



INTERNATIONAL PUBLIC PARTNERSHIPS

Half-yearly Financial Report
for the six months ended 30 June 2012

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CAUTIONARY STATEMENT

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

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

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

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

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

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



Images of the Northern Diabolo Project, completed during the six months to 30 June 2012.

SUMMARY

International Public Partnerships Limited (LSE: INPP, the 'Group', the 'Company', 'INPP') is a FTSE 250 company that invests in public and social infrastructure projects. At the date of this report the portfolio consists of 121 individual investments in the UK, 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 seeks to provide its shareholders with both a long-term yield and the opportunity for capital growth through investment across both construction and operational phases of infrastructure projects. The Company aims to provide a medium-term return to investors of 8% to 9% p.a. on the initial public offer issue price in November 2006 of 100 pence per share.

The Company listed on the London Stock Exchange in November 2006 with a market capitalisation of approximately £300 million. Since this time the Company has raised over £440 million of capital through a C-share capital listing, by way of placements, open offers and offers for subscription and through tap issuance. The Company's most recent capital raising was in June 2012 when the Company completed a £200 million Placing, Open Offer and Offer for Subscription which was used to repay the Company's debt facility and partially to fund new investments. As at 30 June 2012 the Company had a market capitalisation of £838.8 million.

International Public Partnerships is advised by Amber Fund Management Limited, a specialist infrastructure advisor and manager with over 65 staff dedicated to advising, managing, investing in and developing infrastructure projects and investments.

COMPANY OVERVIEW

Market Capitalisation

£838.8 million at 30 June 2012
(£645.9 million at 31 December 2011)

Shares in Issue

708.4 million at 30 June 2012
(534.2 million at 31 December 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

Capital Structure

The Company has a capital structure comprising of Ordinary Shares only, although its Articles of Association include provision for the creation of an additional class of shares.

Investment Objective

The investment objective of the Company is to provide shareholders with long-term distributions at levels that are sustainable arising from public infrastructure investments. The Directors also believe that continued capital growth can be achieved from further investment in public infrastructure assets.

Investment Advisor

Amber Fund Management Limited ('AFML') is a wholly owned subsidiary of Amber Infrastructure Group Limited. AFML is active internationally in developing, managing and originating infrastructure investment opportunities and AFML is authorised and regulated by the Financial Services Authority. AFML is deemed to be a related party of the Company under IAS 24. Details of transactions between AFML and the Company are disclosed in note 19.

Amber Fund Management Limited
1st Floor
Two London Bridge
London
SE1 9RA

HIGHLIGHTS

- Net Asset Value ('NAV') per share of 118.4 pence as at 30 June 2012 (116.9 pence – 31 December 2011)
- NAV¹ of £838.8 million as at 30 June 2012 (£624.3 million – 31 December 2011)
- Half year 2012 dividend of 3.0 pence per share (forecast date for payment October 2012)
- Full year target dividend for the year ended 31 December 2012 of 6.0 pence per share (up 2.6% from full year 2011)²
- IFRS accounting profit before tax of £19.4 million for the period ended 30 June 2012 (£11.4 million before tax – 30 June 2011)
- £200 million (before issue costs) of new equity capital raised from shareholders (exceeding the initial target of £180 million)
- £8.7 million of additional investment made during the period (£39.8 million during the period ended 30 June 2011) with contingent commitments or additional acquisitions totalling £139.0 million post period end
- Construction completion reached on the Company's largest asset by value, the Northern Diabolo Project in Belgium
- IFRS Net Assets of £545.8 million as at 30 June 2012 (£356.2 million – 31 December 2011)
- Undrawn debt facilities of £100 million and uncommitted cash of £53.5 million available for further investment
- Total Shareholder Return since listing in 2006 of 54.2% compared to 11.5% on the FTSE AllShare over that same period³

NAV Per Share

118.4p

2012 Full Year Target Distribution

6.0p per share

Capital Raised

£200M

1 NAV as shown above is fair market valuation of the Group's economic interests, calculated utilising discounted cash flow methodology^a, 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^b have been discounted using discount rates that reflect the risks associated with that interest. This includes the cash flows relating to the Strathclyde and Hereford and Worcester senior debt interests which have previously been valued as the aggregate of the principal outstanding plus the costs associated with terminating the underlying fixed interest rate arrangements at 9 November 2006. The NAV referred to above and on other pages differs from the basis of recording net assets utilising International Financial Reporting Standards ('IFRS') 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 on a consolidated basis. 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. NAV per share is calculated based on the number of shares in issue at the period end.

a The NAV also includes cash, cash equivalents and assets and liabilities attributable to the Company and intermediate holding companies at 30 June 2012.

b The Group's economic interests at 30 June 2012 are set out in the Portfolio Interests section of this half yearly financial report.

2 Expected to be paid in two instalments in October 2012 and May 2013.

3 Bloomberg – share price appreciation plus income.

LETTER FROM THE CHAIRMAN



For an investor who has held shares in the Company since IPO in 2006, the total return to 30 June 2012 was 54.2%.

Dear Shareholders,

I am delighted to write to you and report on another successful period for the Company which included the raising of £200 million of new capital from existing and new investors by way of a Placing, Open Offer and Offer for Subscription.

During the period the Company provided a modest positive total return (share price performance and dividend growth) to investors of 0.35%. The more subdued share price performance followed the Company's announcement to undertake a capital raising during the period, however, following the successful completion of the capital raising on 25 June 2012 the Company's share price has performed strongly, and for the period from 1 January to 17 August 2012 the total return to investors was 5.4%.¹ For an investor who has held shares in the Company since IPO in 2006, the total return to 30 June 2012 was 54.2%. This compares with a total return over the same period on the FTSE AllShare index of 11.5% and 21.7% for the FTSE 250.²

In addition to the capital raising mentioned above I am pleased to be able to report the following major highlights for the six months to 30 June 2012:

- Northern Diabolo project, a new tunnelled rail connection linking Brussels airport to the new Brussels-Antwerp High Speed rail line, was officially opened by King Albert II of Belgium. The project is the Company's largest single investment representing c.14% of INPP's portfolio and construction work finished on time and on budget.

- £8.7 million of capital was invested and a further £23.5 million was committed on a contingent basis for investment in other projects, most notably additional investments in existing Building Schools for the Future projects.
- The Company's dividend increased for the fifth successive year in line with the target set by the Board on the Company's Initial Public Offer in 2006.
- An increase in Net Asset Value of 34.4% since 31 December 2011.

Following the period end, a major investment of £115.1 million was made in a further UK offshore electricity transmission project, Ormonde, off the coast of Cumbria, UK. This acquisition consolidates the Company's position as the leading investor in the UK offshore electricity transmission sector as an offshore transmission operator ('OFTO') and is the fourth OFTO project that INPP has closed from Ofgem's initial round of nine tenders. Following the completion of the Ormonde OFTO, these projects will represent c.21% of the Company's portfolio.

Going forward there continues to be significant levels of support from investors and governments alike for private investment in the infrastructure asset class. The portfolio is well positioned to take advantage of this and I believe there continues to be the opportunity to make accretive investments for the Company's investors. Following the recent capital raising, and taking into account investment commitments made subsequently, the Company has access to approximately £53.5 million of cash and a further £100 million available to it through its corporate debt facility.

The Company, through its Investment Advisor, has access to a number of interesting investment opportunities in various geographies. Access to this diverse pipeline is increasingly one of the Company's key differentiators – particularly in an environment where the volume of new traditional PPP/PFI projects in the UK has reduced and competition for assets has therefore increased.

This advantage can be seen as INPP continues to benefit from its strong position within the UK offshore transmission sector. The Company, in conjunction with its consortium partners, was named preferred bidder on a fifth UK offshore transmission project off the coast of Lincolnshire which it would expect to be able to invest in during the 2013 financial year.

There have also been a number of opportunities following-on from the Building Schools for the Future Investment ('BSFI') portfolio acquired last August. This has included the acquisition of a portfolio of assets from a contractor who was not a long-term holder of these assets. There have also been a number of smaller investment opportunities, as schemes in development reach financial close. We believe there are also likely to be further nearer-term follow-on investment opportunities to enhance the Company's existing investment in the BSFI.

Internationally we see a continued flow of opportunities, notably in Germany and Australia and we are actively supportive of our Investment Advisor's policy to research opportunities in other major economies.

¹ From 1 January to 30 June 2012 share price appreciation plus income – Bloomberg.

² Share price performance plus income – Bloomberg information on this calculation.

Specifically, as indicated at the time of the capital raising, there is likely to be an opportunity to invest in a German government office project before the end of the current financial year.

Capital raising

As mentioned above the Company undertook a £200 million capital raising by way of a Placing, Open Offer and Offer for Subscription, with final approval obtained from shareholders at the Annual General Meeting on 25 June 2012.

It is a measure of support for the Company that the original target of £180 million was exceeded and the offer closed oversubscribed. The raising was predominately supported by existing shareholders but we were also pleased to welcome a number of new shareholders to the register including some international pension funds.

A portion of the net proceeds of the Offer has already been deployed, including the repayment of the £18.1 million balance drawn on the Company's corporate debt facility at that time. At the time of the raising the Company indicated that it had a strong pipeline of immediate, accretive investment opportunities. Two of these pipeline investments have already been agreed: the aforementioned second Building Schools for the Future portfolio, which the Company agreed to acquire (subject to conditions) from Carillion Private Finance Limited for £30.3 million (including investments of £6.5 million which were acquired prior to 30 June 2012); and, following the 30 June 2012 balance sheet date, the £115.1 million acquisition of Ormonde UK offshore wind transmission asset. We believe that both assets are important additions to the portfolio and will enhance shareholder returns over time.

Financial results

On a consolidated IFRS basis the profit before tax was £19.4 million (30 June 2011: £11.4 million). On a cash basis,³ cash received from its portfolio of investments produced a cash flow to the Company of £22.2 million before distributions. On a net basis post one-off transaction costs (excluding costs associated with the capital raising) this produced an operating cash surplus of £16.0 million equivalent to a coverage over the distribution payable for half year ended 30 June 2012 of 1.2 times. More details are provided in the Investment Advisors report.

Investment performance

The Company's portfolio of infrastructure investments continued to perform well in the six months to 30 June 2012. As at 30 June 2012, NAV expressed on a pence per share basis was 118.4 pence, an increase of 1.5 pence per share from the NAV as at 31 December 2011 of 116.9 pence per share and an increase of 3.2 pence per share on the 115.2 pence per share NAV provided to investors in advance of the completion of the £200 million capital raising (estimate as at 17 May 2012).

