Annual Report 2018

Low-risk investment — Long-term returns

BBGI INVESTING IN GLOBAL INFRASTRUCTURE

www.bb-gi.com

About BBGI

BBGI (the 'Company', and together with its subsidiaries, the 'Group') is a global infrastructure investment company helping to provide the responsible capital required to build and maintain the developed world's transport and social infrastructure.

These are the infrastructure assets that citizens rely on every day to keep local economies moving, and as a long-term custodian, we partner with the public sector to help deliver and manage them.

In doing so, we follow a low-risk, globally diversified and internally managed investment strategy to deliver long-term and predictable shareholder returns.

Front cover:
William R. Bennett Bridge, Canada

Inside cover:
North Commuter Parkway, Canada

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IBC Board Members, Agents & Advisers

Why Invest in BBGI

BBGI provides access to a diversified portfolio of infrastructure investments that generates long-term, predictable income. The healthy demand for responsible private sector finance for public infrastructure is underpinned by the widening infrastructure spending gap in the developed countries where BBGI invests.

In return for long-term investment into essential infrastructure assets such as roads, bridges, schools, healthcare and justice facilities using the public-private partnership ('PPP') or similar style models, BBGI receives stable, predictable cash flows over the life of the contracts with governments or government-backed counterparties which secure these investments.

The predictability of these governments or government-backed revenues allows BBGI to return to investors a stable and progressive income stream in the form of a semi-annual dividend. By applying value-driven active asset management, prudent financial management, and a selective acquisition approach, BBGI pursues a low-risk, globally diversified and internally managed investment strategy.

1 Low-risk[1]

A pure-play PPP-style investment platform, fully committed to a strict investment strategy into availability-based assets with a focus on investing principally in lower risk roads and bridges. This generates stable, predictable cash flows backed by secure, highly visible contracted public sector revenues that carry no exposure to demand or regulatory risk assets[2]. This is the Management Board's area of expertise, avoiding style drift by maintaining a disciplined approach to this strategy.

2 Globally diversified

The investment strategy is deployed in stable, well-established developed markets where governments and local authorities maintain support for availability-based models to finance public infrastructure. This provides focused exposure to highly-rated investment grade countries, across the UK, North America, Australia and Continental Europe.

3 Internally managed

An in-house management team that is focused on delivering shareholder value, incentivised by shareholder returns and growth in Net Asset Value ('NAV') per share. This means that no NAV-based management or acquisition fees are charged and the internal management team's interests are fully aligned with those of the shareholders, resulting in full pricing discipline. As a result, the Company consistently maintains the lowest comparative ongoing charges for its shareholders.[3]

1 References to "low-risk" throughout this Annual Report are made in comparison to other equity infrastructure asset classes.
2 References to regulatory risk assets throughout this report means assets which are subject to regulator or regulatory pricing reviews.
3 In comparison to the latest publicly available information for all LSE-listed equity infrastructure companies.

Cautionary Statement

Certain sections of this Annual Report, including the Chairman's Statement and the Strategic Report of the Management Board have been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. This additional information should not be relied on by any other party or for any other purpose.

These sections 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', 'forecasts', 'projects', 'expects', 'intends', 'may', 'will' or 'should' or, in each case, their negative or other variations or comparable terminology.

These forward-looking statements include 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 Management and Supervisory Boards 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 Management and Supervisory Boards 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.

In addition, these sections may include target figures and guidance for future financial periods. Any such figures are targets only and are not forecasts.

This report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters that are significant to BBGI SICAV S.A. and its subsidiaries when viewed as a whole.

Year in Numbers

Financial highlights

Investment Basis NAV

up 24.4% as at 31 December 2018 (2017: £622.5 million)[4]

£774.5m

NAV per Share

up 2.8% as at 31 December 2018 (2017: 129.9pps[5])

133.5pps

Total Shareholder Return ('TSR')

since IPO[6]

111.4%

Annualised Total Shareholder Return

since IPO[7]

11.2%

2018 Dividend Distribution per Share

up 3.8% as at 31 December 2018

6.75pps

2019 Target Minimum Dividend

7.00pps

Cash Dividend Cover[8]

(2017: 1.5x)

1.5x

Ongoing Charges[9]

(2017: 0.99%)

0.93%

4 Please refer to page 43 for further detail on Investment-Basis NAV.
5 'Pence per share'.
6 The TSR combines share price appreciation and dividends paid since IPO in December 2011 to show the total return to the shareholder expressed as a percentage. Based on share price at 31 December 2018 and after adding back dividends paid or declared since listing.
7 On a compound annual growth rate basis. This represents the steady state annual growth rate based on share price at 31 December 2018 and after adding back dividends paid or declared since listing.
8 Calculated as: (Distributions received from investments at fair value through profit or loss less net cash flows from operating activities)/(Cash Dividends paid). Please refer to page 43 for further details.
9 Please refer to page 41 for the definition of the Ongoing Charges percentage.

Portfolio highlights

— 48 high-quality, availability-based PPP infrastructure assets with portfolio performance and cash receipts ahead of business plan contributing to the increase in the 2018 dividend.

— Value enhancements achieved through accretive management resulting in 1.9 per cent increase in NAV.

— Further de-risking of assets including the opening of North Commuter Parkway and Stanton Territorial Hospital in Canada, which moved from construction to ramp-up phase.

— Refinanced and de-risked Northern Territory Secure Facilities ('NTSF') in Australia with longer-term financing.

— Equity capital of £128 million raised through two new ordinary share issues in April and September 2018.

— New four-year revolving credit facility of £180 million came into effect in January 2019, with access to a further accordion tranche of £70 million.

— At 31 December 2018, the Group had, on an Investment Basis, a net debt position of £3.9 million consisting of a total cash balance of £11.4 million and total borrowings outstanding of £15.3 million.

— Selective acquisition strategy has resulted in investments in eight PPP assets during 2018 with a total value of £90.5 million (31 December 2017: £93.3 million).

— Attractive global pipeline of availability-based assets in highly rated investment grade countries including a North American strategic investment partnership which provides additional investment opportunities in availability-based PPP assets via right of first offer.

— Signatory to the United Nations Responsible Investment Principles ('UNPRI') and commitment as a long-term investor in public infrastructure assets with strong relationships with all significant stakeholders.

Portfolio at a Glance

The fundamentals

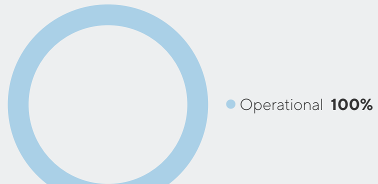
Based on portfolio value at 31 December 2018.

Investment type

100% availability-based PPP revenue stream with no exposure to demand or regulatory risk assets.

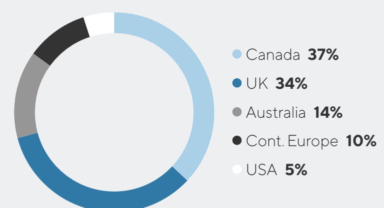
Investment status

Low risk 100% operational portfolio (by value).



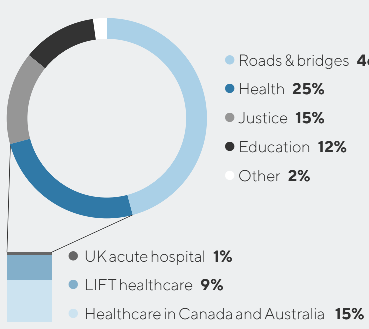
Geographical split

Geographically diversified in stable, developed countries.



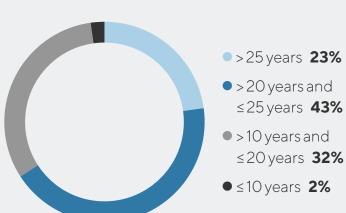
Sector split

Well-diversified sector exposure with large allocation to lower risk availability-based roads & bridges (includes one rail project in Canada), and limited UK acute health exposure.



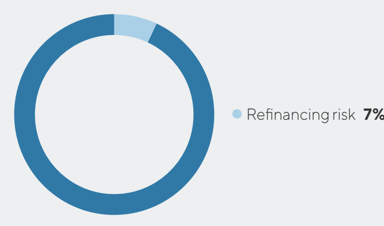
Investment life

Long investment life with 66% of portfolio by value with a duration >20 years; average life of 21.3 years.



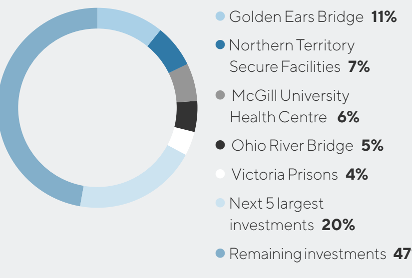
Refinancing risk

NTSF is the only remaining asset in the portfolio with refinancing risk.



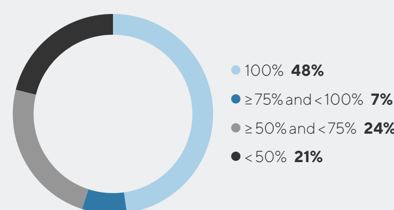
Top 5 investments

Well-diversified portfolio with no major single asset exposure.



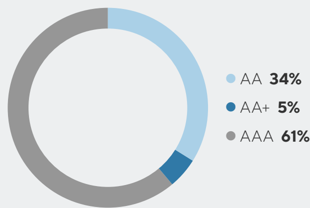
Investment ownership

79% of assets in the portfolio 50% owned or more.



Country rating

All assets located in countries with ratings between AA and AAA.



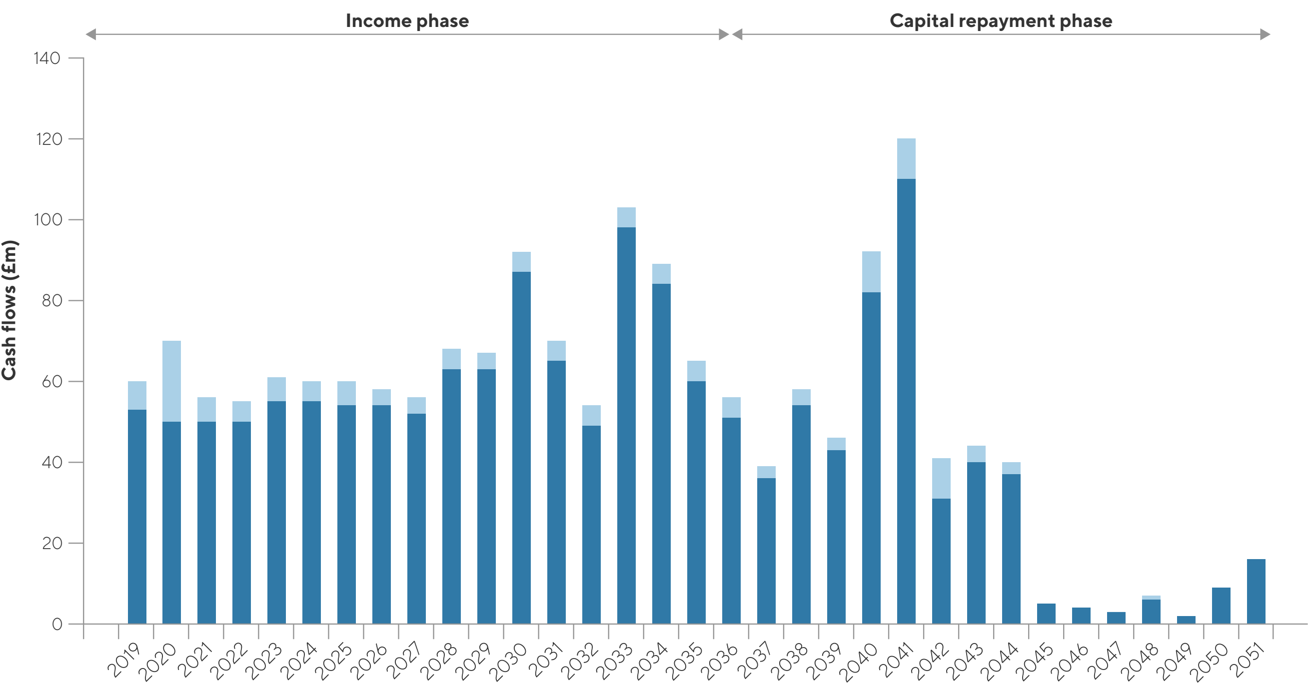
The chart below based on the portfolio at 31 December 2018 illustrates a steady stream of portfolio cash flows deriving from the underlying assets until 2051[10]. The cash flows are stable and long-term with their predictability enhanced by government or government-backed counterparties and the contracted nature of the cash flows. The index-linked provisions provide a positive inflation correlation.

Typically, new investments contribute to both the cash flows and the weighted average length of the portfolio. Based on current estimates, the existing portfolio is forecast to enter into the repayment phase in 2036 whereby cash inflows from the portfolio will be paid to BBGI's shareholders as capital and the portfolio valuation will reduce as assets reach the end of their concession term.

As at 31 December 2018, BBGI has a weighted average portfolio life of 21.3 years, a decrease of 0.5 years compared with 31 December 2017.

Projected portfolio cash flow

Stable, predictable, inflation-linked returns.

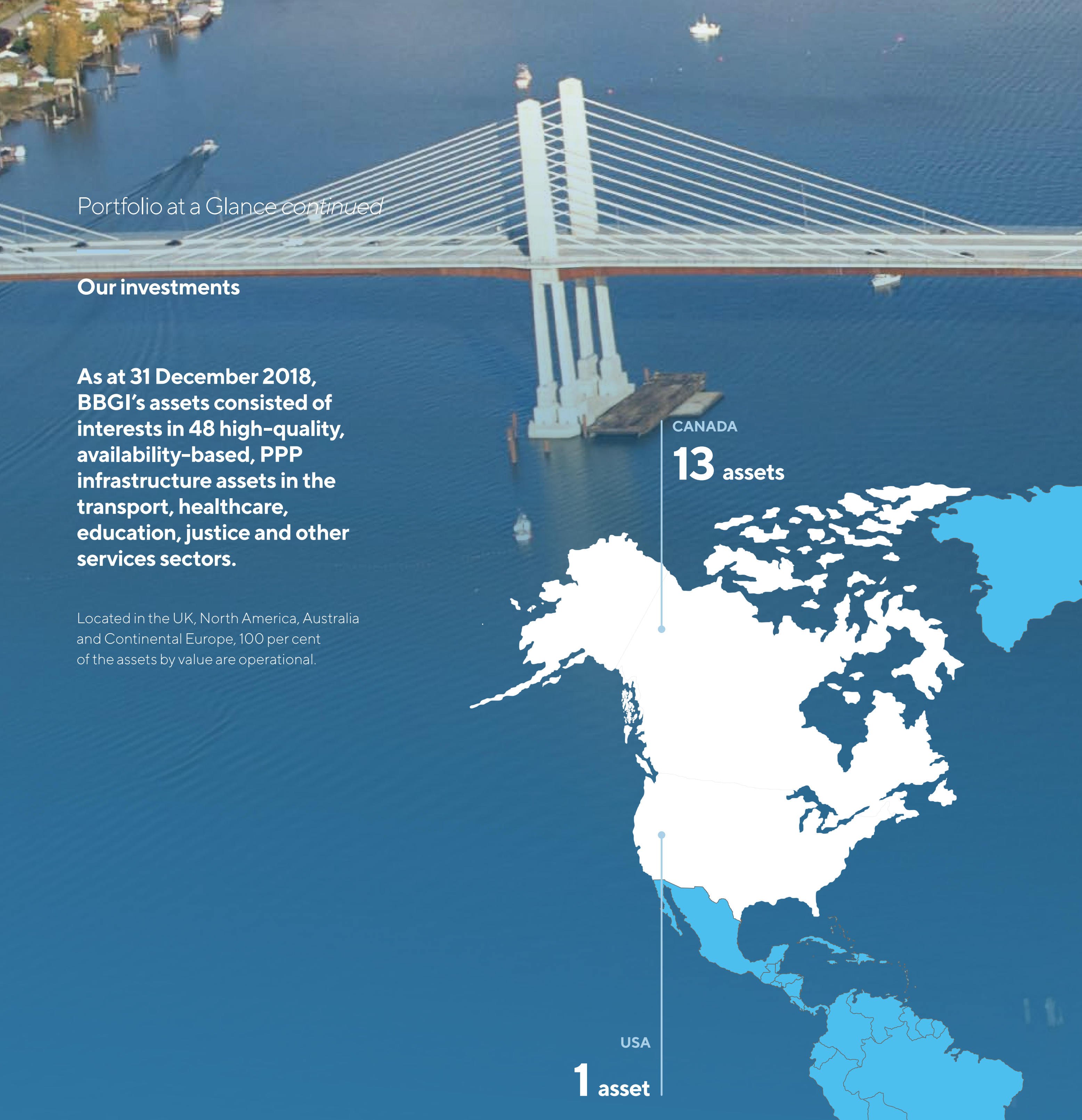


10 This illustrative chart is a target only, as at 31 December 2018, and is not a profit forecast. There can be no assurance that this target will be met. The hypothetical target cash flows do not take into account any unforeseen costs, expenses or other factors which may affect the portfolio assets and therefore the impact on the cash flows to the Company. As such, the graph above should not in any way be construed as forecasting the actual cash flows from the portfolio. The inclusion of this graph should not be construed as forecasting in any way the actual returns from the portfolio.

Our investments

As at 31 December 2018, BBGI's assets consisted of interests in 48 high-quality, availability-based, PPP infrastructure assets in the transport, healthcare, education, justice and other services sectors.

Located in the UK, North America, Australia and Continental Europe, 100 per cent of the assets by value are operational.



Golden Ears Bridge, Canada

Chairman's Statement

Dear Shareholders,

It is a pleasure to address you for the first time as BBGI's new Chairman.

2018 has been another successful year for our Company and I am pleased to report that the Management Board has delivered a strong set of financial results with long-term, predictable returns to you, our shareholders.

The Management Board continued to follow a strict investment strategy into low-risk, availability-based assets, where our selective acquisition strategy secured both new and follow-on interests in eight assets. This now brings our portfolio to a total of 48 assets with a NAV of £774.5 million.

Long-term shareholder returns

Our portfolio continued to benefit from regular, contracted payments which are largely uncorrelated to general market or economic factors and are received from government or government-backed entities that procure the assets in which we invest. These sustainable cash flows remained well-supported by prudent financial management and helped us to achieve our target full-year dividend of 6.75pps for 2018, representing a 3.8 per cent increase on the prior year.

Since our IPO in 2011, we have achieved a Total Shareholder Return of 111.4 per cent, or 11.2 per cent on an annualised basis. This gives the Company the confidence to maintain a proven, progressive dividend policy by reaffirming our target dividend for 2019 of 7.00pps.

Robust portfolio performance

The Management Board's value-driven active asset management of the entire portfolio was proven by the Company's assets generating cash receipts ahead of business plan. Notwithstanding the heightened pressure on some procuring authorities – particularly in the UK – to use deductions as a mechanism to recover capital through the penalty regime, our dedication to active asset management of the Company's portfolio and the emphasis we place on maintaining positive client relationships, ensured that we maintained a very high level of asset availability, at around 99.7 per cent. The portfolio's assets recorded no material lock-ups or events of defaults and deductions over the period were either borne by third-party facility managers and road operators, or as part of planned lifecycle budgets.

Over the period, we achieved £11.8 million of operational and value accretive enhancements, contributing a 1.9 per cent increase in the Company's NAV. This included de-risking several assets under construction and those which have recently entered operations. Please refer to page 19 for more information. Construction de-risking has resulted in significant organic NAV growth of approximately 5.2 per cent since listing.

A priority for the Management Board's risk management framework is monitoring supply chain exposure very closely, of which more can be found on page 20. We continue to have diversified partnerships with subcontractors spread across internationally developed markets and have had no exposure to Carillion plc.

Prudent financial management

Irrespective of unfavourable market sentiment towards the wider infrastructure sector in the first half of 2018, investor confidence in the Company's investment case was further demonstrated by our successful equity issue of £60.8 million in April 2018 followed by a further £67.2 million equity issue in September 2018, both of which were significantly oversubscribed. We remain grateful for the support from both existing and new shareholders.

For the Management Board to execute efficiently on pipeline acquisitions and avoid holding unutilised cash on the Company's balance sheet, the Company has a tried and tested method of drawing on our revolving credit facility (RCF) to finance new acquisitions. To support our strong pipeline, the Company's RCF was enhanced to £180 million secured for the next four years, with an additional £70 million incremental accordion tranche.

Managing foreign exchange (FX) risk continued to be a core component of the Management Board's prudent approach to financial management. To help reduce and mitigate FX risk, the Management Board put in place a revised hedging strategy designed to limit NAV sensitivity to FX to 3 per cent for an adverse 10 per cent FX movement.

Increase in NAV per share

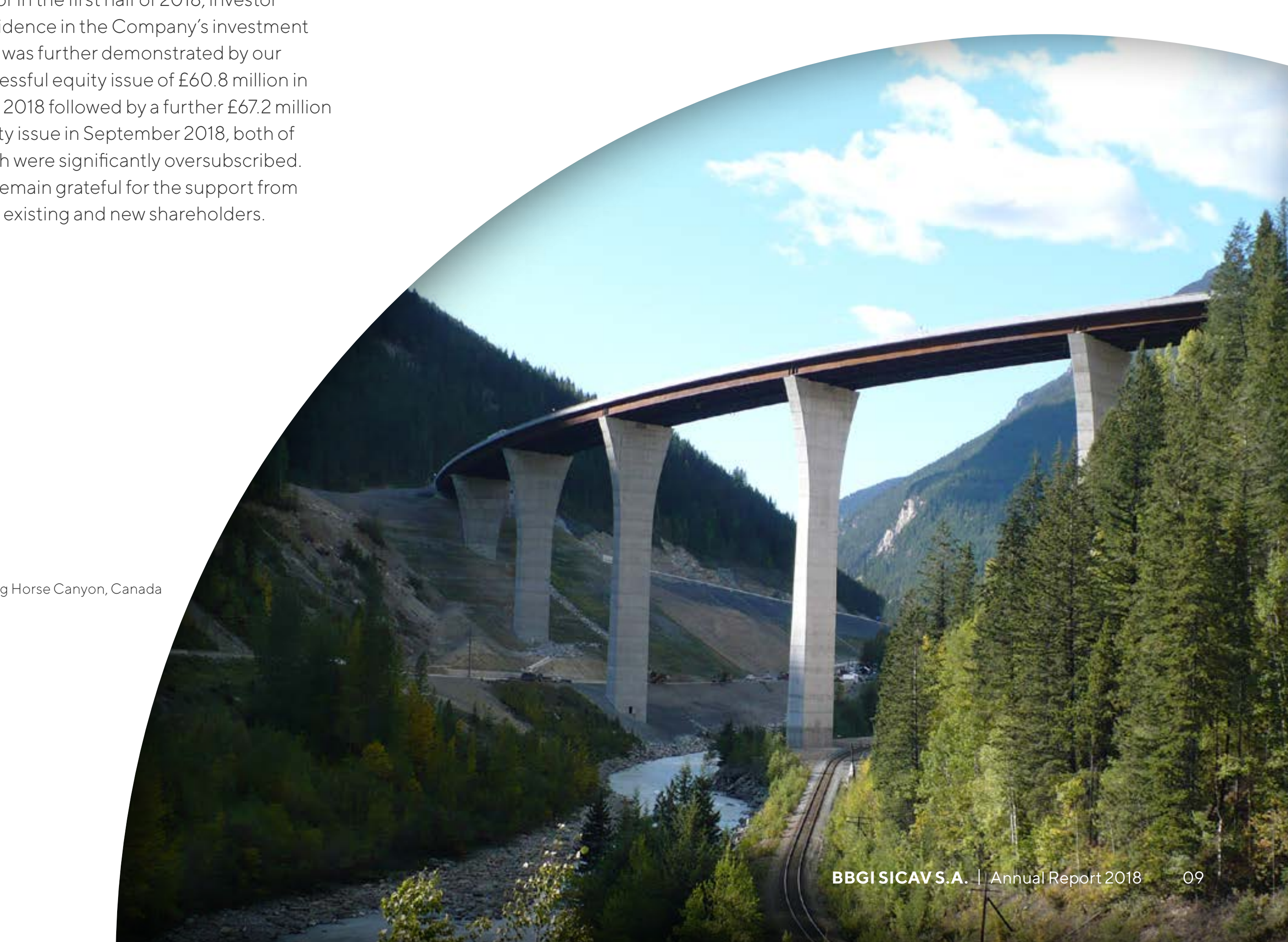
2.8%

Increase in dividend per share

3.8%

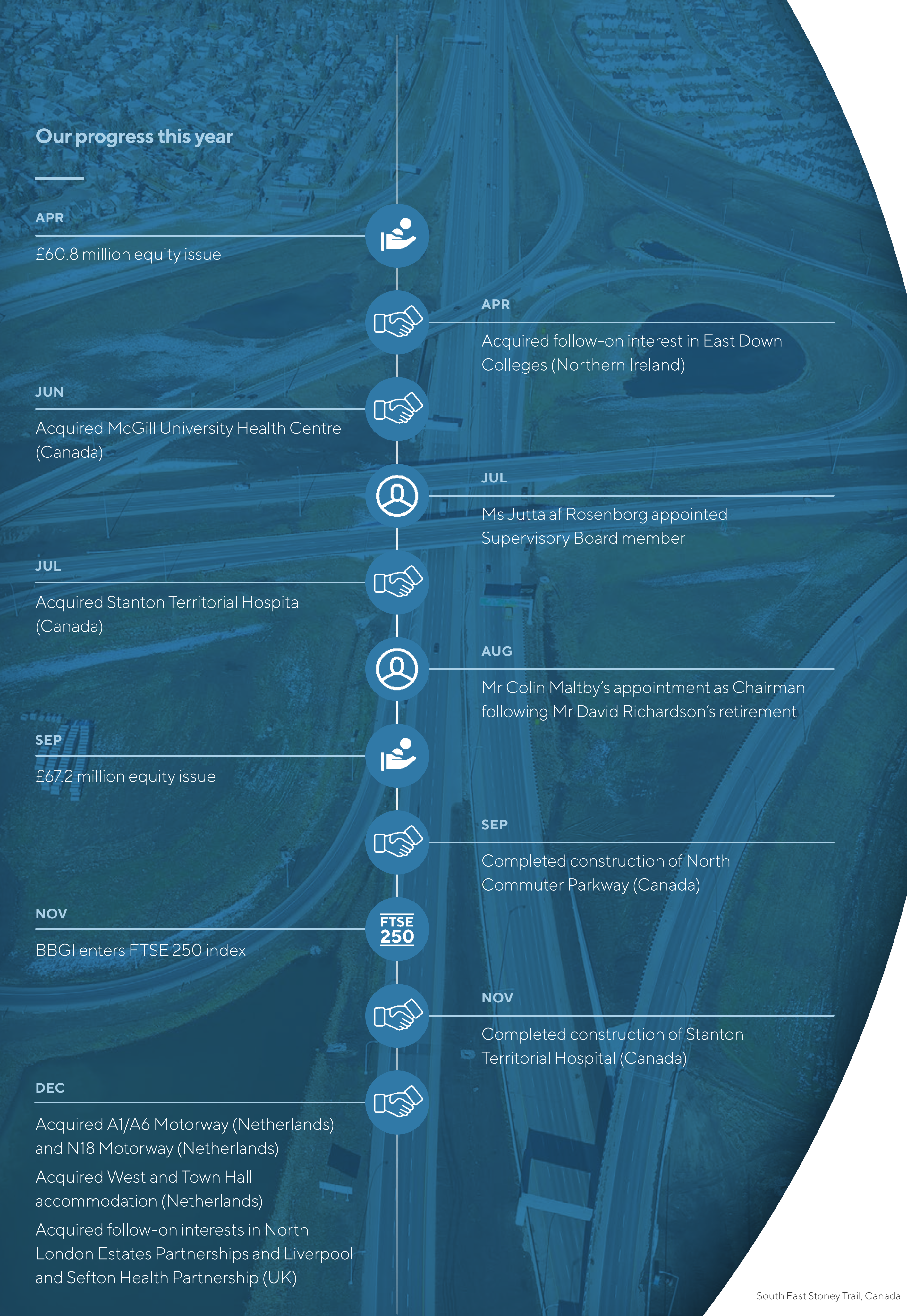
Selective acquisition strategy

Throughout 2018, the private market valuations for the types of investments that the Company assesses remained high, with competition for these assets consistently strong. Our investment activity over the period involved opportunistic acquisitions and the realisation of long-term strategic pipeline opportunities which together enabled approximately £90.5 million of new cash investments.



