International Public Partnerships Limited

Annual report and financial statements

for the year ended 31 December 2010

Registered number: 45241

Cautionary Statement

The Pages 5 to 38 of this report (including the Letter from the Board 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

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International Public Partnerships Limited

Summary

International Public Partnerships Limited (LSE: INPP) is a FTSE 250 company that invests in social infrastructure projects. The portfolio consists of 60 projects in the U.K., Australia, Canada, Germany, France, Belgium, Italy and Ireland. Examples include schools, hospitals, courthouses, police stations, transport infrastructure, rolling stock and energy transmission projects.

The Company listed on the London Stock Exchange in November 2006 with a market capitalisation of £300 million. In April 2008, the company raised a further £84 million via a C-share capital listing and in January 2010 the company completed a further capital raising of £89 million by way of a placement, open offer and offer for subscription. The proceeds from the January 2010 issue were used to reduce the company's corporate debt facility to zero and the majority of this capital has now been invested.

International Public Partnerships is advised by Amber Fund Management Limited, a specialist infrastructure advisor and manager with over 50 staff dedicated to advising, managing, investing in and developing infrastructure projects and investments.

Overview

Market Capitalisation	£558.1 million at 31 December 2010
Shares in Issue	479.0 million at 31 December 2010 (481.0 million at 31 March 2011)
Index Inclusion	FTSE AllShare, FTSE 250
ISA/PEPs/SIPPs Status	The Company's shares are eligible for ISA/PEPs and SIPPs transfers.
Website	www.internationalpublicpartnerships.com
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
Auditor	Deloitte LLP P.O. Box 137, Regency Court, Glategny Esplanade, St Peter Port, Guernsey, Channel Islands, GY1 3HW
Legal Advisor	Mourant 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

International Public Partnerships Limited

Financial Highlights

- Net Asset Value (NAV)[1] of £541.9 million as at 31 December 2010 (£420.2 million as at 31 December 2009)
- NAV per share of 113.1pence as at 31 December 2010 (112.1pence as at 31 December 2009)
- Full year target distribution for year ended 31 December 2011 of 5.85pence per share (up 3% from 2010)
- Second half 2010 distribution of 2.85 pence per share (payment date 6 May 2011)
- IFRS accounting profit before tax of £15.9 million for the year ended 31 December 2010
- IFRS Net Assets of £416.4 million as at 31 December 2010
- Completion of capital raising of £89.3million in January 2010 and £24.3 million of Tap Issue in September 2010 and January 2011.
- Uncommitted cash of £53.1 million at 31 December 2010, plus undrawn debt facilities of £100 million available.

[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 IPEV (International 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 this annual report and financial statements.

International Public Partnerships Limited

Letter from the Board

We are pleased to report that 2010 saw the Company produce a robust performance and another year of steady earnings growth against a backdrop of political change and public spending cuts. At the time of writing the Company's portfolio consists of 60 assets and for the fourth successive year, has announced that it is targeting a distribution to shareholders above the level previously anticipated.

2010 was, in the UK, characterised by the announced cuts in public spending. These have not had any adverse effect on the portfolio, nevertheless the Company takes the effect of public spending cuts in the UK very seriously.

However, we feel that one of the key differentiators and main strengths of the Company is its application to asset management and to the fostering of strong long term relationships with its public sector clients. As such we are encouraged that the UK government is promoting dialogue between investors in infrastructure and public sector occupiers to ensure that so far as possible, the services being provided to the public sector are delivered in the most efficient manner.

Given that the volume of private finance and other infrastructure projects promoted by the public sector in the UK is unlikely to match the number of projects which have been promoted in previous years, the Company is also encouraged by new opportunities that we are being shown to us by our Investment Advisor both in new sectors (e.g. offshore transmission) and in countries outside the UK, but where the risk profile is very much in keeping with the Company's existing portfolio.

The Board's prime objective continues to be the delivery of a sustainable and growing distribution to shareholders, with growth in the value of our portfolio our next priority. As such we pay particular attention to the quality of the projects being sought and the ongoing stewardship of those assets.

It is gratifying to be able to report that the portfolio continued to perform strongly during the period and that acquisitions made since the start of 2010, together with the exciting long term investment opportunities we have identified, augur well for the future.

We have been particularly pleased by the success that the Company and Investment Advisor, as part of the Transmission Capital Partners Consortium, has had during 2010, in winning four of eight long-term licenses awarded by the Office of the Gas and Electricity Market ('Ofgem') in the first round of bidding to operate offshore transmission assets in the UK.

The awards are further evidence of the Company's ability to identify investments in new sectors. These investments have a risk profile consistent with other assets in the portfolio and as such, the Company will continue to seek investment opportunities in the utility sector during 2011. Already this year, the Company has completed its first investment into the sector (the Robin Rigg offshore transmission project) announced in March 2011.

As part of our investment strategy, the Company aims to deliver returns to investors that are substantially uncorrelated with those provided by more general equity investments. It is notable that since the formation of the Company in November 2006 to 31 December 2010 a shareholder would have received a total return on investment of 40.7% in contrast to a total return on the FTSE250 index of 24.4%.

While the relative percentages will change from time to time, these figures outline the attractions of investing in this asset class, the performance of which is largely uncorrelated to wider market risks. In the Company's case this is due to the portfolio predominantly comprising long term infrastructure projects which are directly or indirectly backed by stable long term government contracts.

Significant events for the Company in 2010 included:

- Appointed preferred bidder, as part of the Transmission Capital Partners consortium, for four of eight projects awarded under Ofgem's first round of tenders to operate offshore transmission assets in the UK;
- Successful raising of over £100m of additional capital through the placement and open offer completed in January 2010 and subsequent tap stock issuances in the second half of the year;
- Increase of 3% in the distribution paid to investors over the previous year to 5.70 pence per share;
- The revaluation of minority held assets resulting in a £4.9 million impairment charge to the Income Statement;
- Additional investment in BeNEX, the German rail operating concession holder in which the Company has a 49% interest, in order to support the winning of new rail concessions;

Letter from the Board (continued)

- Contracts signed for the acquisition of additional interests in two Australian assets already partially owned by the Company taking our ownership interest from 50% to 100% in each case;
- Investment into new school infrastructure assets in Moray in Scotland and Pforzheim in Germany; and
- Completion of the construction work and commencement of the operational phases at the Dudley Brierley Hill LIFT facility in the UK, the Alberta Schools project in Canada and the Pforzheim Schools project in Germany.

During the period the Company's portfolio continued to perform in line with expectations and cashflow arising from these investments was in line with forecasts made at the beginning of the year.

Distributions

The Board has confirmed that the Company will pay a distribution for the second half of 2010 of 2.85 pence per share (total distribution for 2010: 5.70 pence per share). As mentioned above, this is in line with our previously announced policy to seek to increase annual distributions. The distribution will be paid in May 2011 and, as per previous periods, has been generated entirely from operating cash flow.

The Board is also pleased to advise a fourth consecutive annual increase in its target annual distribution. For 2011, it is the Board's intention to target a total distribution of 5.85 pence per share, which represents a near 3% increase over the previous year. The first payment of 2.925 pence per share in respect of this target is expected to be paid in October 2011. The second payment is expected to be made in May 2012.

The Company continues to offer shareholders a distribution reinvestment plan through a scrip distribution option. The Company intends to offer this option again in respect of the May 2011 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 distribution option were sent to investors in March 2011.

Financial results

In this Annual Report the Company is reporting a Net Asset Value (NAV) of £541.9 million, IFRS net assets of £416.4 million and a profit before tax for the year of £15.9 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 its portfolio of investments produced a net investment cashflow to the Company of £33.6 million before distributions. On an after distribution basis this produced a surplus available for re-investment of £6.6 million and coverage from operational cashflow over the distribution payable for 2010 of 1.25 times.

The Company's overall cash balance at 31 March 2011, net of the money earmarked for the distribution due in May 2011, is £40.35 million (as at 31 December 2010 this was £53.1 million, the difference reflecting additional investments made by the Company since that date).

Gearing

The Company has a policy not to hold long term debt at the group level. While the individual assets in which the Company invests are generally subject to leverage, in almost every case this is long term amortising debt upon which a fixed rate of interest is payable.

The Company does have an existing group level debt facility which is maintained to provide the Company with the flexibility to make additional acquisitions where it does not otherwise have sufficient cash available with the expectation that any drawing under this facility will be financed through subsequent capital raisings.

The existing £100m debt facility is provided by Royal Bank of Scotland and National Australia Bank and is currently undrawn. This facility expires in May 2011. I am pleased to report that terms have been agreed in principle with RBS and NAB for the renewal of these facilities for a further three year period.

Corporate Governance

There have been no board changes to report this year.

The Board meets four times a year with additional meetings to consider investment recommendations and for other ad hoc purposes. The Board has two principal sub-committees: these are the audit committee and the management

Letter from the Board (continued)

engagement committee. The role of the latter is to review the performance of the Company's advisors including the Investment Advisor.

The Company complies with the AIC Code and treats matters of appropriate corporate governance with great care. The Board also makes a point of familiarising itself with the assets of the Company and in late 2010 visited the Diabolo investment which comprises a rail tunnel being constructed under Brussels Airport. A board meeting was held as part of this visit and the Board took the opportunity to inspect the works and understand firsthand the construction processes which are currently running to time and budget.

Investment Strategy

We are pleased to confirm that the investment strategy of the Company remains unchanged and that we continue to pursue a strategy that is designed to provide secure yield from operational assets and capital growth from assets in construction and yet to reach their operational stage, which are designed to have low levels of credit and other risks.

Over 2010 and into 2011 we have seen a number of investment opportunities arise for the consideration of the Company. In 2011 the Company has already made investments into ten projects, including the Robin Rigg offshore transmission project, the Liverpool Central Library redevelopment, and eight LIFT projects. We expect the remainder of 2011 to bring considerable additional opportunities such as:

- Portfolio acquisitions of assets developed by third parties;
- Additional assets developed or originated by associated companies of the Investment Advisor;
- Further investments in the utility sector (including offshore transmission) where opportunities can be identified that have a risk profile consistent with other assets of the Company; and
- Possible further investments in Canada and Australia.

Clearly there can be no absolute assurance over the timing of such investments or even their occurrence, as all opportunities are subject to detailed due diligence, but the range and number of opportunities remains encouraging and will, we hope, both enhance projected returns as well as assist with portfolio diversification.

Where appropriate, depending on the nature and timing of these opportunities and the Company's cash position, the Board will consider further capital raising initiatives.

Outlook

The Board remains confident about the outlook ahead, for a number of reasons:

- We are encouraged by the increasing investor appetite for the infrastructure sector. We note that additional listed infrastructure funds have been launched in the last 12 months and that their success evidences the fact that the sector is now firmly established as a proven alternative asset class which exhibit a low level of correlation with general indices;
- Our assets continue to perform soundly and the key assets which are in construction remain on schedule and to budget;
- We continue to see encouraging levels of new investment opportunities, both in the UK and elsewhere in the world; and
- The nature of the state of government finances in most countries currently militates in favour of governments continuing to encourage private sector investment into infrastructure.

The Board would like to thank you for your support and reiterate our willingness to maintain a high level of constructive dialogue with our shareholders.

Finally, the Board would like to wish a speedy recovery to our Chairman, Keith Dorrian who due to health reasons is unable to sign this year's Chairman's Statement. Keith is now recovering at home with his family.

Carol Goodwin
31 March 2011
Director

John Whittle
31 March 2011
Director

International Public Partnerships Limited

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 5.85 pence per share for 2011, a near 3% increase on 2010;
- 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 Internal Rate of Return (IRR) equal to or greater than 8 per cent per annum 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 means) 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 additional investments that may further enhance the Company's IRR.

Investment Policy

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. At 31 December 2010, 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; 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.

Such investments may be for investment 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

Investment Policy (continued)

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 52% at 31 December 2010.

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 2010, the largest investment in the Company's portfolio, the Diabolo Rail project, accounted for 13.4%. While the Company's largest ten investments accounted for 67% 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.

Investment Policy (continued)

Hedging

Where investments are made in currencies other than Sterling, 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 Sterling. 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 Sterling and the market prices and Net Asset Value of the New Shares and the Existing Ordinary Shares will be reported in Sterling.

Currency hedging may be carried out to seek to provide some protection to the level of Sterling 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 Sterling 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 over the next 6 to 12 months.

Opportunities are currently under review in the U.K., Europe, Australia and Canada, all having 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 raising of additional capital and/or by drawing on the Company's debt facility 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[1] in the following projects at 31 December 2010 as set out below.