This increase in performance of the portfolio resulted from the successful management of opportunities to maximise income together with continuing initiatives to reduce costs for example in the area of insurance. As indicated above, the Company's distributions remain well covered and, from a valuation perspective, the Company's value was enhanced by the capital raising, effective asset management (particularly in terms of reaching construction milestones) and was further boosted by reductions in global government bond rates. More detailed information on the performance of the Company's assets is set out in the Investment Advisor's report.

I believe that there also remains good prospects for further increases in NAV in future periods as those projects currently in construction move into the operational phase. As noted above, the Company's largest asset Northern Diabolo Project, was officially opened by the King of Belgium in June 2012. As a result, from the second half of the 2012 financial year there is likely to be an associated uplift to NAV for that project as it settles into operational status and its construction risk premium reduces.

The ability to provide such organic growth in NAV, as specific potential risks in assets reduce, is an important and differentiating characteristic of the Company. It also provides a potential future mitigant to any adverse movements in NAV that might arise from changes in macro economic factors. The Company aims to ensure that whilst it owns assets that are in construction it is insulated from the attendant construction risk by ensuring appropriate contractual and insurance cover.

Distributions

In line with the target established at the time of the IPO, the Company has delivered an increasing dividend for the past five successive years.

As previously advised for 2012, the Board has confirmed that it will target a total distribution of 6.0 pence per share. The Board is now pleased to confirm that a payment of 3.0 pence per share in respect of this target is expected to be paid in October 2012. The second payment is expected to be made in May 2013.

³ See the Investment Advisor's report for additional information on this calculation.

LETTER FROM THE CHAIRMAN CONTINUED

The infrastructure market continues to grow and to receive increased positive investor focus.

A scrip dividend option exists in respect of the Company's 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 will be sent to investors in September 2012.

The Board is committed to ensuring that notwithstanding the current economic uncertainty our policy of regularly increasing Dividend payments is sustainable in the longer term.

Gearing

The Company has continued its policy not to hold long-term debt at the Group level. The Company's investments are generally held in special purpose asset owning entities that are financed by a mix of long-term matched debt and risk capital. This asset level debt is non-recourse to the Company and in almost every case is long-term amortising debt upon which a fixed rate of interest (or swapped variable rate to fixed rate of interest) is payable over the period of the underlying contract.

The Group-level revolving debt facility is used to acquire new investment opportunities between equity raisings in order to avoid, as far as possible, cash drag and allows the Company to move quickly to acquire attractive investment opportunities as they arise. In late 2011 the corporate debt facility was drawn to £18.1 million to partly fund the Company's initial investment in its 'Building Schools for the Future Investments' portfolio investment. However, consistent with the Company's policy of maintaining balances for a short period, the outstanding balance was promptly repaid

following the £200 million capital raising undertaken during the period. A major portion of the £200 million fund raising has already been utilised in operational income-producing assets.

The current infrastructure market

The infrastructure market continues to grow and to receive increased positive investor focus. The Board sees this as an encouraging trend in this market, which is also supported by a strong supply of investment opportunities.

In early July, the UK government announced that it will provide up to £40 billion of guarantees to support infrastructure projects which are struggling to find finance in adverse credit conditions. While the nature and quality of INPP's projects is high and the Company does not anticipate that any of its future projects would need to apply for these guarantees, it is a measure of the UK government's commitment to ensure that adequate investment is made into the sector.

Governments in other jurisdictions are implementing similar programmes to ensure that important public infrastructure is delivered in a timely and efficient manner. Infrastructure Australia recently issued a major report into the procurement of infrastructure across the country.⁴ It called for a suite of reforms, including use of co-funding between governments and the private sector on nationally significant PPP projects.

As such, we continue to be confident of the flow of new infrastructure opportunities in our core geographic markets. We also

anticipate a steady flow of opportunities to acquire investments in existing infrastructure projects within our target markets.

As noted in the 2011 Annual Report, during the current reporting period the Royal Melbourne Children's Hospital development received recognition and was awarded Infrastructure Project of the Year by Infrastructure Partnerships Australia and the Grand Prix at the 2012 Dulux Colours Awards, for its outstanding design.

Investment strategy

The Company continues to pursue its strategy of focusing on investment in infrastructure assets offering a low level of credit and other risks that are expected to provide long-term secure yield and potential for capital growth particularly from assets which are in construction and yet to reach their operational stage. Further information on the Company's investment strategy and policies can be found in the Investment Policy section of the Company's annual report for the year ended 31 December 2011 or on the Company's website.

Reduction in base fees

The Board is pleased to advise that costs associated with the ongoing management of the Company have reduced. During the period the Company and the Investment Advisor agreed that from 30 June 2012, the Base Fee payable to the Investment Advisor would reduce to 1% per annum in respect of the Gross Asset Value ('GAV') of the Company's operational projects that exceed £750 million (calculated in

⁴ 'Efficiencies in Major Project Procurement: Benchmarks for Efficient Procurement of Major Infrastructure', *Infrastructure Australia*, June 2012.

accordance with the principles detailed in the Investment Advisors report and being those projects that have been certified as being fully operational by the relevant counterparty and senior lender).

For GAV less than £750 million and for non-operational projects the Base Fee payable to the Investment Advisor will remain unchanged at 1.2% per annum. There will be no change to the Incentive Fee arrangements to the Investment Advisor. We believe that this is a positive development for the fund and that investors should benefit from efficiencies as the portfolio increases in size.

Post period events

As mentioned above, since the end of the 30 June 2012 half year, the Company has entered into two new investments:

- Financial close was reached on the Ormonde offshore transmission project for £115.1 million.
- A new investment in a second wave Rochdale BSF project has also been made for £0.4 million. The project will deliver two new PFI schools, each catering for 1,200 pupils.

As at the date of this report the Company held interests in a portfolio of some 121 assets.

Principal risks and uncertainties

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

The principal risks and uncertainties facing the Company are set out on pages 25 to 27 in the 31 December 2011 Annual Report and Financial Statements and detailed further in the Placing, Open Offer and Offer for Subscription Prospectus published on 24 May 2012. These principal risks and uncertainties are expected to remain relevant to the Company for the next six months of its financial year and include:

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

The Board considers and reviews the risks that the Company is exposed to on a regular basis.

Outlook

Overall the Board is looking forward to the remainder of 2012 with confidence, based on the continuing good performance of its existing assets, the progress being made on delivering projects under construction both on time and to budget and the attractive pipeline of new infrastructure opportunities under review by the Company and its Investment Advisor in the UK and overseas. The recent commitments to infrastructure procurement made by the UK Government and governments in other jurisdictions in which we invest support this strategy. Additionally, we are encouraged by continued investor demand for the infrastructure sector.

I and my fellow Directors would also like to thank investors for their support during the successful £200 million capital raising. We were encouraged greatly by the strong levels of demand for the Company's shares and are confident that, in conjunction with the Investment Advisor, we can continue to acquire assets that will bring long-term value to the portfolio.

Finally, we reiterate our willingness to be available to meet with investors as required and to maintain a high level of constructive dialogue with our shareholders.



Keith Dorrian
Chairman
29 August 2012

PORTFOLIO INTERESTS

The Company held economic interests¹ in 121 individual investments arising at the date of this report as set out below. More information on all the Company's assets can be found on the website www.internationalpublicpartnerships.com.

Transport	Custodial	Health
Angel Trains UK BENeX ² Diabolo ² Gold Coast Rapid Transit Reliance Rail	Long Bay Forensic and Prison Hospitals Project	Alexandra Avenue Primary Care Centre Barkantine Health Centre Barking Road Health Centre Blackbird Leys Health Centre Beckenham Hospital Brescia Hospital Brierley Hill Church Road Health Centre East Oxford Care Centre Fishponds Primary Care Centre Frail Elders Hospital Garland Road Health Centre Gem Centre Bentley Bridge Goscote Palliative Care Centre Hackney Children's Development Centre Hampton House Health Centre Harrow Neighbourhood Resource Centres – 3 projects Lakeside Medicaeste Amiens Hospital Project Mile End Specialist Addition Unit Monks Park Health Centre Mt Vernon Newby Place Nightingale Lane Orange Hospital ² Phoenix Centre Ridge Hill Learning Disabilities Centre Royal Children's Hospital ² Shirehampton Primary Care Centre Stourbridge Health and Social Care Centre South Bristol Community Hospital South East Resource Centre Sudbury Health Centre Vicarage Lane Health Centre Whitchurch Primary Care Centre
Police Authority	Other	
Abingdon Police Norfolk Police Headquarters North Wales Police Headquarters Strathclyde Police Training Centre	Bootle Government Offices Liverpool Central Library Royal Melbourne Showgrounds Redevelopment	
Education	Energy Transmission	
Alberta Schools ² Building Schools for the Future – 52 investments Calderdale Schools Derbyshire Schools Phase 1 Derbyshire Schools Phase 2 Maesteg Schools Moray Schools Northamptonshire Schools ² NSW Schools Pforzheim Schools St Thomas More School Tower Hamlets Schools ²	Barrow Offshore Transmission Gunfleet Sands Offshore Transmission Ormonde Offshore Transmission Robin Rigg Offshore Transmission	
	Courts	
	Derbyshire Magistrates Courts Dublin Criminal Courts Project ² Durham (Canada) Courthouse Project Hereford & Worcester Magistrates Courts ²	

■ Two additional stakes acquired during six months to 30 June 2012 and one post 30 June 2012.

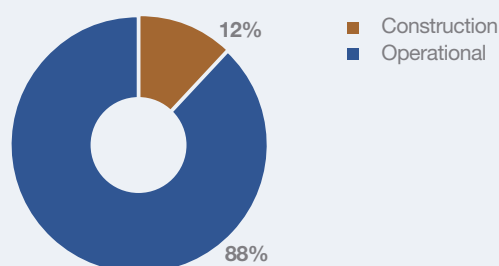
■ Acquired following 30 June 2012.

¹ Economic interests reflect an investment in the capital, subordinated or senior debt of the underlying projects as represented in the Financial Statements.

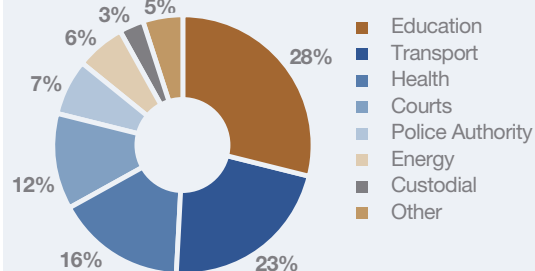
² Denotes Top 10 asset by value as at 30 June 2012. Note analysis excludes Ormonde OFTO as completed following 30 June 2012.