Kicking Horse Canyon, Canada

Our progress this year



APR

£60.8 million equity issue

APR

Acquired follow-on interest in East Down Colleges (Northern Ireland)

JUN

Acquired McGill University Health Centre (Canada)

JUL

Ms Jutta af Rosenborg appointed Supervisory Board member

JUL

Acquired Stanton Territorial Hospital (Canada)

AUG

Mr Colin Maltby's appointment as Chairman following Mr David Richardson's retirement

SEP

£67.2 million equity issue

SEP

Completed construction of North Commuter Parkway (Canada)

NOV

BBGI enters FTSE 250 index

NOV

Completed construction of Stanton Territorial Hospital (Canada)

DEC

Acquired A1/A6 Motorway (Netherlands) and N18 Motorway (Netherlands)

Acquired Westland Town Hall accommodation (Netherlands)

Acquired follow-on interests in North London Estates Partnerships and Liverpool and Sefton Health Partnership (UK)

South East Stoney Trail, Canada

Chairman's Statement *continued*

Total new cash investments

£91m

Number of acquisitions

Our origination strategy continued to demonstrate the value in the Management Board's credentials and relationships with leading contractors in our various target markets. Our North American strategic investment partnership signed in 2017 resulted in our investment into Quebec's largest English-speaking hospital, McGill University Health Centre. In December 2018, the acquisition of three Dutch road and social infrastructure PPP assets was originated from one of the largest contractors in the Netherlands. All these assets were acquired through private bid processes.

This supported our strategic ambition to maintain well-diversified sector exposure with a large allocation to lower-risk, availability-based road and bridge assets – where the Company's investment in transport infrastructure now amounts to 46 per cent[11] of portfolio value.

Corporate governance

A core component of good corporate governance continued to be the full alignment of the Management Board's interests with shareholders through our internal management structure. Our incentivisation and remuneration policies dictate that the Company does not charge NAV-based management or acquisition fees. As a result, I am pleased to report an ongoing charge to shareholders of 0.93 per cent, down from 0.99 per cent a year earlier.

During the year, the Financial Reporting Council released a new Corporate Governance Code designed to emphasise the importance of the relationship between a company and all its stakeholders. As part of our internally managed structure, the Company continues to see relationships with its government and government-backed clients and suppliers, together with shareholders, as critical to maintaining and delivering its strategy. The Company is a member of the Association of Investment Companies (AIC) which has adopted a similarly structured new Code of Corporate Governance for its members to adhere to.

As a long-term partner to the public sector, our role is more than a financial investor. The Company's asset stewardship is designed to provide value for money to our clients, committing to a high-quality health and safety record and making sure our portfolio actively and positively contributes to the communities and environments in which we operate.

The Supervisory Board also acknowledges the increasing significance of demonstrating the value and contribution of the Company's non-financial performance and as a responsible investor, we look forward to continuing to enhance our reporting in this area. We are pleased to confirm that as of February 2019, the Company became a signatory of the United Nations Principles for Responsible Investment.

On behalf of the Company, I would also like to thank Mr David Richardson for his service as Chairman following the announcement of his retirement and my subsequent appointment to the same role. The Supervisory Board was also delighted to welcome Ms Jutta af Rosenborg who joined as a Non-Executive Independent Director on 1 July 2018 and subsequently became Chair of the Audit Committee on 31 August 2018.

Outlook

Given our exposure to public sector procurement, the Company cannot be immune to political risk. The UK Labour Party has increased its political scrutiny of the Private Finance Initiative (PFI), through which the Company has invested. Despite our view that wholesale nationalisation of all PFI contracts would be difficult for any government to achieve in practice, we continue to monitor the political situation and policy debate.

In his budget speech on 29 October 2018, the Chancellor of the Exchequer stated that the UK Government will end the use of PFI and its successor, PF2, and will not enter into further PFI projects. However, the Chancellor also confirmed that the UK Government will honour all existing commitments to PFI contracts.

Elsewhere, the pipeline for PPP transactions remains strong with Continental Europe, North America and Australia continuing to provide promising construction and operational investment opportunities in our target sectors. The Company will maintain its selective acquisition strategy and pricing discipline in pursuing these low-risk opportunities by leveraging the Management Board's extensive industry relationships to enhance the existing portfolio through accretive acquisitions.

Accordingly, I remain confident in the Company's ability to continue generating stable, predictable returns to shareholders.

Colin Maltby
Chairman
27 March 2019

11 This includes one rail project in Canada.

Co-CEO Q&A

In an interview with BBGI's co-CEOs, Frank Schramm and Duncan Ball (pictured below) outline the key highlights for the Company during 2018, from portfolio and risk management to the market outlook for global infrastructure investment.

Q: What was the focus for management in 2018?

A: Our priority continued to be portfolio management first, and portfolio growth second. With 48 assets now under management, a large proportion of our time was dedicated to actively managing, enhancing and preserving asset value. As a result, we recorded no material lock-ups or events of default over the period and the portfolio continued to perform ahead of expectations.

We continued to pursue disciplined growth in 2018. We assessed numerous potential transactions over the period. Where we did acquire new assets, our focus remained on lower risk PPPs acquired on a negotiated basis – avoiding both the temptation to venture up the risk curve and engage in auction processes where there is a greater possibility to overpay.

Q: What were the biggest changes made to the portfolio over the past year?

A: 2018 was not a year of change, but more about consistent delivery against our strategic objectives.

We continued to de-risk the portfolio and add value in the process. In Canada, both the newly acquired Stanton Hospital in Yellowknife and North Commuter Parkway in Saskatoon completed construction on time and on budget.

In Australia, we took advantage of increasingly favourable market conditions for longer-term debt finance and concluded an early refinancing on the NTSF in Darwin, extending the debt tenor to run for a further seven and 15 years, thereby significantly de-risking the asset. As we enter what may be the later stages of the credit cycle, we take comfort in having a diversified portfolio which is largely immune to refinancing risk. Although significantly de-risked with the extended tenors, NTSF retains a refinancing obligation, the only asset in our portfolio to do so. This risk is limited to a change in credit margin only and not base interest risk. All other assets in the portfolio have secured finance to the end of their respective concessions.

These activities helped generate enhanced value for our shareholders by de-risking new and existing assets. In addition, we have continued to maintain a portfolio of 100 per cent operational assets.

Of the pipeline activity we assessed, we decided to acquire new and additional interests in eight availability-based PPP assets in the roads, education, accommodation and health sectors. The acquisition of the A1/A6 and N18 roads assets, Westland Town Hall in the Netherlands and McGill University Health Centre in Canada demonstrated the strength of our relationships with leading construction companies.

We identified a growing trend where leading construction companies with an established market share in their respective geographies are increasingly divesting their financial interests in high-quality operational assets.

These vendors often maintain responsibility for the assets' operation and maintenance, through facility management or operational and maintenance agreements, which only strengthens our long-term partnership and ensures all parties preserve skin in the game.

By acquiring further interests in two UK LIFT assets and in East Down Colleges, Northern Ireland, we generated accretive portfolio growth through opportunistic acquisitions. The margin for unknowns was reduced significantly given our familiarity with these assets via our existing stakes. All acquisitions were value accretive.

Following Carillion plc's liquidation, we also opportunistically acquired an equity interest in Stanton Hospital, Canada previously held by Carillion Canada Inc. After the appointment of an alternative facility maintenance provider prior to the transaction's completion, we executed on attractive terms and Stanton became operational in November 2018. We maintain no exposure to Carillion plc or any of its subsidiaries.

Collectively, with these portfolio enhancements, and the additional exposure to the Euro via our Dutch acquisitions, we successfully increased our diversification and maintained our balanced global portfolio composition.

Q: How are you preparing for the future?

A: Although our standard approach to hedging foreign exchange (FX) risk on anticipated cash flows has not changed, we revised our hedging strategy by continuing our four year cash flow hedging policy and introducing balance sheet hedging though the use of derivatives. The overall aim is to limit NAV sensitivity to FX to 3 per cent for a 10 per cent adverse FX movement by hedging a portion of the non-Sterling, non-Euro portfolio value[12]. For 2018, this strategy has seen the Company record an FX hedging gain of £3.9 million. As we take on non-Sterling exposure, we continue to carefully monitor our portfolio's sensitivity to fluctuations in the global FX market.

The new enhanced credit facility, which was negotiated on more favourable terms, will be in place until January 2022, and will help ensure that we have sufficient dry powder to consider attractive acquisitions.

Q: Following the collapse of Carillion plc, how is counterparty risk managed?

A: For much of the industry, Carillion served as a reminder of the importance of supply chain management. Monitoring our supply chain exposure is a key feature of our risk management framework. We carry out rigorous subcontractor monitoring which combines regular quantitative and qualitative analysis of our counterparties' standalone operational performance, including the monitoring of staff turnover on our assets, and their overall creditworthiness and long-term financial stability.

We are also continuously evaluating our relationships to ensure we are not too reliant on one subcontractor or market, or too exposed to assets that require specialist or niche service skills, where competition is inherently lower. Whilst we carried no exposure to Carillion, we remain very alert to the ongoing scrutiny of the sector's financial health – particularly in the UK – and place great emphasis on operational and financial performance.

Q: How is the political environment evolving in BBGI's key markets?

A: Generally, the support for private sector investment in public infrastructure via the PPP procurement model remains strong in Continental Europe, North America and Australia. The political pressure to improve public services that assets like ours deliver helps create a positive investment environment for our clients and their end-users.

In the UK, this sentiment was dampened following recent political scrutiny of historical PFI contracts. However, the certainty that our long-term contractual obligations provide has given important reassurance, and despite the UK Government's intention to abolish general PFI/PF2 procurement, all these existing contracts are expected to be honoured. Taking a long-term view, the UK will continue to be an important market for us, but with approximately a third of our assets in the UK, geographical diversification remains a key strategic pillar irrespective of the shorter-term political sentiment of the day.

Despite the UK's negotiations to leave the European Union being mired in uncertainty, we continued to monitor the impact of Brexit on our portfolio. In the event of a hard Brexit as the currently anticipated extreme-case scenario, our London listing will remain valid under the Financial Conduct Authority's Temporary Permissions Regime. We anticipate no material impact on our portfolio or to our shareholders. Refer to the Risk Section for further details on Brexit planning.

Q: What is the outlook for BBGI?

A: We are looking to the future with real confidence in our existing portfolio and our continued availability-based, low-risk, geographically diversified and internally managed investment strategy. Although the competition for the types of assets we invest in is strong, our focus is to remain within our area of expertise and not invest in higher risk asset classes such as demand based or regulated assets.

The offshore transmission sector (OFTOs) is increasingly aligning with our strategic interests, where long-term, 25-year availability-based revenue streams provide a fit with our low-risk availability-based investment strategy. We will continue to explore the sector and are looking to participate in the upcoming tendering rounds in the UK where we believe our PPP track record positions us well in the bidding process – more about which can be found on page 26.

Elsewhere, the transaction pipeline remains particularly strong in Continental Europe and North America, providing us with new opportunities to maintain portfolio diversification.

Overall, our pipeline includes five assets under consideration in North America via a strategic investment partnership, four additional road assets in our key markets, two social assets and OFTO infrastructure opportunities.

Q: Global engineering and construction management company SNC Lavalin has been in the news recently. Do you have any concerns about SNC Lavalin's ability to perform their obligations and what impact do recent events have on BBGI's pipeline agreement with SNC Lavalin?

A: SNC Lavalin is Canada's largest engineering company and has a market capitalisation in excess of C$6.2 billion (11/03/2019). The company continues to benefit from diverse business lines including clean power, infrastructure, mining and metallurgy, nuclear, and oil and gas. SNC Lavalin has an investment grade credit rating from S&P and DBRS. Their performance where we have them as an operator remains very strong and we have no concerns about their service levels or financial health, but we will continue to monitor their performance and financial situation as we do for all sub-contractors.

BBGI is having an ongoing positive dialog with SNC Lavalin and business is as usual. The current pipeline agreement with SNC Lavalin covers 5 PPP assets and we expect that these assets will be offered to BBGI in the short to medium term.

12 Based on the portfolio composition on the date the balance sheet hedge contracts are entered into.

Investment Proposition

BBGI is a global infrastructure investor with a prudent, low-risk investment strategy focused on delivering long-term, predictable shareholder returns.

The Company seeks to provide its shareholders with unique access to a global portfolio of high-quality infrastructure assets which generate stable, predictable cash flows over the life of government or government-backed contracts that typically extend to more than twenty years in length.

The predictability of these government-backed revenues enables BBGI to return to investors a sustainable and progressive income stream in the form of a semi-annual dividend.

The Company's investment policy dictates that no more than 25 per cent of the Company's portfolio value calculated at the time of investment will be derived from assets whose revenue streams are not public sector or government-backed, currently zero per cent. To ensure a spread of investment risk, any new acquisition will not have an acquisition value greater than 25 per cent of the portfolio value at the time at which it is acquired.

The Company follows a low-risk, globally diversified and internally managed investment strategy to target an internal rate of return (IRR) in the region of 7 to 8 per cent on the IPO issue price of 100pps.

Strategic Pillars	Investment Strategy	Target Outcomes
1 Low Risk[13]	– Pure-play PPP investment platform – Strict availability-based investment strategy with focus on lower risk roads and bridges	– Stable, predictable cash flows – Secure, highly visible, contracted public sector revenues – No demand or regulatory risk exposure
2 Globally Diversified	– Focused exposure to highly-rated investment grade countries – Stable, well developed operating environments	– UK/Europe – North America – Australia
3 Internally Managed	– In-house management team, focused on delivering shareholder value – Incentivised by shareholder returns and NAV per share growth	– No NAV-based management or acquisition fees – Aligned interest resulting in full pricing discipline – Lowest comparative ongoing charges[14]

13 In comparison to other equity infrastructure asset classes.
14 In comparison to the latest publicly available information for all LSE-listed equity infrastructure companies.

Avoiding style drift

As the competition to acquire PPP assets at attractive valuations has intensified, the Company's Management Board has consciously worked to avoid "style drift". This refers to the practice of moving up the risk spectrum both to find investible assets and to make the targeted returns promised to investors.

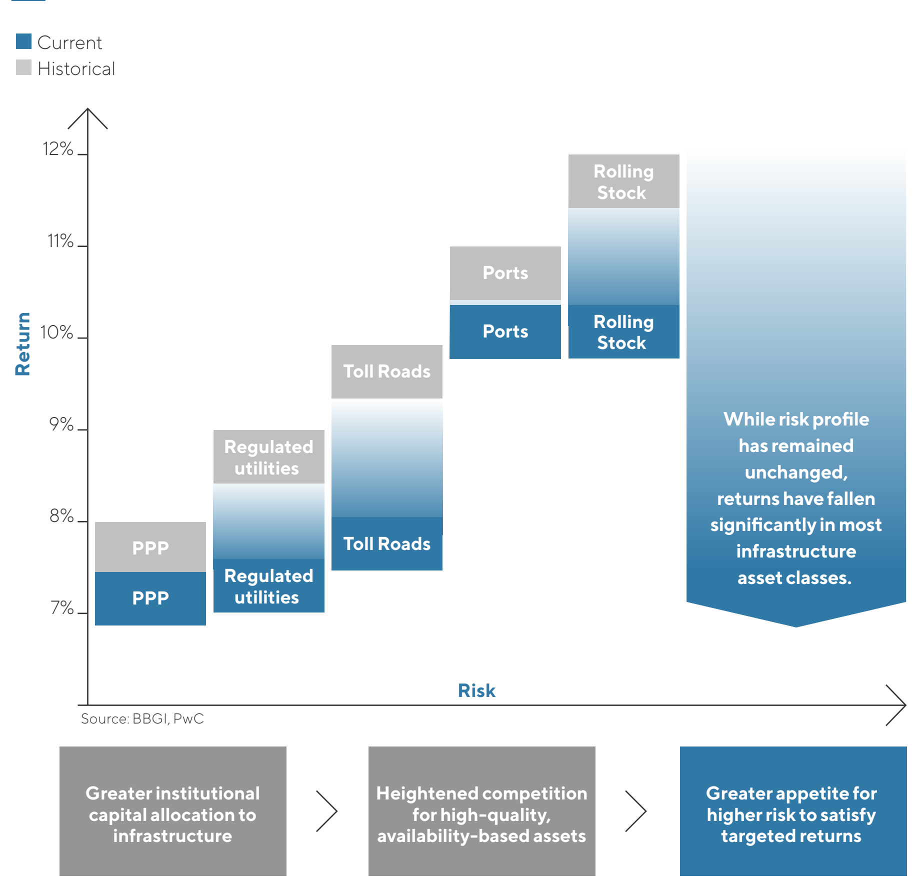
Style drift for the Company could manifest itself in many ways, including: investing in more complex transactions with more business risk, accepting greater counterparty risk or acquiring assets in jurisdictions with lower credit ratings.

The Management Board has made the conscious decision to avoid investing in infrastructure transactions where the revenue stream is demand-based, correlated to Gross Domestic Product ('GDP') or subject to uncertainty due to regulatory review periods.

However, some emerging regulated asset subsectors are increasingly reaching a level of maturity whereby the regulatory regime provides long-term, secure, availability-based payments akin to the investment profile of more traditional PPPs – as is the case in the OFTO sector. The management team are following these opportunities closely.

While this disciplined approach may result in periods of lower portfolio growth, we believe the benefits of this continued specialisation and focus on a low-risk, availability-based investment model result in dependable and consistent income and returns with low volatility. By staying focused on the availability sector and by remaining within our sphere of expertise, we believe there should be fewer surprises and the returns to our shareholders should remain predictable and consistent.

Indicative return requirements



Source: BBGI, PwC

Strategic investment partnerships

To help avoid competitive pricing in the secondary market and leverage the Management Board's experience in procuring assets through off-market transactions, the Company continues to leverage strong relationships with leading construction companies to source a potential pipeline that supports a low-risk and globally diversified investment strategy.

Typically, these contractors have secured the mandate to design and build new assets but are increasingly looking to divest financially – thereafter maintaining facility management contracts through a long-term partnership. The Company is an attractive partner for a number of reasons:

- We have extensive asset credentials and a strong track record that can assist with the shortlisting process
- Having a financial partner is a pre-requisite for some construction companies so they can avoid consolidating the asset company debt onto the balance sheet of the parent company
- Our cost of capital is often lower than construction companies, so involving BBGI can make the bid more competitive
- We are a long-term investor which is attractive to government and government-backed counterparties
- We are considered a reliable source of liquidity should a construction partner decide to sell in the future.

Operating Model

The Management Board follows a proven operating model of value-driven active asset management, prudent financial management and a selective acquisition strategy to preserve value and achieve portfolio growth. These three functional pillars are fundamental to the Company's success.

We ensure stable operational performance through an active asset management approach, where we actively seek to identify and incorporate value enhancements over the lifetime of asset ownership.

In turn, this helps to reduce cost to our public sector clients and the asset's end-users and enhance the operational efficiency of each asset. This approach allows the Company to generate a high level of asset availability, which supports high client satisfaction rates.

Our prudent financial management is defined by focused cost management, which helps generate portfolio-wide savings and maintains the sustainability of the Company's portfolio performance.

By taking measured exposure to assets under construction and managing them through into operation, we de-risk assets and seek to increase shareholder value.

The portfolio's geographical diversification brings with it exposure to multiple currencies. We actively seek to manage geographical concentration and mitigate foreign exchange risk by balance sheet hedging through FX forward contracts, hedging of forecast portfolio distributions and borrowing in non-Sterling currencies. Furthermore, Euro-denominated running costs provide a natural hedge against the Euro-denominated portfolio distributions.

The Company's selective acquisition strategy ensures that the Management Board's focus remains within its area of expertise and that the strategic pillars defined by the Company's investment proposition are upheld.

We actively consider acquisitions that have inflation-protection characteristics to maintain the portfolio's inflation correlation.

Value-driven active asset management

We pursue a standardised approach across all investments in the portfolio to help derive operational and value enhancements and preserve value, including:

- Measured exposure to construction risk to support NAV uplift by de-risking assets over the construction period
- Ensuring fulfilment of contractual and legal obligations, which additionally serves to maintain high availability levels and prevent deductions
- Strong client relationship management, including regular meetings, to uphold client satisfaction
- Focused and active asset management including site visits to all significant assets annually and management of issues when they arise
- Focused cost management and portfolio-wide cost-saving initiatives leveraging economies of scale (e.g. portfolio insurance, MSA contracts)
- Applying a high quality corporate governance framework, as part of an enhanced ESG profile
- Identifying and continuing initiatives at the individual asset level to outperform base case (e.g. lifecycle reviews)

Prudent financial management

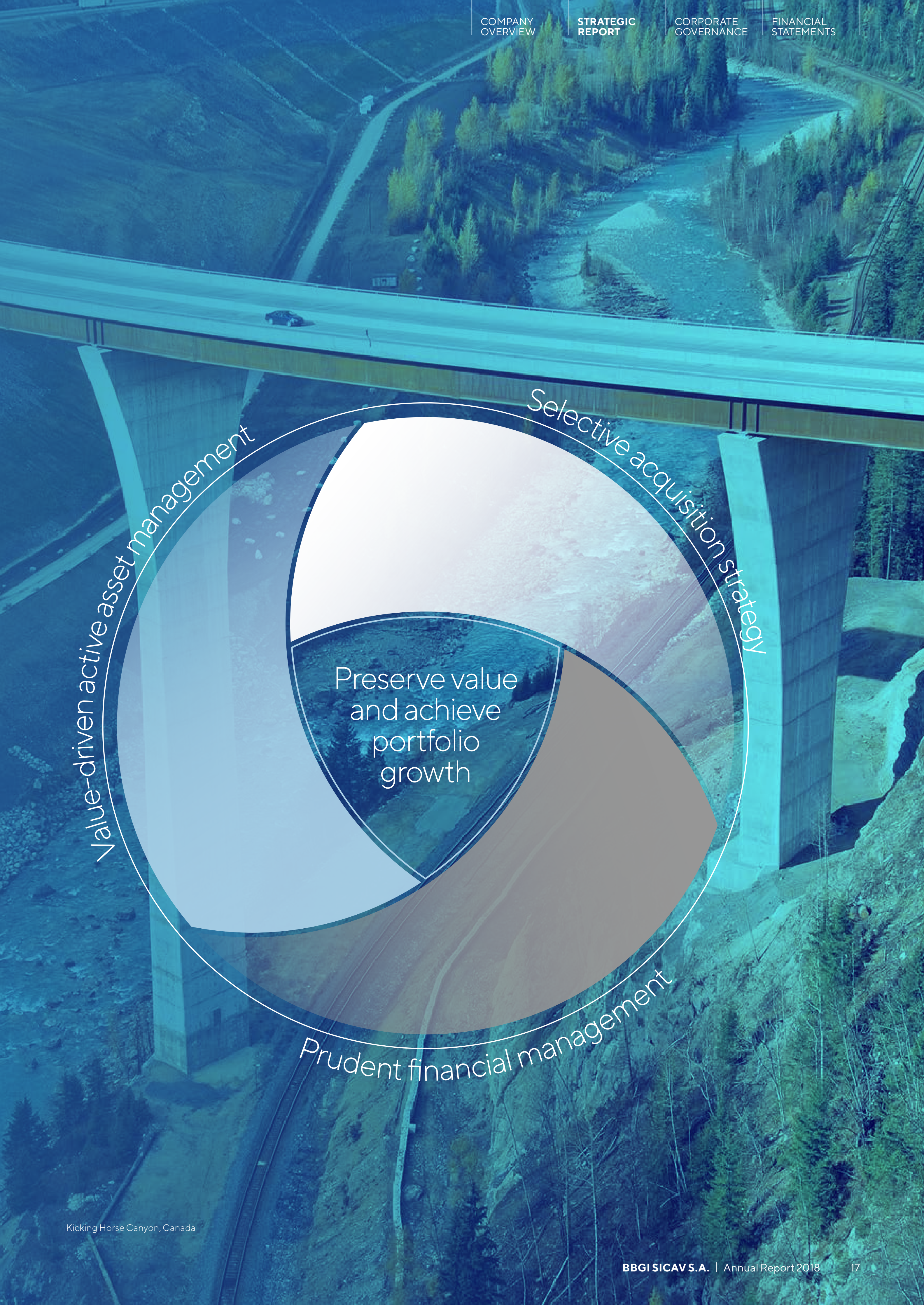
We maintain focus and attention to cash performance at the asset and portfolio level to drive efficiencies and generate portfolio optimisation, including:

- Focused management at the asset level to ensure distributions are on time, and on or above budget
- The portfolio's geographical diversification brings with it exposure to multiple currencies. We actively seek to manage and mitigate foreign exchange risk through our hedging strategy
- Maintaining modest cash balances to limit cash drag
- Maintain a low ongoing charge through an efficient internal management strategy
- Progressive future dividend growth underpinned by strong portfolio distributions

Selective acquisition strategy

We maintain strategic discipline in our acquisition strategy and portfolio composition to ensure we pursue growth, not just for growth's sake, including:

- Broad industry relationships in multiple geographies to pursue off-market opportunities
- Pre-emption rights to acquire co-shareholders' interests
- Global exposure to avoid geographical concentration
- Revolving corporate debt facility to support transaction execution and maintain prudent leverage
- Visible pipeline through a North American strategic partnership
- Maintain focus on the Management Board's core area of expertise



Kicking Horse Canyon, Canada

Portfolio Review

Portfolio summary

As at 31 December 2018, the Company's assets consisted of interests in 48 high-quality, availability-based, PPP infrastructure assets in the transport, healthcare, education, justice and other[15] sectors. The portfolio has no exposure to demand-based or regulatory risk assets, and with well-diversified sector exposure, the Company has a 46 per cent[16] allocation to lower risk availability-based roads and bridges, with limited exposure to acute healthcare assets.

The concessions granted to asset companies in the Company's portfolio are predominantly granted by a variety of public sector clients or counterparties that are government-backed.

Located in the UK, North America, Australia and Continental Europe, all asset companies in the portfolio are in stable, well-developed operating environments where we have focused exposure to highly-rated investment grade countries.

15 Includes a military base, a fire station and two local government administrative buildings.
16 Includes one rail project in Canada.