Portfolio by Sector

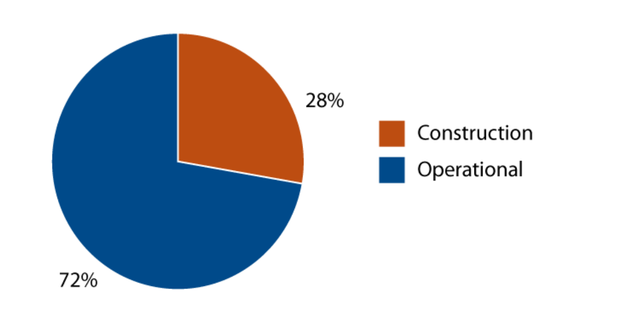
Transport	**Education**
• Angel Trains UK • BENeX • Diabolo • Reliance Rail • River City Motorway	• Alberta Schools • Calderdale Schools • Derbyshire Schools Phase 1 • Derbyshire Schools Phase 2 • Maesteg Schools • Moray Schools • Northamptonshire Schools • NSW Schools • Pforzheim Schools • St Thomas More School • Tower Hamlets Schools
Health	**Courts**
• Medicaste Amiens 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 Addiction Unit • Monks Park Health Centre • Mt Vernon • Newby Place • Nightingale Lane • Phoenix Centre • Ridge Hill & Stourbridge • Shirehampton & Whitchurch • South East Resource Centre • Sudbury Health Centre • Vicarage Lane Health Centre

International Public Partnerships Limited

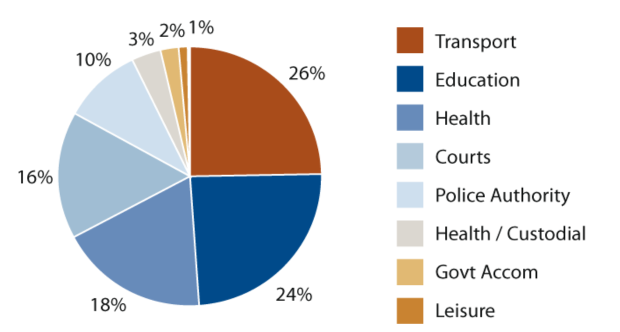
Portfolio Interests (continued)

<u>Portfolio Breakdown at 31 December 2010</u>

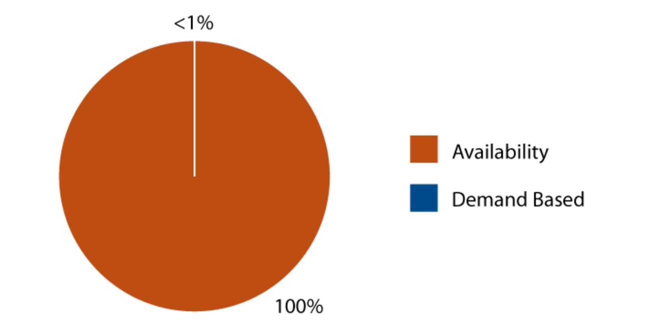
2010 Asset Status



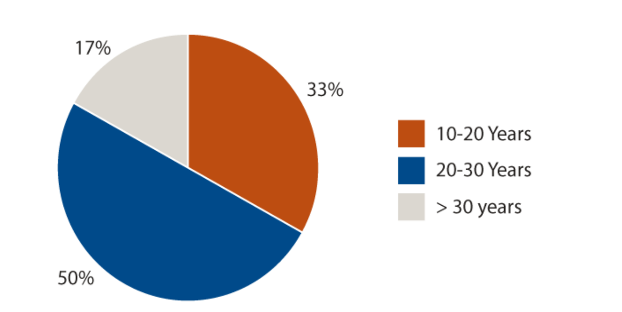
2010 Sector Breakdown



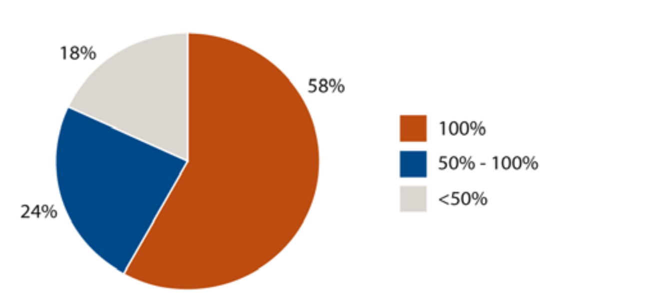
2010 Payment Type



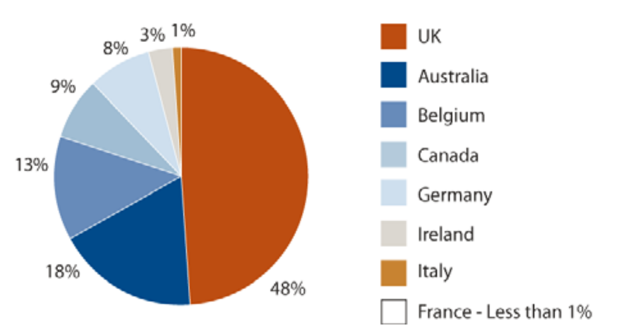
2010 Concession Length



2010 Project Stake



2010 Geographic Split



[1]Economic interests reflect an investment in the capital, subordinated or senior debt of the underlying projects as represented in the Financial Statements, with the exception of the interest in Long Bay Forensic & Prison Hospital Project and the Royal Melbourne Showgrounds Redevelopment Project. At the date of this report the Group has included within the portfolio the acquisition of the additional 50% of the Share Capital and Subordinated loans of these two projects in accordance with an executed Sale & Purchase agreement signed on 22 December 2010 with Brookfield Infrastructure Partners LP. Legal completion of the acquisition of these investments was not completed by 31 December 2010 and accordingly these investments continue to be presented as associates as they have not been consolidated in the Groups Financial Statements.

The pie charts above show a breakdown of the Group's portfolio at 31 December 2010. 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 4. 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 2010.

International Public Partnerships Limited

Investment Advisor's Report

About the Investment Advisor

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

Amber is a specialist developer, investor and manager with respect to infrastructure assets in Europe, Australia and North America. At 31 December 2010 the Group had over 50 staff based in the UK, Germany, Australia and the United States.

Introduction

International Public Partnerships Limited continued to provide solid performance in 2010. In particular the Company paid distributions in the period equal to 5.70 pence per share and saw Net Asset Value (NAV) at 31 December 2010 remain broadly stable at 113.1p per share compared to 112.9p at 30 June 2010.

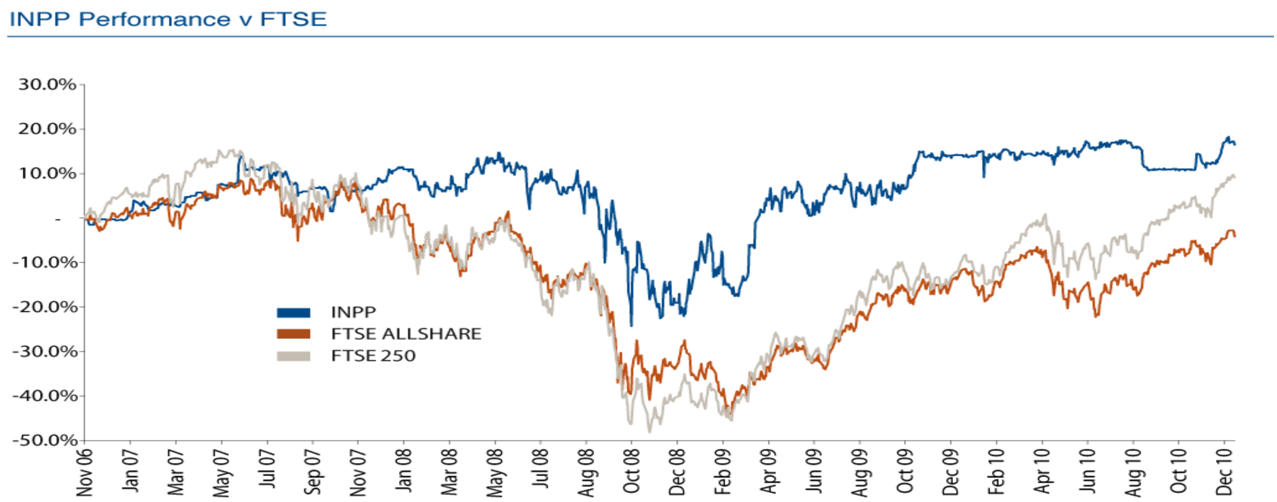
The Company invested in or was awarded five investments in the period and as at 31 December 2010 the Company held investments in 55 assets. A breakdown of the Company's portfolio is set out in the Portfolio section of this report. The Company continues to target new investment opportunities in the UK, Europe, Australia and Canada.

Investment Performance

The Company aims to provide consistent returns to investors that are largely uncorrelated to more general equity markets. As noted, during 2010 the Company provided a total distribution to shareholders amounting to 5.70 pence per share and the policy of the Company remains to seek to grow its distribution in future years.

Infrastructure assets of the type that the Company invests in are selected to provide long term predictable returns. The returns from these investments are not generally linked to the demand for the use of the underlying asset and are therefore not generally exposed to wider market factors that may impact the value of other asset classes. As such the share price performance of the Company can be expected to exhibit low levels of correlation with wider market indices such as the FTSE250 or FTSE AllShare indices.

The chart below shows the share price performance of the Company graphed against the FTSE indices since the Company's initial public offer in November 2006.



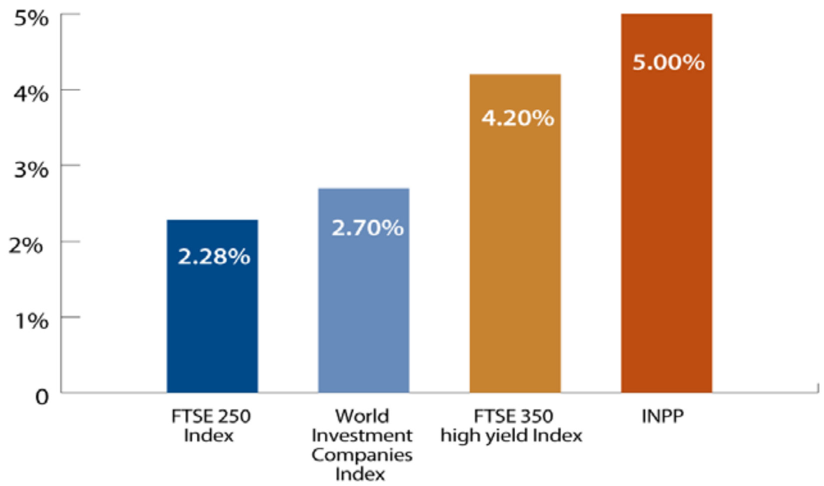
The investor market in 2010 has shown particular interest in yield focussed stocks. This has been driven by a combination of factors including low levels of interest rates on offer in the UK, fears over inflation, and the relative decline in yield available elsewhere in the market following well publicised dividend cuts in other sectors.

Investment Advisor's Report (continued)

The Company continues to seek to provide attractive levels of income to its investors. Based on the Company's net asset value at 31 December 2010 and the total dividend paid in the year, the Company provided a yield of around 5.0% to investors in 2010.

The chart below shows a comparison between the yields on offer by the Company in 2010 with the yield on offer from other assets classes:

Yield comparison with other asset classes



Looking forward, the Investment Advisor will continue to be focussed on advising the Company with respect to matters which will protect and enhance the cashflow it receives from its existing assets as well as acquiring additional investments that can be expected to augment the Company's investment income over both the short and medium term.

Inflation Protection

Over the last 12 months concerns over inflation have increased. Whereas previous opinion was divided over whether inflation or deflation was a bigger risk, most opinions see inflation as a greater concern in the short to medium term. The Investment Advisor seeks to advise the Company to recommend investment into assets which either have a high level of inflation protection or are otherwise acquired at projected rates of return which make allowance for projected levels of future inflation.

Where movements in actual inflation are greater or lesser than projected levels this will impact on the Company's cashflow in either a positive or negative manner. Equally where future projections of inflation change this may have a positive or negative impact on the Company's current net asset value (NAV). At 31 December 2010, in excess of 70% of total revenue was inflation linked.

The Company continues to use a long term assumption for inflation across its portfolio of 2.5% per annum. The Company has given consideration to the possibility of adjusting its long term future inflation assumption – particularly against the backdrop of both current levels of UK inflation (current RPI is 5.5%) and the projected future levels of inflation.

If the Company were to assume a long term inflation rate for all its assets of 2.75% per annum instead of 2.5% per annum then, if all other assumptions remained the same (including discount rates), the Company's NAV would be 114.4p per share. Alternatively this corresponds with a weighted average discount rate of 8.8% to calculate the stated NAV at 113.1pence per share.

Currently the Company has determined not to change the long term inflation assumption which it utilises to value its portfolio but instead will endeavour to provide additional information through sensitivity analysis to assist shareholders who wish to substitute their own inflation forecasts and assess the potential impact on the Company's

Investment Advisor's Report (continued)

performance. Clearly if inflation remains at current levels it may be prudent to consider changing the long term inflation assumption used by the Company.

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 2009, 29% of the portfolio was under construction. This has reduced to 28% at 31 December 2010, following the handover of the Dudley Brierley Hill LIFT facility in the UK, the Alberta Schools project in Canada and the Pforzheim Schools project in Germany.

Each of the following projects under construction is either on schedule or ahead of time (with the exception of the Reliance Rail project in Australia which accounts for less than 0.2% of the portfolio by value).

Asset	Location	Expected Completion Date	Status	% of INPP NAV
Orange Hospital	Australia	July 2011	On schedule	3.8%
South East Resource Centre	UK	July 2011	On schedule	0.1%
Nightingale Lane	UK	October 2011	On schedule	<0.1%
Moray Schools	UK	February 2012	On schedule	1.2%
Diabolo Rail	Belgium	February 2012	On schedule	13.4%
Newby Place	UK	May 2012	On schedule	0.1%
Reliance Rail	Australia	September 2013	Behind schedule	0.2%
Royal Children's Hospital	Australia	Stage 1 - September 2011 Stage 2 – December 2014	On schedule	8.5%

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 2010 distribution by 1.25 times.

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. Significant requests for changes from public sector clients included:

- The construction of a new £4.4million youth centre underway on the Tower Hamlets Schools Project procured through a change to the contract, in addition, over £4m Authority Changes have been delivered in the year.

Construction updates:

- Construction underway on the £35m Moray Schools scheme to replace the existing facilities at Keith Primary and Elgin Academy.
- Annual availability and performance deductions across the portfolio less than 0.2% of the total Unitary Charge, all of which passed through to our contracting parties.
- Excellent level of service delivery across the concessions to the procuring Authorities.

These variations reflect successful partnerships with our public sector clients.