PORTFOLIO BREAKDOWN AT 30 JUNE 2012

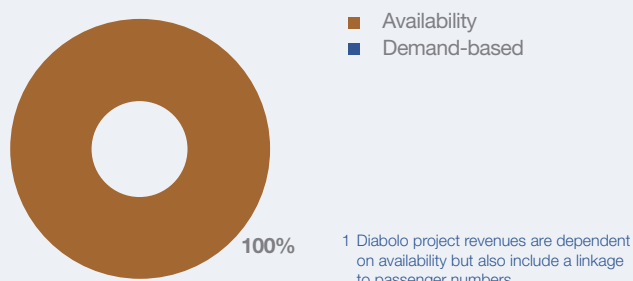
H1 2012 Asset Status



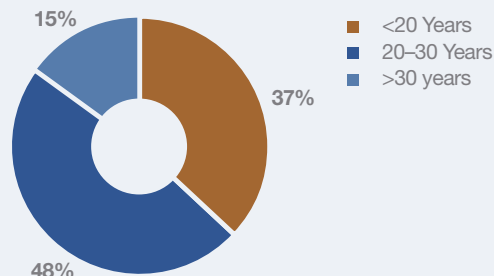
H1 2012 Sector Breakdown



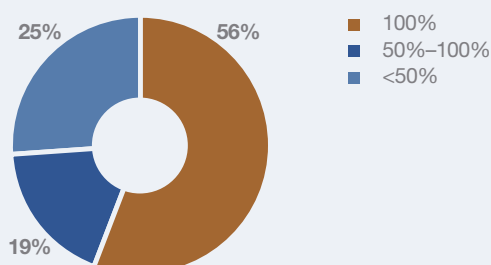
H1 2012 Payment Type¹



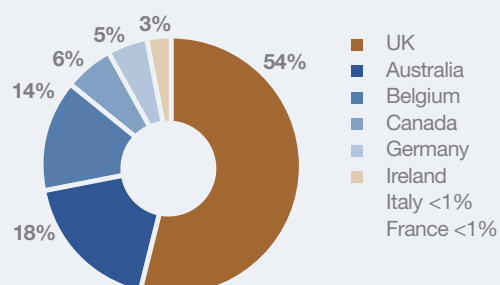
H1 2012 Concession Length



H1 2012 Project Stake



H1 2012 Geographic Split



The pie charts above show a breakdown of the Group's portfolio at 30 June 2012. This breakdown is based on the fair market valuation of the Group's investments calculated utilising discounted cash flow methodology, as referred to on page 3. The discount rate used reflects the risks associated with the individual projects.

INVESTMENT ADVISOR'S REPORT

The Company successfully completed a £200 million capital raising in June this year with the requirement to raise capital reflecting the Company's strong pipeline of asset opportunities.

INPP Share Price Performance vs FTSE



Source: Bloomberg.

Amber Fund Management Limited ('AFML') is a wholly owned subsidiary of Amber Infrastructure Group Limited ('Amber'). AFML is authorised and regulated in the UK by the Financial Services Authority.

Amber is a specialist developer, manager and originator with respect to infrastructure assets in Europe, Australia and North America. At 30 June 2012 Amber had over £4.5 billion of assets under management and over 65 staff based in the UK (London, Edinburgh), Germany (Munich), Australia (Melbourne and Sydney) and the United States (San Francisco).

Introduction

International Public Partnerships Limited performed well in the first six months of 2012. The portfolio of investments has performed in line with expectations and is expected to deliver the 3.0 pence per share dividend due to be paid in October entirely from project level cash flows.

The Net Asset Value ('NAV') at 30 June 2012 increased to 118.4 pence per share, a 1.3% increase over the NAV of 116.9 pence per share at 31 December 2011. Further NAV progress is expected in the second half of the year as valuation benefits from projects that have finished construction are realised.

Highlights during the period include a £200 million capital raising, investments and contingent commitments totalling £32.2 million to additional investments and the construction completion of the Northern Diabolo Project, the Company's largest asset. As at the date of this report, INPP held 121 assets in the portfolio, details of which are provided earlier in the Portfolio section of this report.

INPP continues to target new investment opportunities particularly in the UK, Europe and Australia and, following the period end, announced that it had entered into additional investments with a value of £115.5 million.

Investment performance

The Company continues to aim to provide an attractive proposition for those investors seeking returns from investments whose performance is, to a substantial extent, expected to be uncorrelated with general economic conditions or equity markets.

The infrastructure investments that the Company makes are selected as being likely to provide long-term predictable returns to investors. Generally, returns from these assets should not be strongly linked to the underlying demand for their usage, rather they are 'availability' based and tend not to be subject to a material degree to market factors which may impact the value of other asset classes.

In this context, INPP's overall market performance continued to be strong. The Total Shareholder Return (share price growth plus distributions) for investors from the launch of the Company in November 2006 to 30 June 2012 has been 54.2%, compared to a total return on the FTSE AllShare over the same period of 11.5%.¹

¹ Bloomberg.

² This analysis excludes Reliance Rail which was under construction at 30 June 2012. Final completion date for the Reliance Rail project is projected for 2014, however the value of Reliance Rail was reduced to nil at 31 December 2011 and has been excluded from this analysis.

Portfolio performance

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

The Investment Advisor's asset management team continued to work with each of the portfolio assets to ensure, so far as possible, that they operate as anticipated and to review where additional returns for investors may be achieved. Operational and compliance performance standards across the portfolio were maintained at high levels and a significant number of requests for variations were progressed on behalf of the Company's public sector clients during the period to respond to their evolving operational needs.

The Investment Advisor has an active approach to asset management and, as part of its regular activity, works in a collaborative way with both the procuring authorities and operational contractors involved in its projects to identify enhancements to projects together with appropriate costs savings. This includes working with clients to achieve the current UK government's requirements to identify £1.5 billion of savings from operational PPP/PFI assets in England. Such savings are expected to be mainly derived from operational efficiencies and are not expected to impact materially the returns to investors in the Company.

The period saw a significant reduction in the portion of the portfolio under construction – reducing from 26% at 31 December 2011 to 12% at 30 June 2012.² This mainly reflects the completion of the Company's largest asset, Northern Diabolo Project (c.14% of the Company's portfolio at 30 June 2012) which was opened by King Albert of Belgium in June this year. The project, which included the five year construction of a tunnelled rail connection linking Brussels airport to the new

Brussels-Antwerp High Speed rail line, was completed on time and to budget and is expected to start generating income for the Company later this financial year. The valuation benefits of having completed construction are expected to occur over successive periods once the operational phase is well established.

Other construction milestones met during the period included:

- The completion of the £35 million Moray Schools scheme in Scotland to replace the existing facilities at Keith Primary and Elgin Academy.
- The completion of Newby Place Health and Well-being Centre in Hackney, London and the completion of the Nightingale Clinic, also in Hackney with a combined project value of £8 million.
- Construction completed on time on seven Building Schools for the Future ('BSF') projects. A further ten projects remain in construction with seven due to complete construction in the second half of 2012.
- The Duke of Gloucester formally opened the Walsall Palliative Care Centre (UK) at a ceremony in February 2012.
- Works commenced on Phase 2 of the Royal Children's Hospital project in Melbourne, Australia a week early, in February 2012. Final completion remains on target for December 2014.
- Construction work continues to be on schedule on the remaining projects in construction including Liverpool Library and Gold Coast Light Rail project in Queensland, Australia.

Each of the projects in the table below are currently under construction and operational commencement is as noted in the table below:

Investments and transactions

As previously highlighted the Company successfully completed a £200 million capital raising in June this year with the requirement to raise capital reflecting the Company's strong pipeline of asset opportunities.

Encouragingly, a number of investments were made during the period with the Company agreeing to invest £32.2 million across four separate transactions, all relating to the BSF programme.

A conditional agreement was reached with Carillion Private Finance Limited to acquire additional interests in eight BSF education projects for a total investment of £30.3 million. As part of the agreement, INPP completed the acquisition of a 46% investment for £6.8 million in the Tameside BSF scheme during the period. A further £23.5 million of investment is expected to be made, subject to certain conditions being met, into majority investment interests in BSF school projects in Wolverhampton, Nottingham, Rochdale, Durham and South Tyneside and Gateshead.

In separate transactions, additional follow-on investments were also made into the Leicester, Hull and Essex BSF schemes during the period, with a total of £1.9 million being invested, to support further development within each of these projects.

Since July 2012, the Company has made two investments totalling £115.5 million:

- Financial close was reached on the Ormonde offshore transmission project for £115.1 million.
- A further investment of £0.4 million was made in the Rochdale BSF project. The project will deliver two new PFI schools, each catering for 1,200 pupils.

Asset	Location	Construction Completion Date	Status	% of INPP NAV
Liverpool Library	UK	November 2012	Expected mid December 2012 ¹	1.0%
Building Schools for the Future portfolio	UK	Various. Latest September 2014	On schedule	1.7%
Royal Children's Hospital	Australia	Phase 1 – September 2011	Completed	7.6%
		Phase 2 – December 2014	On schedule	
Gold Coast Rapid Transit	Australia	May 2014	On schedule	1.7%

¹ This is not expected to have a significant impact on the project.

INVESTMENT ADVISOR'S REPORT CONTINUED

The acquisition of Ormonde OFTO is particularly notable. This is the fourth offshore transmission project that the Company and its consortium partners, Transmission Capital, have closed in the UK. The project has been operational since 2011, and is expected to provide immediate yield to INPP investors. In addition, the asset has income streams that are 100% linked to the UK Retail Price Index and therefore also provides valuable additional inflation protection for the portfolio, increasing the proportion of the portfolio cash flows (calculated by NAV) projected to have inflation linkage from c.70% to c.75%.

All acquisitions above were contemplated at the time of the capital raising and demonstrate an ability within the Company to convert its strong pipeline of opportunities into real investments.

NAV and future cash flows

The directors of the Company assess the NAV of an Ordinary Share with the assistance of AFML. The Company produces fair market valuations of the Group's investments on a six-monthly basis as at 30 June and 31 December. The valuation methodologies used are primarily based on discounting the Company's future projected net cash flows at appropriate discount rates. Valuations obtained are however also reviewed against values obtained for similar assets in comparable market transactions seen by the Company over the year and adjusted accordingly.

