyshire Schools Phase 2	Design, build, finance and provision of facilities management services to two secondary schools in Derbyshire.	13 February 2006	12 February 2032	26 Years	£28.3m	Concession payment basis is both availability and service performance based

Notes to the Consolidated Financial Statements (continued)

Project	Short description of concession arrangements	Start date	End date	No of years	Construction Value	Key contractual details
Diablo Project	Design, construction, financing and subsequent operation of a rail link in Belgium.	2 October 2007	30 June 2047	40 years	€285m	Concession has both availability and an element of demand based revenue.
Dublin Criminal Courts	Design, construction, financing and subsequent operation of a courthouse Dublin, Ireland.	18 April 2007	30 June 2035	25 Years	£105.0m	Concession payment basis is both availability and service performance-based
Hereford & Worcester Magistrates Courts	Design, construction, financing and subsequent operation of four courthouses in Hereford & Worcester.	03 March 2003	05 March 2025	22 Years	£23.5m	Concession payment basis is both availability and service performance based
Maesteg Schools Project	Design, build, finance and provision of facilities management services for new build schools in Maesteg, Wales.	29 July 2008	30 September 2033	25 Years	£17.6m	Concession payment basis is both availability and service performance-based
Norfolk Police HQ	Design, construct, finance and subsequent provision of facilities management services of serviced accommodation for a new HQ and ancillary facilities to the Norfolk Police Authority.	17 December 2001 (operational services), 15 January 2002 (full service)	16 December 2036	35 Years	£22.5m	Authority has option to extend for a further 15 years and a second option to extend for a further 15 years thereafter. Project Retains an insignificant residual value in buildings/land.

Project	Short description of concession arrangements	Start date	End date	No of years	Construction Value	Key contractual details
Northamptonshire Schools	Design, construct (being a mixture of new build and refurbishment), finance and provision of facilities management services in respect of 30 existing schools and 11 new build schools in Northamptonshire.	31 December 2005	31 December 2037	32 Years	£191.3m	Payments increase as schools are completed.
North Wales Police HQ	Design, construction, financing and subsequent supply of facilities management services to the North Wales Police HQ.	01 March 2004	08 December 2028	24 Years	£13.2m	Concession payment basis is both availability and service performance-based
Orange Hospital	Design, build, finance and provision of facilities management services to the Orange Hospital.	21 December 2007	21 December 2035	28 years	AUD170m	Concession payment basis is both availability and service performance-based
Royal Children's Hospital	Design, build, finance and provision of facilities management services to the Royal Children's Hospital.	20 December 2007	31 December 2036	29 years	AUD 1.4bn	Concession is a two stage project that includes new building and refurbishment of the existing facility
Strathclyde Police Training Centre	Design, build, finance and provision of facilities management services to the Strathclyde Police Training Centre.	17 October 2001	16 October 2026	25 Years	£18.9m	Retains an insignificant residual value in buildings/land.

Notes to the Consolidated Financial Statements (continued)

Project	Short description of concession arrangements	Start date	End date	No of years	Construction Value	Key contractual details
St Thomas More School	Design, construction, financing and provision of facilities management services to St Thomas More School.	28 March 2003	28 March 2028	25 Years	£12.9m	Concession payment basis is both availability and service performance-based
Tower Hamlets Schools	Design, construction (mix of new build and refurbishment) and provision of facilities management services in respect of 27 schools in Tower Hamlets.	28 June 2002 (contract start date), June 2007 (construction completion)	27 August 2027	25 Years	£74.1m	Under the concession the unitary payment commenced at financial close. There is provision for the sale of surplus land following the completion of the redevelopment.

Notes to the Consolidated Financial Statements (continued)

39. Related party transactions

During the period, Group companies entered into certain transactions with related parties who are not members of the Group and who 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 Advisor, Amber Fund Management Limited ("AFML").

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

Mr Frost is also a Director of International Public Partnerships Lux 1 Sarl. and International Public Partnerships Lux 2 Sarl., wholly owned subsidiary undertakings of the Company. Mr Frost is also a Director of a number of other companies in which the Company directly or indirectly has an investment. The emoluments for Mr Frost are paid to his employer, Amber Infrastructure Limited.