International Public Partnerships Limited

Investment Advisor's Report (continued)

Acquisitions

During the year the Company made six investments:

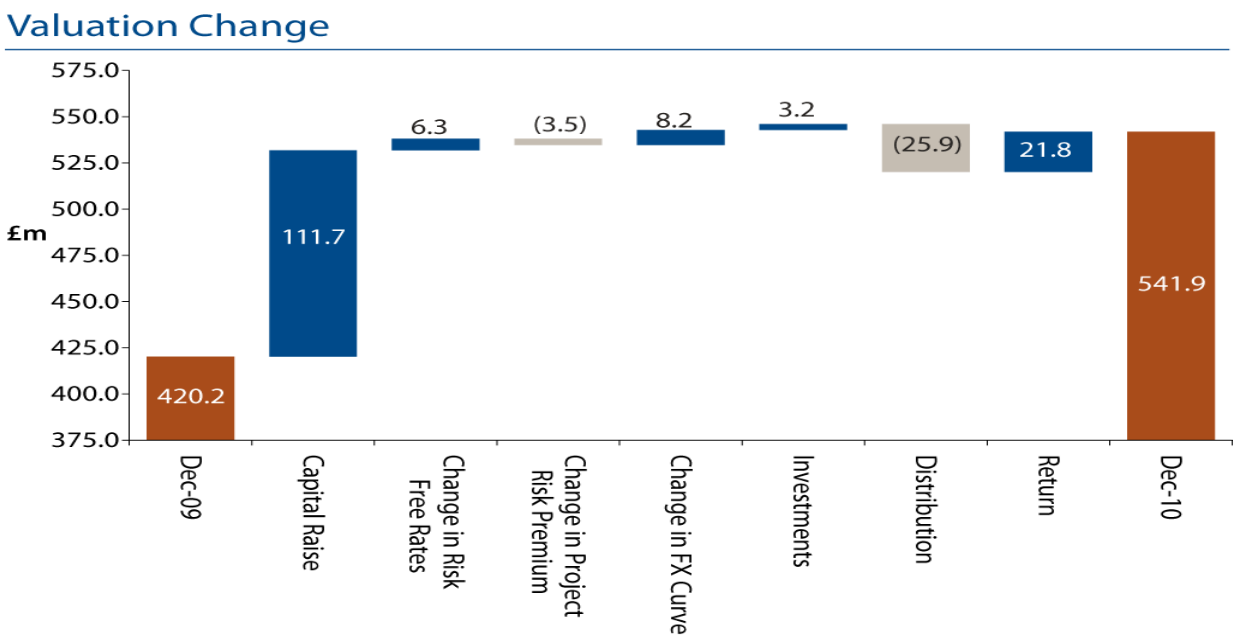
- the South East Resource Centre LIFT project in London;
- Newby place LIFT project in London;
- Nightingale Lane LIFT project in London;
- Moray Schools in Scotland;
- Pforzheim Schools in Germany; and
- further investment in BeNEX, the Company's German rail operating business.

In the second half of the period, the Company was awarded preferred bidder status on a number of offshore transmission projects and signed contracts to acquire additional interests in two Australian assets which will increase the Company's interest to 100% in each case. Financial close for these projects is expected to occur in 2011. Since the start of 2011 the Company has already made investments into ten projects, including the Robin Rigg offshore transmission project, the Liverpool Central Library redevelopment, and eight LIFT projects and we expect the Company to continue to review further attractive investment opportunities with respect to projects meeting the Company's investment policy during the remainder of 2011 and beyond.

Net Asset Valuation

The Administrator (Heritage International Fund Managers Limited) calculates the Net Asset Value (NAV) of an Ordinary Share with the assistance of AFML, and produces fair market valuations of the Group's investments on a six-monthly basis as at 30 June and 31 December. The valuation methodology used is based on discounted cash flow methodology and utilises the discount rates set out below, with the exception of the Company's investment in the RiverCity Motorway project which is valued at mark to market as it is the Company's only listed investment (during 2011 this investment has since be written down to zero).

Over the 12 month period ending 31 December 2010 the Company's Net Asset Value increased by 1 pence per share to 113.1 pence per share due in part to the decrease in risk-free rates during the period of 19 basis points. Offsetting this decrease in risk free rates is a 17 basis point increase in project risk premiums and a further depreciation of Sterling against the Canadian and Australian dollars. The Company's portfolio was valued at £541.9 million at 31 December 2010 (2009 - £420.2 million).



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 remained unchanged from 2009 at 8.63%. The discount rates used for valuing each of the underlying assets in the Company's portfolio range from 6.24% to 15.52%.

Valuation Methodology	31 December 2010	31 December 2009	Movement (Dec - Dec)
NAV per share	113.1 pence	112.1pence	1 pence
Weighted Average Discount Rate	8.63%	8.63%	nil
Weighted Average Risk-Free Rate	4.49%	4.68%	(0.19%)
Weighted Average Project Premium	4.13%	3.96%	0.17%
Discount Rate Range	6.24% to 15.52%	6.42% to 15.33%	(0.18%) to 0.19%

Future net operating cashflows remain as forecast.

Financial Results

In addition to its statutory reporting obligations under International Financial Reporting Standards ("IFRS"), the Company has prepared proforma financial information. This proforma financial information is provided to give additional guidance, in combination with consideration of the primary financial statements, to aid visibility of the financial results based on the dividends, interest and capital receipts that are received from the individual investments of the Group.

At 31 December 2010, the Group had a total of 55 investments, of which it is deemed the Group has control over 24 of these investments by virtue of having the power, directly or indirectly, to govern the financial and operating policies of the specific project entities. Under IFRS, the results of these companies are consolidated in the Group's financial statements on a line-by-line basis. The remainder are accounted for under IAS 28 "*Investments in Associates*", (generally a shareholding in the range of 20–50%) or are a minority investment that is valued on a discounted cash flow method at the reporting date and held as an available for sale financial asset.

These consolidated investments form part of a portfolio of similar investments which are held for investment purposes and managed as such, with no distinction made between those investments classified as subsidiaries (consolidated investments), or associates (equity accounted investments) and those which are not. In addition, as at the 31 December 2010, all debt owed by the Group's investments is project specific and non-recourse to the Company.

Income and Expenses

Cash received from the portfolio of investments by way of distributions, including dividends, interest payments, capital and principal repayments (the latter from subordinated debt and senior debt held in investments) was £43.0 million (2009: £36.1 million). After group-level corporate costs of £9.4 million (2009: £9.4 million excluding performance fee), the net cash receipts to the investment holding companies within the Group were £33.6 million (2009: £26.7 million). This net cash receipt provides significant coverage of the 2010 distribution of £27.0 million (2009: £23.0 million).

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

Investment Advisor's Report (continued)

Summary net corporate income

	2010 £million	2009 £million
Cash received from investments		
Dividends and interest	40.3	33.5
Capital receipts	2.7	2.6
Corporate expenses and net finance costs (excluding performance fees)	(9.4)	(9.4)
Net cash	**33.6**	**26.7**
Net cash per share	**7.4 p**	**7.1 p**

Net cash received from all investments (after tax in project companies and withholding taxes) was £33.6 million. This is an increase over the previous period of £6.9 million (which excludes the performance fee of £8.5 million that was payable to the Investment Advisor for 2009) and is a result of additional distributions being generated as project concessions complete construction and move into their operational phase.

IFRS Results

On a consolidated IFRS basis, profit before tax was £15.9 million (2009: £11.4 million) with earnings per share of 3.2 pence (2009: 2.4p). The results on a consolidated IFRS basis include profits from the underlying project entities that are consolidated or equity accounted. These results are impacted by non-cash items, including amortisation of intangible assets, unrealised foreign exchange movements, depreciation, fair value movements and impairment charges. Not all profits generated in the underlying project entities are immediately distributed due to requirements to retain cash for future costs or to ensure covenant compliance.

Corporate Cost Base

The Corporate cost base of International Public Partnerships Limited has remained static despite the increase in the share capital of the Company and number of investments held by the Group (excluding the performance fee that was payable for 2009).

Group level corporate cost analysis

	Year to 31 December 2010 £million	Year to 31 December 2009 £million
Interest income	0.3	0.3
Interest expense	(1.0)	(1.6)
Investment Advisor fees (excluding performance fees)	(6.5)	[1] (6.4)
Audit fees	(0.1)	(0.2)
Director fees & expenses	(0.2)	(0.2)
Other expenses	(1.9)	(1.3)
Corporate expenses & net finance costs	**(9.4)**	**(9.4)**

[1] This calculation excludes any variable performance fees.

Interest expense for the year end 31 December 2010 includes interest that was payable on the Corporate debt facility for the first two months of 2010. The debt facility was repaid in full following the January 2010 capital raising. Also included in interest expense is the annual commitment fee for the Corporate debt facility which remains payable and provides the Company with flexibility around market opportunities.

International Public Partnerships Limited

Investment Advisor's Report (continued)

The Base management fee payable to AFML for the year end 31 December 2010 was £6.5 million (2009: £6.4 million). The fee is calculated based on 1.2% of the adjusted Gross Asset Value of the Company at semi-annual reporting dates.

Total Expense Ratio ('TER')

	Year to 31 December 2010 Investment basis £million	Year to 31 December 2009 Investment basis £million
Total corporate expenses	(8.7)	(8.1)
Net Asset Value	541.9	420.2
TER[1]	**(1.6%)**	**(1.9%)**

[1] This calculation excludes any variable performance fees.

For the year end 31 December 2010 the TER[1] was 1.6% (2009: 1.9%). The reduction of 0.3% was due to additional capital raisings during the year, which resulted in both the variable and the fixed cost base to be calculated over an increased asset base.

Balance Sheet

In order to provide shareholders with further information regarding the Group's Net Asset Value ("NAV"), coupled with enhanced transparency of the Company's capacity for investment and ability to make distributions, additional financial information is provided to help facilitate the Group's financial position and ability to maintain distribution coverage. This analysis compares the components of the NAV to IFRS net assets.

Unaudited Summary balance sheet

	Year to 31 December 2010			Year to 31 December 2009		
	NAV basis	**Adjustments**	**Consolidated IFRS**	**NAV basis**	**Adjustments**	**Consolidated IFRS**
	£million[2]	£million	£million	£million	£million	£million
Investments at fair value	464.9	764.8	1,229.7	433.5	432.5	866.0
Financial assets at amortised cost	-	474.0	474.0	-	474.5	474.5
Other current & non-current assets	14.5	405.0	419.5	21.0	336.4	357.4
Net cash/(borrowings)	66.8	(1,456.6)	(1,389.8)	37.0	(1,075.8)	(1,038.8)
Other current & non-current liabilities	(4.3)	(312.6)	(316.9)	(71.3)	(256.7)	(328.0)
Non-controlling interests	-	(2.8)	(2.8)	-	(6.4)	(6.4)
Net assets to equity holders of the parent	**541.9**	**(128.2)**	**413.7**	**420.2**	**(95.5)**	**324.7**

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

International Public Partnerships Limited

Investment Advisor's Report (continued)

Included in the NAV are investments at fair value of £464.9 million (2009: £433.5 million) along with uncommitted cash/borrowings of £66.8 million (2009: £37.0 million). The increase in the fair value of the Group's investments is attributed to movements in the underlying risk free rates, enhancements on the existing portfolio and acquisitions made during the year. Further detail on the movement in investments is provided in the Net Asset Value section of the Investment Advisor's Report.

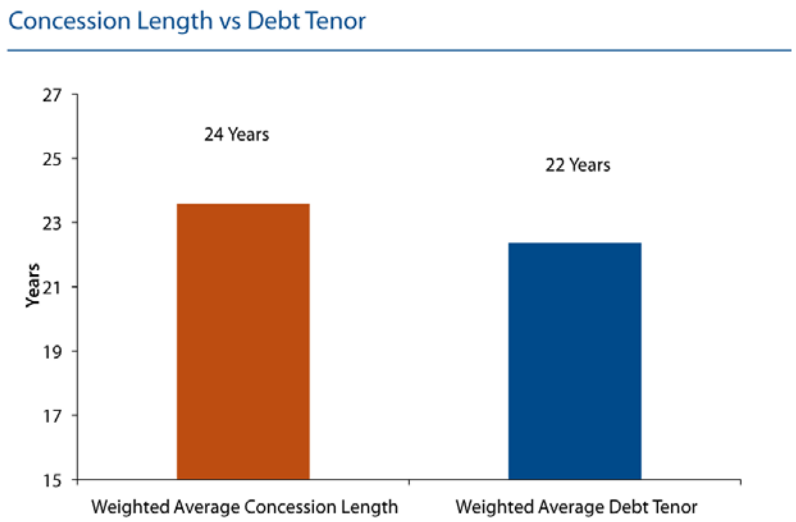
On a consolidated IFRS basis, net equity attributable to equity holders of the parent increased to £413.7 million (2009: £324.7 million) reflecting the additional capital that was raised in the period. The difference between the NAV and IFRS net assets is a result of certain assets and liabilities recorded at amortised cost under IFRS while the NAV includes all investments at fair value. Assets and liabilities that are recorded at amortised cost, include intangible assets, financial assets held as loan and receivables (as opposed to financial assets held at fair value) and bank loans.

Gearing

The Group has a committed £100 million three year revolving facility from Royal Bank of Scotland plc ('RBS') and National Australia Bank ('NAB') expiring in May 2011; similar terms have been agreed in principle with the existing providers to enter into a new three year facility from May 2011. This facility is used to fund acquisitions and is on a recourse basis to the Group. The Company's Articles of Association limit the Group's recourse debt to 50% of Adjusted Gross Asset Value of its investments and cash balances. As at 31 December 2010, the Group did not have any drawings under the facility. The previous outstanding balance on the Company's corporate debt facility was repaid in entirety from the proceeds from the equity capital raising in February 2010 and the Company retains a zero debt balance at the Group level. At the asset-level, the Company seeks to secure long-term non-recourse debt matched where possible to the concession life of an asset at the time of acquisition.