Key inputs and assumptions utilised in projecting the Company's net future cash flows generally include:

- inflation (where the Company currently assumes long-term inflation will run at 2.5% per annum);
- cash deposit rates (where the Company assumes a long-term average deposit rate of 3.5%);
- that current tax rates remain applicable;
- that the contracts under which payments are made to the Company and its subsidiaries remain on track and are not terminated before their contractual expiry date;
- that any deductions suffered under such contracts are fully passed down to subcontractors;
- that cash flows from and to the Company's subsidiaries and the infrastructure asset owning entities in which it has invested may be made and are received at the times and in the amounts anticipated;

- that where assets are in construction they are either completed on time or any costs of delay are borne by the contractors not the Company;
- that where the operating costs of the Company or the infrastructure asset owning entities in which it has invested are fixed by contract such contracts are performed and where such costs are not fixed, that they remain within projected budgets;
- that where the Company or the infrastructure asset owning entities in which it has invested owns the residual property value in the asset that the projected amount for this value is realised; and
- that where assets in which the Company invests are not Sterling assets that foreign exchange rates remain consistent with current three year projections.

To calculate the NAV the Company, advised by the Investment Advisor, discounts the projected net future cash flows for each investment using a discount rate which reflects the aggregate of:

1. rates on government bonds with an average life equivalent to the asset issued by the national government for the location of the asset;
2. a premium to reflect the inherent greater risk in investing in infrastructure assets over government bonds;
3. a further premium to reflect the state of maturity of the asset with a larger premium applied to immature assets and/or assets in construction and/or to reflect any current asset specific or operational issues relating to assets. 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;
4. an additional premium applicable to assets over a certain size;
5. an additional premium applicable to assets denominated in currencies other than Sterling; and
6. a further adjustment reflective of market based transaction valuation evidence for similar assets.

The Company builds up its NAV by applying the principles above to each of its investments and aggregating the results. On this basis the Directors' appraisal of the Company's NAV as at 30 June 2012 increased by 1.5 pence per share to 118.4 pence per share (116.9 pence per share as at 31 December 2011). As at 30 June 2012 the Company's portfolio was valued at £838.8 million (31 December 2011: £624.3 million).

The main drivers of this change included:

- valuation benefits arising from the capital raising and acquisitions made during the period;
- cash flows being greater than projected due in part to higher than projected inflation;
- a reduction in risk premia affecting certain assets as a consequence of their moving from the construction to operational phase. Notably two of the Company's Top 10 assets, Royal Children's and Orange Hospitals which both reached completion during 2011 and continued to derisk during the period. The Company's largest asset Northern Diabolo Rail also reached construction completion during the period, although the benefits of this are expected to begin to be realised from the second half of 2012;
- a continued reduction in government bond rates in some jurisdictions;
- modest continued strengthening of the Australian dollar during the period; and
- offsetting in part these positive contributions was an adjustment designed to reflect the prices at which similar investments were observed to be trading at in the market.

It is important to appreciate that while assets of the sort the Company invests in are regularly the subject of open market transactions the volume and frequency of such transactions varies and there is no immediate liquid market to allow for such assets to be valued on a mark-to-market basis. As such, and in common with similar investors in the sector, the Company's assessment of NAV has to be based on its judgement at the time of making such assessment.

On a weighted average basis, taking into account the changes referred to above, the weighted average discount rate applicable across the portfolio decreased by 0.09% reflecting a 0.46% reduction in the weighted

Valuation Change (£ million)



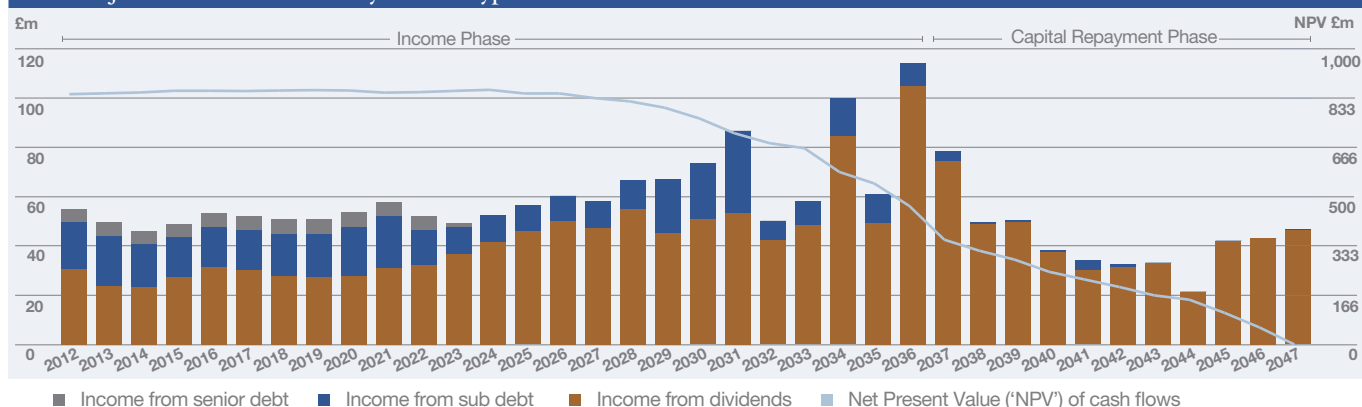
average risk-free rate, which continued to reduce sharply as a result of turmoil in financial markets; this was partially offset by an increase in the weighted average project premium of 0.37%. The increase in the project premium largely reflected an adjustment to take into account transactions that have been observed in the market (discussed above) offset by a reduction in the risk premia associated with construction assets as larger assets near or reach construction completion. The discount rates used for valuing each of the

underlying assets in the Company's portfolio ranged from 6.5% to 11.25%.

To assist investors to evaluate the longer-term return profile of the fund, a graph charting the future projected cash flows is provided below. The chart demonstrates how, all other things being equal, the portfolio valuation is currently expected to evolve over a 35 year period (being the scheduled year of expiry of the concession relating to the last asset within the portfolio) to 2047. The Company's portfolio is made up mainly of

fixed-term concessions whose valuation reduces as that concession draws to a close. The majority of the payments to investors over the life of the concession are investment income from the operational assets. However, as the life of the concession draws to a close, payments to investors are in effect a return of capital. The current portfolio is expected to make its final capital repayment in 2047. Any future acquisitions (or disposal) or changes to the projected cash flows of any investment will change this projected profile from time to time.

INPP Projected Cash Flow Profile by Income Type



Valuation methodology	30 June 2012	31 December 2011	Movement (December – June)
NAV per share	118.4 pence	116.9 pence	1.5 pence
Weighted Average Discount Rate	8.41%	8.50%	(0.09)%
Weighted Average Risk-Free Rate ¹	3.38%	3.84%	(0.46)%
Weighted Average Project Premium ²	5.03%	4.66%	0.37%
Discount Rate Range	6.50% to 11.25%	6.50% to 11.25%	No change

¹ See item 1 above.

² Aggregate effect of items 2 to 6 above.

INVESTMENT ADVISOR'S REPORT CONTINUED

Financial results

As at the date of this report, the Group had a total of 121 investments, of which it is deemed, as at 30 June 2012, for the purpose of International Financial Reporting Standards ('IFRS') that the Group has control over 26 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 either equity accounted for (generally a shareholding in the range of 20% to 50%) or, in the case of minority investments, are valued on a discounted cash flow method at the reporting date and held as available for sale financial assets.

The consolidated investments form part of the Company's larger portfolio of similar investments all of which are held for investment purposes and managed as such, with no distinction for management purposes made between those investments classified under IFRS as subsidiaries (consolidated investments), associates or joint ventures (equity accounted investments) and those which are not. In addition, as at the 30 June 2012, all debt owed by the Group's investments (with the exception of the Company's corporate debt facility with Royal Bank of Scotland plc ('RBS') and National Australia Bank ('NAB')) is project specific and non-recourse to the Company.

Further, in addition to its statutory reporting obligations under IFRS, the Company has prepared additional pro forma financial information prepared on an 'investment basis'. By deconsolidating the subsidiary investments, the performance of the business under consolidated IFRS basis may be compared with the results under the investment basis. This pro forma financial information is not audited but 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.

IFRS results

On a consolidated IFRS basis, profit before tax was £19.4 million (30 June 2011: £11.4 million) with earnings per share of 3.45 pence (30 June 2011: 2.33 pence). The increase was predominately due to the reduction in Australian Consumer Price Index-linked bonds which lead to significantly lower financing costs for some projects in that market. Other significant drivers included a number of projects moving from construction to full operations during the period and new investments impacting investment income, finance costs and operating expenses. Profit after tax was £18.0 million (30 June 2011: £11.6 million). 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 translation movements, depreciation 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.

Income and expenses – investment basis

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 £22.2 million (30 June 2011: £21.7 million).

The table on the following page summarises cash received from investments net of corporate costs. Net cash receipts pre one-off transaction costs have marginally decreased by £0.1 million to £16.9 million during the period although a disproportionately higher level of distributions are typically received from the Company's underlying investments in the six months to 31 December 2012. Overall, the net cash receipt (both pre and post one-off transaction costs) provided good coverage of the cash distribution for the six months to 30 June 2012 of £13.1 million (30 June 2011: £10.1 million).

Summary net corporate cash flow (unaudited)

	Six months to 30 June 2012 £million	Six months to 30 June 2011 £million	Year to 31 December 2011 £million
Cash received from investments			
Dividends and interest	19.8	20.7	41.7
Capital receipts	2.4	1.0	2.3
	22.2	21.7	44.0
Corporate costs and net finance costs			
Net corporate financing costs	(0.6)	(0.2)	(1.1)
Corporate expenses	(4.7)	(4.5)	(9.1)
Total corporate costs (excluding one-off transaction costs)	(5.3)	(4.7)	(10.2)
One-off transaction costs (excluding capital raising costs)	(0.9)	(1.0)	(3.3)
Total corporate costs including one-off transaction costs	(6.2)	(5.7)	(13.5)
Net cash			
Cash received from investments	22.2	21.7	44.0
Corporate costs and net finance costs	(6.2)	(5.7)	(13.5)
Net cash including one-off transaction costs	16.0	16.0	30.5
Cash received from investments	22.2	21.7	44.0
Corporate costs and net finance (pre one-off transaction costs)	(5.3)	(4.7)	(10.2)
Net cash (excluding one-off transaction costs)	16.9	17.0	33.8

Corporate costs and net finance costs – investment basis (unaudited)

As set out in the table below, total corporate and net financing costs pre one-off transaction costs increased by £0.6 million to £5.3 million (30 June 2011: £4.7 million) as a result of the increase in investments made by the Company:

- Net financing costs increased by £0.4 million to £0.6 million (30 June 2011: £0.2 million) as a result of higher utilisation of the Company's corporate debt facility during the period and lower cash deposit interest income.
- An increase of £0.2 million in the level of recurring corporate expenses to £4.7 million (30 June 2011: £4.5 million) associated with the investment advisors management fee which increased as a result of the growth in managed investments.