On 30 March 2009, the Company announced that Babcock & Brown Investment Management Limited ("BBIML"; "the former Investment Advisor") had agreed to transfer the business of providing investment advisory and management services for the Company to the Amber Infrastructure Group Limited ("Amber") group of companies, a newly formed investment management group led by Giles Frost, Hugh Blaney and Michael Gregory. The transfer of the business was conditional upon Amber obtaining the requisite regulatory approvals and also upon the Company agreeing to the transfer of the various management contracts from BBIML to Amber. This transfer was concluded on 23 June 2009.

Under the Investment Advisory Agreement ("IAA"), BBIML was appointed to provide investment advisory services to the Company including advising the Company as to the strategic management of its portfolio of investments. Following Shareholder approval, the Company, BBIML and AFML entered into the IAA Deed of Amendment and Novation to effect the novation of the rights and responsibilities of BBIML under the IAA to AFML.

Under the terms of the IAA Deed of Amendment and Novation, the Company agreed to release BBIML from its obligations under the IAA and AFML assumed those obligations in its place. Subject to the amendments set out in the Circular to Shareholders dated 23 April 2009, the terms of the IAA have not been varied as a consequence of the novation of the agreement from BBIML to AFML. In particular, the fees payable to AFML following the novation are calculated on the same basis as those payable to BBIML in respect of the period prior to the novation.

The Company was also party to a Financial Advisory Mandate with Babcock & Brown (UK) pursuant to which Babcock & Brown (UK) was granted the first and last right of refusal to provide financial advisory and investment banking services to the Company and its subsidiaries in respect of future acquisitions and disposals, financing, equity raisings, refinancing, restructuring and certain other related activities. As part of the novation of the IAA from BBIML to AFML the existing Financial Advisory Mandate was terminated and its provisions substantially incorporated into the IAA.

The Limited Partnership agreement between International Public Partnerships GP Limited (formerly Babcock & Brown Public Partnership GP Limited) and Babcock & Brown Public Partnerships 2 Sarl was amended to reflect the changes in the agreements described above.

Upon transfer of the management arrangements to Amber and following the disposal by Babcock & Brown International Pty Limited of its holding of shares in the Company, which was announced on 1 April 2009, and the conclusion of the Transitional Services Agreement, the Company now has no association with the Babcock & Brown group.

During the prior year, Group companies entered into certain transactions with related parties who were not members of the Group and who were related parties by reason of being in the same group as Babcock & Brown Limited, which is the ultimate holding company of the Former Investment Advisor, Babcock & Brown Investment Management Limited. Mr G Frost is a Director of the Company and also was a key management

Notes to the Consolidated Financial Statements (continued)

member of Babcock & Brown Limited prior to 23 June 2009. Hence, transactions up to 23 June 2009 with the Babcock & Brown group are considered related party transactions under IAS 24 “Related Party Disclosures”. There were no related party transactions with the Babcock & Brown group in the period from 1 January 2009 to 23 June 2009.

Related party transactions arose in the period or the prior period with the following entities all of whom have Amber Infrastructure Group Limited (or formerly Babcock & Brown Limited) as their ultimate holding company:

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

	Amounts paid to related parties in Income Statement		**Amounts paid to/(received from) related parties in Balance Sheet[1]**		**Amounts owing to/(from) related parties in Balance Sheet[2]**	
	For the year ended 31 Dec 2009 £’000s	**For the year ended 31 Dec 2008 £’000s**	**31 Dec 2009 £’000s**	**31 Dec 2008 £’000s**	**31 Dec 2009 £’000s**	**31 Dec 2008 £’000s**
Amber Fund Management Ltd (a)	-	-	778	-	44	-
International Public Partnerships GP Limited (formerly Babcock & Brown Public Partnerships GP Limited (b)	14,896	6,165	-	-	11,711	3,637
Babcock & Brown Limited (c)	-	3,272	-	(6,278)	-	517
Amber Asset Management Limited (d)	2,287	-	145	-	375	-
Amber Australia Pty Ltd (e)	1,487	-	-	-	-	-
Babcock & Brown Investment Holdings Pty Limited (f)	-	-	-	6,590	-	-
Babcock & Brown PPP Sarl (g)	-	-	-	2,024	-	-
BeNEX GmbH (h)	-	-		17,342	-	-
Amber GmbH (i)	268	-	-	-	-	-
Pinnacle Infrastructure Pty Ltd (j)	-	-	-	57,508	-	-
Infracare Capital Limited (k)	-	-	-	4,259	-	-
Babcock & Brown European Investments Sarl (l)	-	-	-	27,602	-	-
Total	18,938	9,437	923	109,047	12,130	4,154