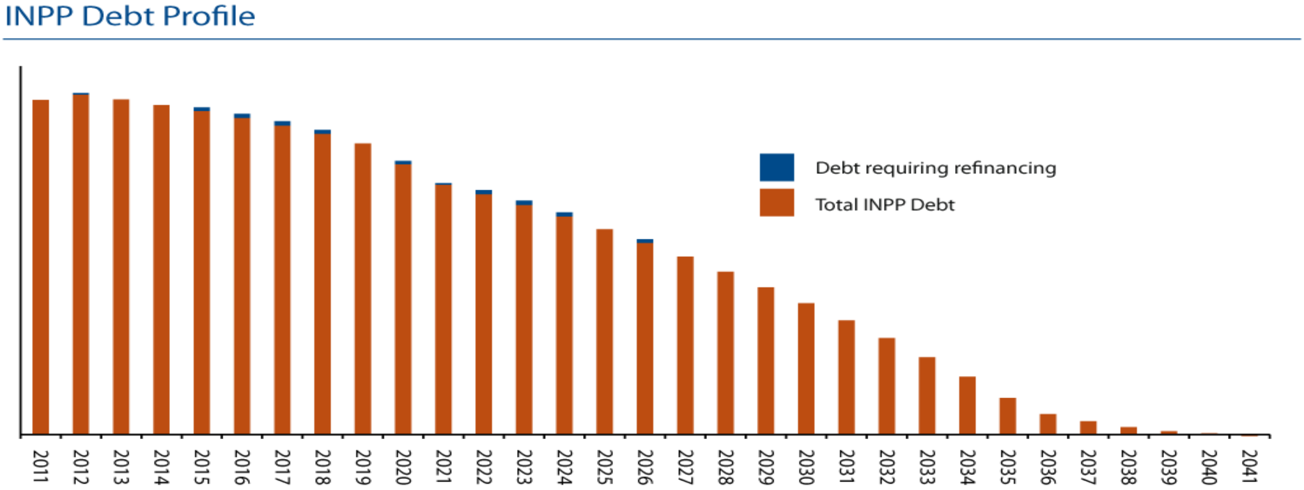
On a consolidated IFRS basis, the Group had net debt of £1,389.8 million at 31 December 2010 (2009: £1,038.8 million). This increase in net debt over the year reflects the additional debt from consolidated investments, offset by the repayment of the Corporate Debt facility.

Currently, the weighted average concession life remaining in the portfolio is 23.6 years, compared to a weighted average debt tenure of 22.9 years. As a result, less than 1% of total debt is required to be refinanced over the next 30 years, with the aim of ensuring strong protection from any future interest rate movements.



International Public Partnerships Limited

Investment Advisor's Report (continued)



Distributions

The continuing strong performance of the portfolio has allowed the Directors to increase the target distribution for 2011. The target distribution for 2011 is 5.85 pence per share, an increase of around 3% on 2010, and is again expected to be entirely covered by operating cash flow.

Outlook

There continues to be a growing appreciation of the attractions of investment in infrastructure from investors. It seems likely that while interest rates may increase in 2011, any increase is likely to be limited and that the shares of the Company will continue to offer an attractive level of risk and return in comparison to other asset classes.

From a macro-perspective it also seems likely that governments in the UK and elsewhere will continue to turn to the private capital markets to finance new infrastructure projects. Most governments around the world continue to face pressures on public spending and it seems likely that most major future infrastructure procurements will be privately financed. This augurs well for the long term health of the sector.

The Company continues to receive and review a large number of opportunities. These include opportunities brought to the Company and its Investment Advisor by third parties (e.g. potential sales to the Company of assets developed by third parties) and opportunities originated by companies associated with the Investment Advisor. A high level of discrimination is applied to these. Approximately nine opportunities are considered and discarded for each opportunity that is progressed.

The significant cutbacks in public expenditure in the UK cannot pass without mention: the UK government has been clear that it expects to work closely with investors in projects developed under the UK private finance initiative (PFI) to ensure continued value for money for taxpayers. Some 650 PFI projects have now been completed in the UK (of which only a small percentage are owned by the Company). Due to the scale of the sector any significant change in policy impacting existing PFI projects is regarded as unlikely, however any material change of policy were it to be applied to existing PFI projects could have negative implications for the Company.

Some PFI projects have also been the subject of negative publicity in the national press. While this has not been the case with respect to any of the Company's investments, the Investment Advisor maintains very strong relationships with its public sector clients and is keen to demonstrate that it is in a genuine long term partnership with each of them. As such the asset management team within the Investment Advisor are pro-active in seeking to identify value for money changes or improvements which improve value for money for taxpayers. The Company's business is a long term one and its relationship with its customers will evolve over time.

Investment Advisor's Report (continued)

Current indications remain that the UK Government remains supportive of PFI and similar uses of private capital to fund new infrastructure and this is borne out by the fact that several new PFI-type projects have reached contract signature in the time since the Coalition government took office and more are planned. Notwithstanding this we expect there will be fewer new infrastructure procurements initiated by the UK government in sectors such as schools and large acute hospitals for instance.

For this reason the Investment Advisor, while continuing to apply focus to the UK PFI sector, has also applied additional resources to new areas of investment in the UK and to infrastructure opportunities outside the UK. Notably the Investment Advisor has originated opportunities for investment by the Company in the rapidly developing offshore transmission sector where considerable investment is required over future years connecting offshore wind farms to the National Grid. The attraction of these opportunities (the first of which was invested in by the Company in March 2011) is that they represent a new and important asset which has very similar risk and income return profiles to the Company's existing asset base. We see considerable further potential in this sector.

Outside the UK, infrastructure opportunities continue to flourish. Given the occasional political controversies over PFI in the UK it is often forgotten that over 70 countries around the world have adopted PFI-like solutions for infrastructure provision. The Investment Advisor is tracking a number of significant such opportunities on behalf of the Company.

Overall, we continue to look forward to the future with confidence. While the past is not necessarily a guide to the future, the Company has gained a reputation with investors over the four years of its existence for delivering regular solid performance and we see good reasons for anticipating that this will continue to be the case. The drivers for this are increased investor appetite for the risk and return profile offered by the Company, the continued need for infrastructure investment around the world, the significant number of new investment opportunities under review by the Investment Advisor and the robust performance of the core portfolio of the Company to date.

Amber Fund Management Limited
31 March 2011

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 2010.

These financial statements have been prepared by the Directors in compliance with the provisions of the Companies (Guernsey) Law, 2008.

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)

Aged 65, 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	IDFC General Partner Limited
AB International Fund PCC Limited	IIAB PCC Limited
Arab Bank Fund Managers (Guernsey) Limited	K A N Consulting Limited
BH Credit Catalysts Limited	MasterCapital Fund Limited
Cayuga Investment Management Limited	PSource Structured Debt Limited
Clarion ICC Limited	Strategic Investment Portfolio Holdings Limited
Credit Suisse Opportunistic Alternative Investment Limited	Strategic Investments GP Limited
Eagle & Dominion Limited	Third Point Offshore Investors Limited
Eagle & Dominion Growth Fund Limited	UK Commercial Property Trust Limited
Eurocastle Investments Limited	

Rupert Dorey

Aged 50, 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.

Directors' Report (continued)

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

AAA Guernsey Limited	CQS Diversified 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	HarbourVest Senior Loans Europe Limited
Celadon Fund PCC Limited	M&G General Partner Inc
Clifford Estate Company Limited	Onesimus Dorey (Holdings) Limited
Clifford Estate Company (Chattels) Limited	Partners Group Global Opportunities Limited
Cognis General Partner Limited	Saltus European Debt Strategies Limited
Cognis 1 Fund LP	Tetragon Financial Group Fund Limited
Cognis 1 Master Fund LP	Tetragon Financial Group Master Fund Limited
Corazon Argentum Fund Limited	

Giles Frost

Aged 48, resident in the United Kingdom, is a director of Amber. Prior to the management buyout by the Investment Advisor, 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 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 Infrastructure Group Holdings Limited, the ultimate holding company of the Investment Advisor to the Company and various of its subsidiaries.

Carol Goodwin

Aged 67, 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 Ms 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

Directors' Report (continued)

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)

Aged 55, 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 and holds the Institute of Director's Diploma in Company Direction.

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

Aurora Russia Limited	Saunderton Data Cente GP Limited
Aurora II GP Limited	Sciens Global Strategic Fund Limited
Blue Skye GP Limited	Sustainable Agroforestry IC Limited
EMP Europe (CI) Limited	Sustainable Red IC Limited
Dynamic Fund IC Limited	Sustainable Teak and Agarwood IC Limited
GC Dynamic Investments ICC Limited	The IPM renewable Energy Fund ICC Limited
Guernsey International Management Company Limited	The Offshore Mutual Fund PCC Limited
Mid Europa III Management Limited	The Sustainable Forestry ICC Limited
Perusa Partners Management Limited	The Solar Park Fund (GBP) IC Limited
Pont du Val Limited	

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 2010 is contained in the Letter from the Board (pages 5 to 7) and Investment Advisors Report (pages 14 to 23).

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

International Public Partnerships Limited

Directors' Report (continued)

Directors' remuneration

During the period 1 January 2010 to 31 December 2010 the Directors' remuneration was paid as follows:

		Base (£)	Other (£)	Total 2010 (£)	Total 2009 (£)
Keith Dorrian	Independent Non-Executive Chairman	47,000	5,000	**52,000**	**53,500**
Rupert Dorey	Independent Non-Executive Director	37,000	5,000	**42,000**	**39,250**
Giles Frost	Non- Executive Director	32,000	5,000	**37,000**	**28,500**
Carol Goodwin	Independent Non-Executive Director	32,000	5,000	**37,000**	**36,750**
John Whittle[1]	Independent Non-Executive Director	32,000	5,000	**37,000**	**12,870**

[1] Appointed 6 August 2009

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 2010 had the following interests in the shares of International Public Partnerships Limited:

	31 December 2010 Number of Ordinary Shares		31 December 2009 Number of Ordinary Shares	
Name of Director	**Non-Beneficial**	**Beneficial**	**Non-beneficial**	**Beneficial**
Keith Dorrian	43,575	-	41,500	-
Giles Frost	-	273,745	-	273,745
Rupert Dorey[1]	-	493,687	-	313,630
Carol Goodwin	-	31,550	-	11,000
John Whittle	-	-	-	-

[1]Included in the above shareholding, 285,000 shares are held Mr Dorey's spouse.

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.

Directors' Report (continued)

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

The Board regularly reviews the performance of directors and advisers to the Company and currently 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.

Substantial shareholdings

As at 28 February 2011, 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.	12.60	60,625,948	Indirect
Rensburg Sheppards Investment Management	12.33	59,299,847	Indirect
Brewin Dolphin Securities Ltd.	6.49	31,215,310	Indirect
M&G Investment Management Ltd.	5.77	27,767,016	Indirect
Corus UK - British Steel Pension Fund	3.84	18,482,153	Indirect
Legal & General Investment Management Ltd.	3.51	16,873,517	Indirect
Tilney Investment Management Ltd.	3.31	15,910,775	Indirect
London Borough of Enfield Pension Fund	3.01	14,464,000	Indirect
Sarasin & Partners LLP	2.72	13,100,929	Indirect
FF&P Asset Management Ltd.	2.63	12,665,187	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

Directors' Report (continued)

with the Administrator) accounting and finance resource, legal, compliance and risk management services, and IT systems to the Group.

Share Capital

The Company's share capital at 31 December 2010, 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.

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 30.

In May 2010, in part settlement of the performance fee that was payable at 31 December 2009, 40% of the value was accepted in new ordinary shares by the Investment Advisor, being £3.4 million. As a result, Amber Infrastructure Limited (AIL) received 2,991,220 new ordinary shares at 114.1p.

Also in May 2010, 1,216,998 new ordinary shares of 0.01p each (fully paid) were issued as a scrip dividend alternative in lieu of cash for the interim dividend in respect of the six months ending 31 December 2009.

In September 2010, the Group raised an additional £22.4 million of equity respectively through its Tap issues for Subscription of 20,000,000 Ordinary shares at an issue price per share between 111.15p (ex dividend) and 114.00p (inc dividend).

In October 2010, 1,622,132 new ordinary shares of 0.01p each fully paid were issued as a scrip dividend alternative in lieu of cash for the interim dividend in respect of the six months ending 30 June 2010.

The total number of Ordinary Shares in issue at 31 December 2010 was 479,040,303.

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 3 June 2011. The Company will seek to renew such authority at the Annual General meeting to take place on 25 May 2011. 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 Company has been declared an Authorised Fund under the Authorised Closed-ended Investment Schemes Rules 2008.

Earnings per share

Basic and diluted earnings per share were 3.15 pence for the year ended 31 December 2010 (2009: 2.42 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 2.85 pence per share for the period 1 January 2010 to 30 June 2010 was paid on 15 October 2010. The distribution of 2.85 pence per share for the period 1 July 2010 to 31 December 2010 is to be paid on 6 May 2011.

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

Post-balance sheet events

On 13 January 2011, the Company raised an additional £2.34 million of equity through an existing Tap facility of 2,000,000 new Ordinary shares. The shares were issued at a price of 117.0p per share bringing the total number of share in issue at the date of this report being 481,040,303.

On 25th February 2011, RiverCity Motorway Pty Limited (a company listed on the Australian Stock Exchange) had KordaMentha appointed as receiver and managers. The Company holds a 3.82% interest in RiverCity Motorway Pty Limited. As at 31 December 2010 the Company valued this holding on a mark to market basis at less than £220,000, which represented less than 0.1% of the Company's portfolio.