One-off transaction costs during the period of £0.9 million related to new investments (30 June 2011: £1.0 million).

Corporate costs and net financing costs

	Six months to 30 June 2012 £million	Six months to 30 June 2011 £million	Year to 31 December 2011 £million
Net corporate financing costs			
Interest income	0.1	0.3	0.3
Corporate facility running costs	(0.7)	(0.5)	(1.4)
Total net corporate financing costs	(0.6)	(0.2)	(1.1)
Corporate expenses			
Investment advisor's management fee	(4.0)	(3.3)	(7.0)
Audit fees	(0.1)	(0.1)	(0.1)
Director fees and expenses	(0.1)	(0.1)	(0.2)
Other running costs	(0.5)	(1.0)	(1.8)
Total corporate expenses¹	(4.7)	(4.5)	(9.1)
Total corporate costs (excluding one-off transaction costs)	(5.3)	(4.7)	(10.2)
One-off transaction costs (excluding capital raising costs)	(0.9)	(1.0)	(3.3)
Total corporate costs including one-off transaction costs	(6.2)	(5.7)	(13.5)

1 In accordance with Association of Investment Companies ('AIC') guidance this number is used to calculate the Annualised Ongoing Charges (see below).

INVESTMENT ADVISOR'S REPORT CONTINUED

Transaction costs

	Six months to 30 June 2012 £million	Six months to 30 June 2011 £million	Year to 31 December 2011 £million
New investment transaction costs	(0.9)	(0.3)	(2.0)
Corporate facility renewal	–	(0.7)	(1.1)
Intragroup reorganisation costs	–	–	(0.2)
One-off transaction costs (excluding capital raising costs)	(0.9)	(1.0)	(3.3)
Capital raising costs ¹	(2.1)	–	–

1 Includes cash payments made to 30 June 2012 and does not take into account £923,000 of accruals in relation to capital raising fees incurred during six months to 30 June 2012.

Ongoing charges¹

	30 June 2012 £million	30 June 2011 £million	31 December 2011 £million
Annualised Ongoing Charges	(9.4) ²	(9.0) ²	(9.1)
Average NAV ³	731.6	546.0	587.1
Ongoing Charges¹	(1.28)%²	(1.65)%²	(1.55)%

1 In accordance with the Association of Investment Companies guidance.

2 Six months to 30 June annualised.

3 Average of the two most recent published NAVs for the relevant period.

In accordance with guidelines published by the Association of Investment Companies in May 2012, the Company now reports 'Ongoing Charges', being the annualised ongoing charges of the Company as a proportion of the average of the last two published NAVs relating to that period. For the six months ended 30 June 2012 the annualised Ongoing Charges were 1.28% (30 June 2011: 1.65%). The reduction of 0.37% was due to an increase in net assets through capital raisings and acquisitions in the period but only a partial period increase in ongoing corporate expenses.

Balance Sheet – Investment basis

In order to provide shareholders with further information regarding NAV, and to assist with enhanced transparency of the Company's capacity for investment and ability to make distributions, additional unaudited financial information is provided to illustrate the Group's financial position and its projected ability to maintain distribution coverage. This analysis compares the components of the NAV to IFRS net assets.

For investment purposes the Company reports its NAV twice a year. The Company's investment NAV is a valuation of the cash that the Company expects to receive in the future from its investments. This NAV takes account of the dates when cash is expected to be received through applying a discount factor to reflect the time value of money. In common with similar investment funds, the Directors believe that this is the most useful measure of the Company's value to investors.

For accounting purposes the Group is required to prepare consolidated Group accounts in accordance with IFRS. There are differences between the investment NAV and the Group's Balance Sheet prepared under IFRS. This note is designed to explain some of these differences.

Unaudited Summary Balance Sheet

	At 30 June 2012			At 31 December 2011		
	NAV basis £million	Adjustments £million	Consolidated IFRS £million	NAV Basis £million	Adjustments £million	Consolidated IFRS £million
Investments at fair value	628.5 ¹	(601.9)	26.6	600.7 ¹	(574.8)	25.9
Financial assets at amortised cost	–	2,298.7	2,298.7	–	2,269.8	2,269.8
Other current and non-current assets	2.0	497.1	499.1	5.4	458.8	464.2
Net cash/(borrowings)	214.0	(2,008.7)	(1,794.7)	22.7	(1,989.9)	(1,967.2)
Other current and non-current liabilities	(5.7)	(478.1)	(483.8) ²	(4.5)	(432.0)	(436.5) ²
Non-controlling interests	–	2.2	2.2	–	(1.7)	(1.7)
Net assets to equity holders of the parent	838.8	(290.7)	548.1	624.3	(269.8)	354.5

1 Investments at fair value on an investment basis reflect investments in the capital, subordinated or senior debt of the underlying projects as represented in the Financial Statements.

2 Includes fair value of interest rate swaps of £294.6 million in 2012 and £279.4 million in 2011.

Investments

Under IFRS, the Group Balance Sheet is prepared to reflect the consolidation of the gross assets and liabilities of underlying project investments, line-by-line, that are controlled by the Group by virtue of it having the power to govern, directly or indirectly, the financial and operating policies of the underlying investment entities. It also includes the Group's share of the assets and liabilities of underlying joint ventures and associate investments by virtue of the Group having either joint control or significant influence over the underlying investments.

Given the Group has control, joint control or significant influence over virtually all of its investments, which is beneficial from an operating and therefore investor cash flow perspective, the impact in the consolidated Group IFRS Balance Sheet is to look-through to the majority of underlying investments' balance sheets as highlighted above. By contrast, the investment NAV reflects the fair market value of the underlying investments from an investor perspective.

Included in the investment NAV are investments at fair value of £628.5 million (31 December 2011: £600.7 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, together with an assessment of the market values for such investments.

Financial assets and liabilities

Under IFRS non-recourse, ring-fenced project level debt is included within the IFRS Consolidated Balance Sheet. However, the Group does not provide guarantees in relation to such debt and would only be exposed in the event of default up to the maximum value of any investment made in an underlying project and therefore this debt is not included in the investment NAV analysis.

Under IFRS the fair value of underlying project level interest rate swaps (i.e. the value if the interest rate swaps had been terminated on 30 June 2012) must also be brought into the Group Balance Sheet at the balance sheet date. This is the case notwithstanding that the Group has no intention of seeking early termination of such interest rate swaps and it would be likely to be contrary to the interests of the Group to seek to do so.

The impact of this IFRS requirement is Shareholders can expect to see period-to-period volatility in the Group Balance Sheet reflecting the difference between point-in-time market interest rates and fixed interest rates under swap agreements held within the underlying portfolio. Whilst these cash flow hedges provide risk mitigation against cash flow volatility and therefore to investor returns and would be expected to unwind over the life of the underlying concessions, this leads to a significant difference between IFRS and the investment NAV basis which the Directors continue to believe gives a more useful view of the Company's net assets.

The Group's interest rate swaps are in place for the duration of the relevant underlying project debt and therefore the Group's intention is to hold these until maturity. However, under IFRS the impact of marking-to-market these interest rates swaps when market rates are historically low has resulted in a reduction in the IFRS Consolidated Balance Sheet in the period ended 30 June 2012 by £15.2 million (before the impact of deferred tax). On a cumulative basis the total interest rate swap 'liability' on a fair value basis of £294.6 million is included in the IFRS consolidated accounts whereas this does not appear in the investment NAV. The Group has no intention to break these swaps and therefore in cash flow terms such liabilities would not be expected to arise, hence they are excluded from the investment NAV.

The fair value of interest rate swaps accounts for the main difference in the net Balance Sheet position between an IFRS consolidated basis and investment NAV basis.

Gearing

The Group has a £100 million three year revolving facility from RBS and NAB which will expire in May 2014. 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 Value³ of its investments and cash balances. During the period the Group repaid the £18.1 million previously drawn under the facility from the proceeds of the capital raising completed in June. At 30 June 2012, the facility was undrawn.

At the asset-level, the Group seeks to secure long-term non-recourse debt matched where possible to the concession life of an asset at the time of acquisition. Such debt is non-recourse to the Company.

On a consolidated IFRS basis no distinction is made in respect of investments that are consolidated between asset level debt that is non-recourse to the Company and Company level debt that is full recourse to the Company. Thus, for IFRS purposes the Group reports net debt of £1,794.7 million at 30 June 2012 (31 December 2011: £1,967.2 million). This decrease in IFRS net debt over the period reflects predominantly the additional cash received from the June 2012 capital raising.

Currently, the weighted average concession life remaining in the portfolio is 23 years, compared to a weighted average debt tenure of 21 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 for investors of future projected cash flows.

Distributions

The continuing performance of the portfolio has allowed the Directors to increase the target distribution for 2012. The target distribution for 2012 has increased c.3% to 6.0 pence per share and as the Company's construction assets become operational the Company will review its ability to make further increases in future periods.

³ Where Gross Asset Value ('GAV') is the value of the Company's portfolio calculated on a fair market basis and including a) borrowings and other liabilities of any member of the Group; b) subscription obligations of any member of the Group; and c) firm commitments in respect of future assets of investments made by any member of the Group, but excluding: a) such part of the proceeds of capital raisings that are not invested or committed to be invested, until such time as those proceeds are invested or committed to be invested; and b) any project debt liability of any Project Entity GAV also referred to on page 6 of the Chairman's Letter and relevant to the calculation of base fees payable to the Investment Advisor.

INVESTMENT ADVISOR'S REPORT CONTINUED

Inflation

In an environment where investors are increasingly focused on achieving real rates of return on their investments, inflation protection is an important consideration for the Company. At 30 June 2012, all assets in the portfolio had a degree of inflation linkage and, in aggregate, approximately 70% of gross revenue was inflation linked. As discussed above, following the acquisition of the Ormonde OFTO investment in July 2012, on a pro forma basis, the proportion of the portfolio cash flows (calculated by NAV) projected to have inflation linkage is expected to increase from c.70% to c.75%.

The Company and Investment Advisor have noted that some peer group investment funds in the infrastructure sector utilise a long-term inflation assumption of 2.75% per annum. Given continued market expectations of inflation at or above this level, we will continue to review whether the Company's long-term inflation assumption should increase. For the time being however, taking into account central bank inflation targets the Company continues to believe that its 2.5% assumption is reasonable. Where actual inflation is higher or lower than this level it will impact on the Company's cash flow in either a positive or negative manner respectively.