Portfolio breakdown[17]

No	Asset	Country	Equity Stake %
	Transport infrastructure		
1	A1/A6 Motorway[18]	Netherlands	9.8
2	Canada Line	Canada	26.7
3	E18 Motorway	Norway	100
4	Golden Ears Bridge	Canada	100
5	Kicking Horse Canyon	Canada	50
6	M1 Westlink	UK	100
7	M80 Motorway	UK	50
8	Mersey Gateway Bridge	UK	37.5
9	N18 Motorway[18]	Netherlands	25.48
10	North Commuter Parkway	Canada	50
11	Northeast Stoney Trail	Canada	100
12	Northwest Anthony Henday Drive	Canada	50
13	Ohio River Bridges	US	33.33
14	Southeast Stoney Trail	Canada	40
15	William R. Bennett Bridge	Canada	80

No	Asset	Country	Equity Stake %
	Social infrastructure		
16	Avon & Somerset Police HQ	UK	100
17	Barking Dagenham. Havering (LIFT)	UK	60
18	Bedford Schools	UK	100
19	Belfast Metropolitan College	UK	100
20	Burg Prison	Germany	90
21	Clackmannanshire Schools	UK	100
22	Cologne Schools	Germany	50
23	Coventry Schools	UK	100
24	East Down Colleges	UK	100
25	Frankfurt Schools	Germany	50
26	Fürst Wrede Military Base	Germany	50
27	Gloucester Royal Hospital	UK	50
28	Kelowna and Vernon Hospitals	Canada	50
29	Kent Schools	UK	50
30	Lagan College	UK	100

A variety of active asset management initiatives during the year resulted in:

No	Asset	Country	Equity Stake %
31	Lisburn College	UK	100
32	Liverpool & Sefton Clinics (LIFT)	UK	60
33	McGill University Health Centre	Canada	40
34	Mersey Care Hospital	UK	79.6
35	North London Estates Partnership (LIFT)	UK	60
36	North West Regional College	UK	100
37	Northern Territory Secure Facilities	Australia	100
38	Restigouche Hospital Centre	Canada	80
39	Rodenkirchen Schools	Germany	50

No	Asset	Country	Equity Stake %
40	Royal Women's Hospital	Australia	100
41	Scottish Borders Schools	UK	100
42	Stanton Territorial Hospital	Canada	25
43	Stoke & Staffs Rescue Service	UK	85
44	Tor Bank School	UK	100
45	Unna Administrative Centre[18]	Germany	44.1
46	Victoria Prisons	Australia	100
47	Westland Town Hall[18]	Netherlands	24.99
48	Women's College Hospital	Canada	100

For portfolio statistics, refer to Portfolio at a Glance on page 4.

17 In alphabetical order.
18 Legal ownership.

Operating model in action

Value-driven active asset management

A variety of active asset management initiatives during the year resulted in over £11.8 million of operational and value accretive enhancements, equating to a 1.9 per cent increase in NAV, and a TSR on a NAV growth and dividend paid basis of 8.0 per cent.

The portfolio's assets are all fully operational and owing to the Management Board's value-driven active asset management, the availability level[19] of the Company's assets was recorded at approximately 99.7 per cent and deductions were either borne by third-party facility management companies and road operators or were part of planned lifecycle expenditures. No assets were reported to be in a material lock-up or event of default at period-end.

Over the period, both Stanton Territorial Hospital and North Commuter Parkway in Canada successfully completed construction on time, and on budget.

In addition we successfully refinanced the NTSF, a prison facility in Darwin, Australia. A unique aspect of the Australian market is that after the global financial crisis it has often been challenging to secure long-term debt for infrastructure assets. During the period we took advantage of increasingly favourable market conditions for longer-term, secured debt finance and completed an early refinancing of NTSF. As the market enters what may be the later stages of the credit cycle, the Company is focused on building a diversified portfolio with a disciplined approach to refinancing risk. NTSF is the only asset which has a refinancing obligation, and the Company is only exposed to a change in credit margin risk, not base interest risk.

The Management Board continues to place a great emphasis on building and maintaining a transparent and regular dialogue with the Company's public sector clients and operating partners. Our relationship management ensures that we identify issues as they arise, if not before. Assets under the Company's management are active facilities, meaning we proactively identify efficiencies and help facilitate variations that benefit both our clients, their end-users, and the ultimate valuation of our portfolio.

During the year, the Company continued fire safety surveys across all of its UK accommodation assets. These surveys have now concluded, as has all material rectification work recommended in those reports. The Company continues to take building safety seriously, with all assets actively monitored for any potential issues either independently or in collaboration with its public sector clients.

Prudent financial management

In January 2018, the Company entered into a new four year revolving credit facility of £180 million, with the ability to increase the total commitment to £250 million by utilising an accordion provision. This allows us to execute portfolio acquisitions efficiently and enables the Company to be a trusted and repeat partner in the markets in which we invest.

Furthermore, two capital raises through new ordinary share issues amounting to £128 million allowed us to repay existing debt and maintain a modest cash balance.

During the year the Company also revised its hedging strategy aimed at limiting a 10 per cent adverse foreign exchange sensitivity to c. 3 per cent of NAV.

19 Calculated as percentage of actual availability payments received divided by scheduled payments.

Selective acquisition strategy

In addition, the Company successfully pursued a selective acquisition strategy over the period. The Company has continued to benefit from the Management Board's ability to source attractive investment opportunities in a competitive marketplace by maintaining full pricing discipline for new acquisitions.

These additions to the portfolio included the Company's investment into eight availability-based PPP assets in the transport, education, accommodation and health sectors. Assets were secured on attractive terms consistent with the Company's stated strategy and demonstrated the Management Board's commitment to avoiding style drift. A mixture of opportunistic primary investments and the realisations of long-term strategic pipeline opportunities together totalled approximately £90.5 million of new cash investments.

Roads

- *A1/A6 Motorway (Netherlands):* a road asset that is part of the Schiphol-Amsterdam-Almere (SAA) expansion involving the reconstruction and widening of an 18km motorway including reversible lanes. The asset became operational in 2017 and the concession runs until 2042.
- *N18 Motorway (Netherlands):* a road asset between Varsseveld and Enschede comprising 15km of existing and 27km of new 2x2-lane motorway. The asset became operational in 2018 and the concession runs until 2043.

Education

- *East Down Colleges (Northern Ireland):* a further 33.33 per cent equity interest to bring to total 100 per cent equity ownership. East Down Colleges is an educational PPP asset located in County Down, Northern Ireland that comprises Ballynahinch, Downpatrick and Newcastle Colleges.

Accommodation

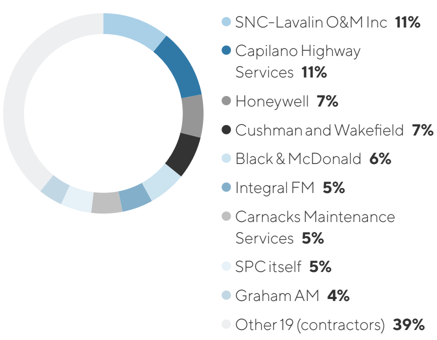
- *Westland Town Hall (Netherlands):* a PPP asset consisting of a new approximately 11,000m² town hall for the municipality of Westland. The asset became operational in 2017 and the concession runs until 2042.

Healthcare

- *McGill University Health Centre ('MUHC') (Canada):* 40 per cent investment in MUHC through the existing North American strategic partnership. MUHC is now the largest English-speaking hospital in Quebec. The asset became operational in October 2014 and the concession runs until 2044.
- *Stanton Territorial Hospital (Canada):* 25 per cent equity interest in the Stanton Territorial Hospital, a new 27,000m² state-of-the-art facility with 100 patient rooms and the largest construction project ever undertaken by the Government of the Northwest Territories. The asset became operational in December 2018 and has a concession duration of 30 years.
- *Follow-on interests in North London Estates Partnerships and Liverpool and Sefton Health Partnership (UK):* 6.67 per cent equity interest in North London Estates Partnerships LIFT asset and Liverpool and Sefton Health Partnership LIFT asset, bringing our equity interests to 60 per cent in both assets. The two LIFT assets consist of 21 primary health care facilities and local community hospitals in North London and Liverpool providing the delivery of a broad range of primary healthcare services such as GP, dental and outpatient services.

Supply chain monitoring

The Management Board continually reviews the potential concentration risk in respect of operational and maintenance (O&M) contractors. The table below illustrates the level of O&M contractor exposure as a percentage of portfolio value.



Management has not identified any significant exposure risk and therefore remains comfortable with the current contractor allocation.

As discussed in the co-CEO Q&A, the Company did not have any exposure to Carillion plc either as a constructor of facilities or as a service provider.

Furthermore, the Company does not have any counterparty exposure to Interserve plc, which filed for administration subsequent to the year end.

The unfortunate collapse of the high-profile contractor and service provider highlighted the importance of supply chain monitoring and appropriate risk mitigation policies. We believe that by having a diversified supply chain with no concentrated exposure, by being geographically diversified and by having a rigorous supply chain monitoring policy in place, we continue to have risk mitigation measures at our disposal in the event of supply chain failure. We continue to pay close attention to how subcontractors are performing.

Partnership in Action

Measured exposure to North America

In June 2017, the Company entered into the North American strategic partnership with SNC-Lavalin to invest initially in five PPP assets in Canada. Founded in 1911, and with a market capitalisation of approximately C$6 billion (£3.5 billion), SNC-Lavalin is a leader in the Canadian PPP market and has built up an extensive portfolio of assets.

The transfer of four of the five initial assets was completed in September 2017 and the fifth asset, McGill University Health Centre, in June 2018. All five assets procured through this strategic investment partnership are operational and availability-based. The total cash consideration for all five asset interests thus far has amounted to approximately C$191 million (£111 million).

As part of its partnership, the Company benefits from a pipeline agreement that provides a right of first offer with respect to the potential future acquisition of select interests in a robust pipeline of Canadian availability-based PPP assets currently under construction or in ramp-up phase, thus creating additional investment opportunities once the assets become operational.

These assets include the Highway 407 East Extension Phase I (Ontario), the Confederation Line (Ottawa, ON), the John Hart Generating Station (Campbell River, BC), the New Corridor for the Champlain Bridge (Montreal, QC), and the Eglinton Crosstown LRT (Toronto, ON).

For further information about our investments see our website **www.bb-gi.com**

McGill University Health Centre, Canada

Enhanced global diversification into the Netherlands

The Company enhanced its global diversification via a partnership with Koninklijke VolkerWessels N.V. in the Netherlands resulting in the acquisition of significant equity interests in three operational PPP assets in December 2018. These included: A1/A6 Motorway, N18 Motorway and Westland Town Hall each located in the Netherlands.

VolkerWessels remains responsible for long-term operation, maintenance and lifecycle works on the N18 Motorway and Westland Town Hall and is part of the operation and maintenance consortium on the A1/A6 Motorway asset. The joint venture provided the Company the ability to invest in three attractive PPP assets in a new, stable geography with a strong credit rating, and offered VolkerWessels the opportunity to co-operate with an active long-term investor experienced in secondary market transactions.

N18 Motorway, Netherlands

Portfolio Snapshot

Our five largest assets

1

Golden Ears Bridge

- **Type:** Availability-based
- **Status:** Operational
- **Equity Holding (%) BBGI:** 100%
- **Total Investment Volume (Debt & Equity):** C$1.1 billion
- **Financial Close/Operational:** March 2006/June 2009
- **Concession Period:** 32 years (post construction) ending in 2041

The Golden Ears Bridge in Vancouver is a 1km, six-lane road that spans the Fraser River and connects Maple Ridge and Pitt Meadows to Langley and Surrey. The road, which opened in March 2009, also includes more than 3.5 km of structures including ramps, viaducts, minor bridges and underpasses, and more than 13km of mainline roadway, a large part of which has been landscaped. The asset consists of the design, construction upgrade, finance and operation of the bridge, and has brought close to C$1 billion in construction-related activity to the area. Over its tenure, BBGI has managed multiple sub-contractors through the delivery of complex contracts and coordinated with stakeholders. The asset represented the largest private financing for a greenfield P3 in Canada at the time of its launch.

2

Northern Territory Secure Facilities

- **Type:** Availability-based
- **Status:** Operational
- **Equity Holding (%) BBGI:** 100%
- **Total Investment Volume (Debt & Equity):** A$620 million
- **Financial Close/Operational:** October 2011/November 2014
- **Concession Period:** 30 years (post construction) ending in 2044

The facility, located near Darwin (the 'Territory'), consists of three separate centres including: a 1,000-bed multi-classification male and female correctional centre, a 30-bed secure mental health and behavioural management centre, the first of its kind in the Territory, and a 48-bed supported accommodation and programme centre for community-based offenders designed to support the government's goals of enhanced rehabilitation, education and reduced reoffending rates in the Territory.

BBGI acquired its initial 50 per cent interest in the asset while it was still in construction and subsequently acquired the remaining 50 per cent stake in July 2015. Substantial resources were required to not only build this state-of-the-art facility, but to ensure smooth transitioning from construction through to operations in a particularly challenging geographic climate. In 2018, BBGI took advantage of favourable market conditions for longer-term, debt finance and completed an early refinancing of the facility thereby further de-risking the asset.

3

McGill University Health Centre

- **Type:** Availability-based
- **Status:** Operational
- **Equity Holding (%) BBGI:** 40%
- **Total Investment Volume:** C$2,013 million
- **Financial Close/Operational:** July 2010/ October 2014
- **Concession Period:** 34 years ending in 2044

As part of its North American strategic partnership, the Company completed its 40 per cent investment in MUHC's new Glenn campus in June 2018. MUHC is one of the most innovative academic health centres in North America and at 214,000m², the largest English-speaking hospital in Quebec. One integrated campus consolidates the Montreal Children's Hospital, the Royal Victoria Hospital and the Montreal Chest Institute, as well as the new Cedars Cancer Centre and the Research Institute of the MUHC. The asset became operational in 2014 and the concession runs until 2044.

4

Ohio River Bridges

- **Type:** Availability-based
- **Status:** Operational
- **Equity Holding (%) BBGI:** 33%
- **Total Investment Volume:** US$1.175 billion
- **Financial Close/Operational:** March 2013/December 2016
- **Concession Period:** 35 years (post construction) ending in 2051

One of the largest transportation assets ever undertaken in the US, this asset is at the cutting-edge of partnership working in the emerging US PPP market. It is the first US PPP transport deal not to use the Transportation Infrastructure Finance and Innovation Act (TIFIA) in its capital structure, demonstrating to other states how even the most complex deals can be structured without reliance on federal funding. Instead, the scheme uses a private activity bond issue[20] – the first for a US PPP highway availability-based asset.

The asset includes a 760m cable stay bridge, a 500m long twin vehicular tunnel and 2.25km of associated 6-lane Interstate Highway, with more than 21 bridges and multiple roundabout style interchanges. Despite the scale and complexity of the transaction, it reached commercial close just 10 months after final tender documents were issued.

20 US tax exempt bonds.

5

Victoria Prisons

- **Type:** Availability-based
- **Status:** Operational
- **Equity Holding (%) BBGI:** 100%
- **Total Investment Volume:** A$244.5 million
- **Financial Close/Operational:** January 2004/March 2006
- **Concession Period:** 25 years (post construction) ending in 2031

Victoria Prisons is an availability-based PPP asset entailing the design, finance, construction and operation of two new correctional facilities for the State of Victoria, Australia (the 'State'). The first facility, Metropolitan Remand Centre, accommodates up to 1,000 male prisoners and is located approximately 20km from Melbourne city centre. The second, smaller facility is the Marngoneet Correctional Centre that houses up to 550 male prisoners and is located approximately 65km from Melbourne city centre. The operational period is 25 years and runs until 2031.

A substantial augmentation was requested by the State to reinforce the facility and this completed in June 2018. Over its management tenure, BBGI has received regular demands from the State to increase the capacity of the facilities, which are now more than 50 per cent greater than originally envisaged.

Market Trends and Pipeline

2019 and beyond

The Management Board believes that the geographic diversification offered by participation in numerous countries is attractive to the Company. BBGI has significant investment expertise in key infrastructure markets internationally, and its global portfolio provides a platform to access opportunities and build relationships with potential vendors to support the Company's selective acquisition strategy.

PPP procurement and levels of competition vary between markets. In all BBGI's target markets, infrastructure under-investment persists, and public finance budget constraints necessitate the involvement of the private sector to deliver the finance and expertise required to build, maintain and operate much-needed infrastructure assets.

Investment activities in 2019 will involve sourcing and originating, bidding for and winning new operational PPP assets, with consideration for measured exposure to construction assets to support valuation uplift.

The pipeline for availability-style transactions remains generally strong within the Company's key markets. The Company will maintain its selective acquisition strategy in assessing any potential new assets and we remain confident in our ability to originate investment opportunities. We anticipate these will come from a variety of sources, including:

- A North American strategic partnership, which has already resulted in the acquisition of five assets amounting to approximately C$191 million;
- Avoiding the competition of public auctions by soliciting off-market transactions through BBGI's extensive network of market participants in Australia, Europe and North America;
- Participating in primary investment opportunities and bidding on new availability-based assets as part of public sector procurement processes;
- Acquiring equity interests from co-shareholders in existing assets; and
- Participating selectively in competitive sale processes.

The Company will continue to source assets that fit the requirements of its low-risk and globally diversified investment strategy. The key markets in which BBGI is active offer different opportunities.

UK

As referred to in the co-CEO Q&A, how the UK PPP market will evolve in the future remains uncertain following the cancellation of the UK's flagship procurement programmes, PFI and PF2. Private infrastructure investors like the Company still have a significant role to play in managing existing investments procured under PFI and PF2; all of which the UK Government has committed to honour.

Alternative models of private finance do exist, but all require considerable development to meet the UK Government's balance sheet constraints and none currently offer the readily repeatable and industry-accepted model that existed historically under PFI/PF2. A review and consultation process on Infrastructure Finance will now take place to find a way forward post-PFI with all interested parties invited to respond. In March 2019, during its annual Spring Statement the Government reconfirmed the vital role that private finance plays in supporting investment in infrastructure with the UK Government projecting £600 billion of infrastructure investment over the next 10 years, with half forecast to come from the private sector[21].

At the devolved level in the UK, Wales' PPP sector looks more promising. Three assets are currently in the pipeline procured under the Mutual Investment Model, which is substantially similar to PFI/PF2: the A465 motorway asset, the Velindre Cancer Hospital and the 21st Century Schools Programme.

The UK market continues to be a source of secondary market transactions. However, the reduction in secondary market PPP/PFI deal flow reflects the slowdown in public sector procurement since 2010 and the large amount of secondary activity in previous years. While supply has decreased, there has been no corresponding decrease in demand. This has resulted in a trend of lower discount rates for stable, mature secondary assets since c.2010.

The Management Board notes that some other asset classes are demonstrating a risk-return profile that increasingly matches the Company's low-risk, availability-based investment strategy. This includes OFTOs, which are very similar to PPPs and include a long-term availability income stream from credit worthy government-backed counterparties. A recent change in the transaction structure means that the regulated availability-type revenue stream will now be for a 25-year period instead of the previous 20-year concession period. This modification to the transaction structure reduces or eliminates the importance of residual value assumptions, thus making the asset class more consistent with our risk appetite and area of expertise. Accordingly, BBGI has formed a consortium to prequalify and, if successful, bid on the next round (OFTO Tender Round Six) which includes three assets.

Our appetite as long-term responsible investors of capital into the UK has not diminished. We will continue to pursue primary, secondary and emerging OFTO opportunities on a selective basis.

Canada

Canada has remained one of the world's most prolific PPP markets, and is one of the most mature and stable of the Company's target markets. A total of 281 assets across Canada are procured under the PPP model, with those already in operation or under construction valued at C$136.9 billion including hospitals, courthouses, highways and bridges, and transit. A recent poll by Nanos Research showed that a majority of Canadians remain fully supportive of PPPs to build much-needed infrastructure.

21 National Infrastructure and Construction Pipeline 2018. Infrastructure and Projects Authority, December 2018.

Looking forward to 2019, there is a well-defined pipeline of PPP transactions. With 13 assets in Canada, BBGI is well positioned to participate in the attractive primary pipeline, either on its own, or in conjunction with the North American strategic partnership. The pipeline agreement currently covers five assets in construction and has the potential to be expanded should both parties agree. The Company estimates that further investment opportunities in excess of £150 million could result from the pipeline agreement; all of which will be assessed on a case-by-case basis.

The Canadian secondary market is expected to be active in 2019 as assets developed over the last several years come into operation and may come to market.

USA

In 2018, the US positioned itself as fourth in the world ranking by deal value for greenfield PPPs. Eight transactions reached financial close with a total value of US$4.49 billion. Although the number of transactions is higher than the five deals to close in 2017, the value is down US$0.3 billion.

The US PPP market remains one of great potential, with nascent deal flow. We are currently tracking several transactions and are in active discussions regarding upcoming transportation and social infrastructure opportunities.

Going forward, we expect that the success of the Ohio River Bridges/East End Crossing asset, which opened on time and on budget, will create opportunities for BBGI, as this asset is one of a limited number of high-profile availability-style transportation assets to have reached construction completion.

Continental Europe

Continental European infrastructure markets remain active with certain countries offering an attractive pipeline of new assets. We believe these markets are likely to provide attractive investment opportunities over the medium term.

Norway: the biggest upcoming PPP in the region is the kr9.5 billion (c. £850 million) 9km Rv555 Sotra Road on the west coast of Norway, with prequalification for the asset expected to take place later in 2019. The kr6-7 billion (c. £540-630 million) E10/RV85 road in the northern counties of Nordland and Troms is expected to follow the Sotra asset.

Netherlands: Following our recent investment in three assets in the Netherlands, we are actively investigating further investment opportunities in the Netherlands where a mix of transportation and social infrastructure opportunities are being considered.

Belgium: The PPP market is promising and we expect a pipeline of road and prison assets to come to the market.

Germany: the expectation is that the road PPP scheme will continue with two new procurements each year. With six existing assets in Germany, strong credentials and German language skills within our Management team, BBGI is well positioned to consider these upcoming opportunities.

Southern Europe: countries including Spain, Italy, Portugal and Greece have PPP pipelines. While some of these programs may be viewed as attractive in terms of their size and the availability-style nature of the assets, the credit rating of the counterparties and certain risk transfer expectations make these investment opportunities unattractive to the Company. Consequently, BBGI has not focused on these opportunities.

Australia

New construction assets in the transport sector and, increasingly, in the social infrastructure sector look to dominate the Australian landscape once the New South Wales and federal elections are completed by mid-2019. Overall, 2019 is expected to generate a relatively small number of very large PPPs compared to previous periods where there would be a steady stream of small deals. This may change, however, if Victoria and New South Wales embark on rumoured PPP procurement in schools.

BBGI has three large operational assets in Australia and will continue to monitor the market and the Company is hopeful that some select opportunities may emerge in 2019.

Market Trends and Pipeline *continued*

Pipeline assets:

Asset	Sector	Estimated Asset Capital Value	Concession Length after construction completion
Confederation Line (Ottawa, ON)	Rail	C$3.2 billion	30 years
Eglinton Crosstown LRT (Toronto, ON)	Rail	C$9.1 billion	30 years
Highway 407 East Extension Phase I (Ontario)	Road	C$1.2 billion	30 years
John Hart Generating Station (Campbell River, BC)	Energy	C$1.1 billion	15 years
New Corridor for the Champlain Bridge (Montreal, QC)	Road & Bridge	C$3.2 billion	30 years

Primary bidding opportunities:

Region	Sector	Estimated Asset Capital Value	Expected Concession Length	Investment Status
Continental Europe	Roads	£1 billion	30 years	Agreement with industrial partner to bid on upcoming road assets
North America	Road	£170 million	23 years	Shortlisted as one of three bidders
Continental Europe	Accomodation	£270 million	25 years	Shortlisted as one of three bidders
Continental Europe	Roads	£1.5 billion	25 years	Agreement with industrial partners to bid on upcoming road assets
UK	Road	£400 million	33 years	Shortlisted as one of three bidders
UK	OFTO	£2.7 billion	25 years	Pre-qualification phase to bid for 3 tender round six assets

Operating and Financial Review

The Management Board is very pleased to present the Operating and Financial Review for the year ended 31 December 2018.

Highlights and Key Performance Indicators

Please see page 2 for a summary of the Year in Numbers for 2018. Certain key performance indicators ('KPIs') for the last four years are highlighted below:

KPI	Target	Dec-15	Dec-16	Dec-17	Dec-18	Commentary
Dividends (paid or declared)	Progressive long term dividend growth in pence per share	6.00	6.25	6.50	6.75	Achieved: Second 2018 interim dividend of 3.375pps declared in February 2019
NAV per share growth	Positive NAV per share growth	2.1%	13.1%	3.0%	2.8%	Achieved
Annualised Total Shareholder Return Since Listing	7% to 8% annualised on IPO issue price of £1 per share	11.2%	11.2%	10.5%	11.2%	Achieved
Ongoing Charges	Competitive cost position	0.96%	0.98%	0.99%	0.93%	Achieved
Cash Dividend Cover[22]	>1.0x	1.4x	1.3x	1.5x	1.5x	Achieved
Refinancing Risk (as a percentage of portfolio)	Minimise refinancing risk	20%	18%	9%	7%	Achieved: Northern Territory is the only asset with refinancing risk
Asset availability	> 98% asset availability	✓	✓	✓	✓	Achieved
Single asset concentration risk (as a percentage of portfolio value)	To be less than 25% of portfolio at time of acquisition	12% (NTSF)	13% (GEB)	12% (GEB)	11% (GEB)	Achieved
Availability based assets (as a percentage of portfolio)	Maximise availability-based assets	100%	100%	100%	100%	Achieved

Asset Management

Cash Performance

The Company's portfolio of 48 high quality, availability-based PPP infrastructure investments performed well during the year, with cash flows ahead of the business plan and the underlying financial models.

Construction exposure

The Company's investment policy is to invest principally in assets that are operational and that have completed construction. Accordingly, investment in assets that are under construction will be limited to 25 per cent of the portfolio value. The rationale for this approach is to be able to produce a stable dividend for our shareholders, while at the same time gaining some exposure to the potential NAV uplift that occurs when assets move from a successful construction stage to the operational stage.

As at 31 December 2018, 100 per cent of the assets were operational.

The Management Board believes that the Company's ability to meet its dividend targets is not compromised by having some construction exposure and monitors this closely. Further information on construction risk can be obtained from the Company's prospectus, which is available on the Company's website.