The Company awaits further information but has been monitoring this position for some time and is unsurprised by this development. The RiverCity Motorway project differs from the remainder of the Company's portfolio in that revenues generated by the project are based on the level of demand for that asset (i.e. motorists paying a toll) rather than the availability of the asset, the latter being the basis upon which the vast majority of the portfolio's revenues are received and which is uncorrelated to the level of demand for an asset.

On 2 March 2011, the Company announced that Transmission Capital Partners, the consortium comprising Amber Infrastructure, Transmission Capital and the Company has achieved financial close for the Robin Rigg offshore transmission project. The project relates to the transmission cable connection to the offshore wind farm at Robin Rigg, located 12km off the coast of Cumbria. The cost of this acquisition was £12.4 million.

On 31 March 2011, the Company announced the acquisition of a further nine investments, including the Liverpool Central Library redevelopment and the acquisition of eight subordinated debt investments in UK LIFT projects. The cost of these acquisitions was £6.2 million and £4.4 million respectively.

Accounting policies

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

Directors' Report (continued)

Relations with shareholders

The Board acknowledges its responsibility for ensuring satisfactory dialogue with shareholders and that communications are given the highest priority. The Company welcomes the views of shareholders and, where practicable, enters into dialogue with institutional shareholders based on the need for mutual understanding of objectives. The Company's Investment Advisor regularly meets the largest shareholders and Company analysts.

The Annual General Meeting of the Company provides a forum, both formal and informal, for investors to meet and discuss issues with the Directors and the Investment Advisor.

The Annual General Meeting is scheduled for Wednesday 25 May 2011 and a Notice of the meeting will be sent to shareholders in advance of this meeting. At its Annual General Meeting, the Company complies with the provision of the Code relating to the disclosure of proxy votes, the separation of resolutions and the attendance of the Chairman.

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.

Following a request for proposals prepared by the Audit Committee in October 2010, a recommendation has been accepted to appoint Ernst & Young LLP as the Group's auditors following the signing of these accounts. The Board would like to thank Deloitte LLP for their service over the past 5 years.

Carol Goodwin	*John Whittle*
31 March 2011	*31 March 2011*
Director	*Director*

International Public Partnerships Limited

Corporate Governance Report

Corporate Governance Policy

As a Company is listed on the London Stock Exchange, it is required to take account of the UK Combined Code on Corporate Governance as revised by the Financial Reporting Council in June 2006 (the 'Combined Code'). It is also the Company's policy to comply with best practice on good corporate governance that is applicable to investment companies.

As such, the Board of the Company has considered the principles and recommendations of the AIC Code of Corporate Governance (AIC Code) by reference to the AIC Corporate Governance Guide for Investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the Combined Code and the UKLA Listing Rules, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies.

The AIC Code provides a "comply or explain" code of corporate governance designed especially for the needs of investment companies. The Company is a member of the AIC. The AIC published a new code of corporate governance in October 2010 and the Company has reviewed its compliance with these standards. The Financial Reporting Council has confirmed that so far as investment companies are concerned it considers that companies who comply with the AIC Code will be treated as meeting their obligations under the Combined Code and Listing Rules

The Board has determined that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which the Financial Reporting Council has confirmed should meet the Company's obligations in relation to the Combined Code and relevant UKLA Listing Rules) will provide more appropriate information to shareholders. The Company has complied with all the recommendations of the AIC Code and the relevant provisions of the Combined Code, except as noted out below.

The UK Corporate Governance Combined Code includes provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function

For the reasons set out in the AIC Guide, the Board considers these provisions are not relevant to the position of the Company, being an externally advised investment company. The Company has therefore not reported further in respect of these provisions.

Board Structure

The Board currently consists of five non-executive Directors, whose biographies, on page 24, demonstrate a breadth of investment and business experience. As the Chairman of the Board is an independent non-executive, the Board considers it unnecessary to appoint a senior independent Director.

Corporate Governance Report (continued)

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

The Board consists solely of non-executive Directors and is chaired by Mr. K Dorrian. One third of the Directors retire by rotation at every AGM with the exception of Mr. G 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. G 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 independent directors take the lead in any discussions relating to the appointment or re-appointment of directors.

The Board meets 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. The Management Engagement Committee which is a sub-committee of the Board regularly reviews the performance of the Investment Advisor and the Company's other advisors to ensure that performance is satisfactory and in accordance with the terms and conditions of the relative appointments.

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.

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.

Board Tenure

No member of the Board has served for longer than 5 years to date. As such no issue has arisen to be considered by the Board with respect to long tenure. When and if any director shall have been in office (or on re-election would at the end of that term of office) for more than 8 years the Company will consider further on this matter as to whether there is any risk that such director might reasonably be deemed to have lost independence through such long service. Keith Dorrian will retire (as a result of the retirement by rotation provisions) and Giles Frost will retire as a result of the UKLA Listing Rules and both will stand for re-election.

Corporate Governance Report (continued)

Meeting Attendance Records

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

Directors	Quarterly Board (max 4)	Ad-hoc Board (max 6)	Audit Committee (max 4)	Management Engagement Committee (max 1)
K Dorrian	4	6	4	1
R Dorey	4	6	4	1
G Frost[1]	4	2 (max 2)[2]	n/a	n/a
C Goodwin	4	6	4	1
J Whittle	4	6	4	1

[1] Mr. G Frost is not a member of the Audit Committee or Management Engagement Committee.
[2] Mr. G Frost does not attend Ad-hoc Board Meetings as a director where recommendations from the Investment Advisor are under consideration.

Committees of the Board

The AIC Code requires the Company to appoint a nomination or remuneration committee. The Board has not deemed this necessary as, being comprised wholly of non-executive Directors, the whole Board considers these matters. The Board's Audit Committee is responsible for the appointment of auditors and the review of the Company's accounting and financial affairs. The Board's Management Engagement Committee was established in 2010 to provide a formal mechanism for the review of the performance of the Company's advisors including its Investment Advisor. It carries this review out through consideration of a number of objective and subjective criteria and through a review of the terms and conditions of the advisors' appointment with the aim of evaluating performance, identifying any weaknesses and ensuring value for money for the Company's shareholders.

Directors' Duties and Responsibilities

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

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

These Reserved Powers of the Board have been adopted by the Directors to 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

Corporate Governance Report (continued)

responsible for the discretionary investment management of the Groups 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.

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 advisors 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.

Corporate Governance Report (continued)

Relations with Shareholders

The Board welcomes shareholders' 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.

International Public Partnerships Limited

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 Committee meets at least twice a year.

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 is reviewed by the Committee.

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 a request for proposals prepared by the Audit Committee in October 2010, a recommendation has been made to the Board to appoint Ernst & Young LLP as the Group's auditors following the signing of these accounts. We appreciate immensely the commitment that Deloitte LLP has shown to the Group, the quality of their work and the dedication and professionalism demonstrated at all times by their staff. The difficult decision to change auditors was not taken lightly by the Board and was prompted largely for the following reasons:

- maintaining high levels of governance
- length of tenure in position;
- one auditor for the entire group; and
- financial efficiencies.

The Audit Committee has at all times been entirely happy with the work that Deloitte LLP has undertaken and particularly wishes to emphasise that its decision is in no way a negative reflection of any previous services, which have been excellent.

The Board receives copies of the minutes of the Audit Committee Meetings. The Audit Committee has met four times from the period 1 January 2010 to date.

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

- review of the 2009 Annual Report and Financial Statements,
- review of the 2010 Half Year Financial Report,
- review and appointment of external auditors,
- review of the audit plan and timetable for the preparation of the 2010 Annual Report and Financial Statements,
- review of the 2010 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:

Rupert Dorey

Chairman of the Audit Committee

31 March 2011

International Public Partnerships Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the International Accounting Standards. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Guernsey and the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge the Financial Statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.

By order of the Board

Carol Goodwin	*John Whittle*
31 March 2011	*31 March 2011*
Director	*Director*

International Public Partnerships Limited

Independent Auditor’s Report to the Members of International Public Partnerships Limited

We have audited the consolidated financial statements of International Public Partnerships Limited for the year ended 31 December 2010 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. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the International Accounting Standards Board.

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 auditor

As explained more fully in the Directors’ Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and company’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group’s affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as issued by the International Accounting Standards Board; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Independent Auditor’s Report to the Members of International Public Partnerships Limited (continued)

Under the Listing Rules we are required to review:

- the directors’ statement, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company’s compliance with the nine provisions of the June 2008 Combined Code specified for our review.

RA Garrard

Richard Anthony Garrard FCA
For and on behalf of Deloitte LLP
Chartered Accountants and Recognised Auditors
Guernsey
Channel Islands
31 March 2011

International Public Partnerships Limited

Consolidated Income Statement
Year ended 31 December 2010

	Notes	Year ended 31 December 2010 £'000s	Year ended 31 December 2009 £'000s
Continuing operations			
Revenue	5	489,820	599,759
Cost of sales		(466,917)	(585,351)
Gross profit		22,903	14,408
Investment income	5,7	148,489	123,210
Other gains and losses	8	(5,962)	4,355
Share of results from associates	18	4,547	3,025
Other operating income	5	5,145	8,595
Total other income		152,219	139,185
Finance costs	9,10	(121,929)	(95,035)
Operating expenses	10	(24,580)	(29,408)
Administrative expenses	10	(3,070)	(3,077)
Impairment charges	10	(9,620)	(14,710)
Total other expenses		(159,199)	(142,230)
Profit before tax		15,923	11,363
Tax	12	(1,105)	(3,017)
Profit for the year from continuing operations		14,818	8,346
Attributable to:			
Equity holders of the parent		14,401	9,083
Non-controlling interests – share of profits/(losses)[1]		417	(737)

	Notes	Pence	Pence
Earnings per share			
From continuing operations			
Basic	14	3.15	2.42
Diluted	14	3.15	2.42

[1] The non-controlling interests share of profit/(losses) relates to the 25% holding in the Diabolo project (which decreased from 35% 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 2010

	Notes	Year ended 31 December 2010 £'000s	Year ended 31 December 2009 £'000s
Profit for the year from continuing operations		**14,818**	**8,346**
Other comprehensive income			
Net increase in foreign exchange translation reserves		11,895	4,399
Net increase/(decrease) in fair value of available for sale financial assets		1,817	(3,358)
Net (decrease)/increase in fair value of hedging derivatives	23	(33,830)	38,599
Other comprehensive (loss)/income for the year, net of tax		**(20,118)**	**39,640**
Total comprehensive (loss)/income		**(5,300)**	**47,986**
Total comprehensive (loss)/income attributable to:			
Equity holders of the parent		**(1,759)**	**43,581**
Non-controlling interests		**(3,541)**	**4,405**

Tax of £11.9 million credit (2009 – £15.9 million charge) has been netted off the components of other comprehensive income presented above (refer Note 24).

International Public Partnerships Limited

Consolidated Statement of Changes in Equity
For the year ended 31 December 2010

	Notes	**Share capital**	**Share premium account**	**Hedging and translation reserves**	**Revalu-ation reserves**	**Other distribut-able reserve**	**Retained earnings**	**Total**	**Non-controlling 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)
Minority share net assets acquired		-	-	-	-	-	-	-	(1,437)	(1,437)
Reserves transfer	32	-	-	-	-	(20,515)	20,515	-	-	-
Profit/(loss) for the year		-	-	-	-	-	9,083	9,083	(737)	8,346
Other comprehensive income/(loss) in the year		-	-	38,040	(3,542)	-	-	34,498	5,142	39,640
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 Statement of Changes in Equity
For the year ended 31 December 2010 (continued)

	Notes	**Share capital**	**Share premium account**	**Hedging and translation reserves**	**Revalu-ation reserves**	**Other distribut-able reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total**
		£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Balance at 31 December 2009		37	81,758	(30,595)	(7,694)	272,991	8,281	324,778	6,419	331,197
Distributions in the year	13	-	-	-	-	(25,756)	-	(25,756)	-	(25,756)
Distributions to non-controlling interests		-	-	-	-	-	-	-	(174)	(174)
Issue of share capital	30,31	11	118,257	-	-	-	-	118,268	-	118,268
Issue fees applied to share premium account	31	-	(1,804)	-	-	-	-	(1,804)	-	(1,804)
Profit for the year		-	-	-	-	-	14,401	14,401	417	14,818
Other comprehensive income/(loss) in the year		-	-	(17,848)	1,688	-	-	(16,160)	(3,958)	(20,118)
Balance at 31 December 2010		48	198,211	(48,443)	(6,006)	247,235	22,682	413,727	2,704	416,431

International Public Partnerships Limited

Consolidated Balance Sheet
As at 31 December 2010

	Notes	31 December 2010 £'000s	31 December 2009 £'000s
Non-current assets			
Intangible assets	15	308,751	272,877
Property, plant and equipment	16	8,087	8,503
Interests in associates	18	55,685	49,357
Available for sale financial assets	19	1,200,955	844,362
Deferred tax asset	24	3,581	2,928
Financial asset loans and receivables	20	463,209	466,409
Total non-current assets		2,040,268	1,644,436
Current assets			
Financial asset loans and receivables	20	10,789	8,058
Available for sale financial assets	19	28,690	21,631
Trade and other receivables	25	43,460	23,736
Cash and cash equivalents	21	629,866	839,133
Total current assets		712,805	892,558
Total assets		2,753,073	2,536,994
Current liabilities			
Trade and other payables	27	87,702	135,856
Current tax liabilities		3,371	486
Bank loans	22	30,410	84,782
Derivative financial instruments	23	1,716	497
Short-term provisions	28	-	900
Total current liabilities		123,199	222,521
Non-current liabilities			
Bank loans	22	1,989,287	1,793,127
Derivative financial instruments	23	130,941	85,791
Deferred tax liabilities	24	93,215	104,358
Total non-current liabilities		2,213,443	1,983,276
Total liabilities		2,336,642	2,205,797
Net assets		416,431	331,197

International Public Partnerships Limited

Consolidated Balance Sheet
As at 31 December 2010 (continued)

	Notes	31 December 2010 £'000s	31 December 2009 £'000s
Equity			
Share capital	30	48	37
Share premium account	31	198,211	81,758
Revaluation reserves	19	(6,006)	(7,694)
Hedging and translation reserves	23	(48,443)	(30,595)
Other distributable reserve	32	247,235	272,991
Retained earnings	33	22,682	8,281
Equity attributable to equity holders of the parent		413,727	324,778
Non-controlling interests		2,704	6,419
Total equity		416,431	331,197

The financial statements were approved by a committee of the Board of Directors on 31 March 2011.