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 (assuming all other variables remained static), then using the same discount rate as has been adopted to calculate NAV at 30 June 2012 the Company's NAV would be 119.7 pence per share (a difference of 1%).

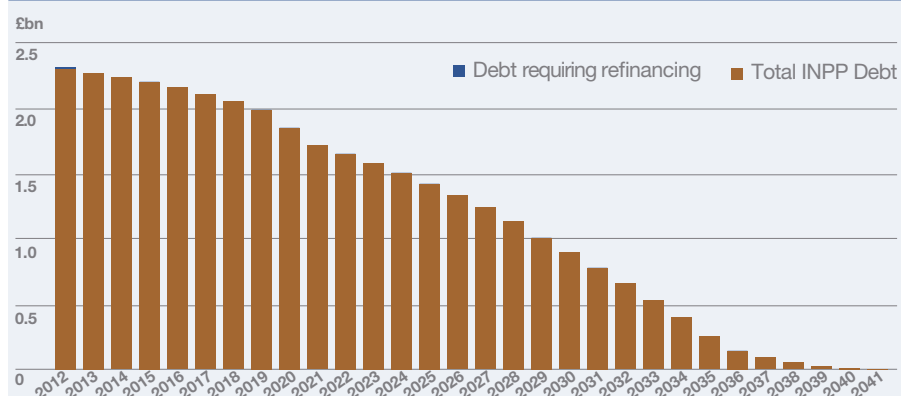
While the Company has no plans to change its inflation assumptions in the short-term, it will continue to monitor trends in the geographies it invests in and may choose to vary its long-term assumptions should market conditions change.

Investment environment and outlook

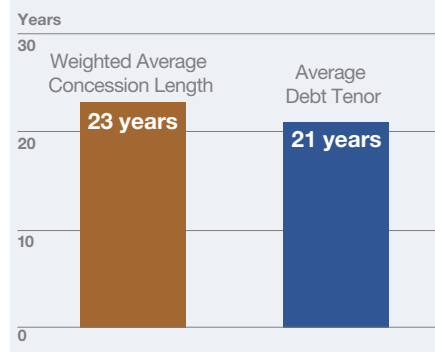
The market for infrastructure, while in early stages of development relative to other sectors, continues to receive increasing levels of interest from investors as they recognise the benefits of the asset class. Specifically the public sector-backed, availability-based, index linked or fixed nature of the revenues in which INPP invests is very attractive to retail and institutional investors alike, as borne out by the success of the Company's recent capital raising.

In addition, the general trend is for governments to be supportive of private sector investment in infrastructure. Notably the UK government has further encouraged private investment into the sector through its recently announced £40 billion guarantee which aims to ensure that strategically important public infrastructure projects can secure financing, despite ongoing difficult conditions in the credit markets. Notwithstanding this initiative, overall we are seeing fewer UK private finance initiative projects being developed due to the UK Government's spending cuts. However, for the Company, any decline in this area is currently being more than made up by current and prospective opportunities in other areas and geographies.

INPP Project-Level Debt Profile



INPP Concession Length vs Project-Level Debt Tenor



Areas of particular focus for the Company currently include:

- continued application in the area of UK offshore transmission where the Company has a strong market leading position including being part of a consortium appointed preferred bidder in a fifth project, expected to reach financial close during the 2013 financial year;
- delivery of additional investments through pre-emptive positioning within the Building Schools for the Future Investment portfolio;
- the wider regulated utility market both in the UK and elsewhere where attractive returns can be projected from assets with low risk profiles;
- social infrastructure projects in Germany, Australia and elsewhere which conform to the existing risk profile within the Company's portfolio;
- opportunities arising in the UK health and social care sphere where an active pipeline of small to medium sized opportunities continue to exist;
- opportunities that arise from repricing of capital in the debt capital markets; and
- proposals from third parties seeking to dispose of assets meeting the Company's investment criteria.

As a result, the Investment Advisor believes there continues to be a strong pipeline of investment opportunities in both operational projects and those requiring construction. Any such investment, whether sourced from the primary or secondary market, is assessed in a very disciplined way and to the extent that an investment is made, it will only be on the basis that it is projected to reinforce the Company's cash flows and projected returns.

Overall, we continue to remain positive about the prospects for the Company, both in terms of the performance of its existing assets and the opportunity to add high quality assets to the portfolio during the remainder of 2012.

Amber Fund Management Limited
29 August 2012

BOARD OF DIRECTORS



Keith Dorrian



Rupert Dorey

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 66, 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.

Rupert Dorey

Aged 52, 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.



Giles Frost

Giles Frost

Aged 49, 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

Carol Goodwin

Aged 68, 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 was also recently 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 and Fellow of the Institute of Directors.



John Whittle

John Whittle

(appointed 6 August 2009) Aged 57, 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.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

By order of the Board



Keith Dorrian
29 August 2012
Director



Rupert Dorey
29 August 2012
Director

INDEPENDENT REVIEW REPORT TO INTERNATIONAL PUBLIC PARTNERSHIPS LIMITED

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the Half-yearly Financial Report for the six months ended 30 June 2012 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Cash Flow Statement and the related notes 1 to 20. We have read the other information contained in the Half-yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' Responsibilities

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

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

Our Responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half-yearly Financial Report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP

Guernsey
29 August 2012

Notes:

- 1 The maintenance and integrity of the International Public Partnerships Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial information since it was initially presented on the web site.
- 2 Legislation in the United Kingdom and Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

SIX MONTHS ENDED 30 JUNE 2012

	Notes	Six months ended 30 June 2012 £'000s	Six months ended 30 June 2011 £'000s
Continuing operations			
Revenue	3,4	143,205	153,064
Cost of sales		(130,784)	(141,505)
Gross profit		12,421	11,559
Investment income		84,985	81,900
Other (losses) and gains		(2,675)	2,300
Share of results from associates		(163)	118
Other operating income	3	2,261	1,648
Total other income		84,408	85,966
Finance costs	3	(60,634)	(72,726)
Operating expenses	3	(15,585)	(11,483)
Administrative expenses	3	(1,203)	(1,206)
Impairment charges	3	–	(754)
Total other expenses		(77,422)	(86,169)
Profit before tax		19,407	11,356
Tax (charge)/credit	5	(1,372)	202
Profit for the period from continuing operations		18,035	11,558
Attributable to:			
Equity holders of the parent		18,505	11,212
Non-controlling interests – share of (losses)/profits ¹		(470)	346
		Pence	Pence
Earnings per share			
From continuing operations			
Basic	7	3.45	2.33
Diluted	7	3.45	2.33

¹ The non-controlling interests share of (loss)/profit relates to the 25% holding in the Diabolo project, the 25% holding in the Alberta Schools project, the 20% holding in the Liverpool Library project and the 5% holding in the Amiens (France) Hospital project that are not held by the Group.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

SIX MONTHS ENDED 30 JUNE 2012

	Six months ended 30 June 2012 £'000s	Six months ended 30 June 2011 £'000s
Profit for the period from continuing operations	18,035	11,558
Other comprehensive income		
Net increase/(decrease) in foreign exchange translation reserves	4,641	(5,464)
Net increase in fair value of available for sale financial assets	827	1,727
Net (increase)/decrease in fair value of hedging derivatives liability	(17,564)	250
Other comprehensive loss for the six months, net of tax	(12,096)	(3,487)
Total comprehensive income	5,939	8,071
Total comprehensive income attributable to:		
Equity holders of the parent	9,630	7,591
Non-controlling interests	(3,691)	480

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

SIX MONTHS ENDED 30 JUNE 2012

	Share capital Ordinary £'000s	Hedging and translation reserves £'000s	Revaluation reserves £'000s	Other distributable reserve £'000s	Retained earnings £'000s	Total £'000s	Non- controlling interests £'000s	Total Equity £'000s
Balance at 31 December 2011	259,763	(158,335)	361	219,360	33,360	354,509	1,717	356,226
Issue of Ordinary Share	202,534	–	–	–	–	202,534	–	202,534
Issue fees applied to new shares	(2,992)	–	–	–	–	(2,992)	–	(2,992)
Distributions in the period	–	–	–	(15,626)	–	(15,626)	–	(15,626)
Distributions to non-controlling interests	–	–	–	–	–	–	(229)	(229)
Profit for the period	–	–	–	–	18,505	18,505	(470)	18,035
Other comprehensive (loss)/income for the six months	–	(9,702)	827	–	–	(8,875)	(3,221)	(12,096)
Balance at 30 June 2012	459,305	(168,037)	1,188	203,734	51,865	548,055	(2,203)	545,852

	Share capital Ordinary £'000s	Hedging and translation reserves £'000s	Revaluation reserves £'000s	Other distributable reserve £'000s	Retained earnings £'000s	Total £'000s	Non- controlling interests £'000s	Total Equity £'000s
Balance at 31 December 2010	198,259	(48,443)	(6,006)	247,235	22,682	413,727	2,704	416,431
Prior period adjustment	–	–	6,006	–	(5,860)	146	–	146
Balance at 31 December 2010 ¹	198,259	(48,443)	–	247,235	16,822	413,873	2,704	416,577
Issue of Ordinary Share	5,936	–	–	–	–	5,936	–	5,936
Distribution in the period	–	–	–	(13,710)	–	(13,710)	–	(13,710)
Distributions to non-controlling interests	–	–	–	–	–	–	(100)	(100)
Profit for the period	–	–	–	–	11,212	11,212	346	11,558
Other comprehensive (loss)/income for the six months	–	(5,305)	1,682	–	–	(3,623)	134	(3,489)
Balance at 30 June 2011	204,195	(53,748)	1,682	233,525	28,034	413,688	3,084	416,772

¹ As per the Annual Report and Financial Statements for the year ended 31 December 2011, certain amounts have been restated and therefore do not correspond to the amounts shown for those items in the Half-yearly Financial Report for the year ended 30 June 2011.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AS AT 30 JUNE 2012

	Notes	30 June 2012 £'000s	31 December 2011 £'000s
Non-current assets			
Intangible assets	11	370,656	331,997
Property, plant and equipment		7,558	7,737
Interests in associates	9	49,453	49,555
Available for sale financial assets		26,635	25,936
Deferred tax asset		29,144	24,617
Financial asset loans and receivables	12	2,248,540	2,229,111
Total non-current assets		2,731,986	2,668,953
Current assets			
Financial asset loans and receivables	12	50,032	40,672
Trade and other receivables		42,334	50,315
Cash and cash equivalents		593,941	419,609
Total current assets		686,307	510,596
Total assets		3,418,293	3,179,549
Current liabilities			
Trade and other payables	13	92,745	63,626
Current tax liabilities		1,072	1,484
Bank loans	14	57,508	42,533
Derivative financial instruments		543	949
Total current liabilities		151,868	108,592
Non-current liabilities			
Bank loans	14	2,331,091	2,344,288
Derivative financial instruments		294,085	278,478
Deferred tax liabilities		81,480	80,491
Long-term provisions	15	13,917	11,474
Total non-current liabilities		2,720,573	2,714,731
Total liabilities		2,872,441	2,823,323
Net assets		545,852	356,226
Equity			
Share capital	16	459,305	259,763
Revaluation reserves		1,188	361
Hedging and translation reserves		(168,037)	(158,335)
Other distributable reserve		203,734	219,360
Retained earnings		51,865	33,360
Equity attributable to equity holders of the parent		548,055	354,509
Non-controlling interests		(2,203)	1,717
Total equity		545,852	356,226

The Half-yearly Financial Report was approved by the Board of Directors on 29 August 2012.