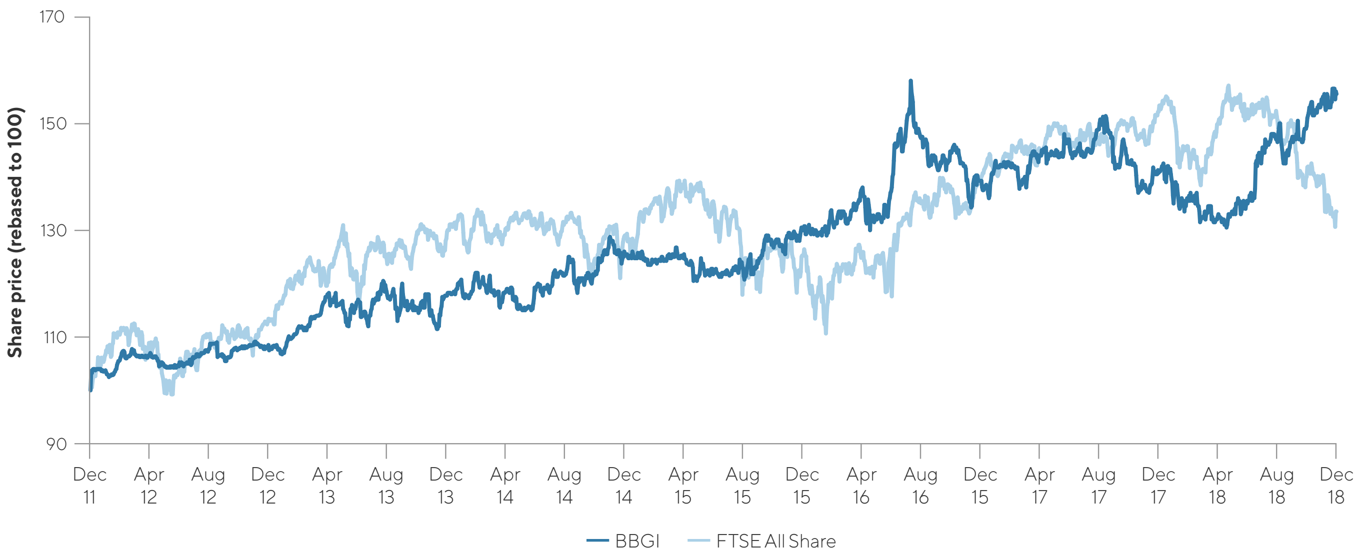
22 The cash dividend cover ratio is a multiple that divides the total net cash generated in the period (available for distribution to investors) by the total cash dividends paid in the period based on the IFRS cash flows. The ratio can be viewed as a proxy as to the ability of the Company to pay target dividends in future. If the Group has a high dividend cover ratio, there is a lesser risk that the Group will not be able to continue making dividend payments. Refer to page 43 of this Annual Report for details on how the Cash Dividend Cover is calculated.

Investment performance

Return track record

The Company's share price has performed well and has maintained a strong premium to NAV through the reporting period. We continue to believe that a key benefit of the portfolio is the high-quality cash flows derived from long-term availability-based government or government-backed contracts. As a result, the portfolio performance is largely uncorrelated to the many wider economic factors that may cause market volatility in other sectors.

BBGI Share Price Performance



The share price closed the year at £1.55, an increase of 2.8 per cent in 2018 and representing a 16.1 per cent premium to the NAV per share at the year-end.

TSR in the calendar year 2018 was 15.6 per cent whilst TSR from IPO to 31 December 2018 was 111.4 per cent or 11.2 per cent on an annualised basis.

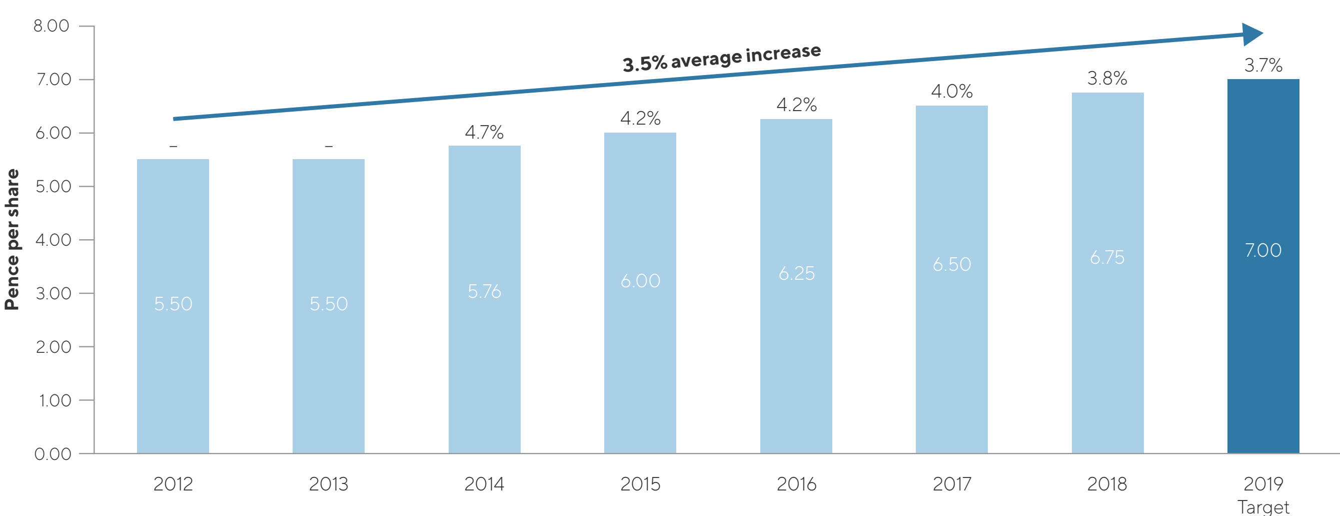
Distribution policy

Distributions on the ordinary shares are planned to be paid twice a year, normally in respect of the six months to 30 June and the six months to 31 December.

Dividends

On 6 June 2018, the Company paid a second interim dividend of 3.25pps for the period 1 July 2017 to 31 December 2017. The 2018 interim dividend of 3.375pps was paid on 24 October 2018. Subsequently to the year end, in February 2019, the Company declared a second interim dividend of 3.375pps in respect of the six-month period ended 31 December 2018; this will result in a total dividend of 6.75pps for the year. Furthermore, it was announced in August 2018 that the Company's 2019 target dividend would increase to 7.00pps, which represents a further increase of 3.7 per cent for the year and an average annual increase of 3.5 per cent since IPO.

Proven progressive dividend policy



— Average dividend increase of 3.5% from 2012 to 2019

— FY 2019 dividend target of 7.00pps[1], up 3.7%

1 This is a target only and is not a profit forecast. There can be no assurance that this target will be met or that the Company will make any distribution at all.

Investor communications

The Company places great importance on communication with its shareholders and welcomes their views. It is the intention of the Company to remain at the forefront of disclosure and transparency in its asset class, and therefore the Management Board and Supervisory Board regularly review the level and quality of the information that the Company makes public.

The Company formally reports twice a year through the Annual and Interim Reports and Financial Statements. Other current information on the Company is provided through the Company's website and through market announcements. At Shareholder General Meetings, each share is entitled to one vote; all votes validly cast at such meetings (including by proxy) are counted, and the Company announces the results of such meetings on the day of the relevant meeting.

The Boards are keen to develop and maintain positive relationships with the Company's shareholders. As part of this process, immediately following release of the annual and interim results at the end of March and August each year, the co-CEOs present the Company's results to market analysts and subsequently conduct investor roadshows and offer shareholder visits to discuss the results, explain the ongoing strategy of the Company, and to receive feedback.

Outside of these formal visits, feedback from investors is received via the Management Board and the Corporate Brokers and, together with the feedback from results meetings, this is reported to the Supervisory Board. Throughout the year under review, the co-CEOs have made themselves available to major shareholders and key sector analysts, both collectively and on a one-to-one basis, for discussion of key issues and expectations around Company performance, and will continue to do so. The co-CEOs and other Board members intend to continue to be available to meet with shareholders periodically to facilitate open two-way communication on the development of the Company. Shareholders may contact members of both the Management and Supervisory Boards at the registered office of the Company, which address can be found on the final page of the Annual Report or on the Company's website at www.bb-gi.com. Given this level of engagement with shareholders, the Boards consider therefore that they meet the requirements of AIC Code Principle 19.

Share capital

The issued share capital of the Company is 580,005,151 ordinary shares of no par value. All of the ordinary shares issued rank *pari passu*. During the year ended 31 December 2018, the Company issued 100,899,931 shares.

Share Issue Price Restriction

As previously reported, under the Luxembourg law of 17 December 2010 on undertakings for collective investments, the Company was restricted from issuing shares at a price exceeding the NAV per share plus 5 per cent.

On 4 April 2018, the Commission de Surveillance du Secteur Financier ('CSSF') advised the Company that they had waived the 5 per cent requirement. Following this confirmation, an Extraordinary General Meeting ('EGM') was held on 29 August 2018 to amend the articles of the Company to remove this limitation.

PRIIPs Regulations

On 1 January 2018, the EU's Packaged Retail and Insurance-based Investment Products ('PRIIPs') regulation came into effect. This requires 'manufacturers' of such products to prepare and make available (via the Company's website) a Key Information Document ('KID'). A copy of the latest BBGI KID can be found on the Company's website and is updated whenever there is a material change in content, and more generally following publication of Interim and Annual Results.

Voting rights

There are no special voting rights, restrictions or other rights attached to any of the ordinary shares. There are no restrictions on the voting rights attaching to ordinary shares.

Discount management

Although the Company's shares have continuously traded at a premium since IPO, the Management Board will actively monitor any discount to the NAV per share at which the ordinary shares may trade in the future. The Management Board will report to the Supervisory Board on any such discount and propose actions to mitigate this.

Purchase of ordinary shares by the Company in the market

In order to assist in the narrowing of any discount to the NAV at which the ordinary shares may trade from time to time and/or to reduce discount volatility, the Company may, subject to shareholder approval:

- make market purchases of up to 14.99 per cent annually of its issued ordinary shares; and
- make tender offers for ordinary shares.

No shares have been bought back during the year ended 31 December 2018. The most recent authority to purchase ordinary shares which may be held in treasury or subsequently cancelled was granted to the Company on 30 April 2018. This authority expires on the date of the next Annual General Meeting ('AGM') to be held on 30 April 2019, at which point the Company will propose that its authority to buy back shares be renewed.

Continuation vote

The Company's Articles of Association require the Boards to offer a continuation vote to the Company's shareholders at the AGM to allow the Company to continue in its current form, with a further vote every two years. The first of these continuation votes was held on 30 April 2015, with the second on 28 April 2017, and in each case received unanimous support from shareholders who voted. In accordance with the Articles therefore, a further continuation vote will be offered to shareholders at the next AGM being held on 30 April 2019.

London Stock Exchange

Listing	Chapter 15 premium listing, closed-ended investment company
Trading	Main Market
ISIN	LU0686550053
SEDOL	B6QWXM4
Ticker	BBGI
Indices	FTSE 250, FTSE 350 and FTSE All-Share

To ensure continuity of listing post-Brexit, the Company has notified the FCA under its Temporary Permissions Regime (TPR), of its intention to continue to market its fund into the UK. For further information on the TPR, refer to the Risk section of the Corporate Governance Report.

Registre de Commerce et des Sociétés Luxembourg

Registered number: B163879

Valuation

The Management Board is responsible for carrying out the fair market valuation of the Company's investments, which it then presents to the Supervisory Board. The valuation is carried out on a six-monthly basis as at 30 June and 31 December each year. The valuation is reviewed by an independent third party professional.

The valuation is determined using the discounted cash flow methodology. The cash flow forecasts, generated by each of the underlying assets, are received by the Company or its subsidiaries, adjusted as appropriate to reflect risks and opportunities, and discounted using asset-specific discount rates. The valuation methodology remains unchanged from previous reporting periods.

The Company uses the following assumptions (Assumptions) for the cash flows:

Assumption		31 December 2018	31 December 2017
Discount rate	Weighted average	7.20%	7.45%
Indexation	UK	2.75%	2.75%
	Canada	2.00%/2.35%	2.00%/2.35%
	Australia	2.5%	2.5%
	Germany	2%	2%
	Netherlands[1]	2%	N/A
	Norway[1]	2.25%	2.25%
	USA[2]	2.5%	2.5%
Deposit rates (p.a.)	UK	1% to 2020, then 2.5%	1% to 2020, then 2.5%
	Canada	1% to 2020, then 2.5%	1% to 2020, then 2.5%
	Australia	2% to 2020, then 3.0% – 4.0% (short – medium term)	2% to 2020, then 3.0% – 4.0% (short – medium term)
	Germany	1% to 2020, then 2.5%	1% to 2020, then 2.5%
	Netherlands	1% to 2020, then 2.5%	N/A
	Norway	1.8% to 2020, then 3.5%	1.8% to 2020, then 3.5%
	USA	1% to 2020, then 2.5%	1% to 2020, then 2.5%
Corporate tax rates (p.a.)	UK	19% to 2019, then 17%	19% to 2019, then 17%
	Canada[3]	26.5%/27%/29%	26.5%/27%/29%
	Australia	30%	30%
	Germany	15.8% (incl. Solidarity, excl. Trade tax)	15.8% (incl. Solidarity, excl. Trade tax)
	Netherlands	25% in 2019, 22.5% in 2020, then 20.5%	N/A
	Norway	23%	23%
	USA	21%	21%

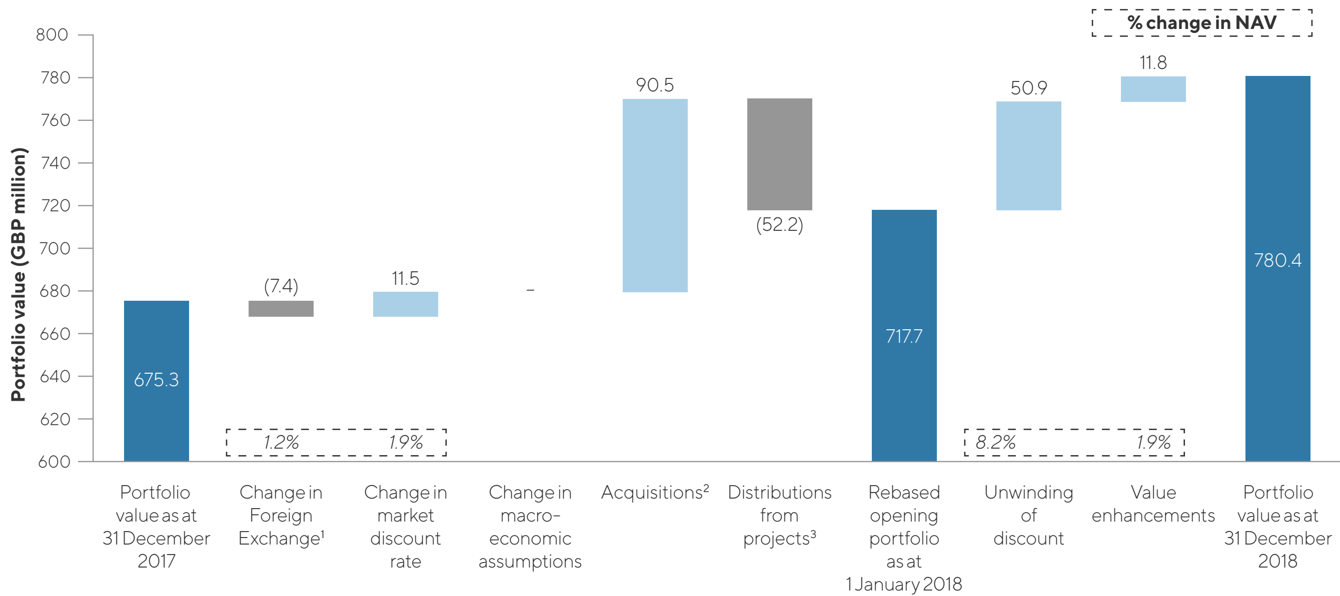
1 Represents CPI indexation only. Certain projects are however subject to a basket of indices.
2 80 per cent of the US asset indexation factor for revenue is contractual and not tied to CPI.
3 Individual tax rates vary among Canadian Provinces.

Key Project Company and portfolio cash flow assumptions underlying NAV calculation include:

- The discount rates and the Assumptions as set out above continue to be applicable.
- The financial models for the Project Companies accurately reflect the terms of all agreements relating to the Project Companies and represent a fair and reasonable estimation of future cash flows accruing to the Project Companies.
- Cash flows are converted to Sterling at either the hedged rate or at the reporting period closing rate for unhedged future cash flows.
- Cash flows from and to the Project Companies are received and paid at the times anticipated.
- Where the operating costs of the Project Companies are fixed by contract, such contracts are performed, and where such costs are not fixed, they remain within the current budgets.
- In cases where lifecycle costs/risks are borne by the Project Companies they remain in line with the current budgets.
- Contractual payments to the Project Companies remain on track and are not terminated before their contractual expiry date.
- Any deductions or abatements during the operations period of the Project Companies are fully passed down to subcontractors under contractual arrangements or are part of the planned (lifecycle) budgets.
- Where the Project Companies own the residual property value in an asset, that the projected amount for this residual value is realised.
- In cases where the Project Companies have contracts which are in the construction phase they are either completed on time or any delay costs are borne by the construction contractors.
- There are no tax or regulatory changes in the future which negatively impact cash flow forecasts.

In forming the above assessments, BBGI works with Project Company management teams, as well as using due diligence information from, or working with, suitably qualified third parties such as technical advisors, legal advisors and insurance advisors.

Portfolio movement 31 December 2017 to 31 December 2018



1 The result from balance sheet hedging is recorded at the consolidated Group level and does not impact portfolio value. During the year, the Company recorded a gain of £2.5 million on balance sheet foreign exchange hedging contracts entered into in November 2018.
2 Refer to page 37 for further details.
3 While distributions from assets reduce the portfolio value, there is no impact on the Company's NAV as the effect of the reduction in the portfolio value (investments at fair value through profit or loss) is offset by the receipt of cash (cash and cash equivalents) at the consolidated Group level. Distributions are shown net of withholding tax.

NAV movement 31 December 2017 to 31 December 2018	£ million
Net asset value at 31 December 2017	622.5
Add back: other net liabilities at 31 December 2017[1]	52.9
Portfolio value at 31 December 2017	675.3
Change in foreign exchange	(7.4)
Change in market discount rate	11.5
Change in macro-economic assumptions	0.0
Acquisitions	90.5
Distributions from assets[2]	(52.2)
Rebased opening portfolio value at 1 January 2018	717.7
Unwinding of discount	50.9
Value enhancements	11.8
Portfolio value at 31 December 2018	780.4
Other net liabilities at 31 December 2018[1]	(5.9)
Net asset value at 31 December 2018	774.5

1 These figures represent the assets and liabilities of the Group; after excluding the portfolio of asset investments and include, amongst other items, the Group's net cash/(borrowings) and the fair valuation of the foreign exchange hedging derivatives.
2 Net of withholding tax.

The net effect of inflation, against the 31 December 2017 modelled Assumptions, on the portfolio value has been positive and is included in the value above.

Key drivers for NAV growth

Growth based on rebased valuation

During the year, the Company recognised £62.7 million, or a 10.1 per cent increase in NAV, from the unwinding of discounts and value accretive enhancements. As the Company moves closer to forecast asset dividend payment dates, the time value of those cash flows increases on a net present value basis. The portfolio value growth from unwinding of discount during the year was approximately £50.9 million or an 8.2 per cent change in NAV.

The remaining £11.8 million, or a 1.9 per cent change in NAV, represents the net effect of value accretive enhancements across the portfolio through active management, which includes amongst others:

- Net valuation uplift from adjusting risk premium reflected in specific asset discount rates (e.g. asset reaching construction completion, asset moving towards the stable operational phase);
- Actual costs and forecasted costs lower on some assets;
- The net effect of cash optimisation and restructuring on certain assets and the refinancing on NTSF, Australia.
- Insurance cost savings.

Discount rates and sensitivity

The discount rates used for individual assets range between 6.80 per cent and 8.70 per cent. The value weighted average rate is approximately 7.20 per cent (31 December 2017: 7.45 per cent) which management believe to be towards the conservative end. This methodology calculates the weighted average based on the value of each asset in proportion to the total portfolio value, i.e. based on the net present value of their respective future cash flows.

The discount rates used for individual asset cash flows are based on BBGI's knowledge of the market, discussions with advisors and publicly available information on relevant transactions. Furthermore, the discount rates used as part of the portfolio valuation process are reviewed by an independent third party professional.

The demand for PPP infrastructure assets remained very robust. This was evidenced by a number of high profile single asset transactions concluded at compelling valuations. These include the sale by John Laing Group to AXA of its 15 per cent interest in the Intercity Express Programme Phase 1 PPP asset, UK, at a price of £227.5 million; sale of Highlands Schools PPP asset, UK, at a premium of 21 per cent over carrying value, and the sale by Balfour Beatty of interests in M25 PPP asset, UK, of a total interest of 25 per cent for a combined value of £207 million. This demand was further validated in September 2018, when John Laing Infrastructure Fund (JLIF) was taken private by two fund managers via a cash offer for the issued share capital of JLIF, at a 20.6 per cent premium to JLIF's closing share price on the last trading day prior to the announcement. These transactions suggest that the discount rates in the secondary market remained very competitive, with evidence demonstrating transactions below a 7 per cent discount rate.

We have differentiated the asset classes with respect to discount rates. For stable operational assets, such as typical schools, hospitals and roads assets, we have applied discount rates at the lower end of the range mentioned above. Adjustments have been applied to acute hospitals in the UK where a risk premium of 50bps continues to be applied. This risk premium reflects the special situation in the UK where some public health clients are under cost pressure and are actively looking for savings. This drive for cost savings has resulted in some large deductions on UK acute hospitals and, consequently, distribution lock ups. To date, BBGI has not been affected. The only UK acute hospital in the portfolio is Gloucester Royal Hospital, which represents less than 1 per cent of the overall portfolio value, and there are no similar assets identified in the current pipeline.

BBGI continues to apply a modest risk premium for complex prison assets to reflect the higher complexity of such assets, and has also applied a risk premium to a limited number of other assets to reflect the individual situations.

The following table shows the sensitivity of the NAV to a change in the discount rate:

Discount Rate Sensitivity	Change in Net Asset Value 31 December 2018
Increase by 1% to 8.20%[1]	£(65.1) million, i.e. (8.4)%
Decrease by 1% to 6.20%[1]	£75.5 million, i.e. 9.7%

1 Based on the weighted average discount rate of 7.20 per cent.

Foreign exchange and sensitivity

BBGI values its portfolio of assets by discounting anticipated future cash flows. The present values of these cash flows are converted to Sterling at either the hedged rate, for a predetermined percentage of cash flows forecast to be received over the next four years, or at the closing rate for unhedged future cash flows.

A significant proportion of the Company's underlying investments are denominated in currencies other than Sterling. The Company maintains its accounts, prepares the valuation and pays distributions in Sterling. Accordingly, fluctuations in exchange rates between Sterling and the relevant local currencies will affect the value of the Company's underlying investments. During 2018, the appreciation of Sterling against the Australian Dollar and Canadian Dollar and the depreciation of Sterling against the Euro, Norwegian Krone and US Dollar accounted for a net decrease in the portfolio value of £7.4 million. Since listing in December 2011, the net cumulative effect of foreign exchange movement on the portfolio value has been a decrease of £8.7 million or 1.1 per cent of NAV at 31 December 2018.

Valuation *continued*

The table below shows those closing rates, which were used to convert unhedged future cash flows into the reporting currency at 31 December 2018.

GBP/	Impact on valuation	F/X rates as of 31 December 2018	F/X rates as of 31 December 2017	Change in FX
AUD	▼	1.806	1.729	(4.45)%
CAD	▼	1.736	1.694	(2.51)%
EUR	▲	1.113	1.126	1.20%
NOK	▲	11.056	11.085	0.26%
USD	▲	1.274	1.349	5.61%

Although the closing rate is the required conversion rate to use, it is not necessarily representative of future exchange rates as it reflects a specific point in time.

In addition to the hedging of anticipated cash flows on a four-year rolling basis, we revised the hedging strategy during the year and introduced balance sheet hedging through the use of foreign exchange forward contracts. The aim is to limit the NAV decrease to approximately 3 per cent for a 10 per cent adverse movement in foreign exchange rates. This is achieved by hedging a portion of the non-Sterling, non-Euro portfolio value.[23]

23 Based on the portfolio composition on the date the balance sheet hedge contracts are entered into.

The following table shows the sensitivity of the NAV to a change in foreign exchange rates:

Foreign Exchange Sensitivity	Change in Net Asset Value 31 December 2018
Increase by 10%[1]	£(20.4) million, i.e. (2.64)%
Decrease by 10%[1]	£21.6 million, i.e. 2.79%

1 Sensitivity in comparison to the spot foreign exchange rates at 31 December 2018 and taking into account the contractual and natural hedges in place, derived by applying a 10 per cent increase or decrease to the Sterling/foreign currency rate.

Inflation sensitivity

The asset cash flows are positively correlated with inflation (e.g. RPI or CPI). The table below demonstrates the effect on the NAV of a change in inflation rates compared to the Assumptions in the table above:

Inflation Sensitivity	Change in Net Asset Value 31 December 2018
Inflation +1%	£39.7 million, i.e. 5.1%
Inflation –1%	£(33.1) million, i.e. (4.3)%

Deposit rate sensitivity

The asset cash flows are positively correlated with the deposit rates. The table below demonstrates the effect on the NAV of a change in deposit rates compared to the Assumptions above:

Deposit Rate Sensitivity	Change in Net Asset Value 31 December 2018
Deposit rate +1%	£15.5 million, i.e. 2.0%
Deposit rate –1%	£(16.1) million, i.e. (2.1)%

Lifecycle costs sensitivity

Of the 48 assets in the portfolio, 16 assets retain the lifecycle obligations. The remaining 32 assets have this obligation passed down to the subcontractor. The table below demonstrates the impact on the NAV of a change in lifecycle costs:

Lifecycle Costs Sensitivity	Change in Net Asset Value 31 December 2018
Increase by 5%[1]	£(7.7) million, i.e. (1.0)%
Decrease by 5%[1]	£7.5 million, i.e. 1.0%

1 Sensitivity applied to the 16 assets in the portfolio which retain the lifecycle obligation, i.e. the obligation is not passed down to the subcontractor.

Corporate tax rate sensitivity

The profits of each portfolio company are subject to corporation tax in the country where the company is located. The table below demonstrates the effect on the NAV of a change in tax rates compared to the Assumptions outlined above:

Corporate Tax Rate Sensitivity	Change in Net Asset Value 31 December 2018
Tax rate +1%	£(6.3) million, i.e. (0.8)%
Tax rate –1%	£6.1 million, i.e. 0.8%

Senior debt refinancing sensitivity

Assumptions are used where a refinancing of senior debt financing is required for an asset during the remaining asset concession term. There is a risk that such assumptions may not be achieved. The below table shows the effect of a +100bps adjustment to the forecasted margins. The base rate for senior debt is either fixed or a long term interest swap is available with the effect that none of our assets is subject to changes in base rates.

Senior Debt Refinancing Sensitivity	Change in Net Asset Value 31 December 2018
Margin +1%[1]	£(6.6) million, i.e. (0.8)%

1 The NTSF asset is the only remaining asset in the BBGI Portfolio with refinancing risk.

GDP sensitivity

The BBGI portfolio is not sensitive to GDP.

The principal risks faced by the Group and the mitigants in place are outlined on page 62.

Financial Results

The Consolidated Financial Statements of the Company for the year ended 31 December 2018 are on pages 80 to 125.

Basis of accounting

The Group has prepared its Consolidated Financial Statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. In accordance with IFRS, the Company qualifies as an Investment Entity and as such, does not consolidate its investments in subsidiaries that qualify as investments at fair value through profit or loss ('FVPL investments'). Certain subsidiaries that are not FVPL investments, but instead provide investment related services or activities that relate to the investment activities of the Group, are consolidated.

Income and costs

Pro forma Income Statement

	Year ended 31 Dec 18 £ million	Year ended 31 Dec 17 £ million
Income from FVPL investments ('FVPL income')	**70.1**	58.5
Other operating income	**4.0**	2.9
Operating income	**74.1**	61.4
Administration expenses and net finance result	**(11.7)**	(9.5)
Other operating expenses	**(4.1)**	(1.0)
Profit before tax	**58.3**	50.9
Tax expense (income tax)	**(2.4)**	(1.8)
Profit from continuing operations	**55.9**	49.1
Basic earnings per share (pence)	**10.06**	10.25

The Group's FVPL investments performed well during the year, which has resulted in FVPL income of £70.1 million, an increase of 20.0 per cent on the prior year. A combination of the positive effect of unwinding of discount, value enhancements and changes in market discount rates with a partial offset of foreign exchange loss, has driven the FVPL income. A more detailed analysis of the movement in FVPL investments is highlighted on page 43 in the Valuation section of this Report.