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

Notes to the Consolidated Financial Statements (continued)

[2] Represents debtors and creditors outstanding with related parties at each balance sheet date.

a) Amber Fund Management Limited (AFML), the Investment Advisor, is a related party of the Group. The aggregate fees payable to AFML in its capacity as Investment Advisor includes both base and performance fees, however the amount is reduced by any base or performance fees that have been paid (or are due and payable) to International Public Partnerships GP Limited (see (b)). The amounts paid to AFML for the year ended 31 December 2009 was £778,000 (2008 – nil) and relates to advisory fees.

Material provisions of the Investment Advisory Agreement include that AFML is entitled to a Base Fee in each year at the annual rate of 1.2 per cent per annum of the Gross Asset Value less project specific liabilities of the Investment Portfolio. AFML is also entitled to an Incentive Fee in respect of each Incentive Period equal to 20 per cent. of the excess (if any) of the Ordinary Share Return over the Benchmark Return (as defined in the Investment Advisory Agreement) in the Incentive Period, provided that the Incentive Fee shall only be payable if and to the extent that the change in the Ordinary Share Return Index in the relevant Incentive Period is greater than the change in the Benchmark Return Index. The Investment Advisory Agreement may be terminated by either party giving to the other five years notice of termination, expiring at any time after 15 years from the date of the Investment Advisory Agreement.

The Investment Advisory Agreement may also be terminated immediately by either party: (a) if the other party fails to make a payment when due which is not paid within 30 days of being notified of the failure to make a payment; or (b) in the case of the material breach by the other party which remains unremedied for 30 days after such party has been notified of the breach or, if such breach is not capable of remedy, if the breaching party fails to offer compensation in respect of such breach which is reasonably acceptable to the other party. In addition, subject to the Shareholders passing an ordinary resolution directly to the Directors to terminate the Investment Advisory Agreement, the Company can terminate the Investment Advisory Agreement by giving one year’s written notice to the Investment Advisor in either of the following circumstances: (a) if at any time after the expiry of five years from the date of the Investment Advisory Agreement, the Benchmark Return Index outperforms the Ordinary Share Index by more than 3 per cent. In at least eight out of the immediately proceeding 10 quarterly periods unless the reason for the out performance of the Benchmark Return Index was to a material extent caused by the occurrence of an event of force majeure); or (b) if at any time a material (in number of and seniority) of employees in the Amber group’s infrastructure and project finance group cease to be employed by any member of the Amber group and are not replaced (before the end of the one year written notice period) by suitably qualified other staff who will enable the services to be provided under the Investment Advisory Agreement in a manner at least comparable to that in which the services were provided prior to the occurrence of such event.

Material provisions of this agreement include that the Operating Agreement may be terminated by either the Partnership or the Operator giving to the other five years notice of termination, expiring at any time after 15 years from the date of the Operating Agreement. The Operating Agreement may also be terminated immediately by the Partnership or the Operator: (a) if the other party fails to make a payment when due which is not paid within 30 days of being notified of the failure to make a payment; or (b) in the case of the material breach by the other party which remains unremedied for 30 days after such party has been notified of the breach or, if such breach is not capable of remedy, if the breaching party fails to offer compensation in respect of such breach which is reasonably acceptable to the other party. The Partnership can terminate the Operating Agreement immediately in any of the following circumstances: (a) on the insolvency or analogous event occurring in respect of the Operator; (b) if the Operator is no longer permitted by applicable laws, rules and regulations to provide its services under the Operating Agreement; and (c) if the Investment Advisor is removed or replaced in accordance with the Investment Advisory Agreement, save that in the case of (a) and (b), the General Partner shall, if so required by Amber Fund Management Limited, novate the Operating Agreement in favour of another member of the Amber Group that is reasonably acceptable to the Limited Partner, who is not insolvent and who can provide the services in accordance with relevant laws and regulations.