They were signed on its behalf by:

Carol Goodwin
31 March 2011
Director

John Whittle
31 March 2011
Director

International Public Partnerships Limited

Consolidated Cash Flow Statement
For the year ended 31 December 2010

	Notes	Year ended 31 December 2010 £'000s	Year ended 31 December 2009 £'000s
Net cash from operating activities	35	(19,928)	2,716
Investing Activities			
Interest received		42,213	52,402
Dividends received from associates		3,203	2,707
Acquisition of subsidiaries (net of cash acquired)	34	(420)	(836)
(Investment in)/ repayment of debt instruments		(6,424)	-
Investment in financial and intangible assets[1]		(356,190)	(484,538)
Acquisition of equity in associates		(3,982)	(579)
Sales of listed securities		445	-
Net cash used in investing activities		(321,155)	(430,844)
Financing Activities			
Proceeds from issue of shares		111,666	-
Dividends paid		(22,565)	(20,515)
Share issue/flotation expenses paid		(1,804)	-
Loan issue costs paid		-	(500)
Proceeds of borrowings		(41,889)	167,574
Net cash provided by financing activities		45,408	146,559
Net decrease in cash and cash equivalents		(295,675)	(281,569)
Cash and cash equivalents at beginning of year		839,133	1,006,818
Exchange gains on cash		86,408	113,884
Cash and cash equivalents at end of year		629,866	839,133

[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 £629.9 million at 31 December 2010 (2009 - £839.1 million) includes £563.1 million (2009 - £802.1 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 Policy, Portfolio Interest and Investment Advisor's Report on pages 11, 12 and 16 respectively.

These financial statements are presented in pounds sterling as this is the currency of the primary economic environment in which the Group operates and represents the functional currency of the 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 partnerships' 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 £67 million as at 31 December 2010, banking facilities (available for investment in new or existing projects) which are committed until May 2011, similar terms have been agreed with the existing providers to enter into a new three year facility from May 2011 and is forecast to continue in full compliance with the associated banking covenants.

Further, the Company completed a series of capital raisings:

- In January 2010, which provided additional cash resources in excess of £89 million;
- In September 2010, the Group raised an additional £22.4 million of equity through a Tap issue; and
- In January 2011, the Company raised an additional £2.34 million of equity through an existing Tap facility.

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 year and resulted in a change in the accounting policies of the Group. These are:

- IFRS 3 (revised 2008) - Business Combinations

  This has resulted in a revision to the accounting policy on business combinations. The most significant changes to the existing policy are:

  - Acquisition costs are now expensed in the Income Statement whereas previously they were included in the cost of the acquisition;
  - Changes to contingent consideration classified as equity after the date of acquisition are recognised directly in equity whereas previously there was an adjustment to goodwill;
  - Other changes to contingent consideration after the date of acquisition are recognised in profit or loss whereas previously there was an adjustment to goodwill.

These changes are not retrospective and do not affect business combinations prior to 1 January 2010.

The amendments to the following standards below did not have any impact on the accounting policies, financial position or performance of the Group:

- IAS 1 Presentation of Financial Statements (Amendments April 2009)
- IAS 7 Statements of Cash Flows (Amendments April 2009)
- IAS17 Leases (Amendments April 2009)
- IAS36 Impairment of Assets (Amendments April 2009)
- IAS39 Financial Instruments: Recognition and Measurement
- IFRS 2 Share-based Payment: Amendments relating to group cash-settled share-based payment transactions.
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Amendments April 2009)
- IFRS 8 Operating Segments (Amendments April 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 9 - Financial Instruments
  The adoption of IFRS 9 which the Group plans to adopt for the year beginning on 1 January 2013 will impact both the measurement and disclosures of financial instruments.
- IAS 24 (Amended) - Related Party Disclosures
  The Directors do not expect that the adoption of this Standard in future periods will have a material impact on the financial statements of the Group.

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 2010. 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. Any costs incurred after 1 January 2010 are charged to the Income Statement.

Prior to 31 December 2009, any costs directly attributable to the acquisition were included as part of the costs of acquisition.

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 non-controlling interests 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% per annum.

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. Prior to 31 December 2009, acquisition costs are included in the price in determining the cost of the Group's investments. Any costs incurred after 1 January 2010 are charged to the Income Statement.

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 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.
- Income is recognised on an effective interest basis as referred to above.

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 £100 million, of which £nil was drawn down at 31 December 2010. This facility matures on 8 May 2011 and is secured over all assets of the Company and similar terms have been agreed in principle with the existing providers to enter a new three year facility from May 2011. 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 2010. 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.

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 2010.

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 2010 £'000s	Year ended 31 December 2009 £'000s
Continuing operations		
Revenue		
Construction services	420,989	550,349
Availability and facility management fees	60,840	39,621
Non-core facility recharges	7,991	9,789
Sub-total	**489,820**	**599,759**
Other income		
Interest income on deposits	40,657	49,343
Financial asset interest income	107,832	73,867
Investment income	**148,489**	**123,210**
Share of results from associates	4,547	3,025
Other operating income	5,145	8,595
Total	**648,001**	**734,589**

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, as these reportable segments are on the basis on which the Group reports information to the chief operating decision makers. 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.

Notes to the Consolidated Financial Statements (continued)

Segment information is presented below.

	UK £'000s	Europe Non UK £'000s	North America £'000s	Australia £'000s	Total £'000s
			Year ended 31 December 2010		
Revenue from external customers	50,755	89,176	47,721	302,168	489,820
Interest Revenue	39,757	10,784	26,725	71,223	148,489
Interest Expense	(26,934)	(11,409)	(22,048)	(61,538)	(121,929)
Net interest revenue	12,823	(625)	4,677	9,685	26,560

No inter-segment sales were made for the year ended 31 December 2010.

Results	UK £'000s	Europe Non UK £'000s	North America £'000s	Australia £'000s	Total £'000s
			Year ended 31 December 2010		
Depreciation	(414)	(2)	-	-	(416)
Amortisation	(4,674)	(3,734)	(6)	(1,368)	(9,782)
Impairment charges	(4,483)	-	-	(5,137)	(9,620)
Income from associates	1,065	1,440	-	2,042	4,547
Taxation	1,279	632	(1,404)	(1,612)	(1,105)
Reportable segment profit/(loss)	**13,427**	**2,653**	**4,011**	**(5,273)**	**14,818**

Balance Sheet	UK 31 Dec 2010 £'000s	Europe Non UK 31 Dec 2010 £'000s	North America 31 Dec 2010 £'000s	Australia 31 Dec 2010 £'000s	Total 31 Dec 2010 £'000s
Assets					
Reportable segment assets	927,056	328,814	379,165	1,118,038	2,753,073
Liabilities					
Reportable segment liabilities	(535,458)	(337,060)	(359,455)	(1,104,669)	(2,336,642)
Investments in associates	11,198	26,016	-	18,471	55,685

Notes to the Consolidated Financial Statements (continued)

	UK £'000s	Europe Non UK £'000s	Year ended 31 December 2009 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.

Results	UK £'000s	Europe Non UK £'000	Year ended 31 December 2009 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)

Information about major customers

The Group has four governmental customers which each represent approximately 10% or more of Group revenues. The customers' revenues were:

£302.2 million (2009 - £214.9 million) reported across the Australian segment.

£89.2 million (2009 - £135.6 million) reported across the European segment.

£50.7 million (2009 - £50.5 million) reported across the UK segment.

£47.7 million (2009 - £198.6 million) reported across the North American segment.

7. Investment income

	Year ended 31 Dec 2010 £'000s	Year ended 31 Dec 2009 £'000s
Interest on bank deposits – non-recourse	40,434	50,889
Interest on bank deposits – recourse	322	568
Available for sale financial assets – non-recourse	68,862	33,020
Loans and receivables interest income – non-recourse	37,702	37,583
Loans and receivables - recourse	1,169	1,150
	148,489	123,210

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 2010 £'000s	Year ended 31 Dec 2009 £'000s
Unrealised (losses)/gains on financial assets	(3,059)	6,155
Interest rate swap gain/(losses)	312	(850)
Realised foreign exchange losses	(1,752)	(82)
Gain made on step acquisition – Diabolo Project	-	1,810
Gain made on sale of assets	13	-
Unrealised foreign exchange losses	(1,476)	(2,678)
	(5,962)	4,355

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

Notes to the Consolidated Financial Statements (continued)

9. Finance costs

	Year ended 31 Dec 2010 £'000s	Year ended 31 Dec 2009 £'000s
Interest on bank loans – non recourse	115,094	89,716
Interest on bank loans – recourse	130	1,249
Other finance costs	6,705	4,070
Total finance costs	121,929	95,035

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.

10. Profit before tax

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

	Year ended 31 Dec 2010 £'000s	Year ended 31 Dec 2009 £'000s
Asset management fees (Note 39)	10,872	18,938
Insurance	2,373	2,227
Amortisation of intangible assets	9,782	7,851
Other operating expenses	1,553	392
Operating expenses	24,580	29,408
Audit, taxation & accounting	1,013	742
Legal fees	949	1,666
Bank service charges	316	207
Other	792	462
Administrative expenses	3,070	3,077
Impairment of available for sale financial assets	9,620	14,710
Depreciation	416	414
Foreign exchange losses	3,228	2,760
Total finance costs (Note 9)	121,929	95,035

For the year ended 31 December 2010 the Group had one employee (2009: one). As noted above the Group, incurred impairment losses of £9.6 million (2009: £14.7 million) as a result of an assessed permanent reduction in the recoverability of certain available for sale financial assets.

Notes to the Consolidated Financial Statements (continued)

11. Auditors' remuneration

	Year ended 31 Dec 2010 £'000s	Year ended 31 Dec 2009 £'000s
Fees payable to the Company's auditors for the audit of the Company's annual accounts	83	177
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	332	307
Total audit fees	415	484
- Other services pursuant to legislation	60	203
- Tax services	148	55
Total non-audit fees	208	258

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, which has been offset against the Share Premium Account.

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 2010 £'000s	Year ended 31 Dec 2009 £'000s
Current tax:		
UK corporation tax – current year	2,746	2,490
UK corporation tax – prior year	(295)	(1,031)
Overseas tax	228	484
Overseas tax – prior year	(68)	-
Deferred tax (note 24):		
UK - current year	(4,219)	(3,677)
UK - prior year	-	(125)
Overseas tax - current year	3,938	5,992
Overseas tax – prior year	(1,225)	(1,116)
	1,105	**3,017**

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% (2009 – 28%) 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 2010		Year ended 31 Dec 2009	
	£'000s	**%**	**£'000s**	**%**
Profit before tax	15,923		11,363	
Tax at UK corporation tax rate of 28% (2009 - 28%)	4,458	28.00	3,182	28
Tax effect of expenses/(income) not deductible/(assessable) in determining taxable profit	6,519	40.96	6,974	61.38
Tax effect of asset impairments	2,626	16.50	2,472	21.76
Tax effect of losses not recognised	11	0.07	2	-
Tax effect of Guernsey income not assessable	(6,861)	(43.10)	(5,950)	(52.37)
Tax effect of the application of overseas tax rates	(623)	(3.91)	64	0.57
Tax effect of prior year adjustments	(1,588)	(9.98)	(3,360)	(29.57)
Deferred tax effect of associate undistributed reserves	(870)	(5.46)	(367)	(3.23)
Tax effect of UK rate change	(2,567)	(16.12)	-	-
Tax charge and effective tax rate for the year	**1,105**	**6.96**	**3,017**	**26.54**

A reduction in the headline UK tax rate from 28% to 27%, effective 1 April 2011, was substantively enacted at 31 December 2010. The impact upon the current year has been a deferred tax credit of £2.5million to the Profit and Loss account and a deferred tax credit of £0.1 million to equity.

Further reductions in the headline UK tax rate were announced in the 2011 UK Budget on 23 March 2011. These reductions will be included within the 2011 UK Finance Bill due to be published on 31 March 2011, and will reduce the headline rate from 27% to 26%, effective 1 April 2011, and from 26% to 25%, effective 1 April 2012. If these rate changes had been substantively enacted at 31 December 2010, the impact upon the current period would have been an additional deferred tax credit of £5million to the Profit and Loss account and a deferred tax credit of £0.2 million to equity.

In addition to the deferred tax charged to the income statement, a deferred tax credit of £10.2 million (2009 - £13.2 million charge) relating primarily to the movement in the fair value of the Group's interest rate swaps has been taken directly to equity (note 24).

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 2010.

The Board has approved interim distributions as follows:

Notes to the Consolidated Financial Statements (continued)

	Year ended 31 Dec 2010 £'000s	Year ended 31 Dec 2009 £'000s
Amounts recognised as distributions to equity holders for the year ended 31 December.	25,756	20,515
Interim distribution for the period 1 January to 30 June 2010 was 2.85 pence per share (2009 – 2.775 pence per share[1]).	13,178	10,398
Interim distribution for the period 1 July to 31 December 2010[2] was 2.85 pence per share (2009 - 2.775 pence per share).	13,6529	10,398

[1] The interim distribution for the period was from 1 January to 30 June 2009.