The Group has implemented a policy of using forward currency contracts to hedge a portion of its anticipated foreign currency cash flows and uses short-term forward currency contracts to hedge part of the non-Sterling, non-Euro denominated portfolio values. Collectively these hedges have resulted in an operating income during the year amounting to £3.9 million (31 December 2018: £2.2 million).

The Group continued to maintain a selective acquisition strategy during the year resulting in five new and three follow-on investments in availability-based PPP assets in the transport, education, accommodation and healthcare sectors. The acquisition costs relating to these investments amounted to £1.1 million (31 December 2017: £1.0 million), which included unsuccessful bid costs amounting to £0.6 million during the year (31 December 2017: £0.2 million). Foreign currency exchange losses during the year amounting to £3.0 million (31 December 2017: nil). Both the acquisition related costs and foreign exchange losses are classified as other operating expenses in the Group's consolidated financial statements.

The administration expenses and net finance result increased to £11.7 million (31 December 2017: £9.5 million). The Group Level Corporate Cost Analysis section below provides further details.

Profit from continuing operations for the year ended 31 December 2018 increased by 13.9 per cent to £55.9 million (31 December 2017: £49.1 million).

Group Level Corporate Cost Analysis

The table below is prepared on an accruals basis.

Corporate costs	Year ended 31 Dec 18 £ million	Year ended 31 Dec 17 £ million
Net finance costs	**4.0**	2.6
Staff costs	**4.5**	4.1
Fees to non-executive Directors	**0.2**	0.2
Professional fees	**1.4**	1.2
Office and administration	**1.0**	1.1
Acquisition related costs	**1.1**	1.0
Taxes (including non-recoverable VAT)	**3.0**	2.1
Corporate costs	**15.2**	12.3

The increase in net finance costs from £2.6 million for 2017 to £4.0 million for 2018 was predominantly due to an increase in utilisations under the RCF. A significant portion of these utilisations was repaid in H2 2018, using available cash and Placing proceeds, with only £15.3 million of borrowings outstanding at 31 December 2018. The cash flow analysis section of this report provides further information regarding utilisation and repayments under the RCF during the year.

Please refer to the Remuneration section of this report for further analysis of staff costs during the year.

Ongoing Charges

The Ongoing Charges percentage, presented in the table below, is prepared in accordance with the AIC recommended methodology[24]. The percentage represents the annualised reduction or drag on shareholder returns as a result of recurring operational expenses incurred in managing the Group's consolidated entities, and provides an indication of the level of recurring costs likely to be incurred in managing the Group in the future.

24 Additional information regarding Ongoing Charges and ongoing charges percentage can be obtained from the AIC website www.theaic.co.uk.

Ongoing charges	Year ended 31 Dec 18 £ million	Year ended 31 Dec 17 £ million
Ongoing charges	**6.9**	6.1
Average undiluted net asset value	**737.7**	618.6
Ongoing charges %	**0.93%**	0.99%

As the Group is internally managed, it is not subject to performance fees or acquisition-related fees. The Ongoing Charges include an accrual for the Short-Term Incentive Plan ('STIP')/bonuses and the Long-Term Incentive Plan ('LTIP') and exclude all non-recurring costs such as the costs of acquisition/disposal of assets, financing charges and gains/losses arising from assets.

For the year ended 31 December 2018, certain non-recurring costs were excluded from the Ongoing Charges, most notably acquisition-related advisory costs of £1.2 million (inclusive of VAT), direct taxation of £2.4 million and net finance costs of £4.0 million.

A reconciliation of Ongoing Charges and Ongoing Charges Percentage to the administration expenses under IFRS is as follows:

	Year ended 31 Dec 18 £ million (except %)	Year ended 31 Dec 17 £ million (except %)
Administration expenses to 31 December	**7.8**	6.9
Less: Non-recurring costs as per AIC guidelines		
Non-recurring professional and external advisory costs	**(0.3)**	(0.3)
Personnel costs related to acquisition or non-recurring	**(0.4)**	(0.3)
Other nonrecurring costs	**(0.2)**	(0.2)
Ongoing Charges	**6.9**	6.1
Divided by:		
Average undiluted Investment Basis NAV for 2018 (average of 31 December 2018: £774.5 million and 31 December 2017: £700.9 million)	**737.7**	618.6
Ongoing charges percentage	**0.93%**	0.99%

Cash flows

The table below summarises the sources and uses of cash and cash equivalents for the Group.

	Year ended 31 Dec 18 £ million	Year ended 31 Dec 17 £ million
Distributions from FVPL investments[1]	**55.1**	49.3
Net cash flows from operating activities	**(15.4)**	(12.0)
Additional FVPL investments	**(90.5)**	(96.5)
Net cash flows from financing activities	**39.8**	58.7
Impact of foreign exchange gain/(loss) on cash and cash equivalents	**0.8**	(1.0)
Net cash outflow	**(10.2)**	(1.5)

1 Distributions shown gross of withholding tax.

The Group's portfolio of investments performed well during the period, with cash flows ahead of business plan. Distributions from FVPL investments, shown above gross of withholding tax, increased during the year by 11.6 per cent to £55.1 million.

Additional investments during the year were financed through a combination of RCF utilisation, Placing proceeds and reinvestment of distributions received from FVPL investments.

The Group borrowed under the RCF during the year, partly to finance the acquisition of new and follow-on investments and partly to provide a form of balance sheet hedging prior to the implementation of the revised hedging strategy whereby the local currency borrowings were replaced by foreign currency forward contracts as a means of balance sheet hedging. In H2 2018, the Group repaid a significant amount of borrowings, using £128 million of Placing proceeds and available cash, leaving only £15.3 million outstanding at 31 December 2018. Furthermore, cash dividends paid during the year resulted in a net cash outflow of £26.5 million.

For the year ended 31 December 2018, the Group has a cash dividend cover ratio of 1.5x (year ended 31 December 2017: 1.5x) and is calculated as follows:

	31 Dec 18 £ million (except ratio)	31 Dec 17 £ million (except ratio)
Distributions received from Investments	**55.1**	49.3
Less: Net cash flows from operating activities under IFRS (consolidated)	**(15.4)**	(12.0)
Net distributions	**39.7**	37.3
Divided by: Cash dividends paid under IFRS (consolidated)	**26.5**	24.7
Cash Dividend Cover (ratio)	**1.5x**	1.5x

Balance Sheet

Pro forma Balance Sheet

	31 Dec 18			31 Dec 17		
	Investment Basis[1] £ million	Adjust £ million	Consolidated IFRS £ million	Investment Basis £ million	Adjust £ million	Consolidated IFRS £ million
FVPL investments	**780.4**	**–**	**780.4**	675.3	–	675.3
Adjustments to FVPL investments	**–**	**0.8**	**0.8**	–	0.2	0.2
Other assets and liabilities (net)	**(4.5)**	**0.8**	**(3.7)**	(3.7)	0.9	(2.8)
Net debt/borrowings	**(3.9)**	**–**	**(3.9)**	(49.1)	(0.3)	(49.4)
Derivative financial asset	**2.5**	**0.9**	**3.4**	–	(2.0)	(2.0)
Net asset value attributable to ordinary shares	**774.5**	**2.5**	**777.0**	622.5	(1.2)	621.3

1 Represents the value of the Group's total assets less the value of its total liabilities under the Investment Basis. The Investment Basis NAV represents the residual interest of the shareholders in the Group, after all the liabilities of the Group, if any, are settled. The Investment Basis NAV per share is the Investment Basis NAV divided by the number of Company shares issued and outstanding. This information presents the residual claim of each Company shareholder to the net assets of the Group.

As at 31 December 2018, the Group has 48 availability-based FVPL investments (31 December 2017: 43). The main drivers of the increase in FVPL investments are:

- Increase of £90.5 million from acquisitions of new assets and additional investment in existing assets;
- Increase of £70.1 million due to the effect of unwinding of discount, value enhancements and changes in market discount rates, partly offset by foreign exchange loss on portfolio value during the year;
- Offset by a decrease due to cash distributions received from Investments of £55.1 million.

Adjustments to FVPL investments relate to cash balances not included in the consolidation and that fall outside of the asset valuation. This amount is included as part of the cash balance under the Investment Basis NAV.

The derivative financial asset adjustment of £0.9 million reflects the fair value of forward currency contracts used to hedge future portfolio distributions. Under the Investment Basis NAV, the contracted forward rates are applied to hedged future distributions. The unhedged distributions are converted at the 31 December 2018 closing rate.

As at 31 December 2018, cash and cash equivalents amounted to £10.4 million (£20.6 million as at 31 December 2017).

A reconciliation of Net Debt as compared to net borrowings under IFRS is as follows:

	31 Dec 18 £ million	31 Dec 17 £ million
Loans and borrowings under IFRS (consolidated)	**14.3**	70.5
Add back: Debt issuance cost under IFRS (consolidated)	**1.0**	0.1
Less: Interest payable under IFRS (consolidated)	**–**	(0.5)
Outstanding loan drawdowns	**15.3**	70.1
Cash and cash equivalents under IFRS (consolidated)	**(10.4)**	(20.6)
Cash balance not included under IFRS (consolidated) and outside of asset valuation	**(1.0)**	(0.4)
Net Debt under Investment Basis NAV	**3.9**	49.1

Three-year comparative of Investment Basis NAV

	31 Dec 18	31 Dec 17	31 Dec 16
NAV (millions)	**774.5**	622.5	545.0
NAV per share (pence)	**133.5**	129.9	126.1

The Investment Basis NAV increased by 24.4 per cent to £774.5 million at 31 December 2018 (31 December 2017: £622.5 million). This equates to a growth in Investment Basis NAV per share of 2.8 per cent to 133.5p at 31 December 2018 (2017: 129.9p).

Corporate Governance

Introduction

The Company is internally managed with a two-tier governance structure that comprises a Supervisory Board and a Management Board (together, the 'Boards'), with the responsibilities of each as indicated in this Report.

The Management Board's principal responsibility is the day-to-day management of the Company, including the discretionary investment management of the Company's assets and those of the rest of the Group. In carrying out the function of investment manager via the Management Board, the Company does not engage an external function to provide such services.

The Management Board is otherwise responsible for the overall administration of the Company including the preparation of semi-annual valuations; statutory financial statements and management accounts and the business plan that defines the Company's active approach to asset management. Given its role as investment manager, the Management Board is the interface for investor relations, including engagement with the Supervisory Board on shareholders' behalf.

The Company is regulated by the CSSF under Part II of the amended Luxembourg law of 17 December 2010 on undertakings for collective investments and is subject to the Luxembourg amended law of 12 July 2013 on Alternative Investment Fund Managers ('AIFM Law') that implemented the EU Alternative Investment Funds Managers Directive ('AIFMD') into national legislation.

Governance and Regulatory Environment

As an internally managed investment company, having effective controls in place is paramount to securing the sound financial and operational performance of the Company's investments. Equally, the Company recognises the importance of effective engagement with its stakeholders, viewing it as a key part of its own long-term success and sustainability.

BBGI is a member of the AIC and as such reports against the AIC Code of Corporate Governance ('AIC Code'), whose principles and recommendations are carefully considered, by reference to the AIC Corporate Governance Guide for Investment Companies ('AIC Guide').

In July 2018, the Financial Reporting Council ('FRC') introduced its revised Corporate Governance Code, applicable to financial years beginning on or after 1 January 2019. This new Code promotes, amongst others, a need for wider stakeholder engagement and greater demonstration of diversity at both board level and within the wider employee population. The AIC has accordingly updated its AIC Code to reflect the FRC's new UK Corporate Governance Code, also applicable to financial years beginning on or after 1 January 2019. The Company intends to continue to comply with the AIC Code, and will accordingly adopt the new AIC Code for its 2019 Annual Report.

The AIC Code relevant to this reporting period ('2018') was published in mid-2016, applying to reporting periods beginning on or after 17 June 2016. The Company has therefore followed the revised AIC Code dated July 2016 for the 2018 reporting period; it has worked throughout the year to ensure it complies with the AIC Code and, where it does not, this Corporate Governance report explains why. More details can be found here;

AIC Principle 2 (majority of the board independent): Management Board – General section page 50

AIC Principle 3 (director re-election): Management Board – General section page 50

AIC Principle 5 (in relation to establishing separate Remuneration and Nomination Committee): Committees of the Supervisory Board – page 52

The Boards consider that reporting against the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), provides appropriate information to shareholders.

AIFM

During 2018, there have been no material changes in respect of Art. 20 Para. 2(d) of the AIFM Law that would warrant further disclosure to shareholders.

A new circular from the CSSF, 18/698, (the 'Circular') governing the authorisation and organisation of investment fund companies based in Luxembourg took effect in August 2018. In addition to confirming the existing obligations applicable to an Alternative Investment Fund Manager, the Circular requires investment management companies to comply with new provisions in relation to governance and administration, internal controls, anti-money laundering and key functions such as delegated activities and valuation.

Following publication of the Circular, the Company engaged a professional advisor to assist in undertaking a comprehensive analysis of existing governance and controls and to assist with developing an implementation plan to ensure compliance with any new requirements. This process, as well as any actions deemed necessary as a result, will be completed during the course of 2019.

The Board of Directors

As at 31 December 2018

Name	Function	Independence	Age	Original appointment	Next renewal date
Supervisory Board					
Colin Maltby	Chairman of Supervisory Board	Independent	68	3 October 2011	30 April 2019
Howard Myles	Senior Independent Director	Independent	69	3 October 2011	30 April 2019
Jutta af Rosenborg	Director and Chair of Audit Committee	Independent	60	1 July 2018	30 April 2019
Management Board					
Duncan Ball	Member of the Management Board	Non independent	53	5 October 2011	5 October 2019
Frank Schramm	Member of the Management Board	Non independent	50	5 October 2011	5 October 2019
Michael Denny	Member of the Management Board	Non independent	41	30 April 2013	30 April 2019

This table sets out the expiry dates of the current terms of the directors' appointments. All appointments may be renewed in accordance with the provisions of the Company's Articles.

Biographies of Directors

Supervisory Board

Colin Maltby

Independent Chairman of the Supervisory Board

Colin Maltby has been involved in the financial sector since 1975 when he joined NM Rothschild's international currency management department. Between 1980 and 1995, he held various roles at Kleinwort Benson Group plc, including as a Group Chief Executive at Kleinwort Benson Investment Management, as well as a Director of Kleinwort Benson Group plc.

From 1996 to 2000, Mr Maltby was Chief Investment Officer at Equitas Limited, and from 2000 to 2007, he worked for BP, as Chief Executive for BP Investment Management Limited and Head of Investments for BP plc. Since 2007, he has served as advisor to institutional investors and as an Independent Non-Executive Director of several listed companies. Mr Maltby was Senior Independent Director until 31 August 2018, when he became Chairman.

Mr Maltby holds MA and MSc degrees from Oxford University and has been a member of the Chartered Institute for Securities and Investment since its formation in 1992.

Howard Myles

Senior Independent Director

Howard Myles began his career in stockbroking in 1971 as an equity salesman, before joining Touche Ross in 1975 where he qualified as a chartered accountant. In 1978, he joined W. Greenwell & Co in the corporate broking team, and in 1987 moved to SG Warburg Securities where he was involved in a wide range of commercial and industrial transactions, in addition to leading Warburg's corporate finance function for investment funds. Mr Myles worked for UBS Warburg until 2001 and was subsequently a partner in Ernst & Young LLP from 2001 to 2007, where he was responsible for the Investment Funds Corporate Advisory team.

Mr Myles was Chairman of the Audit Committee until 31 August 2018, when he became Senior Independent Director.

Mr Myles holds an MA from Oxford University. He is a Fellow of the Institute of Chartered Accountants, a Fellow of the Chartered Institute for Securities and Investment, and a Non-Executive Director of a number of listed investment companies.

Jutta af Rosenborg

Independent Director and Chair of the Audit Committee

Jutta af Rosenborg has extensive experience in management and strategy derived from senior operational roles in a number of companies and vast experience with group finance and auditing, risk management, merger & acquisitions and streamlining of business processes.

Ms af Rosenborg serves as an Independent Non-Executive Director on several listed companies.

Ms af Rosenborg served as the Chief Financial Officer, Executive Vice President of Finance and IT and Member of Board of Management at ALK-Abelló A/S until 2010. Prior to this, Ms af Rosenborg served at Chr. Hansen Holding A/S as its Vice President of Group Accounting from 2000 to 2003. From 1978 to 1992, she worked for the Audit Group at Deloitte.

Ms af Rosenborg was appointed to the Supervisory Board on 1 July 2018 and became Chair of the Audit Committee on 31 August 2018.

Ms af Rosenborg obtained a certificate in Business Administration from Copenhagen Business School in 1982 and gained an MSc in Business Economics and Auditing from Copenhagen Business School in 1987 and qualified as a state authorised public accountant in 1992.

Management Board

Duncan Ball

Co-CEO and member of the Management Board at BBGI

Duncan Ball has been co-CEO of BBGI from inception and was actively involved in the establishment and IPO listing of BBGI in 2011 and the subsequent growth from 19 assets at IPO to 48 assets currently.

Mr Ball has worked in the infrastructure sector, investment banking and advisory business for over 30 years. As co-CEO of BBGI, he is responsible for overall strategy and management of the Company. He is one of three members of the Management Board, and sits on the Investment Committee. Additionally, he is a shareholder representative or holds directorships in key assets of BBGI.

Frank Schramm

Co-CEO and member of the Management Board at BBGI

Frank Schramm has been co-CEO of BBGI from inception and was actively involved in the establishment and IPO listing of BBGI in 2011 and the subsequent growth from 19 assets at IPO to 48 assets currently.

Mr Schramm has worked in the infrastructure sector, investment banking and advisory business for over 23 years. As co-CEO of BBGI, he is responsible for overall strategy and management of the Company. He is one of three members of the Management Board, and sits on the Investment Committee. Additionally, he is a shareholder representative or holds directorships in key assets of BBGI.

Michael Denny

CFO and member of the Management Board at BBGI

Michael Denny has over 18 years' experience in corporate finance with a focus on the infrastructure and real estate sectors.

He joined BBGI in early 2012, shortly after the Company's IPO. As CFO of the Group, he is primarily responsible for all corporate financial matters including but not limited to financial reporting, UK listing requirements, taxation, foreign exchange hedging and regulatory compliance. Mr Denny is a member of the Management Board and sits on the Group's Investment Committee.

Supervisory Board

General

The Supervisory Board consists of three Independent Non-Executive Directors. Mr David Richardson retired from his position as Chairman and member of the Supervisory Board on 30 August 2018. He was immediately succeeded in the role of Chairman by the existing Senior Independent Director, Mr Colin Maltby.

In accordance with the Articles, all members of the Supervisory Board are elected for a period ending at the AGM of the Company in April each year, at which time they are required to retire. They may, if they so wish, offer themselves for re-election by shareholders. However, re-appointment is not automatic. During the year, the Company became a member of the FTSE 350 index, as a result of which all directors are subject to annual re-election, at the Company's AGM. Prior to becoming a FTSE 350 constituent, the Company had already voluntarily complied with the requirement of the AIC Code Principle 3 by virtue of specific provisions set out in its Articles. Going forward, FTSE 350 constituency requires that under the AIC Code Principle 7 (and as part of the new AIC Code Provision 26), an externally facilitated evaluation of the Supervisory Board must be carried out at least every three years. The Board is committed to complying with the requirements of the AIC Code in this respect, and intends to facilitate an external performance evaluation exercise by 2021.

The Supervisory Board believes that its members continue to have an appropriate balance of skills and experience to enable them to fulfil their obligations. The Supervisory Board meets at least four times a year and between these formal meetings, there is regular contact with the Management Board and the Company's corporate brokers. The members of the Supervisory Board are informed of investment and financial controls, and other matters relevant to their remit, by the Management Board. Where necessary, both Supervisory and Management Board members also have access to independent professional advice at the expense of the Company.

The Supervisory Board members have a breadth and diversity of experience relevant to the Company, and the Company believes that any future changes to the composition of the Supervisory Board can be managed without undue disruption.

The Supervisory Board considers items laid out in the Notices and Agendas of meetings which are formally circulated to its members in advance of the meeting as part of the board papers. At each meeting, members are required to advise of any potential or actual conflicts of interest prior to discussion.

Role and Responsibilities of the Supervisory Board

The primary focus at Supervisory Board meetings is a review of investment performance and associated matters, including risk management, marketing/investor relations, gearing, general administration and compliance, peer group information and industry issues.

The Supervisory Board will continue to regularly consider the Company's strategy taking account of market conditions and feedback from the Management Board, the Company's joint corporate brokers and engagement with shareholders. The Company's investment strategy is reviewed regularly in conjunction with the Management Board.

In addition, it is responsible for establishing and monitoring compliance with the Company's investment policy, providing general supervisory oversight to the operations of the Group as a whole; appointing the members of the Management Board, and supervising and monitoring the appointment and performance of the Company's third-party service providers (and those of its subsidiaries). In the case of these latter two roles, the Board acts as Nominations Committee and Management Engagement Committee respectively, as described below.

Annual performance evaluation

The Supervisory Board formally evaluates its performance, and that of its Chairman, and considers the term and independence of each member on an annual basis. The Supervisory Board considered the results of this evaluation process by way of questionnaire and agreed that the current composition of both the Supervisory Board and its Audit Committee reflected a suitable mix of skills and experience; that each body was functioning effectively, and that the performance of each individual member continued to be effective. The current Chairman's evaluation was also conducted by way of questionnaire, led by the Senior Independent Director and the results of which were subsequently discussed with the Chairman and the remaining member. The Chairman's evaluation concluded that he continued to be carrying out his role effectively.

Attendance at Supervisory Board meetings during the financial year ended 31 December 2018

Name	Scheduled meetings and attendance	Unscheduled meetings and attendance*	Total meetings and attendance
Supervisory Board	**5**	**3**	**8**
Colin Maltby	5	3	8
Howard Myles	5	3	8
Jutta af Rosenborg***	3	1	4
David Richardson**	4	1	5

* From time to time there are unscheduled meetings of the Supervisory Board, most of which are called at short notice to approve documents previously discussed or of a technical nature. Due to the generally short notice given, not all members are always able to attend.

** Retired from the Supervisory Board 30 August 2018. Prior to this, Mr Richardson attended all meetings held in the period and to which he was entitled to attend.

*** Joined the Supervisory Board 1 July 2018. Ms af Rosenborg was unable to attend one unscheduled meeting due to a prior commitment

Other listed company directorships

Colin Maltby

BH Macro Limited
Ocean Wilsons Holdings Limited

Howard Myles

Baker Steel Resources Trust Limited
The Forest Company Limited
Lazard World Trust Fund SICAF*
JP Morgan Brazil Investment Trust plc
Chelverton UK Dividend Trust plc
(formerly Small Companies Dividend Trust plc)

Jutta af Rosenborg

Standard Life Aberdeen PLC
JP Morgan European Investment Trust PLC
NKT A/S
Nilfisk Holding A/S

As part of the Supervisory Board's annual performance evaluation process it was concluded that throughout the reporting period each member had, and was expected to continue to have, sufficient capacity to carry out their duties properly with no one member being over-boarded by their current directorship mandates.

* An Extraordinary General Meeting of Lazard World Trust Fund SICAF ('LWTF') has been convened for 28 March 2019 at which a resolution will be proposed by the liquidation of the company, following which Mr Myles will cease to be a director of LWTF. As already announced, substantially all of the company's assets have already been realised and the proceeds distributed to shareholders.

Committees of the Supervisory Board

The Audit Committee is the only constituted committee of the Supervisory Board as it considers its size to be such that it would be unnecessarily burdensome to establish additional committees at no material benefit to the Company and its shareholders. It operates under clearly defined terms of reference, and these are available from the Company Secretary.

Audit Committee

The Audit Committee operated throughout the year in accordance with the AIC Code. As indicated above, it does so within clearly defined terms of reference including all matters indicated by Disclosure Guidelines and Transparency Rule 7.1 and the AIC Code. It comprises the three independent Non-Executive Directors who are also members of the Supervisory Board: Jutta af Rosenborg was appointed Chair of the Committee with effect from 31 August 2018, following Mr Richardson's retirement from the Board and Committees. Colin Maltby and Howard Myles are the other members.

The Audit Committee is required to report its findings to the Supervisory Board, identifying any matters on which it considers that action or improvement is recommended. In the event of any conflict between the provisions of the AIC Code and the provisions of the law on the Audit Profession, the Company will comply with the provisions of the law on the Audit Profession and will disclose any such conflict.

The External Auditor is invited to attend those Audit Committee meetings at which the annual and interim financial statements are considered, and at other times if considered necessary by the Audit Committee.

The Audit Committee is required to meet not less than twice a year, and at such other times as the Audit Committee Chair may require. Additional meetings may be requested by any other member of the Audit Committee, or the External Auditor, if deemed necessary. Other Directors and third parties may be invited by the Audit Committee to attend meetings as and when appropriate.

Name	Scheduled meetings and attendance during 2018
Audit Committee	**2**
Jutta af Rosenborg	1*
Howard Myles	2
Colin Maltby	2
David Richardson	2**

* Ms af Rosenborg became a member and Chair of the Audit Committee from August 2018 and attended all meetings held during her period of appointment.
** Mr Richardson retired from the Audit Committee in August 2018.

Further details on the Audit Committee and its work during the year can be found in the Audit Committee report starting on page 71.

The Committee Chair attends each AGM of the Company and is prepared to respond to any shareholder questions on the Committee's activities.

Other Committee functions

Remuneration Committee

Acting as Remuneration Committee, the Supervisory Board met four times during 2018 to review the levels and structure of the remuneration, compensation, and other benefits and entitlements of the Management Board of the Company. Further information in relation to both Executive and Non-Executive Directors remuneration can be found in the Remuneration section of this Report.

Nominations Committee

During the year, the Supervisory Board met five times as the Nominations Committee to consider the renewal of the appointments of the Management Board members (which appointments are renewable annually for one year only) and to review the succession plans for both Boards.

As stated under 'Management Board – Performance Evaluation and Reappointment', each member of the Management Board was reappointed for a further year. In respect of succession planning, the detailed plans developed for all senior positions were reviewed. These plans are regularly updated by the Management Board and reviewed with the Supervisory Board at least annually.

Management Engagement Committee

In its role as Management Engagement Committee, the Supervisory Board met on four occasions during the year under review to consider, together with the Management Board, the performance and ongoing appointments of the Company's third-party service providers.

The Supervisory Board therefore carries out the functions of Management Engagement, Nominations and Remuneration Committees, including *inter alia* making recommendations in relation to the Group's remuneration programme and on proposed changes of the Group's senior personnel. There are therefore no terms of reference in relation to such Committees. When acting in the capacity as these individual Committees, the meetings are chaired by Mr Maltby, the Independent Chairman of the Supervisory Board.

Re-election of Supervisory Board members

In accordance with the Articles, Supervisory Board members are elected for a period ending at the Company's next AGM, at which time they are eligible for reappointment. Apart from Mr Richardson, who retired during the year, all members of the Supervisory Board have decided to offer themselves for re-election at the forthcoming AGM and, as a result of the successful performance evaluation, the Supervisory Board recommends the re-election of each.