b) International Public Partnerships GP Limited (formerly Babcock & Brown Public Partnerships GP Limited) is a related party of the Group. This company was acquired by the Amber Group of companies on 23 June 2009 and as General Partner pursuant to the Deed of Limited Partnership dated 10 October 2006, between the General Partner and the Limited Partner (International Public Partnerships Lux 2 Sarl., formerly Babcock & Brown Public Partnerships 1 Sarl.) is entitled to a Base Priority Profit Share and an Incentive Priority Profit Share that is calculated in accordance with the Investment Advisory Agreement.

c) Babcock & Brown Limited (registered in England and Wales) was a related party of the Group pursuant to having Babcock & Brown Limited (registered in New South Wales, Australia) as its ultimate holding company in common with the former Investment Advisor and had various asset management agreements with the underlying PFI concession companies to provide asset management services and also provides financial advisory services in respect of the acquisition and financing by the Group of its various investments. In addition, the Dublin Criminal Courts PFI concession contained a requirement for a deferred equity contribution under the project documentation which was guaranteed by Babcock & Brown Limited who held this amount on behalf of the Company, however this was repaid into the project company during 2008.

d) Amber Asset Management Limited (registered in England and Wales) is a related party of the Group pursuant to having Amber Infrastructure Group Holdings Limited as its ultimate holding company in common with the Investment Advisor and has various asset management agreements with the underlying PFI concession companies of the Group to provide asset management services.

e) Amber Australia Pty Limited (registered in NSW, Australia) is a related party of the Group pursuant to having Amber Infrastructure Group Holdings Limited as its ultimate holding company in common with the Investment Advisor and has various asset management agreements with the underlying PFI concession companies of the Group to provide asset management services in Australia.

f) Babcock & Brown Investment Holdings Pty Limited was a related party of the Group pursuant to having Babcock & Brown Limited as its ultimate holding company in common with the former Investment Advisor and was the vendor to the Group of one or more assets acquired during the year ended 31 December 2008.

g) Babcock & Brown PPP Sarl was a related party of the Group pursuant to having Babcock & Brown Limited as its ultimate holding company in common with the former Investment Advisor and was the vendor to the Group of one or more assets acquired during the year ended 31 December 2008.

h) As part of the Group's investment in BeNEX GmbH a deferred commitment of £17.3 million was paid on 2 January 2008.

i) Amber GmbH is a related party of the Group pursuant to having Amber Infrastructure Group Holdings Limited as its ultimate holding company in common with the Investment Advisor and has a services agreement with International Public Partnerships Infrastructure Group & Co KG.

j) Pinnacle Infrastructure Pty Limited as trustee for Pinnacle Infrastructure Unit Trust is a related party of the Group pursuant to having Babcock & Brown Limited as its ultimate holding company in common with the former Investment Advisor and was the vendor to the Group of one or more assets acquired during the year ended 31 December 2008.

Notes to the Consolidated Financial Statements (continued)

k) Infracare Capital Limited was a related party of the Group pursuant to having Babcock & Brown Limited as its ultimate holding company in common with the former Investment Advisor and was the vendor to the Group of one or more assets acquired during the year ended 31 December 2008.

l) Babcock & Brown European Investment Sarl was a related party of the Group pursuant to having Babcock & Brown Limited as its ultimate holding company in common with the former Investment Advisor and was the vendor to the Group of one or more assets acquired during the year ended 31 December 2008.

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

Transactions with directors

The following directors have purchased shares from the Company following the capital raising of New Ordinary Shares. These were acquired in January 2010.

Director	Number of New Ordinary Shares
Keith Dorrian	2,075
Carol Goodwin	20,550
Rupert Dorey (including spouse)	170,000
Total purchased	**192,625**