[2] The distribution for the period 1 July to 31 December 2010 has been approved by the Board on 8 March 2011 and has not been included a liability in the balance sheet for the year ended 31 December 2010.

14. Earnings per share

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

Earnings

	Year ended 31 Dec 2010 £'000s	Year ended 31 Dec 2009 £'000s
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	14,401	9,083
	Number	**Number**
Number of shares		
Weighted average number of Ordinary Shares for the purposes of basic and diluted earnings per share	457,193,584	374,714,645

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.

	Year ended 31 Dec 2010 pence	Year ended 31 Dec 2009 pence
Basic	3.15	2.42
Diluted	3.15	2.42

Notes to the Consolidated Financial Statements (continued)

15. Intangible assets

	Cost of Service Concessions £'000s	Bifurcated IFRIC 12 £'000s	Total £'000s
Cost			
At 1 January 2009	222,807	30,846	253,653
Acquired on acquisition of subsidiaries	-	40,849	40,849
At 31 December 2009	222,807	71,695	294,502
Additions in the year	-	45,656	45,656
At 31 December 2010	**222,807**	**117,351**	**340,158**
Amortisation			
At 1 January 2009	(8,227)	(353)	(8,580)
(Charge)/credit for the year ended 31 December 2009	(8,204)	353	(7,851)
At 31 December 2009	(21,625)	-	(21,625)
Charge for the year ended 31 December 2010	(8,204)	(1,578)	(9,782)
At 31 December 2010	**(29,829)**	**(1,578)**	**(31,407)**
Carrying amount			
At 31 December 2009	201,182	71,695	272,877
At 31 December 2010	**192,978**	**115,773**	**308,751**

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 2009	9,759	4	9,763
At 1 January 2010	9,759	4	9,763
At 31 December 2010	9,759	4	9,763

	Land and buildings £'000s	Fixtures and equipment £'000s	Total £'000s
Accumulated depreciation and impairment			
At 1 January 2009	(846)	-	(846)
Charge for the year	(414)	-	(414)
At 1 January 2010	(1,260)	-	(1,260)
Charge for the year	(414)	(2)	(416)
At 31 December 2010	**(1,674)**	**(2)**	**(1,676)**
Carrying amount			
At 31 December 2009	8,499	4	8,503
At 31 December 2010	8,085	2	8,087

17. Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation as at 31 December 2010 and proportion of ownership is shown below:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest %
Directly owned		
International Public Partnerships Lux 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	Ireland	100
AKS Betriebs GmbH & Co. KG	Germany	98
International Public Infrastructure Germany GmbH & Co. KG	Germany	100
International Public Partnerships Lux 2 S.a.r.l	Luxembourg	100
BBPP Alberta Schools Limited	Canada	75
IPP (Aust) Limited	UK	100
IPP Bond Limited	UK	100
IPP (Moray Schools) Holdings Limited	UK	100
IPP 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 £462,603,445 (31 December 2009: £435,941,858) to its subsidiary, International Public Partnerships Lux 1 S.a.r.l. 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

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	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
IPP (Moray Schools) Limited	UK	100% A Shares	22 June 2010

[1]This entity has 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 2010 £'000s	31 Dec 2009 £'000s
Share of amounts relating to associates		
Total assets	267,483	243,021
Total liabilities	(211,798)	(193,664)
Carrying value of interests in associates	55,685	49,357
Revenues	25,292	20,348
Share of results of associates	4,547	3,025

On 22 June 2010, the Group acquired 100% of the A Class Ordinary Shares in IPP (Moray Schools) Holdings Limited (plus 100% of subordinated debt in IPP (Moray Schools) Limited), a company that will design, build, finance and operate replacement facilities for the Moray School program in Scotland that was procured under the non profit distributing model. The rights associated with the A Class Ordinary Shares do not give the Group the ability to control the significant financial and operating policies of the entity or the ability to benefit from governing the entity; it does not consolidate this concession.

The consideration paid for the acquisition of the shares and subordinated debt of the project was £3.8 million.

On 21 December 2010, the Group made an additional investment of £6.4 million in BeNEX Gmbh, its German rail operating business. BeNEX was established in 2007 as a joint venture between Hamburger Hochbahn AG (51%), a subsidiary of the German Federal State City of Hamburg, and INPP (49%) to operate rail and bus concessions throughout Germany.

Notes to the Consolidated Financial Statements (continued)

19. Available for sale financial assets

	31 Dec 2010 £'000s	31 Dec 2009 £'000s
Current		
Service concession financial assets	28,474	18,858
Listed investments	216	2,773
	28,690	**21,631**
Non-current		
Listed investments	-	2,773
Unlisted investments	17,667	22,143
Service concession financial assets	1,183,288	819,446
	1,200,955	**844,362**
	1,229,645	**865,993**

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 6.92% (2009 – 6.79%). 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 a decrease of £12.1 million (2009 – increase £8.2 million) of which £9.6 million was taken to the income statement as an impairment charge (2009 – £14.7 million) and £2.5 million has been recorded in equity.

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 2010 £'000s	31 Dec 2009 £'000s
Loans and receivables - current	10,789	8,058
Loans and receivables - non-current	463,209	466,409
	473,998	474,467

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 6.52% (2009 – 8.03%). 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 £457.8 million (2009 £466.0 million) and £16.2 million (2009 - £8.4 million) denominated in euros. The increase in the period of the euro denominated loans and receivables balance represents the acquisition on 25 May 2010 of 97% of the issued capital of AKS Betriebs GmbH & Co. KG (known as Pforzheim PFI concession) and 100% of the total share capital of the General Partner, AKS Verwaltungs GmbH.

21. Cash and cash equivalents

There has been a decrease in cash and cash equivalents from 31 December 2009 of £209 million primarily due to an increase in construction activity on Royal Children’s Hospital and the construction completion of Alberta Schools which are financed by structured bond financing arrangements.

Cash includes £563,071,652 (2009: £802,105,000) 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 2010 £’000s	**31 Dec 2009 £’000s**
Sterling	117,369	84,963
Australian dollars	450,328	650,949
Canadian dollars	15,123	72,678
Euro	47,046	30,543
	629,866	**839,133**

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 by The Royal Bank of Scotland Limited and National Australia Bank Limited.

In February 2010, the Company repaid the corporate debt facility in full and the amount outstanding at 31 December 2010 remained at £nil. The current facility matures in May 2011 and similar terms have been agreed in principle with the existing providers to enter into a new facility from May 2011.

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.

	31 Dec 2010 £'000s	**31 Dec 2009 £'000s**
Bank loans/bonds	2,019,697	1,877,909
The borrowings are repayable as follows:		
On demand or within one year	30,410	84,782
In the second year	28,632	79,307
In the third to fifth years inclusive	103,302	88,540
After five years	1,857,353	1,625,280
	2,019,697	1,877,909
Less: Amount due for settlement within 12 months (shown under current liabilities)	(30,410)	(84,782)
Amount due for settlement after 12 months	1,989,287	1,793,127

	31 Dec 2010 £'000s	**31 Dec 2009 £'000s**
Analysis of borrowings by currency:		
31 December	2,019,697	1,877,909
Bank loans/bonds – Australian dollar	1,025,724	872,192
Bank loans – Pounds sterling	361,247	429,347
Bank loans/bonds – Canadian dollar	348,332	369,107
Bank loans – Euro	284,394	207,263

	31 Dec 2010 £'000s	**31 Dec 2009 £'000s**
Analysis of borrowings by interest rate profile		
Fixed rate	308,516	315,085
Floating rate	1,711,181	1,562,824
Bank loans/bonds	2,019,697	1,877,909

The weighted average interest rates paid were as follows:		
Bank loans – floating rate	4.01%	5.33%
Bank loans/bonds – fixed rate	5.16%	5.62%

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

	31 Dec 2010 £'000s	**31 Dec 2009 £'000s**
Bank loans	2,153,447	2,038,933

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 2010, the weighted average range of discount rates applied was 1.06% to 5.9% (2009: 2.3% to 7.1%).

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 £709 million (2009 – £592 million) have fixed interest payments at an average rate of 4.61% (2009 – 4.61%) 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 2010 is estimated at negative £129.9 million (2009: negative £85.0 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 increase in the fair value for the year ended 31 December 2010 of £32.4 million (2009: £37.3 million – after tax decrease) has been deferred in equity.

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 no net nominal value 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.

The CPI swaps held by Royal Children's Hospital (fair value at 31 December 2010 - £2.5 million liability (2009 – £1.9 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 year was a loss of £238,000 (2009: £606,000 profit) 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 2010 is £18.8 million (2009 – £25.9 million). The fair value of these foreign exchange contracts at 31 December 2010 is £2.7 million liability (2009 – £1.3 million) 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 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

	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 2010	72,255	59,568	(24,248)	(5,595)	-	(550)	101,430
Charge/(credit) to income	11,928	(2,370)	(128)	(8,857)	-	488	1,061
Charge/(credit) to equity	4,617	-	(12,651)	(1,919)	-	(214)	(10,167)
Impact of UK rate change – income	(2,300)	(854)	587	-	-	-	(2,567)
Impact of UK rate change – equity	-	-	(123)	-	-	-	(123)
At 31 December 2010	86,500	56,344	(36,563)	(16,371)	-	(276)	89,634

The balance of deferred tax liability is represented on the balance sheet as deferred tax assets £3,581,000 (2009: £2,928,000) and deferred tax liability £93,215,000 (2009: £104,358,000).

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

	£'000s
At 31 December 2008	(1,012)
On acquisition	205
Utilised during the year	4
Current year losses not recognised	(6)
At 31 December 2009	(809)
Utilised during the year	-
Current year losses not recognised	(11)
UK rate change	34
At 31 December 2010	(786)

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 2010 £'000s	31 Dec 2009 £'000s
Trade receivables	37,995	17,508
Prepayments and accrued income	5,465	6,228
	43,460	23,736

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 (2009 – £1.9 million) which represents the availability fees on a PFI/PPP service concession. The carrying amount of the leased property was £8.1 million as at 31 December 2010 (2009 - £8.5 million). The concession has committed lease rental revenue until 2025 with a break clause option exercisable by the client in 2015. At 31 December 2010 the future minimum operating lease rentals receivable were:

	31 Dec 2010 £'000s	31 Dec 2009 £'000s
Amounts receivable under operating leases		
Within one year	1,861	1,815
In the second to fifth years	8,053	7,856
After five years	9,649	10,318
	19,563	19,989

27. Trade and other payables

	31 Dec 2010 £'000s	31 Dec 2009 £'000s
Trade creditors	23,105	68,897
Accrued liabilities	44,738	24,885
Deferred income	786	522
Other creditors	19,073	41,552
	87,702	135,856

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 ongoing costs. The average credit period for trade purchases is 30 days (2009: 30 days). No interest is charged on outstanding balances.

28. Provisions

Short-term provisions	31 Dec 2010 £'000s	31 Dec 2009 £'000s
Balance as at 1 January	900	790
Release to Income Statement	(900)	-
Foreign exchange movements	-	110
Balance as at 31 December	-	900

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. The decrease in short term provisions during the year is due to the successful settlement of the claim for additional construction costs on a PFI concession which has led to the release of the provision.

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 8 to 11 of the Annual Report.

Gearing ratio

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

Financial assets	**Carrying value 31 Dec 2010 £'000s**	**31 Dec 2009 £'000s**
- Available for sale financial assets		
Service concession financial assets	1,211,762	838,304
Listed investments	216	5,546
Unlisted investments	17,667	22,143
Financial assets at fair value	1,229,645	865,993
- Financial asset loans and receivables		
PFI project financial assets	460,622	461,377
Subordinated debt in NHS LIFT projects	13,376	13,090
Trade and other receivables	37,995	17,448
Cash and cash equivalents	629,866	839,133
Financial assets at amortised cost	1,141,859	1,331,048
Total financial assets	2,371,504	2,197,041

Financial liabilities	**Carrying value 31 Dec 2010 £'000s**	**31 Dec 2009 £'000s**
- Derivative instruments in designated hedge accounting relationships	132,657	86,288
Financial liabilities at fair value	132,657	86,288
- Financial liabilities at amortised cost		
Trade and other payables	87,702	135,856
Current tax liabilities	3,371	486
Bank loans	2,019,697	1,877,909
Financial liabilities at amortised cost	2,110,770	2,014,251
Total financial liabilities	2,243,427	2,100,539

Financial risk management objectives

The Group's Investment Advisor 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 2010 the Group had entered into foreign exchange contracts in accordance with the Group's Treasury Policy.