Management Board

General

The Management Board comprises three members, each contractually engaged by BBGI Management HoldCo S.à r.l., a direct 100 per cent subsidiary of the Company. As a result, no member is deemed independent under AIC Code Principle 2. However, the Management Board's functions are overseen by the Supervisory Board which itself meets the independence criteria set out in Principle 2. Whilst this two-tier structure is not explicitly covered by the AIC Code, the Company considers that an independent Supervisory Board ensures the Company is compliant with Principle 2.

The Company's Articles require that the Management Board's members be elected on an annual basis by the Supervisory Board, and not by shareholders. As a result, this does not meet the requirements of AIC Code Principle 3, which requires that directors should be subject to election by shareholders. However, as the Management Board carries out the role of investment manager, the Supervisory Board deems it appropriate that it elects the members of the Management Board. The Articles also require that the members of the Supervisory Board themselves be subject to annual election by shareholders, who may also dismiss any such member. Accordingly, the Company considers that this procedure satisfies the requirements of Principle 3.

Internal controls

The Management Board has established an ongoing process and system of robust internal controls designed to meet the particular needs of the Company in managing the risks to which it is exposed. This process included the implementation of a wide range of policies and procedures, which are reviewed at least annually, together with continual, ongoing monitoring.

At each quarterly meeting, the Supervisory Board monitors the Company's investment performance against its stated objectives and reviews its activities to ensure that the Management Board is adhering to the investment policy and guidelines – including clearly defined investment criteria, returns targets and risk appetite. During these meetings, the Management Board reports KPIs in relation to operating performance, cash projections, investment valuations and corporate governance matters.

The Company recognises that effective control systems can only seek to manage and mitigate the risks of failure to achieve business objectives. They cannot eliminate them. By their very nature, these procedures are not able to provide absolute assurance against material misstatement or loss.

Performance evaluation and reappointment

As stated above, the Management Board carries out the functions of the Company's investment manager, and its Directors are appointed by the Supervisory Board for a period of one year, which is renewable. Mr Ball and Mr Schramm were both originally appointed on 5 October 2011 at the time of the Company's IPO, with Mr Denny originally appointed to the Management Board on 30 April 2013.

Re-election of the Management Board members

The Supervisory Board evaluates the performance of the Management Board and its Directors annually to ensure that the Management Board and its individual members continue to operate effectively and efficiently, and that the continued appointment of the individual Directors is in the best interests of the Company and its shareholders. Satisfied with the evaluations carried out in 2018, the Supervisory Board resolved to renew Mr Denny's appointment for a further term of one year with effect from 30 April 2018, and those of Mr Ball and Mr Schramm for a further term of one year with effect from 5 October 2018.

Attendance at Management Board meetings during the financial year ended 31 December 2018

Name	Scheduled meetings and attendance	Unscheduled meetings and attendance	Total meetings and attendance
Management Board	**11**	**19**	**30**
Frank Schramm	11	19	30
Duncan Ball	11	19	30
Michael Denny	10*	19	29

* Mr Denny was unable to attend one scheduled meeting due to personal circumstances.

Delegated functions

Amongst other requirements, the Company is required under the AIFM Law to have dedicated Risk Management, Compliance, and Internal Audit functions; each of which is required to be both functionally and hierarchically separate from the functions of the operating units. Accordingly, the following third party service providers, which are experts in their respective fields, have been appointed to these roles:

- Risk Management: SGG Fund Management S.A.
- Compliance: 99 Advisory Luxembourg – ICE S.A.
- Internal Audit: Grant Thornton Advisory

Other key delegates are noted below:

- Custodian, Depository, Paying Agent, Transfer Agent: RBC Investor Services Bank S.A.
- Information Technology: G.I.T.S. PSF

Notwithstanding each of these delegated functions, the Company's Management Board retains overall responsibility for the correct and effective operation of the delegated functions. The Company is currently reviewing the delegated function structure as part of the overall Circular review and implementation process.

Board members and other interests

The members of the Management Board are also BBGI Management HoldCo S.à r.l. managers. Mr Ball and Mr Schramm both hold service contracts and Mr Denny holds a management contract in respect of BBGI Management HoldCo S.à r.l. Otherwise, no other member of the Group held service or management contracts during the year under review.

No loan has been granted to, nor any guarantee provided for the benefit of, any director by the Company.

There are no family relationships between the members of the Boards. Mr Maltby, Mr Myles and Ms af Rosenborg, and during his tenure as Chairman of the Company, Mr Richardson, are all considered to be independent Board members as they: (i) have not been employees of the Company; (ii) have not had material business relationships with the Company; (iii) have not received performance-based remuneration from the Company; (iv) do not have family ties with any of the Company's advisers, directors or senior employees; (v) do not hold cross-directorships or have links with other directors through involvement on other companies; (vi) do not represent a significant shareholder; and (vii) have not served on the Board for more than nine years.

Board members' shareholdings

In thousands of shares	31 Dec 2018	% of issued share capital	31 Dec 2017
Colin Maltby	**123**	0.02	117
Frank Schramm	**418**	0.07	251
Duncan Ball	**428**	0.07	252
Michael Denny	**79**	0.01	41
	1,048	0.17	661

Remuneration

Supervisory Board remuneration

The Supervisory Board members are the Company's Non-Executive Directors and are paid a fixed quarterly fee. In its capacity as the Remuneration Committee, the Supervisory Board considered fees annually based on the advice and recommendations of the Management Board. No member of the Supervisory Board is entitled to vote on his or her own remuneration. Supervisory Board members are not entitled to any other fees, pension payments, incentive plans or any other form of compensation, with the exception of *ex gratia* fees that are considered in the event of exceptional and substantial increase in the members' workload.

The Chairman of the Supervisory Board is entitled to a fixed annual fee of £65,000 and the Senior Independent Director and the Chair of the Audit Committee are each entitled to a fixed annual fee of £50,000.

The table below outlines the fees paid in Sterling to each of the Supervisory Board members in 2017 and 2018.

2018	Annual fee	Ex Gratia entitlements*	Total
David Richardson	**43,333**	**20,000**	**63,333**
Colin Maltby	**55,000**	**15,000**	**70,000**
Howard Myles	**50,000**	**15,000**	**65,000**
Jutta af Rosenborg	**25,000**	**5,000**	**30,000**
	173,333	**55,000**	**228,333**

2017	Annual fee	Ex Gratia entitlements	Total
David Richardson	61,667	–	61,667
Colin Maltby	47,500	–	47,500
Howard Myles	47,500	–	47,500
	156,667	–	156,667

* In addition to the standard fees each director was entitled to ex gratia fees during 2018 in relation to Placings carried out in 2017 and 2018.

Executive and staff remuneration

The Company believes that an appropriate remuneration programme for each executive and employee of the Group plays an important role in achieving the short and long-term business objectives that ultimately drive business success and alignment with long-term shareholder goals.

In its capacity as the Company's Remuneration Committee, the Supervisory Board reviews the level and structure of annual remuneration to which the Management Board members and employees of the Group are entitled. Appropriate benchmarking with comparable listed companies is periodically undertaken with the intention of ensuring that the remuneration programme remains competitive. Other than the LTIP payment mechanism – which is subject to shareholder approval – the Supervisory Board is responsible for setting the remuneration levels and targets of the Management Board. It should be noted that the annual review may not result in any change in the levels of remuneration.

Remuneration programme objectives

The objectives of the remuneration programme are to:

— attract and retain highly qualified executives and employees with a history of proven success;

— align the interests of the Group's Management Board and employees with shareholders' interests, the execution of the Company's investment policy and the fulfilment of the Company's investment objectives;

— establish performance goals that, if met, are expected to be accretive to long-term shareholder value; and,

— link compensation to performance goals and provide meaningful rewards for achieving these goals.

Under the programme, every employee of the Group receives an annual base salary payable monthly in arrears.

Management Board remuneration

Each member of the Management Board receives an annual base fee payable monthly in arrears and participates in a LTIP. In addition, each member participates in a STIP. No member of the Management Board receives an additional fee for acting as a member of the Management Board.

Both Mr Denny and Mr Schramm receive all cash entitlements under the remuneration programme in Euro. Mr Ball receives all cash entitlements in Canadian Dollars. Payments in currencies other than Sterling (the reporting currency of the Group) can result in both positive and negative foreign exchange movements.

Executive contracts

BBGI Management HoldCo S.à r.l. has agreed separate service contracts with the co-CEOs, Mr Schramm and Mr Ball. These contracts are on identical terms and conditions, save for the currency of payment as noted above. The key features of the service contracts are as follows:

- the Threshold, Target and Maximum levels of the STIP are set at 50 per cent, 100 per cent and 125 per cent of the total base fee paid in the year respectively;
- the Threshold, Target and Maximum levels of the LTIP awards are set at 50 per cent, 100 per cent and 150 per cent of the base fee at the date of grant;
- LTIPs granted will be settled in shares;
- an expected shareholding of 150 per cent of the base fee was set. This can be attained over a five-year period commencing May 2014;
- Malus clauses enabling unpaid bonuses to be withdrawn are included for both the STIP and LTIP.

Mr Denny's 2018 STIP performance objectives set a target payment of €135,000 up to a maximum of payment of 125 per cent of target. LTIPs issued to Mr Denny each have a maximum value at their respective award dates of €100,000.

Notice periods to and from the Company of 12 months apply in respect of Mr Ball and Mr Schramm with a period of 6 months applying to Mr Denny.

Fixed remuneration

The combined annual base fee received by the members of the Management Board during the year ended 31 December 2018 was £965,855 (2017: £924,717).

In addition to their base fees, both Mr Schramm and Mr Ball received a monthly car allowance during the year amounting to £27,541 (2017: £27,878) and a supplementary annual payment to provide pension, retirement or similar benefits equating to 15 per cent of their annual base fee.

Variable remuneration

Short-term incentive plan

The Supervisory Board, acting in its capacity as Remuneration Committee, is responsible for determining both whether the relevant financial and non-financial performance objectives have been satisfied and the level of award under the STIP for the relevant year. If agreed, awards will be paid after the accounts have been audited.

During the year ended 31 December 2018, the combined amount expensed in respect of the 2018 STIP amounted to £897,663 (2017: £863,171). Payments under the STIP are made in Canadian Dollars and Euro.

Long-term incentive plan

During the year under review a combined amount of £486,000 (2017: £459,000) was expensed against those LTIPs which have been awarded but had not vested.

As of 31 December 2018, the total amount accrued in respect of all LTIPs which have been awarded but have not vested amounted to £837,000 (2017: £766,000). Further details on the individual awards are set out below.

Share-based LTIP awards

A key feature of these awards is that they will be settled entirely by way of Company shares and not in cash. All awards, which are to be settled by shares, fall under the scope of IFRS 2 'Share-Based Payments' and its specific requirements. The Company continues to engage EY to carry out the valuation of awards falling under the scope of IFRS 2 with the resulting valuation being used as the basis for the cost to be amortised over the return period. Refer to page 117 in the Consolidated Financial Statements for further detail on share-based payments. The below table outlines the amount expensed during the year for each of the outstanding share-based LTIP awards.

In thousands of Pounds sterling		Year Ended 31 December 2018	Year Ended 31 December 2017
Award date	Return Period		
2014	Dec 2014 to Dec 2017	–	215
2015	Dec 2015 to Dec 2018	**217**	108
2016	Dec 2016 to Dec 2019	**132**	136
2017	Dec 2017 to Dec 2020	**137**	–
2018	Dec 2018 to Dec 2021	–	–
		486	459

The 2018 award was issued in December 2018. No expense was accrued for this particular award during the reporting period.

During the year ended 31 December 2018, the Company settled the 2014 award obligation by issuing the net share entitlement, after tax, to each member of the Management Board. In total the Company issued and allotted 357,320 shares by way of settlement.

As at the date of this Report, there are no amounts set aside, needing to be set aside or accrued by the Company to provide pension, retirement or similar benefits to any member of the Management Board.

Total basic and variable remuneration for the financial year

The total basic remuneration paid to all members of staff (including the Management Board members) during the year ended 31 December 2018 was £2.33 million (2017: £2.07 million). The total cash settled variable remuneration accrued, but not yet paid, for the financial year ending 31 December 2018 was £1.29 million. The total variable remuneration paid in cash in 2018 relating to the financial year ended 31 December 2017 was £1.42 million.

Remuneration and AIFM law

In 2013, the European Securities and Markets Authority ('ESMA') published its final guidelines on sound remuneration policies under the AIFMD. These guidelines indicate that remuneration disclosures may be made on a 'proportional' basis and acknowledge that the application of proportionality may lead exceptionally to the 'disapplication' of some requirements provided this is reconcilable with the risk profile, risk appetite and strategy of the AIFM and the AIFs it manages. According to the Guidelines, the different risk profiles and characteristics among AIFMs justify a proportionate implementation of the remuneration principles and, where a company chooses to disapply requirements, it must be able to explain the rationale to a competent authority.

The Company's position

As part of the AIFM authorisation application, the Company obtained the following derogations from the CSSF, on proportionate grounds, from three of the remuneration policy principles: i) to pay a substantial part of the variable remuneration in shares; ii) the *ex post* incorporation of risk for variable remuneration ('malus' or 'clawback'); and iii) to establish a Remuneration Committee. Accordingly, the Company has technically disapplied these three remuneration policy principles. However, the Company has applied the spirit of the rules. LTIPs granted from the 2014 award onwards will be settled in Company shares. Furthermore, malus clauses are included in their STIP and LTIP contracts. As mentioned above, the Supervisory Board acts as the Company's Remuneration Committee.

Board tenure and diversity

In its capacity as the Nominations Committee, the Supervisory Board, and the Management Board regularly reviewed the succession plans for the Company. As part of a structured succession plan, each of the original non-executive directors is planning to retire on a staggered basis and the Company is recruiting additional independent directors over a timeframe that enables the knowledge and experience built up over the preceding years to be both retained and enhanced. Ms af Rosenborg represents the first of these appointments under the succession plan.

The Hampton-Alexander review (November 2018) highlighted the progress made towards improving gender balance in FTSE Leadership, with the ultimate aim of having at least 33 per cent representation of women on the Boards of FTSE 350 companies by the end of 2020. Having entered the FTSE 350 Index during the period, the Directors acknowledge both the Hampton-Alexander Review as well as the Parker Review on Ethnic Diversity on Boards in encouraging broader ethnic representation on FTSE company boards.

The Boards of BBGI take into full consideration both the gender and ethnic diversity of their composition. Female representation on the Supervisory Board currently stands at one third. The Company will continue to make future appointments on the basis of the full merits of the individual candidates, and the strengths, skills and experience that they would bring to the composition and balance of the Supervisory Board as a whole. The process of appointing any new Directors is led by the Independent Directors.

In recruiting the new Directors, the Nominations Committee is actively seeking greater diversity by gender, ethnicity, nationality and other criteria, whilst remaining committed to selecting members on merit with relevant and complementary skills to help the Company maximise shareholder value.

General Meetings

2018

Three shareholder meetings were held during 2018, including the AGM on 30 April, an Ordinary General Meeting ('OGM') on 29 June and an EGM on 29 August. The notices of these meetings (and associated documents) and the results of each meeting may be found in the Investor Relations section of the Company's website.

2019

The next Company AGM will be held on Tuesday 30 April 2019 at the registered office address. The Notice of Meeting, proposed Resolutions and Explanatory Notes, and the associated Proxy Form, will be circulated to shareholders to meet the regulatory deadlines. These will also be made available on the Company's website.

Substantial shareholdings

Pursuant to DTR5 of the FCA's Disclosure Guidance and Transparency Rules, the Company had received notice of substantial interests (5 per cent or more) in the total voting rights of the Company as follows, in compliance with DTR 7.2.6R:

Name	Held	% of total share capital
M&G Investments Management Ltd.	80,138,249	16.7%
Newton Investment Management Ltd.	40,123,958	8.4%
Schroder Investment Mgt.	38,200,143	8.0%
Baillie Gifford & Co	31,444,153	5.4%
Smith & Williamson Holdings Ltd.	28,885,124	5.0%

Administration

Incorporation and administration

The ordinary shares were created in accordance with Luxembourg law and conform to the regulations made thereunder, have all necessary statutory and other consents, and are duly authorised according to, and operate in conformity with, the Articles of Association (the 'Articles').

Articles of Association

The Articles were approved and formalised before a Luxembourg notary public on 24 November 2011. The Articles are filed with the Luxembourg Registre de Commerce et des Sociétés and are published in the Mémorial. The Articles may be amended in accordance with the rules set out in article 32 of the Articles. Most recently, this occurred following an EGM of the Company's shareholders held at the registered office of the Company on 29 August 2018.

A copy of the current Articles is available for inspection at the Company's registered office during normal business hours.

Viability

Viability statement

As part of their ongoing process of monitoring risk, and as required by the UK Corporate Governance Code Provision C.2.2 and the AIC Code Principles 15 and 21, the Directors have considered the viability and prospects of the Company for a period of five years. This period continues to be considered an appropriate and acceptable length of time in which to consider the Company continuing in existence from a risk perspective. In making this judgement, the Directors have considered detailed information provided at Board meetings, including: the Company's investment policy, the investment pipeline; asset reviews; the risk matrix (including the principal risks and uncertainties); current relevant financial and economic information; long-term economic assumptions; scenario testing; and annual and semi-annual valuations.

Each of the principal risks and uncertainties the Company faces, along with detailed descriptions of the areas and factors of the risks as well as explanations of the processes by which the Boards monitor, review and assess them, can be found in the Governance section of this Annual Report on pages 45 to 75 and under the heading Risk. The Company has put in place a robust risk and internal controls framework with the objectives of reducing the likelihood and impact of poor decision-making, risk-taking above agreed levels, and human error. The Boards regularly review and assess the principal risks facing the Company – including and in particular those that could threaten its business model, strategy, solvency, liquidity and future performance – as well as the monitoring, management and mitigation of the exposure to these risks.

In addition to the risk management and mitigation in place, a valuation of each asset is carried out every six months at each of the Company's financial half-year and year-ends (30 June and 31 December, respectively). Such valuations are based on long-term discounted future cash flows that are themselves predominantly based on long-term contracts and other assumptions which together form a key part of the overall viability assessment. Once complete, each valuation is independently reviewed by a professional valuer and is also subject to audit/review by the Company's External Auditor. A more detailed description of the valuations, assumptions and stress-testing applied can be found in the Valuation section of the Strategic Report on pages 34 to 39.

Given the investment policy, risk management and valuation processes that are in place, the Boards have the reasonable expectation that the Company can continue in operation and be able to meet its liabilities, commitments and dividend targets over the five-year period assessed, subject to world markets, no adverse unexpected event occurring and the global economy continuing to function within a range of stressed scenarios. The Company is also subject to a biennial shareholder continuation vote, the next of which is scheduled to take place at the 2019 AGM of shareholders.

Risk

ECONOMIC AND MARKET RISKS

	Risk description	Risk mitigation
Foreign Exchange	A significant proportion of the Company's underlying investments – 66 per cent of portfolio value at 31 December 2018 – is denominated in currencies other than Sterling. The Company maintains its financial statements, prepares the valuation and pays distributions in Sterling. There is a risk that fluctuations in exchange rates between Sterling and the relevant local currencies will adversely affect the value of the Company's underlying investments, the distributions and the ultimate rate of return realised by investors.	Currency-hedging arrangements in respect of the non-Sterling distributions denominated in Australian Dollars, Canadian Dollars, Norwegian Kroner and US Dollars for a period of four years in order to mitigate some of this risk. BBGI has investments in 5 currencies other than Sterling, so there is some natural diversification amongst the underlying currencies. During 2018, BBGI amended its hedging strategy to introduce balance sheet hedging through the use of derivatives. The intention being that the balance sheet hedging would limit the decrease in NAV to 3 per cent for a 10 per cent adverse move in foreign exchange rates. The ability to draw on the RCF in the currency of the underlying asset distributions thereby providing a natural hedge. Refer to the sensitivity analysis in the Valuation section of the Strategic Report in relation to foreign exchange rates.
Interest and deposit rates	The Company's performance may be adversely affected by changes in interest rates. BBGI has an exposure to interest rates through borrowings under the RCF, debt at the asset level and cash deposits. The asset companies typically have some cash reserves and deposits. From a financial modelling perspective, an assumption is usually made that the deposits can be placed at a forecast rate that varies depending on country and historical long-term averages. The effect on investment returns if deposit rates exceed or fall below the projections for this long-term rate is dependent on the amount of deposits.	The asset companies have sought to hedge substantially all their floating rate interest liabilities against changes in underlying interest rates with interest rate swaps. At the Group level, BBGI maintains deposits at low levels with the Company only raising capital when there is a clear strategy for the deployment of proceeds. Refer to the sensitivity analysis in the Valuation section of the Strategic Report in relation to deposit rates of the asset companies.
Inflation	The Company's ability to meet targets and its investment objectives may be adversely or positively affected by higher or lower than expected inflation. The revenues and expenditure of asset companies developed under PPP/PFI are frequently partly or wholly subject to indexation. From a financial modelling perspective, an assumption is usually made that inflation will increase at an assumed rate (which may vary depending on country). The effect on investment returns if inflation exceeds or falls below the projections for this rate is typically dependent on the nature of the underlying asset earnings, the extent to which the asset company's costs are affected by inflation and any unitary charge indexation provisions agreed with the client on any asset.	Project companies typically mitigate that risk to some extent by seeking to match the indexation of the revenues to the indexation of the operational cost. The Company and the service providers for the underlying project companies continually monitor any potential or actual changes. Refer to the sensitivity analysis in the Valuation section of the Strategic Report.

TAXATION RISKS

	Risk description	Risk mitigation
Changes to tax legislation, treaties and rates	There is a continued risk that changes in tax law, tax rates and global tax initiatives (e.g. the OECD Base Erosional Profit Sharing initiative, cross border tax treatment, treaty eligibility rules, etc.) could have an adverse effect on the Group's cash flows thereby reducing the returns to investors.	Management works closely with the Group's global tax advisers and is briefed periodically on relevant tax developments. BBGI has a globally diversified portfolio of assets, thereby reducing the tax concentration risk of any one country. Refer to the sensitivity analysis in the Valuation section of the Operating and Financial Review.

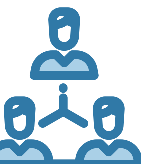
POLITICAL RISKS

	Risk description	Risk mitigation
Change in law/ regulation	Different laws and regulations apply within the countries where the Company and the asset companies are located. There is a risk that changes in laws may have an adverse effect on the performance of the underlying investment that in turn will affect the cash flows derived from the investments and/or the valuation of the investments.	The Management Board seeks regular briefings from its legal and tax advisers to stay abreast of impending or possible changes in law. Change in law provisions are included in some contracts, thus providing further mitigation.
Nationalisation of PPP assets	Given the Company's exposure to public sector procurement models, the Company is not immune to political risk. The UK Labour Party has been critical of the Project Finance Initiative (PFI) and certain assets historically procured under the model. Contractually bringing PFI contracts in-house would require public sector counterparties to exercise their right to voluntarily terminate the contracts and take over management of those assets. In case of such a voluntary termination, the public sector is typically contractually obliged to pay compensation amounts on termination to both the equity, the debt providers and depending on the circumstances to other parties. While the provisions vary between PFI contracts, they generally ensure that the investor is paid either market value for the equity interests or a value to achieve the originally projected IRR and in these cases, this amount may be less than current valuation level.	The Management Board remains unconvinced by the practicalities of nationalising PFI contracts given the complexities involved and the significant compensation that would be required to terminate these contracts. The Management Board believes there are several mitigants to the risk of voluntary termination for the UK asset where BBGI has made investments: – Cost is typically a prohibitive factor for the local authority. Most PFI deals were agreed before 2008 when interest rates were significantly higher than currently. As interest rates have fallen, swaps have become 'out of the money' for the asset companies, so any government or government-backed body wishing to terminate of PFI asset would need to cover the cost of the swap breakage fee. According to a UK National Audit Office analysis on the 75 largest PFI deals by value, swaps would cost more than £2 billion to break.[25] – The asset company equity investors would also need to be bought out, often requiring a compensation payment, as well as the public sector being required to budget for the on-going provision of the service. As a collective, these factors may frequently outweigh the expense of maintaining the contract over its remaining life. – BBGI has a globally diversified portfolio of assets, thereby reducing the concentration risk in any one country. Total UK exposure is 34 per cent of the overall portfolio. – To date, most of the focus of criticism of the use of the PFI model has focused on value for money in NHS acute care hospitals. BBGI only has one acute care hospital in the UK and it represents less than 1.0 per cent of NAV. There is no current intention to increase allocation to the sector.
Brexit	The Company is incorporated in Luxembourg and is listed on the London Stock Exchange raising questions around the continuity of listing and marketing in the UK post Brexit. Brexit poses a risk to performance of the wider UK economy, which may adversely impact the performance of certain infrastructure asset classes	*The UK Temporary Permissions Regime* EEA AIFMs can currently market EEA AIFs in the UK through the AIFMD marketing passport. If the UK leaves the EU without a deal and without entering an implementation period (a so-called "hard Brexit"), the passporting system will cease, and any references in UK legislation to the EEA passporting system will become deficient at the point of exit. To ensure that UK investors have continued access to EEA AIFs that are currently marketed in the UK, the UK government announced on 20 December 2017 that it would put forward legislation to establish a temporary permissions regime ('TPR') on 12 April 2019 at 23:00, enabling EEA AIFs and AIFMs that have notified the FCA of their intention to market in the UK via a passport before exit day to continue to access the UK market for a limited period after exit day. The TPR is expected to last for three years after exit day, with a power for HM Treasury to extend the regime by no more than 12 months at a time in certain circumstances. To enter the regime, the Company has informed the FCA that it wishes to have temporary permission to be marketed in the UK. During the TPR, the Company will be able to be marketed in the UK on the same terms and subject to the same conditions as it could before exit day. To continue marketing the Company in the UK after the end of the TPR, the Company must notify under the UK national private placement regime. The Company will be directed by the FCA to make this notification within two years from exit day. *Portfolio performance:* BBGI maintains a pure-play PPP-style investment platform, fully committed to a strict investment strategy into availability-based assets. This generates stable, predictable cash flows backed by secure, highly visible contracted government and government-backed revenues and significantly carry no exposure to demand or regulatory risk. While the Brexit outcome remains uncertain, regardless of the outcome, BBGI's portfolio cash flows are contracted and, unlike demand-based assets, are not sensitive to the performance of the wider economic environment.

25 National Audit Office Report on PFI and PFI2, January 2018.

FINANCIAL RISKS

	Risk description	Risk mitigation
Valuation/poor investment selection	The most significant risk of material misstatement in the Company's financial statements continues to be the fair valuation of the investment portfolio, and the discount rates applied and the key Assumptions when valuing these investments. There is a risk that errors may be made in the assumptions, calculations or methodology used in a periodic valuation process or during the acquisition due diligence process. In such circumstances, the figures and/or the returns generated by the asset company may be different to those estimated or projected.	The Company's portfolio value is prepared semi-annually by an experienced internal team, overseen by the Management Board. The valuation is then independently reviewed by an independent professional valuer, and finally reviewed/audited by the Company's auditor. BBGI has developed a robust asset acquisition due diligence process. Typical due diligence includes model audit, legal, tax, technical, and insurance reviews. All key assumptions used in the valuation process are subject to sensitivity testing. The outcome of this sensitivity analysis is included in the Valuation section of the Strategic Report.
Asset refinancing risk	In some assets, a refinancing may be required to repay the asset company's financing obligations as they fall due. Where an asset carries a requirement to refinance, there is a risk that such refinancing cannot be secured at the forecast financing costs or at all. This could have an impact on the timing and/or amounts of distributions or other payments in respect of investment capital by such asset company. Where no refinancing is available or not on commercially viable terms this could lead to the total loss of the investment.	Over the years BBGI's management has maintained both a focused and opportunistic approach to asset level senior debt refinancing. By doing so we have remained faithful to our philosophy of active asset management. Since 31 December 2015 refinancing risk has reduced significantly from 20 per cent of portfolio value to approximately 7 per cent of assets subject to refinancing risk at 31 December 2018 The NTSF asset in Australia is the only remaining asset in the BBGI portfolio that is subject to refinancing risk. BBGI and its advisers will conduct a timely market assessment in advance of any future refinancing.