They were signed on its behalf by:



Keith Dorrian
29 August 2012
Chairman



Rupert Dorey
29 August 2012
Director

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

SIX MONTHS ENDED 30 JUNE 2012

	Notes	Six months ended 30 June 2012 £'000s	Six months ended 30 June 2011 £'000s
Net cash from operating activities	17	16,362	(217,306)
Investing Activities			
Interest received		9,217	15,779
Dividends received from associates and investments		1,442	1,032
Acquisition of subsidiaries (net of cash acquired)		–	(1,307)
Investment in debt instruments		(5,992)	(4,400)
Investment in financial and intangible assets ¹		(47,533)	(80,790)
Acquisition of equity in associates		(2,332)	(17,700)
Net cash used in investing activities		(45,198)	(87,386)
Financing Activities			
Proceeds from issue of shares		200,000	2,340
Share issue expenses paid		(2,040)	–
Dividends paid		(13,092)	(10,117)
Net proceeds of borrowings		7,352	160,848
Loan issue costs paid		–	(1,000)
Net cash provided by financing activities		192,220	152,071
Net increase/(decrease) in cash and cash equivalents		163,384	(152,621)
Cash and cash equivalents at beginning of period		419,609	629,866
Exchange gains/(losses)		10,948	(1,636)
Cash and cash equivalents at end of period		593,941	475,609

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 £593.9 million at 30 June 2012 (£475.6 million at 30 June 2011) includes £380.7 million held by non-recourse PFI project entities (£437.1 million at 30 June 2011).

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS (UNAUDITED)

SIX MONTHS ENDED 30 JUNE 2012

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 the inside back cover. The nature of the Group's operations and its principal activities are set out in the Investment Advisor's Report on pages 10 to 19.

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 and all values are rounded to the nearest (£'000), except when otherwise indicated.

The financial information for the year ended 31 December 2011 is derived from the financial statements delivered to the UK Listing Authority. The financial information for the year ended 31 December 2011 included in this Half-yearly Financial Report does not constitute statutory accounts as defined in The Companies (Guernsey) Law, 2008. The Auditors reported on those accounts, their report was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under section 263 (2) and (3) of The Companies (Guernsey) Law, 2008.

2. Accounting policies

The annual financial statements of International Public Partnerships Limited are prepared in accordance with IFRS as adopted by the European Union. The set of condensed financial statements included in this Half-yearly Financial Report has been prepared in accordance with the International Accounting Standards 34 – 'Interim Financial Reporting' as adopted by the European Union and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2011, as they provide an update of previously reported information.

The same accounting policies, presentation and methods of computation are followed in this set of condensed financial statements as applied in the Group's latest annual audited financial statements for the year ended 31 December 2011. The new and revised IFRS and interpretations becoming effective in the period have had no impact on the accounting policies of the Group. Where necessary, comparative information has been reclassified or expanded from the previously reported half-year financial statements to take into account any presentational changes made in the financial statements for the year ended 31 December 2011. The half-yearly financial statements do not constitute statutory accounts. The statutory accounts for the year to 31 December 2011, prepared under IFRS have been filed with the Financial Services Authority, on which the Auditors issue a report, which was unqualified.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. All accounting policies used in the preparation of the half-yearly financial statements are consistent with those stated in the financial statements for the year ended 31 December 2011.

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

In arriving at their conclusion that the Group has adequate financial resources, the Directors were mindful that the Group had unrestricted cash of £213.2 million as at 30 June 2012, banking facilities of £100 million (available for investment in new or existing projects) which are committed until May 2014 and forecasts indicate continuing in full compliance with the associated banking covenants.

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS (UNAUDITED)

SIX MONTHS ENDED 30 JUNE 2012

3. Profit before tax

Revenues

Revenue of £143.2 million (2011: £153.1 million) and cost of sales of £130.8 million (2011: £141.5 million) have both decreased during the period as a result of a number of projects finishing construction in the period including Royal Childrens' Hospital in Australia and Diabolo Rail Project in Belgium. Availability and facilities maintenance fees have increased during the period due to a combination of new investments and increased number of operational investments.

Revenue consists of:

	Six months ended 30 June 2012 £'000s	Six months ended 30 June 2011 £'000s
Construction services	76,262	116,606
Availability and facilities maintenance fees	64,164	34,245
Non-core facility recharges	2,779	2,213
Total revenue	143,205	153,064

Other gains and losses of £2.7 million (2011 gain: £2.3 million) includes £1.5 million of unrealised foreign exchange losses (2011: £1.9 million gain) and £1.0 million of realised foreign exchange losses (2011: £1.2 million).

Other operating income of £2.3 million (2011: £1.6 million) includes a £1.2 million distribution from non-consolidated affiliates.

Expenses

	Six months ended 30 June 2012 £'000s	Six months ended 30 June 2011 £'000s
Asset management fees	7,233	5,965
Amortisation of intangible assets	4,063	4,094
Other operating expenses	4,289	1,424
Operating expenses	15,585	11,483

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

Other operating expenses, including insurance and decommissioning costs have increased during the period principally due to new investments.

	Six months ended 30 June 2012 £'000s	Six months ended 30 June 2011 £'000s
Audit, taxation & accounting	446	250
Legal fees	246	579
Bank service charges	236	102
Other	275	275
Administrative expenses	1,203	1,206
Total finance costs	60,634	72,726

4. Segment reporting

Operating segment analysis is based on the same principles as the 31 December 2011 annual financial statements.

	Six months ended 30 June 2012				
	UK £'000s	Europe Non-UK £'000s	Australia £'000s	North America ¹ £'000s	Total £'000s
Revenues from external customers	28,655	69,384	41,317	3,849	143,205
Investment income	26,367	5,702	41,479	11,437	84,985
Finance costs	(19,650)	(7,608)	(23,708)	(9,668)	(60,634)
Net finance income/(expense)	6,717	(1,906)	17,771	1,769	24,351
Depreciation	(173)	(1)	–	–	(174)
Amortisation	(2,028)	(1,156)	(764)	(115)	(4,063)
Loss from associates	(9)	(50)	(104)	–	(163)
Taxation credit/(charge)	3,540	1,626	(5,982)	(556)	(1,372)
Reportable segment profit/(loss)	10,467	(2,252)	9,193	627	18,035
At 30 June 2012					
Assets					
Non-current	822,329	489,298	1,071,264	349,095	2,731,986
Current	323,746	68,540	269,637	24,384	686,307
Total	1,146,075	557,838	1,340,901	373,479	3,418,293
Liabilities					
Non-current	(704,845)	(457,931)	(1,208,299)	(349,498)	(2,720,573)
Current	(59,159)	(49,811)	(33,756)	(9,142)	(151,868)
Total	(764,004)	(507,742)	(1,242,055)	(358,640)	(2,872,441)
Interests in associates	9,813	25,001	14,639	–	49,453
Six months ended 30 June 2011					
	UK £'000s	Europe Non-UK £'000s	Australia £'000s	North America ¹ £'000s	Total £'000s
Revenues from external customers	25,024	38,377	86,056	3,607	153,064
Investment income	22,622	5,304	42,061	11,913	81,900
Finance costs	(14,636)	(7,533)	(40,773)	(9,784)	(72,726)
Net finance income/(expense)	7,986	(2,229)	1,288	2,129	9,174
Depreciation	(207)	(1)	–	–	(208)
Amortisation	(2,343)	(1,069)	(679)	(3)	(4,094)
Impairment charges	(296)	–	(458)	–	(754)
Income from associates	295	(506)	329	–	118
Taxation credit/(charge)	1,302	476	(858)	(718)	202
Reportable segment profit	8,391	613	766	1,788	11,558
At 31 December 2011					
	UK £'000s	Europe Non-UK £'000s	Australia £'000s	North America ¹ £'000s	Total £'000s
Assets					
Non-current	817,753	410,062	1,085,816	355,322	2,668,953
Current	137,484	38,513	316,134	18,465	510,596
Total	955,237	448,575	1,401,950	373,787	3,179,549
Liabilities					
Non-current	(699,119)	(430,020)	(1,229,578)	(356,014)	(2,714,731)
Current	(43,792)	(7,490)	(48,962)	(8,348)	(108,592)
Total	(742,911)	(437,510)	(1,278,540)	(364,362)	(2,823,323)
Interests in associates	7,481	26,848	15,226	–	49,555

¹ North America segment relates entirely to projects in Canada.

The revenue information above is based on the location of the concession.

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS (UNAUDITED)

SIX MONTHS ENDED 30 JUNE 2012

5. Tax

Income tax for the six month period includes a current tax charge of £1.1 million (June 2011: £0.4 million) and a deferred tax charge of £0.3 million (June 2011: £0.6 million credit). Tax is calculated at 24.5% (June 2011: 26.5%) for the UK operating subsidiaries representing the best estimate of the average annual effective income tax rate expected for the full year, applied to the pre-tax income of the six month period.

The headline UK corporate tax rate has been reduced from 26% to 24% effective from 1 April 2012, and from 24% to 23% effective 1 April 2013.

The reduction in the UK corporate tax rate to 24% has resulted in a current period deferred tax credit of £3.0 million to the Profit and Loss Account and a deferred tax debit of £1.1 million to equity.

If the further reduction from 24% to 23% had been substantively enacted at 30 June 2012, the impact upon the current period would have been a further deferred tax credit of £3.0 million to the Profit and Loss account and a deferred tax charge of £1.1 million to other comprehensive income.

The Group's effective rate of tax is impacted by non-assessable income consistent with previous periods.

6. Distributions

The Board has approved an interim distribution for the period 1 January 2012 to 30 June 2012 of 3.00 pence per share.