The following table details the forward foreign currency ('FC') contracts outstanding as at 31 December 2010:

Outstanding contracts	**Average exchange rate**	**Foreign currency**	**Notional value**	**Fair value**
	2010	**2010 £'000**	**2010 £'000**	**2010 £'000**
Cash flow hedges				
Buy pound sterling				
Less than 12 months	1.0000	9,615	9,615	(1,716)
1 to 4 years	1.0000	5,612	5,612	(1,025)

International Public Partnerships Limited

Notes to the Consolidated Financial Statements (continued)

Outstanding contracts	**Average exchange rate 2010**	**Local currency 2010 '000**	**Notional value 2010 £'000**	**Fair value 2010 £'000**
Sell Euro				
Less than 12 months	1.1344	3,572	3,149	61
1 to 4 years	1.1302	1,709	1,512	27
Sell Canadian dollars				
Less than 12 months	1.7957	2,558	1,425	(215)
1 to 4 years	1.7960	1,493	831	(118)
Sell Australian dollars				
Less than 12 months	2.0595	10,383	5,041	(1,562)
1 to 4 years	2.1283	6,955	3,268	(934)
Forward foreign exchange liability				(2,741)

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 2010 £'000s	31 Dec 2009 £'000s	31 Dec 2010 £'000s	31 Dec 2009 £'000s
Euro	-	-	39,901	26,224
Canadian dollar	-	-	8	-
Australian dollar	-	-	737	6

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 2010 £'000s	31 Dec 2009 £'000s	31 Dec 2010 £'000s	31 Dec 2009 £'000s	31 Dec 2010 £'000s	31 Dec 2009 £'000s
Profit or loss before tax	(3,627)	(2,384)	(67)	(1)	(1)	-

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 2010 £'000s	**31 Dec 2009 £'000s**	**31 Dec 2010 £'000s**	**31 Dec 2009 £'000s**	**31 Dec 2010 £'000s**	**31 Dec 2009 £'000s**
Impact on net assets	812	349	(1,671)	(1,532)	(1,337)	(547)
Impact on profit	(265)	(365)	(331)	(4)	528	315

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 into 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% (2009: 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 £702.1 million;
Available for sale financial assets where construction is completed exposed to interest rate risk £509.7 million;
Listed and unlisted equity investments not exposed to interest rate risk £17.9 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 2010 and 2009 would not be materially impacted as the interest rate risk associated with floating rate liabilities has been mitigated through interest rate SWAP agreements. The corporate facility was repaid in full in February 2010; and
- net assets and other equity reserves would decrease by £70.0 million and £161.3 million respectively (2009: increase/(decrease) by £54.4 million/(£41.9 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 £46 million (2009: £56 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 2010 using a 0.5% increase and a 0.5% decrease in the average interest rate would result in an increase in profit of £25.6 million (2009: £4.2 million) and a decrease of £25.6 million (2009: £4.2 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	
	2010 %	2009 %	2010 £'000s	2009 £'000s	2010 £'000s	2009 £'000s
Total	4.62	4.61	688,141	592,281	132,657	85,008

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 2010 and 2009, the Group's net assets and equity reserves would increase/decrease by £nil (2009: increase/decrease by £277,186) and the impairment charge in the income statement would have been decreased/increased by £nil (2009: £277,186).

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 2010 the Group's maximum exposure to credit risk over financial assets represents the carrying amount of £2.4 billion (2009: £2.2 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 2010 the Group had drawn down £nil 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.

Notes to the Consolidated Financial Statements (continued)

Liabilities	Weighted average effective interest rate %	Less than 1 year £'000s	1-2 years £'000s	3-5 years £'000s	5+ years £'000s	Total £'000s
2010						
Non-interest bearing		87,702	-	-	-	87,702
Variable interest rate instruments	4.07%	79,097	81,772	257,463	2,255,954	2,674,286
Fixed interest rate instruments	5.11%	28,306	28,316	85,141	606,830	748,593
		195,105	110,088	342,604	2,862,784	3,510,581
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

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.

Assets	Weighted average effective interest rate %	Less than 1 year £'000s	1-2 years £'000s	3-5 years £'000s	5+ years £'000s	Total £'000s
2010						
Cash and cash equivalents		629,866	-	-	-	629,866
Non-interest bearing		26,345	-	-	-	26,345
Fixed interest rate instruments	6.52%	105,677	110,868	344,117	4,106,324	4,666,986
		761,888	110,868	344,117	4,106,324	5,323,197
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

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

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 £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
31 December 2010						
Net settled interest rate swaps						
Net payments	2,383	6,310	15,672	94,475	264,942	383,782
	2,383	6,310	15,672	94,475	264,942	383,782
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

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 2010 £'000s	**31 Dec 2009 £'000s**	**31 Dec 2010 £'000s**	**31 Dec 2009 £'000s**
Financial assets				
Loans and receivables	473,999	474,467	558,245	557,504
Financial liabilities				
Bank loans at fixed interest rates	308,516	315,085	442,265	476,109

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 2010 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 2010, the weighted average range of discount rates applied was 1.06% to 6.87% (2009: 2.7% to 5.9%).

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

Notes to the Consolidated Financial Statements (continued)

- 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).

	2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Available-for-sale financial assets	216	-	1,229,429	1,229,645
Total	216	-	1,229,429	1,229,645
Derivative financial liabilities	-	132,657	-	132,657
Total	-	132,657	-	132,657

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

	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.

Notes to the Consolidated Financial Statements (continued)

Reconciliation of Level 3 fair value measurements of financial assets:

	Available-for-sale Unlisted equities 2010 £	Available-for-sale Unlisted equities 2009 £
Balance at 1 January	860,447	339,005
Total gains or losses:		
- in profit or loss	2,498	2,023
- in other comprehensive income	(4,483)	(15,649)
Construction expense	350,211	516,702
Interest earned	77,239	35,402
Cash received	(77,566)	(32,592)
Foreign exchange movement	21,083	15,556
Balance at 31 December	1,229,429	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 gains 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 12.0% (2009: 12.13%) 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 £0.1 million (2009: decrease/increase by £0.7 million).

30. Share capital

	31 Dec 2010 £'000s	31 Dec 2009 £'000s
Authorised: 1,000 million unclassified shares of 0.01pence each	100	100
Issued and fully paid: 479,040,303 (2009: 374,714,645) Ordinary Shares of 0.01 pence each	48	37

Notes to the Consolidated Financial Statements (continued)

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

Issued share capital

In January 2010, the Group raised an additional £89.3 million of equity through its Placing and Offer for Subscription of 78,495,308 Ordinary shares at an issue price per share (before expenses) of 113.75p.

In May 2010, in part settlement of the performance fee that was payable at 31 December 2009, 40% of the value was accepted in new ordinary shares by the Investment Advisor, being £3.4 million. As a result, Amber Infrastructure Limited (AIL) received 2,991,220 new ordinary shares at 114.1p.

Also in May 2010, 1,216,998 new ordinary shares of 0.01p each (fully paid) were issued as a scrip dividend alternative in lieu of cash for the interim dividend in respect of the six months ending 31 December 2009.

In September 2010, the Group raised an additional £22.4 million of equity through its Tap Issues for Subscription of 20,000,000 Ordinary shares at an issue price per share between 111.15p (ex dividend) and 114.00p (inc dividend).

In October 2010, 1,622,132 new ordinary shares of 0.01p each fully paid were issued as a scrip dividend alternative in lieu of cash for the interim dividend in respect of the six months ending 30 June 2010.

The total number of Ordinary Shares in issue at 31 December 2010 was 479,040,303.

31. Share premium account

	31 Dec 2010 £'000s	31 Dec 2009 £'000s
Opening balance	81,758	81,758
Premium arising on issue of equity shares	118,257	-
Expenses on issue of Ordinary Shares	(1,804)	-
Balance at 31 December	198,211	81,758

32. Other distributable reserve

	31 Dec 2010 £'000s	31 Dec 2009 £'000s
Opening balance	272,991	293,506
Transfer to Retained earnings	-	(20,515)
Dividends paid	(25,756)	-
Balance at 31 December	247,235	272,991

33. Retained earnings

	31 Dec 2010 £'000s	31 Dec 2009 £'000s
Opening balance	8,281	(802)
Dividends paid	-	(20,515)
Transfer from other distributable reserves	-	20,515
Net profit for the year	14,401	9,083
Balance at 31 December	22,682	8,281

34. Acquisition of subsidiaries

On 25 May 2010, the Group acquired 97% of the issued capital of AKS Betriebs GmbH & Co. KG (known as Pforzheim PFI concession) and 100% of the total share capital of the General Partner, AKS Verwaltungs GmbH, for a cash consideration of €1 million (£0.8 million less cash held in acquiree of £0.4 million). This transaction has been accounted for by the purchase method of accounting and the consolidated figures are shown in the group accounts. AKS Betriebs GmbH & Co. KG, has entered into a forfeiting finance arrangement, under which the project company has sold a portion of the unitary charge to the senior lender and the Authority declares a waiver of objection. As a result, 80% of the construction costs and the senior bank debt are without recourse to the project entity and are not included in the consolidated figures.

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 on a provisional basis. As a result, an acquisition gain of €30k has been taken to the income statement.

AKS Betriebs GmBH & Co. KG made an immaterial contribution to revenue and profit for the period to 31 December 2010 due to the size of the investment value.

If the acquisition had been completed on the first day of the year, there would not be any material change to either the Group revenue for the year or Group profit attributable to equity holders of the parent as the underlying PFI asset is under construction.

On 2 March 2011, the Company announced that Transmission Capital Partners, the consortium comprising Amber Infrastructure, Transmission Capital and the Company has achieved financial close for the Robin Rigg offshore transmission project. The project relates to the transmission cable connection to the offshore wind farm at Robin Rigg, located 12km off the coast of Cumbria. The cost of this investment at financial close was £12.4 million.

Notes to the Consolidated Financial Statements (continued)

35. Notes to the cash flow statement

	31 Dec 2010 £'000s	31 Dec 2009 £'000s
Profit for the year after taxation	14,818	8,346
Adjusted for:		
Investment revenue recognised in profit and loss	(42,038)	(52,607)
Share of profits of associates	(4,547)	(3,025)
Interest on bank loans (finance costs)	117,475	90,965
Depreciation of plant property and equipment	416	414
Amortisation of intangible assets	9,782	7,851
Income tax recognised in profit and loss	1,105	3,017
Other losses/(gains)	4,470	(4,355)
Impairment	9,620	14,710
Amortisation of loan issue costs	4,453	4,070
Operating cash flows before movements in working capital	115,554	69,386
Increase in receivables	(14,297)	(2,736)
Increase in payables	(2,051)	25,975
Cash generated by operations	99,206	92,625
Income tax paid	235	(1,347)
Interest paid	(119,369)	(88,562)
Net cash (outflow)/inflow from operating activities	(19,928)	2,716

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.

37. Events after the balance sheet date

On 13 January 2011, the Company raised an additional £2.34 million of equity through an existing Tap facility of 2,000,000 new Ordinary shares. The shares were issued at a price of 117.0p per share bringing the total number of share on issue at the date of this report being 481,040,303.

On 25th February 2011, RiverCity Motorway Pty Limited (a company listed on the Australian Stock Exchange) had KordaMentha appointed as receiver and managers. The Company holds a 3.82% interest in RiverCity Motorway Pty Limited. As at 31 December 2010 the Company valued this holding on a mark to market basis at less than £220,000, which represented less than 0.1% of the Company's portfolio.

The Company awaits further information but has been monitoring this position for some time and is unsurprised by this development. The RiverCity Motorway project differs from the remainder of the Company's portfolio in that revenues generated by the project are based on the level of demand for that asset (i.e. motorists paying a toll) rather than the availability of the asset, the latter being the basis upon which the vast majority of the portfolio's revenues are received and which is uncorrelated to the level of demand for an asset.

On 2 March 2011, the Company announced that Transmission Capital Partners, the consortium comprising Amber Infrastructure, Transmission Capital and the Company has achieved financial close for the Robin Rigg offshore transmission project. The project relates to the transmission cable connection to the offshore wind farm at Robin Rigg, located 12km off the coast of Cumbria. The investment in this project at financial close was £12.4 million which represented 100% of the shareholding.

On 31 March 2011, the Company announced the acquisition of a further nine investments, including the Liverpool Central Library redevelopment and the acquisition of eight subordinated debt investments in UK LIFT projects. The cost of these acquisitions were £6.2 million and £4.4 million respectively.

38. Disclosure – service concession arrangements

The Group operates 22 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 such as 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.

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
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

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

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.

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
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
Pforzheim Schools	Build, finance and provision of facilities management services in respect to 2 new secondary school buildings and outside facilities in the City of Pforzheim.	11 September 2009	11 September 2039	30 years	€47.1m	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

tProject	Short description of concession arrangements	Start date	End date	No of years	Construction Value	Key contractual details
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.
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.

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, AFML.

Under the Investment Advisory Agreement ("IAA"), Amber Fund Management Limited ("AFML") was appointed to provide investment advisory services to the Company including advising the Company as to the strategic management of its portfolio of investments.

AFML is a subsidiary company of Amber Infrastructure Group Holdings Limited ("Amber Group"), in which Mr G Frost is a Director and also a substantial shareholder.

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

The emoluments for Mr G Frost are paid to his employer, Amber Infrastructure Limited.

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 2010 £'000s	For the year ended 31 Dec 2009 £'000s	31 Dec 2010 £'000s	31 Dec 2009 £'000s	31 Dec 2010 £'000s	31 Dec 2009 £'000s
Amber Fund Management Ltd (a)	21	-	-	778	-	44
International Public Partnerships GP Limited (b)	6,526	14,896	-	-	3,402	11,711
Amber Asset Management Limited (c)	2,035	2,287	2,257	145	421	375
Amber Australia Pty Ltd (d)	2,018	1,487	-	-	295	-
Amber GmbH (e)	272	268	-	-	-	-
Total	**10,872**	**18,938**	**2,257**	**923**	**4,118**	**12,130**

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

[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 2010 was £21,000 (2009 – £778,000) 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 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.) is entitled to a Base Priority Profit Share and an Incentive Priority Profit Share that is calculated in accordance with the Investment Advisory Agreement. In part settlement of the performance fee that was payable at 31 December 2009, 40% of the value was accepted in shares by the Investment Advisor, being £3.4 million. As a result, Amber Infrastructure Limited (AIL) received 2,991,220 Ordinary Shares of the Company on 5 May 2010 at 114.1 pence per share. This shareholding helps strengthen the alignment of interests between the Company and the Investment Advisor. As at 31 December 2010 AIL still held these shares.

c) 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.

d) 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.

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

f) During the year dividends of £3.2 million (2009: £2.7 million) were received from associates and as shown in note 18, a further £10.2 million was invested in associates during the year.

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**