OPERATIONAL RISKS

	Risk description	Risk mitigation
Construction delays, defects, insolvency	Construction assets carry additional risks, such as construction delays, cost overruns and counterparty insolvency, construction defects; all of which can adversely affect the anticipated returns of the asset company.	BBGI applies strict criteria when identifying and assessing potential counterparties and undertakes a detailed investment due diligence process before committing to invest in construction projects or to evaluate construction defects. Typical mitigants include the following: – Back-to-back contracts with subcontractors are in place which typically also cover any construction related defects within the liability period. – Risk of counterparty insolvency or non-performance is typically mitigated by strong contractors, and in the case of joint ventures the contractors are jointly and severally liable. – Retentions, letters of credit, bonding or parent company guarantees for construction period. – Construction exposure consistently monitored and maintained at less than 25 per cent of portfolio value in aggregate.
Lifecycle risk	During the life of an investment, components of the assets (such as for example asphalt or concrete in the case of roads and elevators, roofs and air handling plants in the case of buildings) are likely to need *inter alia* to be replaced or undergo a major refurbishment. There is a risk that the actual cost of replacement/refurbishment will be greater than the forecast cost or the timing of the intervention may be earlier than forecast.	Of the 48 assets in the BBGI portfolio, 16 asset companies retain the lifecycle obligations. The remaining 32 assets have this obligation passed down to the subcontractor. The timing and costs of such replacements or refurbishments is forecast, modelled and provided for by each asset company based upon manufacturers' data and warranties, and specialist advisers are usually retained by the asset companies to assist in such forecasting of lifecycle timings, scope of work and costs. Refer to the sensitivity analysis in the Valuation section of the Strategic Report.

OPERATIONAL RISKS CONTINUED

	Risk description	Risk mitigation
Subcontractor credit risk	The risk of a subcontractor service failure or subcontractor insolvency which is sufficiently serious to cause an asset company to terminate or to be required by the client to terminate a subcontract. There may be a loss of revenue during the time taken to find a replacement subcontractor. Furthermore, the replacement subcontractor may levy a surcharge to assume the subcontract or charge more to provide the services.	For assets under construction there are a number of mitigants and steps taken to manage this risk: – In the case of a construction joint venture consisting of two or more counterparties these are typically jointly and severally liable, meaning if one party fails, the other is obligated to take over the obligations. – A contractor replacement analysis is performed as part of the initial due diligence – The construction subcontractors are typically required by lenders to provide a robust security package often consisting of letters of credit, parent company guarantees and performance bonding Many of the same mitigants are in place for assets once they become operational. Other mitigants during operations include: – Periodic benchmarking of defined facility services on some assets – Diversified group of subcontractors with no substantial concentration risk – Ongoing subcontractor monitoring
Cyber attack	The ever-increasing cyber-threat has meant that businesses can no longer afford to be reactive. A cyber-attack could not only affect BBGI's reputation but could also affect the Group both financially and operationally.	BBGI has taken a number of measures in order to reduce the risk of a cyber-attack, some of which are outlined below. The Company has outsourced the hosting of its IT platform to an industry specialist. In doing so, BBGI obtains the benefit of having access to IT security experts, with the platform being monitored by an advanced IT security system, something that might not be cost effective if the Company's IT infrastructure was maintained onsite. BBGI engages an external expert to carry out an annual intrusion test on the IT platform in order to identify and patch any vulnerabilities that might be identified. Business continuity tests are performed regularly, and disaster recovery tests are performed annually.
Contractual imperfections	The assets that BBGI invests in rely on complex contractual arrangements to operate as intended. BBGI is exposed to the risk that these contracts do not operate as intended, are incomplete, expose BBGI to unanticipated liabilities, are subject to interpretation or otherwise fail to provide the anticipated protection.	Those responsible at BBGI for contract negotiation have a depth of experience in buying infrastructure assets and have developed a structured approach to the due diligence phase. BBGI engages specialist advisers when undertaking due diligence on potential investments in order to understand the risk being retained by the asset company.
Aggressive contractual interpretation of the performance requirement	We are aware of situations, particularly in the UK, where the client has proactively sought to apply deductions to realise savings. There have been published reports on some PPP/PFI assets where material performance deductions have been levied through aggressive contractual interpretation by some clients for asset-wide defects, one example being breaches in fire-compartment walls in buildings. Efforts to realise savings have been largely focused on health care assets (often acute care hospitals) in response to pressure on NHS trust budgets and, in some cases, have resulted in significant deductions on concession payments and lock-up of distributions under the loan agreements.	Deductions are typically passed down to subcontractors which typically deliver the services and are responsible for any abatement or deductions. Risk to equity is typically remote. As acute care UK hospital PPPs account for less than 1 per cent of BBGI's portfolio value, this development does not present a material exposure to the Group. Typical PPP/PFI contracts include very comprehensive provision for dispute resolution procedures which provide the Asset Company with the ability to challenge any harsh interpretation of the contract. Notwithstanding the above, BBGI continues to monitor this development closely, in particular any potential knock-on effect outside the health care sector. While the impact to the Group's portfolio is currently immaterial, if this situation migrates to other sectors, such as schools and transport projects, and the issues are not resolved satisfactorily, it could affect the value of these assets.

STRATEGIC RISKS

	Risk description	Risk mitigation
Premium/discount to NAV	The risk of share price volatility or trading at a discount to NAV leading to shareholder dissatisfaction.	To assist the Company in managing any share price premiums or discounts to NAV, the Company has the ability to make market purchases of up to 14.99 per cent per annum of the ordinary shares in issue. In addition, a continuation vote is offered to shareholders every two years, the next of which will be proposed at the Company's AGM on 30 April 2019. Furthermore, the Management Board meets regularly with shareholders and receives regular briefings from the Company's brokers to manage investor relations.
Underperformance of Management Board	The success of the Company will depend, *inter alia*, upon the skill and expertise of the Management Board and the individuals employed within the Group in identifying, selecting, acquiring and managing the investments. There is also no certainty that key investment professionals will continue to work for the Group in the long term.	The co-CEO structure adopted by BBGI reduces any potential for key man risk considerably. In addition, succession plans have been developed. Adequate notice periods are included in management contracts. Benchmarked compensation packages and deferred remuneration.
Client counterparty risk	There is a risk that one of BBGI's clients has financial difficulties and is unable to meet its payment obligations under the PPP agreement, thereby adversely affecting the asset cash flows. Although the Management Board believes such government or government-backed clients generally represent a low counterparty risk, the possibility of a default remains and has increased in recent years, and may vary from country to country. This risk could increase if the Company has one public sector client that is the counterparty to more than one investment.	The portfolio grew from 43 to 48 assets over the reporting period and in doing so BBGI's exposure to any single counterparty has further reduced (as a percentage of portfolio value). The concessions granted to asset companies in the portfolio, are predominantly granted by a variety of public sector clients or entities that are government-backed. All asset companies in the portfolio are located in countries which are highly rated (Aa2/AA for the UK; Aaa/AAA for Australia, Canada, Germany, Netherlands and Norway; Aaa/AA+ for the US) by Moody's and by Standard & Poor's.
Access to capital	There is a risk that a disruption to the equity markets could lead to an inability to raise new capital. Such a disruption could limit the Company's ability to grow and its ability to repay debt drawn under its RCF. To the extent that the Company does not have cash reserves pending investment, the Company expects to bridge finance further investments by way of the credit facility. Although the Company has had a credit facility in place since July 2012 (which was subsequently refinanced), there can be no guarantee that this will always be the case or that it will be able to issue further shares in the market.	The Board of BBGI and its Corporate Brokers regularly assess market sentiment. The Board will not undertake material commitments if there is a concern that a subsequent raising of capital to repay the RCF may be problematic. Furthermore, the Company has a three-year term remaining on its RCF which expires in January 2022.

Corporate governance

BBGI is an Equal Opportunities Employer and is committed to the principles of respect, fairness, loyalty, as well as equal treatment and pay between men and women.

It has a strict Code of Conduct policy in place to ensure equal treatment of all its staff, and to prevent any employee suffering any form of discrimination or harassment due to their nationality, gender, sexual orientation, ethnicity, religion, ethical beliefs, handicap or age, and it will not tolerate any such abuse.

Once the Company has acquired an investment in an asset entity, it then, through its representatives on the Board of the asset company, undertakes regular reviews of the environmental, social and governance policies that the asset companies have in place and (to the extent possible) their adherence to these policies in the delivery of their services.

Health and Safety

Health and safety practices are monitored across the Company's portfolio and any serious breaches or incidents are reported to the Management Board, and as appropriate, to the Supervisory Board. Each year several health and safety audits are carried out by external health and safety consultants to ensure appropriate procedures and policies are in place and being followed.

Bribery Act

The Company does not offer, pay or accept bribes and is committed to working only with third parties whose standards of business integrity are substantively consistent with its own. The Company also expects the businesses it invests in to commit to avoiding corruption in all its forms and to comply with anti-bribery, anti-fraud and anti-money laundering laws applicable to them. The Company has an anti-bribery policy and is fully compliant with the provisions of the UK Bribery Act.

Procurement

BBGI has developed policies and procedures in relation to the procurement of services received from third-party providers.

The Company aims to have a collaborative relationship with its service providers, and wherever possible to work with them when problems or issues arise to help them meet its requirements.

Insurance

The Company has taken out both Directors and Officers liability insurance and Professional Indemnity ('PI') insurance. The cover provided under the PI policy is compliant with the requirements of the AIFM law.

Donations

The Company made no political donations during the year. Total charitable donations for the year did not exceed £1,000.

Responsible Investment

BBGI believes that the principles and practices of Responsible Investment ('RI') are key components for success in delivering good asset management and corporate governance.

RI is an approach to investing that aims to incorporate environmental, social and governance ('ESG') factors into investment decisions, to better manage risk and generate sustainable, long-term returns.

The assets under the Company's custodianship have a direct impact on the daily lives of the people, communities and economies which they serve. A commitment to good governance, investing responsibly and strong corporate citizenship is what makes BBGI a positive long-term custodian of these assets. Here, the Company's own prudent, low-risk investment strategy focused on delivering long-term, predictable shareholder returns is closely aligned to an RI philosophy.

The BBGI RI philosophy

Include RI/ESG into the investment review and decision-making process

Ensure RI/ESG objectives are integrated into management policies and practices

Seek appropriate disclosures on RI/ESG issues by the entities in which the investments are made

Promote adoption of RI/ESG principles amongst co-shareholders

Monitor and report on RI/ESG initiatives

Principles for Responsible Investment

The Company recognises the global momentum behind responsible investment and welcomes the transition to an ESG focused approach. ESG factors play a material role in determining risk and return for our shareholders. Incorporating these factors into daily practice is a key part of investors' fiduciary duty to their clients and beneficiaries. BBGI's RI philosophy seeks to comply with this requirement through applying them to the Company's investment strategy.

It is BBGI's policy to satisfy all applicable legislation, achieve industry standards and conform to specific national standards wherever the Company operates.

The tangible and intangible benefits of properly integrating RI principles into core business practices are clear. BBGI considers ESG performance frameworks to be long-term indicators of the sustainability of business operations. The ability to maintain and preserve asset life through RI makes this issue a key concern for BBGI in regard to its investment strategy of generating stable, predictable cash flows over the life of public sector-backed contracts typically extending to more than twenty years in length. The Company recognises its responsibility to the end-users of its assets and duty to act in the best long-term interests of its beneficiaries.

To that end, in February 2019 post-period end, BBGI became a signatory to the UNPRI and follows the PRI Principles ('Principles'), which include:

- **Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.
- **Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- **Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- **Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.
- **Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.
- **Principle 6:** We will report on our activities and progress towards implementing the Principles.

Implementing RI policies

The Company's management review process will in the future provide a framework for the development, implementation and review of quality RI objectives to achieve BBGI'S ESG aspirations and business objectives.

BBGI seeks to ensure that it is an active manager of such issues by having clear and comprehensive management disciplines and procedures across all aspects of an asset, and that they are implemented throughout the life of the Company's involvement.

This includes actively working with third-party contractors (e.g. management services providers, facility maintenance providers and road operators) to ensure they adhere to BBGI's 'ESG Best Practices Guidance'. These principles are reviewed annually and amended where necessary.

BBGI monitors the performance of RI initiatives of its assets through an annual ESG questionnaire. To the extent possible, the questionnaire remains consistent from year to year. This consistency aids BBGI's management with the tracking of progress and improvement in ESG performance of each asset.

The RI performance of each asset is then reviewed at annual board meetings against BBGI's benchmarks to ensure compliance with the ESG Best Practices Guidance.

Environmental and social impact in action

The Company hopes to institute a responsible approach to the environment via the adoption of a series of procedures and working practices that support BBGI's vision to promote the conservation, protection and improvement of the physical and natural environments surrounding its assets, including careful monitoring, local engagement and management.

This includes enhancing the energy, water and waste efficiency of each asset, where possible, to act as a catalyst to develop or promote broader activities or actions within the wider community within which the asset operates.

Accordingly, the Company requires that its representatives within its assets strive to ensure that the asset companies develop and maintain positive relationships with the communities which they serve. This includes promoting the community interests of the asset to the client organisation, client staff who use the asset facilities and wider stakeholders and users of the asset.

Several environmental and social initiatives took place across the portfolio in the year, including:

Reducing energy consumption and carbon emissions through retrofit upgrades

Victoria Prisons (Australia)

Throughout the latter half of 2018, an extended programme of replacing all lights within Victoria Prisons with LED fittings was undertaken. This programme included prisoner bed and main cell lights within the correctional facilities. Once completed, the upgrades will result in significantly reduced power consumption, material carbon savings and improved lifecycle outcomes.

Golden Ears Bridge (Canada)

Over the period, the Company's asset management team initiated discussions with the Operations & Maintenance (O&M) Contractor and the local authority of British Columbia to promote environmentally and economically beneficial upgrades to its management of Golden Ears Bridge, reducing its overall carbon footprint to nearly half its current level. Solar-powered speed-signals were introduced to improve safety along the corridor, and the installation of five solar-powered speed feedback signals helped control the speed of motorists. Air quality monitoring was continuously conducted as part of the asset's routine environmental compliance, whilst several upgrades were undertaken by the O&M contractor. It switched to solar-powered LED arrow boards throughout the asset and the contractor's patrol fleet was replaced with propane-powered trucks to reduce carbon emissions.

Supporting vulnerable communities through additional construction

Golden Ears Bridge (Canada)
During the peak of the snowmelt in May 2018, several communities near the Fraser River were at high risk of flooding including the Katzie First Nation in Pitt Meadows, one of the asset's neighbouring communities. The O&M Contractor immediately deployed equipment outfitted to fill sandbags at a rapid pace and all its employees volunteered their time during a weekend to help contain the emergency in the affected areas.

Tor Bank Education Partnership Ltd (UK)
Tor Bank Education Partnership (TBEP) provides education facilities to students with disabilities or special needs, some of whom have difficulty in coping with unexpected fire drills and evacuating during these tests. In July 2018, TBEP, together with its on-site sub-contractor Graham FM, built a 'safe place' shelter where those pupils could be brought to in advance of a fire drill to ease discomfort.

Blue Light Partnership (ASP) Ltd (UK)
ASP operates four police authority sites in the Avon and Somerset region. Through the 'Strategic Fit Programme' driven by ASP, the Police Authority and FM contractor Engie, BBGI contributes financially to support the Authority in sustainability, environmental and corporate responsibility activities.

In 2018, BBGI assisted in redecorating a 'Woman and Children Refuge' area and provided labour to help convert a 'Help Bristol Homeless Project' (HBH) unit in Bedminster, Bristol where restaurant owner Jasper Thompson is working on a project to transform shipping containers in an attempt to combat homelessness.

Audit Committee Report

I am pleased to present the Audit Committee's (the 'Committee') report to shareholders on its activities in respect of the year ended 31 December 2018. This is my first statement as Chair of the Committee since succeeding Howard Myles in August 2018, who will continue to provide his insight and expertise to the Committee as a member. I am committed to maintaining his work in leading the Committee, challenging and monitoring the effectiveness and integrity of our financial reporting, internal controls and risk management systems. The Committee has been operating throughout the year in line with its terms of reference.

Composition of the Committee

Each of the three Independent Non-Executive Directors is a member of the Committee, which is chaired by me, and our biographies can be found in the Corporate Governance section of this Annual Report. The Supervisory Board considers that at least one Committee member has recent and relevant financial experience for the Committee to discharge its functions effectively.

Due to the size of the Supervisory Board, its Chairman, Colin Maltby, is also a member of the Committee, and this has enabled him to bring his extensive knowledge to the table.

During the year, David Richardson stepped down as Chairman of the Supervisory Board and as a member the Committee.

Responsibilities

The Committee's terms of reference include all matters indicated by Disclosure and Transparency Rule 7.1 and the UK Corporate Governance Code. The terms of reference are reviewed at each formally scheduled meeting by the Committee and are then referred to the Supervisory Board for approval. A copy of the terms of reference is available from the Company Secretary on request.

The Committee's main responsibilities are as follows:

- where requested, providing advice to the Supervisory Board on whether the Group's Annual and Interim Reports and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance, and reviewing significant financial reporting judgements contained therein;
- reviewing the Group's internal financial controls and, unless expressly addressed by the Supervisory Board itself, the Group's internal control and risk management systems, including reviewing the Internal Auditors annual regulatory report;
- monitoring and reviewing the effectiveness of the Company's internal audit function;
- making recommendations to the Supervisory Board for resolutions to be put to shareholders for approval at the AGM on the appointment, re-appointment and removal of the External Auditor, and for approval of the associated remuneration and terms of engagement;
- reviewing and monitoring the External Auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK and Luxembourg professional and regulatory requirements;
- developing and implementing a policy on the engagement of the External Auditor to supply non-audit services, taking into account relevant guidance and legislation regarding the provision of non-audit services by the external audit firm; and
- reviewing the Group's Annual and Interim Reports and Financial Statements.

2018: the year under review

The Committee met twice in the year to 31 December 2018 and member attendance can be found within the Corporate Governance section of this Annual Report, under the heading 'Committees of the Supervisory Board'. At these meetings, the Committee considered, *inter alia*:

- the 2017 Annual and 2018 Interim Reports and Financial Statements;
- the valuation of the Company's investments;
- the Reports of the External Auditor;
- the External Auditor's terms of appointment and remuneration (including overseeing the independence of the Auditor, particularly as it relates to the provision of non-audit services);
- review and approval of the External Auditor's plan for the following financial year;
- the appropriateness of the Group's accounting policies;
- new IFRS reporting standards, including IFRS 9 'Financial Instruments' in relation to classification, measurement, as well as the impact, if any, that new IFRS reporting standards might have on Group financial reporting;
- the risk register of the Company;
- the adequacy of the internal control systems and standards; and
- the Internal Auditor's Annual Report of the year under review.

The year under review also saw the introduction of a new CSSF circular 18/698 concerning the authorisation and organisation of Luxembourgish investment management companies; Specific provisions on the fight against money laundering and terrorist financing applicable to investment fund managers. The Company has engaged Deloitte Luxembourg to conduct a detailed analysis of the organisation in accordance with the requirements as set out in the circular. Where gaps are identified, the Management Board will work closely with the Supervisory Board to agree on suitable rectification measures and an appropriate implementation plan to be concluded in H2 2019. The Management Board regularly updates the Committee on its progress in this regard.

Significant risks considered

During the year under review, the Committee held discussions with each of the Management Board, the External Auditor and the Internal Auditor. The Committee concluded from these discussions that the most significant risk of material misstatement in the Company's financial statements continues to be the fair valuation of the investment portfolio which makes up 100.76% of the Company's Net Asset Value at 31 December 2018. The Management Board carries out a fair market valuation of the investments every six months at 30 June and 31 December respectively, which is then reviewed by an independent third-party valuer, after which it is presented to the Supervisory Board. The External Auditor was invited to attend the Committee meetings at which the Annual and Interim Financial Statements were considered in order to present the conclusion of its work, which included a review of the adequacy of the valuation. During these meetings the External Auditor, including the External Auditor's valuation specialist, delivered a review of the Company's Annual and Interim Financial Statements, paying particular attention to the portfolio valuation, discount rates applied and key assumptions used in deriving the fair valuation of the investments. This risk of material misstatement is therefore carefully considered when the Committee reviews the Company's annual and interim financial statements.

The Management Board members were available during the Committee review process to provide detailed explanations of the rationale used for the valuation of investments.

Subsequent to the valuation and ensuing reviews, the Committee concluded that the valuation process of the Company's investments for the year ended 31 December 2018 had been properly carried out and the investments fairly valued.

Non-Audit Services

The Committee considered the extent of non-audit services ('NAS') provided by the External Auditor. To the extent that the NAS are not prohibited, the Committee will continue to review and, where appropriate, approve NAS engagements performed by the External Auditor on controlled subsidiaries. As a general principle the Company will not look to retain the services of the External Auditor for NAS unless there is a specific justification for doing so, for example legacy knowledge whereby the appointment of another advisor would potentially be sub optimal to the business.

Appointment of External Auditor

As stated above, the Committee annually reviews the performance of KPMG Luxembourg, Société coopérative ('KPMG'), the Company's External Auditor. In doing so, we consider a range of factors including the quality of service, specialist expertise and the level of audit fee. Following that review, the Committee remains satisfied with KPMG's effectiveness and therefore has not considered it necessary, to date, to require it to tender for the audit work. There are no contractual obligations restricting the choice of External Auditor. The reappointment of the External Auditor is subject to shareholder approval at the Annual General Meeting. In accordance with the new Audit Reform Law, a mandatory audit tendering process will be carried out in 2021 after the completion of a 10-year audit cycle by KPMG. The audit partner on the Group audit engagement was rotated in 2017. The current audit partner, Ms Emmanuelle Ramponi, presided over both the 2018 interim review and the 2018 year end audit process.

As a result of its work during the period, the Committee concludes that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the External Auditor. The Committee has recommended to the Board to re-appoint KPMG Luxembourg, Société coopérative as the Group's External Auditor.

Conclusion

In conclusion, the Committee is of the opinion that the Annual Report and Financial Statements, taken as a whole, are fair, balanced, understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Approval

On behalf of the Audit Committee

Jutta af Rosenborg
Chair of the Audit Committee
27 March 2019

Management Board Responsibilities Statement

The Management Board of the Company is responsible for ensuring proper preparation of the Company's Annual Report and financial statements for each financial period in accordance with applicable laws and regulations, which require it to:

i) give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as of and at the end of the financial period, in accordance with International Financial Reporting Standards as adopted by the European Union and the Listing Rules;
ii) give a true and fair view of the development and performance of the business and the position of the Group; and
iii) give a true and fair description of the principal risks and uncertainties the Group may encounter, and put in place an appropriate control framework designed to meet the Group's particular needs and the risks to which it is exposed.

In addition, the Management Board is responsible for ensuring that the Company complies with applicable company law and other UK or Luxembourg applicable laws and regulations.

In preparing such Financial Statements, the Management Board is responsible for:

- selecting suitable accounting policies and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- stating whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business;
- maintaining proper accounting records which disclose with reasonable accuracy the financial position of the Group and enable it to ensure that the financial statements comply with all relevant regulations; and
- safeguarding the assets of the Group and taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management Board Responsibilities Statement

We confirm that to the best of our knowledge:

- the financial statements have been prepared in accordance with the applicable set of accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and Group included in the consolidation as a whole.
- the Chairman's Statement and the Report of the Management Board ('Strategic Report') include a fair review of the development and performance of the business and the position of the Company and Group included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces.

Luxembourg, 27 March 2019

Duncan Ball
Co-CEO

Frank Schramm
Co-CEO

Michael Denny
CFO

Mersey Gateway Bridge, UK

Independent Auditor's Report on the Consolidated Financial Statements

To the Shareholders of
BBGI SICAV S.A.
6E, route de Trèves
L-2633 Senningerberg

Report of the Réviseur d'Entreprises agréé
Report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of BBGI SICAV S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion
We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (the "CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Investments at fair value through profit or loss
a) Why the matter was considered to be one of most significance in our audit of the consolidated financial statements of the current period
We refer to the accounting policy "Investments at fair value through profit or loss" and to Note 10 in the consolidated financial statements. 98% of the Group's assets are infrastructure assets that have been developed predominantly under the PPP/PFI or similar procurement models ("Infrastructure Investments"), held at fair value through profit or loss. The valuation of infrastructure investments is a significant judgement area resulting from a number of assumptions in the financial models. The valuation is inherently subjective due to the absence of a liquid market for these investments. The complexity of this methodology as well as assumptions taken in the financial models mean that there is a risk that the fair value of these investments may not be appropriate. The key assumptions used by the Management Board are among others in respect of discount rates and components of budgets used being part of long term forecast cash flows. In addition, the Management Board also used assumptions such as inflation, deposit interest and tax rates that have an impact on the long term forecast cash flows. The significance of the estimates and judgements involved, coupled with the fact that a small percentage difference in the key assumptions in individual infrastructure investment valuations, when aggregated, could result in a material misstatement on the consolidated income statement and consolidated statement of financial position, warrants specific audit focus in this area.

b) How the matter was addressed in our audit

Our audit procedures over the valuation of investments at fair value through profit or loss included, but were not limited to the following:

— We tested the design, implementation and effectiveness of the controls around the determination and monitoring of the discounted cash flows and the determination and monitoring of related key assumptions;

— We used our own valuation specialists and their market knowledge to perform the following procedures:

- We considered and commented the approach and methodology documented by the Management Board used in BBGI SICAV S.A.'s Valuation Report against International Private Equity and Venture Capital Valuation guidelines;
- We obtained market benchmarks for discount rates from public and private sources. We considered the discount rates applied in BBGI SICAV S.A.'s Valuation Report against market benchmarks in the light of market, project, sector and country issues;
- We performed research on key assumptions and commented and compared those against the assumptions applied in BBGI SICAV S.A.'s Valuation Report;
- We reviewed the results of the sensitivity analyses on key assumptions taken by the Management Board;
- We challenged and determined the appropriateness of the Management Board's assumptions used for the valuation of a sample of Infrastructure Investments applying following procedures:
  - > We agreed the underlying shareholder cash flows inputs (such as dividends, subordinated debt interest and principal repayment and directors fees) from the underlying project model to BBGI SICAV S.A.'s valuation model;
  - > We considered if the methodology for assessing fair value has been applied consistently across the assets;
  - > We read the latest board minutes, board packages and other supporting documents and information in respect of the sampled investments;

— We reviewed the Valuation Report prepared by the Management Board and assessed whether the valuation inputs and results are consistent with our other audit procedures performed as part of our audit of the consolidated financial statements.