A summary of the distributions are as follows:

Period	No of Ordinary Shares	Amount per share	Record Date	Payment Date
Incorporation to 30 June 2007	300,000,000	3.35 pence per share	28 Sept '07	26 Oct '07
1 July to 31 December 2007	300,000,000	2.62 pence per share	14 Mar '08	2 May '08
1 January to 30 June 2008	374,714,645	2.70 pence per share	5 Sept '08	3 Oct '08
1 July to 31 December 2008	374,714,645	2.70 pence per share	27 Mar '09	13 May '09
1 January to 30 June 2009	374,714,645	2.77 pence per share	11 Sept '09	9 Oct '09
1 July to 31 December 2009	453,209,953 ¹	2.77 pence per share	19 Mar '10	6 May '10
1 January to 30 June 2010	457,418,171	2.85 pence per share	3 Sept '10	15 Oct '10
1 July to 31 December 2010	481,040,303	2.85 pence per share	18 Mar '11	6 May '11
1 January to 30 June 2011 ¹	484,284,470	2.92 pence per share	16 Sept '11	28 Oct '11
1 July to 31 December 2011	534,234,191	2.92 pence per share	27 Apr '12	15 June '12
1 January to 30 June 2012 ²	708,426,370	3.00 pence per share	14 Sept '12	19 Oct '12

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

² This distribution was approved by the Board of Directors on 29 August 2012 and has not been included as liabilities in the Condensed Statement of Financial Position at 30 June 2012.

7. Earnings per share

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

Earnings

	Six months ended 30 June 2012 £'000s	Six months ended 30 June 2011 £'000s
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	18,505	11,212

	Number	Number
Number of shares		
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	536,301,903	481,882,453
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	536,301,903	481,882,453

The weighted average number of shares is based on the period from 1 January 2012 to 30 June 2012 and 1 January 2011 to 30 June 2011 for the comparatives.

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

	Six months ended 30 June 2012 pence/share	Six months ended 30 June 2011 pence/share
Basic	3.45	2.33
Diluted	3.45	2.33

8. Acquisition of subsidiaries

There have been no acquisitions of subsidiaries during the period.

9. Interests in associates

On 30 June 2012, the Group acquired an additional 36% of the issued A share capital and issued subordinated debt in Inspiredspaces Tameside (Holdings 1) Limited and Inspiredspaces Tameside (Holdings 2) Limited for consideration of £2.33 million and £4.42 million respectively. The Group held 10% of the issued share capital of these entities before this acquisition. These additions were offset by losses incurred by associates that were recognised in the income statement and in equity.

10. Interest in joint ventures

There have been no additional joint ventures entered into during the period.

11. Intangible assets

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

12. Financial assets

There has been an increase in the total loans and receivables financial assets balance from £2,270 million at 31 December 2011 to £2,299 million at 30 June 2012 principally due to construction activity during the period.

13. Trade and other payables

There has been an increase in the trade and other payables balance from £63.6 million at 31 December 2011 to £92.7 million at 30 June 2012 principally due to construction costs accrued and retention amounts held in respect of the Diabolo project.

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SIX MONTHS ENDED 30 JUNE 2012

14. 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 April 2011, the Company renewed the £100 million corporate debt facility with the existing providers. On 28 June 2012, the Company repaid the outstanding balance of £18.1 million on the corporate debt facility. The amount undrawn at 30 June 2012 was £100 million representing 100% of the facility. The interest rate margin on the corporate facility is 225 basis points over Libor. The loan facility matures on 8 May 2014 and is secured over all of the assets of the Company.

Current bank loans of £57.5 million (December 2011: £42.5 million) and non-current bank loans of £2,331.1 million (December 2011: £2,344.3 million) relate to non-recourse PFI concession loans. The net increase during the period is due to increased borrowings associated with new investments and assets in construction, significantly offset by principal repayments within operational PFI concessions and full repayment of the drawn portion of the revolving corporate debt facility.

15. Provisions

Non-current provisions of £13.9 million (December 2011: £11.5 million) represents an expected claim for additional construction costs on a PFI concession of £2.2 million (December 2011: £nil) and decommissioning costs associated with the three offshore transmission projects of £11.7 million (December 2011: £11.5 million). The Group is committed to decommissioning the offshore electricity transmission platforms and certain transmission cables at the end of the relevant regulated revenue generating periods, subject to any re-powering of the relevant associated wind farm to which the transmission assets relate.

16. Share Capital

The total number of Ordinary Shares in issue at 30 June 2012 was 708,426,370 the movement during the period is detailed below:

	Date	Number of Ordinary Shares
Opening balance of shares	31 Dec 2011	534,234,191
Number of shares issued under the Scrip dividend alternative	15 June 2012	2,149,168
Number of shares issued under the Open Offer for Subscription	28 June 2012	172,043,011
Closing balance of shares	30 June 2012	708,426,370

17. Notes to the cash flow statement

	Six months ended 30 June 2012 £'000s	Six months ended 30 June 2011 £'000s
Profit for the period after taxation	18,035	11,558
Adjusted for:		
Investment revenue recognised in profit and loss	(14,170)	(17,894)
Share of loss/(profit) of associates	163	(118)
Interest on bank loans (finance costs)	60,634	72,726
Depreciation of plant property and equipment	174	208
Amortisation of intangible assets	4,063	4,094
Income tax charge/(credit) recognised in profit & loss	1,372	(202)
Other gains	1,649	404
Impairment of financial assets	–	754
Operating cash flows before movements in working capital	71,920	71,530
Increase in receivables	(8,304)	(209,152)
Decrease/(increase) in payables	7,500	(708)
Cash generated/(utilised) by operations	71,116	(138,330)
Interest paid	(53,346)	(75,873)
Income tax paid	(1,408)	(3,103)
Net cash inflow/(outflow) from operating activities	16,362	(217,306)

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

18. Contingent liabilities

The Group has commitment to provide ongoing working capital facilities to certain underlying BSFI investment entities. The total undrawn amount of these facilities as at 30 June 2012 was £0.9 million.

The Group is considering a recent claim made in relation to construction costs on a PFI concession. The claim is in very initial stages and in total amounts to €10 million. Based on legal advice on the merits of the claim, the Group has conservatively provided for €2.7 million (£2.2 million). The Group has not provided for recovery of these amounts but expects the majority of a successful claim to be met by cash within the project or passed through to subcontractors.

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

19. Related party transactions

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

Under the Investment Advisory Agreement ('IAA'), 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 related parties in Balance Sheet ¹		Amounts owing to related parties in Balance Sheet ²	
	For the six months ended 30 June 2012 £'000s	For the period ended 30 June 2011 £'000s	30 June 2012 £'000s	31 December 2011 £'000s	30 June 2012 £'000s	31 December 2011 £'000s
Amber Fund Management Ltd (a)	444	96	—	—	101	—
International Public Partnerships GP Limited (b)	4,094	3,569	—	—	4,094	3,976
Amber Asset Management Limited (c)	1,226	985	42	48	713	774
Amber Australia Pty Ltd (d)	1,083	891	—	1,591	316	311
Amber GmbH (e)	124	119	—	—	124	—
ANALLC (f)	262	305	—	—	185	—
Amber Infrastructure Ltd (g)	—	—	—	7,148	—	—
Total	7,233	5,965	42	8,787	5,533	5,061

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

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

a) 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 period ended 30 June 2012 was £444,000 (June 2011: £96,000) 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 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% 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.

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS (UNAUDITED)

SIX MONTHS ENDED 30 JUNE 2012

19. Related party transactions continued

During the period, the Company and the Investment Advisor agreed that from 30 June 2012, the Base Fee payable to the investment Advisor would reduce to 1% per annum in respect of the Gross Asset Value of the Company's operational projects that exceeds £750 million (calculated in accordance with the principles detailed in the Investment Advisors report and being those projects that have fully completed their construction stages and have been certified as being fully operational by the relevant counterparty and senior lender).

For Gross Asset Values less than £750 million and for non-operational projects the Base Fee payable to the Investment Advisor will remain unchanged at 1.2% per annum. There will be no change to the Incentive Fee arrangements to the Investment Advisors.

Provisions in relation to the termination of the Investment Advisory Agreement and Operating Agreement remain unchanged in the period.

- 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 30 June 2012 AIL still held these shares and received dividends in respect of these.
- 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) Amber North America LLC ('ANALLC') 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 asset management agreements in place with the underlying PFI concession companies of the Group to provide asset management services.
- g) Amber Infrastructure Limited 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.
- h) During the period, dividends of £0.2 million (2011: £0.8 million) were received from associates and a further £8.7 million was invested in associates during the period (2011: £9.5 million).

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

19. Related party transactions continued

Transactions with Directors

The following Directors or connected parties have purchased shares from the Company following the capital raising of New Ordinary Shares or through the allotment of New Ordinary Shares in conjunction with the script dividend. These were acquired in June 2012.

Director	Number of New Ordinary Shares	Total Number of Ordinary Shares as at 30 June 2012
Keith Dorrian	7,262	51,467
Carol Goodwin	10,000	43,983
Rupert Dorey ¹	100,000	593,687
Giles Frost	25,000	298,745
John Whittle	865	35,740
Total purchased	142,262	1,022,757

¹ Shares owned by Mr Dorey's spouse.

20. Events after the balance sheet date

On 10 July 2012, the Company announced that Transmission Capital Partners, the consortium comprising Amber Infrastructure Group Holdings Limited, Transmission Capital and the Company achieved financial close on the fourth offshore transmission project. The project relates to the transmission cable connection to the offshore wind farm at Ormonde, located in the Irish Sea, approximately 10km west from Walney Island, on the Cumbrian coastline. The cost of this asset acquisition at financial close was £115.1 million.

On 3 August 2012, the Company made an investment in the Rochdale BSF project which will deliver two new PFI schools, each catering for 1,200 pupils. The cost of this investment at financial close was £0.4 million.

On 30 June 2012, the Group agreed to acquire additional interests in eight Building Schools for the Future ('BSF') education projects from Carillion Private Finance Limited subject to certain conditions being fulfilled before 30 September 2012. These acquisitions will be recorded once the conditions are satisfied.

The Group expects to invest £23.50 million on full completion of the acquisitions and will hold the majority interest in BSF school projects in Wolverhampton, Nottingham, Rochdale, Durham and South Tyneside and Gateshead.

DIRECTORS AND ADVISORS

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Keith Dorrian

Independent Non-Executive Chairman

Rupert Dorey

Independent Non-Executive Director

Giles Frost

Non-Executive Director

Carol Goodwin

Independent Non-Executive Director

John Whittle

Independent Non-Executive Director

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