Other information

The Management Board is responsible for the other information. The other information comprises the information stated in the annual report but does not include the consolidated financial statements and our report of "Réviseur d'Entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Management Board and Those Charged with Governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "Reviseur d'Entreprises Agree" by the General Meeting of the shareholders on 30 April 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is eight years.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014, on the audit profession were not provided and that we remain independent of the Group in conducting the audit.

Luxembourg, 27 March 2019

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Emmanuelle Ramponi

Consolidated Income Statement

In thousands of Pounds Sterling	Note	Year ended 31 December 2018	Year ended 31 December 2017
Continuing operations			
Income from investments at fair value through profit or loss	10	**70,149**	58,456
Other operating income	9	**3,937**	2,917
Operating income		**74,086**	61,373
Administration expenses	5	**(7,823)**	(6,900)
Other operating expenses	6	**(4,057)**	(981)
Operating expenses		**(11,880)**	(7,881)
Results from operating activities		**62,206**	53,492
Finance cost	7	**(4,014)**	(2,630)
Finance income	8	**140**	8
Net finance result		**(3,874)**	(2,622)
Profit before tax		**58,332**	50,870
Tax expense	12	**(2,402)**	(1,768)
Profit from continuing operations		**55,930**	49,102
Profit from continuing operations attributable to owners of the Company		**55,930**	49,102
Earnings per share (weighted average)			
Basic earnings per share (pence)	14	**10.06**	10.25
Diluted earnings per share (pence)	14	**10.06**	10.25

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

In thousands of Pounds Sterling	Year ended 31 December 2018	Year ended 31 December 2017
Profit for the year	**55,930**	49,102
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year attributable to the owners of the Company	**55,930**	49,102

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

In thousands of Pounds Sterling	Note	31 December 2018	31 December 2017
Assets			
Property plant and equipment		**33**	51
Investments at fair value through profit or loss	10	**780,356**	675,314
Derivative financial asset	18	**1,009**	–
Non-current assets		**781,398**	675,365
Trade and other receivables	20	**811**	262
Other current assets		**669**	851
Derivative financial asset	18	**2,446**	–
Cash and cash equivalents	11	**10,444**	20,648
Current assets		**14,370**	21,761
Total assets		**795,768**	697,126
Equity			
Share capital	13	**639,160**	506,061
Additional paid-in capital	20	**837**	763
Translation reserves	13	**(597)**	(597)
Retained earnings		**137,620**	115,133
Equity attributable to owners of the Company		**777,020**	621,360
Liabilities			
Loans and borrowings	15	**14,311**	–
Derivative financial liability	18	**–**	56
Non-current liabilities		**14,311**	56
Loans and borrowings	15	**18**	70,493
Trade payables		**97**	92
Derivative financial liability	18	**–**	1,876
Other payables	16	**3,239**	2,636
Tax liabilities	12	**1,083**	613
Current liabilities		**4,437**	75,710
Total liabilities		**18,748**	75,766
Total equity and liabilities		**795,768**	697,126
Net asset value attributable to the owners of the Company	13	**777,020**	621,360
Net asset value per ordinary share (pence)	13	**133.97**	129.69

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

In thousands of Pounds Sterling	Note	Share capital	Additional paid-in capital	Translation reserve	Retained earnings	Total equity
Balance at 1 January 2017		442,680	304	(597)	96,397	538,784
Total comprehensive income for the year ended 31 December 2017						
Profit for the year		–	–	–	49,102	49,102
Total comprehensive income for the year		–	–	–	49,102	49,102
Transactions with owners of the Company, recognised directly in equity						
Issuance of shares from placing of ordinary shares – net of issue cost	13	57,745	–	–	–	57,745
Cash dividends	13	–	–	–	(24,730)	(24,730)
Scrip dividends	13	5,636	–	–	(5,636)	–
Share-based payment	20	–	459	–	–	459
Balance at 31 December 2017		506,061	763	(597)	115,133	621,360
Total comprehensive income for the year ended 31 December 2018						
Profit for the year		**–**	**–**	**–**	**55,930**	**55,930**
Total comprehensive income for the year		**–**	**–**	**–**	**55,930**	**55,930**
Transactions with owners of the Company, recognised directly in equity						
Issuance of shares from placing of ordinary shares – net of issue cost	13	**126,128**	**–**	**–**	**–**	**126,128**
Scrip dividends	13	**6,980**	**–**	**–**	**(6,980)**	**–**
Cash dividends	13	**–**	**–**	**–**	**(26,463)**	**(26,463)**
Equity settlement of share based compensation	13,20	**411**	**(411)**	**–**	**–**	**–**
Tax settlement of share based compensation	13,20	**(420)**	**–**	**–**	**–**	**(420)**
Share-based payment	20	**–**	**485**	**–**	**–**	**485**
Balance at 31 December 2018		**639,160**	**837**	**(597)**	**137,620**	**777,020**

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

In thousands of Pounds Sterling	Note	Year ended 31 December 2018	Year ended 31 December 2017
Cash flows from operating activities			
Profit for the year		**55,930**	49,102
Adjustments for:			
- Depreciation expense	5	**24**	25
- Net finance cost	7,8	**3,874**	2,622
- Income from investments at fair value through profit or loss	10	**(70,149)**	(58,456)
- Gain on derivative financial instruments	9	**(3,867)**	(2,189)
- Foreign currency exchange loss/(gain)	6	**3,008**	(209)
- Share-based compensation	20	**485**	459
- Income tax expense	12	**2,402**	1,768
		(8,293)	(6,878)
Changes in:			
- Trade and other receivables		**6**	1,884
- Other assets		**181**	(789)
- Trade and other payables		**684**	(397)
Cash generated from operating activities		**(7,422)**	(6,180)
Interest paid		**(4,285)**	(1,429)
Interest received		**140**	8
Realised loss on derivative financial instruments	18	**(1,520)**	(3,074)
Tax settlement of share based compensation	20	**(420)**	–
Taxes paid		**(1,932)**	(1,341)
Net cash flows from operating activities		**(15,439)**	(12,016)
Cash flows from investing activities			
Acquisition of/additional investments at fair value through profit or loss	10	**(90,515)**	(96,522)
Distributions received from investments at fair value through profit or loss	10	**55,067**	49,341
Acquisition of other equipment		**(6)**	(8)
Net cash flows from investing activities		**(35,454)**	(47,189)
Cash flows from financing activities			
Issuance of share capital through placing (net of issuance cost)	13	**126,128**	57,745
Dividends paid	13	**(26,463)**	(24,730)
Repayment of loans and borrowings	15	**(257,283)**	(45,221)
Proceeds from issuance of loans and borrowings	15	**198,623**	71,131
Debt issue cost		**(1,156)**	(234)
Net cash flows from financing activities		**39,849**	58,691
Net increase (decrease) in cash and cash equivalents		**(11,044)**	(514)
Impact of foreign exchange gain/(loss) on cash and cash equivalents		**840**	(951)
Cash and cash equivalents at 1 January		**20,648**	22,113
Cash and cash equivalents at 31 December	11	**10,444**	20,648

The accompanying notes form an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1. Reporting entity

BBGI SICAV S.A. ("BBGI", or the "Company" or, together with its consolidated subsidiaries, the "Group") is an investment company incorporated in Luxembourg in the form of a public limited company (*société anonyme*) with variable share capital (*société d´investissement à capital variable*, or "SICAV") and regulated by the Commission de Surveillance du Secteur Financier ("CSSF") under Part II of the amended Luxembourg law of 17 December 2010 on undertakings for collective investments with an indefinite life. The Company qualifies as an alternative investment fund within the meaning of Article 1 (39) of the amended law of 12 July 2013 on alternative investment fund managers ("2013 Law") implementing Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 and is authorised as an internal alternative investment fund manager in accordance with Chapter 2 of the 2013 Law. The Company was admitted to the official list of the UK Listing Authority (premium listing, closed-ended investment company) and to trading on the main market of the London Stock Exchange on 21 December 2011.

The Company's registered office is EBBC, 6E, route de Trèves, L-2633 Senningerberg, Luxembourg.

The Company is a closed-ended investment company that invests principally in a diversified portfolio of Public Private Partnership ("PPP")/Private Finance Initiative ("PFI") infrastructure or similar style assets. At 31 December 2018 the Company has no investment in assets that are under construction.

As at 31 December 2018, the Group employed 18 staff (31 December 2017: 18 staff).

Reporting period

The Company's reporting period runs from 1 January to 31 December each year. The Company's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows include comparative figures as at 31 December 2017.

The amounts presented as "non-current" in the consolidated statement of financial position are those expected to be settled after more than one year. The amounts presented as "current" are those expected to be settled within one year.

These consolidated financial statements were approved by the Management Board on 26 March 2019.

2. Basis of preparation

Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and the provisions of the Standard of Recommended Practices issued by the Association of Investment Companies ("AIC SORP").

All items presented in the consolidated income statement and consolidated statement of comprehensive income respectively are considered "capital" in nature.

Changes in accounting policy

The accounting policies, measurement and valuation principles applied by the Group in these consolidated financial statements are the same as those applied by the Group in its annual consolidated financial statements as of and for the year ended 31 December 2017 with the following exceptions:

IFRS 9: Financial Instruments

IFRS 9: Financial instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement

The Group adopted *IFRS 9: Financial Instruments* from 1 January 2018. The main impact of IFRS 9 on the Group's consolidated financial statements is regarding classification of financial assets and liabilities.

For the year ended 31 December 2018

2. Basis of preparation continued

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets measured at either:

1) Amortised cost
2) Fair value through other comprehensive income, or
3) Fair value through profit or loss

The standard eliminated the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

The Group previously classified its financial assets as either (i) fair value through profit or loss or (ii) loans and receivables at 31 December 2017. The Group did not classify any financial asset as held to maturity or available for sale. During the Group's analysis,the following factors were considered:

- Business model assessment – The business model of the Group regarding the FVPL investments is one of collecting contractual cash flows and/or selling such FVPL investments if there are favourable terms for doing so. The FVPL investments are managed, and their performance is evaluated, on a fair value basis. The Group's business model for trade and other receivables is to hold such and collect the contractual cash flows.
- Purpose to collect contractual cash flows – The Group holds the FVPL investments for the purpose of either collecting the contractual cash flows or selling them in the future. The Group's FVPL investments represent the fair value of the entire equity and debt claim by the Group from its investments in PPP/PFI assets. However, receivables are held for the sole purpose of collecting contractual cash flows.

IFRS 9 largely retained the existing requirements as prescribed under IAS 39 for the classification of financial liabilities. The main changes under IFRS 9 pertains to liabilities designated at fair value through profit or loss. The Group has not designated any financial liability at fair value through profit or loss and has no current intention to do so. As such, IFRS 9 did not have any impact on the Group's financial liabilities.

Based on the above consideration and as of 1 January 2018, the Group reclassified its financial assets as below:

	1 January 2018 (under new IFRS 9)		31 December 2017 (under IAS 39)	
In thousands of Pounds Sterling	Fair value through profit or loss	Amortised cost	Fair value through profit or loss	Loans and receivables
Assets				
FVPL investments	**675,314**	**–**	675,314	–
Trade and other receivables	**–**	**262**	–	262
Cash and cash equivalents	**–**	**20,648**	–	20,648
Derivative financial instruments	**–**	**–**	–	–
	675,314	**20,910**	675,314	20,910

	Fair value through profit or loss	Amortised cost	Fair value through profit or loss	Other financial liabilities
Liabilities				
Loans and borrowings	**–**	**70,493**	–	70,493
Derivative financial instruments	**1,932**	**–**	1,932	–
Trade payables	**–**	**92**	–	92
Other payables	**–**	**2,636**	–	2,636
	1,932	**73,221**	1,932	73,221

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at fair value through other comprehensive income, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

2. Basis of preparation continued

The Group does not have any significant non-current receivables and other financial asset that are subject to impairment and does not apply hedge accounting, thus the provisions of IFRS 9 regarding impairment, expected credit loss models, and hedging does not have a significant impact to the Group.

IFRS 15: Revenue from contracts with customers

In April 2016, the IASB issued IFRS 15 (Revenue from contracts with customers). IFRS 15 replaced existing guidance and introduces a new model for revenue recognition that is based on the transfer of control. This affects the timing and amount of revenue in certain instances. IFRS 15 was adopted by the Group on 1 January 2018. The adoption did not have a significant impact on the Group's financial position or results of operations considering that the Group does not have any revenues recorded in the consolidated financial statements.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments and investments at fair value through profit or loss ("FVPL investments") which are reflected at fair value.

Functional and presentation currency

These consolidated financial statements are presented in Pounds Sterling, the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise stated.

Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires the Management Board to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In the process of applying the Group's accounting policies, the Management Board has made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

The Company as an Investment Entity

The Management Board has assessed that the Company is an Investment Entity in accordance with the provisions of IFRS 10. The Company meets the following criteria to qualify as an Investment Entity:

a) *Obtains funds from one or more investors for the purpose of providing those investors with investment management services:*
The Group is internally managed with management focused solely on managing those funds received from its shareholders in order to maximise investment income/returns.

b) *Commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both:*
The investment objectives of the Company are to:

- Provide investors with secure and highly predictable long-term cash flows whilst actively managing the investment portfolio with the intention of maximising return over the long term.
- Target an annual dividend payment with the aim to increase this distribution progressively over the longer term.
- Target an IRR in the region of 7% to 8% on the £1 IPO issue price of its ordinary shares, to be achieved over the longer term via active management, to enhance the value of existing investments.

The above-mentioned objectives support the fact that the main business purpose of the Company is to seek to maximise investment income for the benefit of its shareholders.

2. Basis of preparation continued

c) *Measures and evaluates performance of substantially all of its investments on a fair value basis:*
The investment policy of the Company is to invest in equity, subordinated debt or similar interests issued in respect of infrastructure assets that have been developed predominantly under the PPP/PFI or similar styled procurement models. Each of these assets is valued at fair value. The valuation is carried out on a six-monthly basis as at 30 June and 31 December each year.

Based on the Management Board's assessment, the Company also meets the typical characteristics of an Investment Entity as follows:

a) *it has more than one investment* – as at 31 December 2018, the Company has 48 investments;

b) *it has more than one investor* – the Company is listed on the London Stock Exchange with its shares held by a broad pool of investors;

c) *it has investors that are not related parties of the entity* – other than those shares held by the Supervisory Board and Management Board Directors, and certain other employees, all remaining shares in issue (more than 99%) are held by non-related parties of the Company; and

d) *it has ownership interests in the form of equity or similar interests* – ownership in the Company is through equity interest.

Fair valuation of financial assets and financial liabilities

The Group accounts for its investments in PPP/PFI entities ("Project Companies") as FVPL investments.

The valuation is determined using the discounted cash flow methodology. The cash flows forecasted to be received by the Company or its consolidated subsidiaries, generated by each of the underlying assets, and adjusted as appropriate to reflect the risk and opportunities, have been discounted using asset-specific discount rates. The valuation methodology is the same one used in previous reporting periods.

The fair value of other financial assets and liabilities, other than current assets and liabilities, is determined by discounting future cash flows at an appropriate discount rate and with reference to recent market transactions, where appropriate. Further information on assumptions and estimation uncertainties are disclosed in Note 18.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs in the valuation methodology, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data ("unobservable inputs").

If the inputs to measure fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety at the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of fair value hierarchy at the end of the reporting period in which the change has occurred.

Going concern basis of accounting

The Management Board has examined significant areas of possible financial risk including cash and cash requirements. It has not identified any material uncertainties which would cast significant doubt on the Company's ability to continue as a going concern for a period of less than 12 months from the date of approval of the consolidated financial statements. The Management Board has satisfied itself that the Company has adequate resources to continue in operational existence for the foreseeable future. After due consideration, the Management Board believes it is appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements.

3. Significant accounting policies

The accounting policies set out below have been applied consistently by the Company and its subsidiaries.

Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to direct the relevant activities, i.e. the activities that significantly affect the investee's returns and to obtain those returns. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

— the fair value of the consideration transferred; plus

— the recognised amount of any non-controlling interests in the acquiree; plus

— if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less

— the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When there is an excess of value over consideration, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in fair value of the contingent consideration are recognised in profit or loss.

Subsidiaries

Subsidiaries are investees controlled by the Company (directly or indirectly). The Company controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Company is an Investment Entity and measures investments in certain subsidiaries at fair value through profit or loss. In determining whether the Company meets the definition of an Investment Entity, the management considered the Group structure as a whole (see also Note 2).

Although the Company qualifies as an Investment Entity and is required to value certain subsidiaries at fair value, the Company has a number of subsidiaries which provide services that relate to the Company's investment activities. These subsidiaries are consolidated on a line by line basis (see Note 19).

Acquisition of non-controlling interests (consolidated subsidiaries)

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interest arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Loss of control (consolidated subsidiaries)

For subsidiaries which are consolidated on a line by line basis, upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an investment at fair value through profit or loss or as an available-for-sale financial asset depending on the level of influence retained.

3. Significant accounting policies continued

Transactions eliminated on consolidation (consolidated subsidiaries)

Intra-group receivables, liabilities, revenue and expenses are eliminated in their entirety when preparing the consolidated financial statements. Gains that arise from intra-group transactions and that are unrealised from the standpoint of the Group, at the date of the consolidated statement of financial position, are eliminated in their entirety. Unrealised losses on intra-group transactions are also eliminated in the same way as unrealised gains, to the extent that the loss does not correspond to an impairment loss.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into Pounds Sterling at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Pounds Sterling at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into Pounds Sterling at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on translation are recognised in profit or loss as a gain or loss on currency translation.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Pounds Sterling at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Pounds Sterling at the average exchange rates during the year, if such does not significantly deviate from the exchange rates at the date on which the transaction is entered into. If significant deviations arise then the exchange rate at the date of transaction is used.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity except for exchange differences from intra-Group monetary items which are reflected in the profit and loss. However, if the foreign operation is a non-wholly owned consolidated subsidiary, then the relevant portion of the translations difference is allocated to non-controlling interest. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a consolidated subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such an item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the date that the Group becomes a party to the contractual provisions of the instrument and when the significant risk and rewards of ownership are transferred to the Group.

In general, the Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate financial asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss and assets at amortised cost.

At the date of the consolidated statement of financial position, except for investments accounted for at fair value through profit or loss, all non-derivative financial assets of the Group have been classified as loans and receivables.

3. Significant accounting policies continued

Investments at fair value through profit or loss

The Company is an Investment Entity and therefore values its investment in subsidiaries at fair value through profit or loss, except where the subsidiary provides investment related services or activities. The fair value of an investment in subsidiary includes the fair value of the equity, loans and interest receivable and any other amounts which are included in the discounted estimated cash flow (which is used to compute the fair value) from such subsidiary. The Company subsequently measures its investment in certain subsidiaries at fair value in accordance with IFRS 13, with changes in fair value recognised in profit or loss in the period of change. The fair value estimation of investments in subsidiaries is described in Note 18.

In addition to valuing certain subsidiaries at fair value through profit or loss, the Company also values investments in associates and jointly controlled entities at fair value.

The Company meets the definition of IAS 28 paragraph 18 for a venture capital organisation or a similar entity and upon initial recognition has designated its investment in joint ventures and associates at fair value through profit or loss. The Group manages the performance of each of the joint ventures and associates on a fair value basis in accordance with the Group's investment strategy. The information about associates and joint ventures is provided internally on a fair value basis to the Group's Management Board and Supervisory Board. The Group therefore measures its associates and joint ventures at fair value in accordance with IFRS 9 with changes in fair value recognised in profit or loss in the period of change. The fair value estimation of investments in joint venture and associates is described in Note 18.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Loans and receivables measured at amortised cost

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses using the expected credit loss model.

Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into the "other financial liability" category. Such financial liabilities are recognised initially at fair value less any direct attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

The Group derecognises a financial liability (or part of a financial liability) from the statement of financial position when, and only when, it is extinguished or when the obligation specified in the contract or agreement is discharged or cancelled or expired. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is considered in profit or loss.

Derivative financial instruments

The Group may hold derivative financial instruments to hedge its foreign currency, interest rate and other risk exposures.

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

3. Significant accounting policies continued

Impairment

Non-derivative financial assets

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost. Considering that the Group normally has short term receivables and assets measured at amortised cost, the Group measures loss allowances using lifetime ECLs (or shorter). For some assets that are collectible for more than 12 months and are not current, the Group uses lifetime ECLs, as applicable.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due without due reason provided by the debtor of such delay in payment.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held), notwithstanding how many days the obligation is outstanding.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

— significant financial difficulty of the borrower;

— a breach of contract such as a default;

— the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

— it is probable that the borrower will enter bankruptcy or other financial reorganisation;

Loss allowances for non-derivative financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. As applicable, the gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to a liability. The unwinding of such discount is recognised as finance cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and term deposits with maturities of three months or less from the date when the deposits were made and that are subject to an insignificant risk of change in their fair value, and are used by the Group in the management of its short-term commitments.

3. Significant accounting policies continued

Share capital

Ordinary shares are classified as equity. Given that the Company has no contractual obligation to deliver cash or any other financial asset or to exchange financial assets or liabilities with another entity under conditions that are unfavourable, the Company classifies the issued shares to be equity rather than liability. Moreover, no shareholder has the right to request the redemption of issued shares.

Costs directly attributable to the issue of ordinary shares, or which are associated with the establishment of the Company, that would otherwise have been avoided are recognised as a deduction from equity net of any tax effects.

Segment reporting

Segment results that are reported to the Management Board include items directly attributable to segments as well as those that can be allocated on a reasonable basis.

Employee benefits

Short-term and other long-term employee benefits are expensed as the related services are provided. A liability is recognised for the amount expected to be paid, and discounted at present value if necessary, if the Group has present legal or constructive obligation to pay this amount as a result of a past service provided by the employee and the obligation can be estimated reliably.

For share-based payment arrangements, the grant-date fair value of the equity settled share-based payment arrangement is recognised as an expense, with a corresponding increase in additional paid in capital over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect related service and non-market performance conditions. The market condition related to the award is measured at the date of grant and there is no adjustment of expense/income to the profit or loss for differences between expected and actual outcomes.

Dividend income

Dividend income is recognised in profit or loss on the date on which the right to receive payment is established. This is the date on which the payment of a dividend is authorised.

Finance income and finance costs

Interest income and expenses are recognised in profit or loss using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, where appropriate, a shorter period) to the carrying amount of the financial instrument. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. Interest received or receivable and interest paid or payable are recognised in profit or loss as finance income and finance costs, respectively.

Operating expenses

All operating expenses are recognised in profit and loss on an accruals basis.

Tax

According to the Luxembourg regulations regarding SICAV companies, the Company itself is exempt from paying income and/or capital gains taxes in Luxembourg. It is, however, liable to annual subscription tax of 0.05% of its net asset value computed under investment basis (Investment Basis NAV), payable quarterly and assessed on the last day of each quarter.

Income tax on the consolidated subsidiaries' profits for the year comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

3. Significant accounting policies continued

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

New standards and interpretations not yet adopted

The IASB and IFRIC have issued a number of standards and interpretations with an effective date after the beginning of the year of these consolidated financial statements as follows:

- In January 2016, the IASB issued IFRS 16 (Leases). IFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 is applicable for annual periods beginning on or after 1 January 2019. The Group does not have finance leases and does not have non-cancellable operating leases. The changes are not expected to have a significant impact on the Group's financial position or results of operations.
- In June 2017, IFRIC 23 (Uncertainty over Income Tax Treatments) was issued. IFRIC 23 provides clarification on the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It also requires the Group to reassess its judgements and estimates related to taxes if facts and circumstances change. The Group currently does not have deferred tax assets and liabilities. The adoption of IFRIC 23 will not have a significant impact on the Group's financial position or results of operations.

4. Segment reporting

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

Based on a review of information provided to the Management Board, the Group has identified five reportable segments based on the geographical concentration risk. The main factor used to identify the Group's reportable segments is the geographical location of the asset. The Management Board has concluded that the Group's reportable segments are: (1) UK; (2) North America; (3) Australia; (4) Continental Europe; and (5) Holding Activities. These reportable segments are the basis on which the Group reports information to the Management Board.

4. Segment reporting continued

Segment information for the year ended 31 December 2018 is presented below:

In thousands of Pounds Sterling	UK	North America	Australia	Continental Europe	Holding Activities	Total Group
Income from FVPL investments	**29,471**	**27,695**	**6,823**	**6,160**	**–**	**70,149**
Administration expenses	**–**	**–**	**–**	**–**	**(7,823)**	**(7,823)**
Other operating income – (net)	**–**	**–**	**–**	**–**	**(120)**	**(120)**
Results from operating activities	**29,471**	**27,695**	**6,823**	**6,160**	**(7,943)**	**62,206**
Finance cost	**–**	**–**	**–**	**–**	**(4,014)**	**(4,014)**
Finance income	**–**	**–**	**–**	**–**	**140**	**140**
Tax expense	**–**	**–**	**–**	**–**	**(2,402)**	**(2,402)**
Profit or loss from continuing operations	**29,471**	**27,695**	**6,823**	**6,160**	**(14,219)**	**55,930**

Segment information for the year ended 31 December 2017 is presented below:

In thousands of Pounds Sterling	UK	North America	Australia	Continental Europe	Holding Activities	Total Group
Income from FVPL investments	27,706	17,827	8,577	4,346	–	58,456
Administration expenses	–	–	–	–	(6,900)	(6,900)
Other operating income – (net)	–	–	–	–	1,936	1,936
Results from operating activities	27,706	17,827	8,577	4,346	(4,964)	53,492
Finance cost	–	–	–	–	(2,630)	(2,630)
Finance income	–	–	–	–	8	8
Tax expense	–	–	–	–	(1,768)	(1,768)
Profit or loss from continuing operations	27,706	17,827	8,577	4,346	(9,354)	49,102

Segment information as at 31 December 2018 is presented below:

In thousands of Pounds Sterling	UK	North America	Australia	Continental Europe	Holding Activities	Total Group
Assets						
FVPL investments	**264,541**	**325,382**	**110,558**	**79,875**	**–**	**780,356**
Other non-current assets	**–**	**–**	**–**	**–**	**2,479**	**2,479**
Current assets	**–**	**–**	**–**	**–**	**12,933**	**12,933**
Total assets	**264,541**	**325,382**	**110,558**	**79,875**	**15,412**	**795,768**
Liabilities						
Non-current	**–**	**–**	**–**	**–**	**14,311**	**14,311**
Current	**–**	**–**	**–**	**–**	**4,437**	**4,437**
Total liabilities	**–**	**–**	**–**	**–**	**18,748**	**18,748**

4. Segment reporting continued

Segment information as at 31 December 2017 is presented below:

In thousands of Pounds Sterling	UK	North America	Australia	Continental Europe	Holding Activities	Total Group
Assets						
FVPL investments	251,738	255,758	116,760	51,058	–	675,314
Other non-current assets	–	–	–	–	51	51
Current assets	–	–	–	–	21,761	21,761
Total assets	251,738	255,758	116,760	51,058	21,812	697,126
Liabilities						
Non-current	–	–	–	–	56	56
Current	–	–	–	–	75,710	75,710
Total liabilities	–	–	–	–	75,766	75,766

The Holding Activities of the Group include the activities which are not specifically related to a specific asset or region but to those companies which provide services to the Group. The total current assets classified under Holding Activities mainly represent cash and cash equivalents.

Transactions between reportable segments are conducted at arm's length and are accounted for in a similar way to the basis of accounting used for third parties. The accounting methods used for all the segments are similar and comparable with those of the Company.

5. Administration expenses

In thousands of Pounds Sterling	Year ended 31 December 2018	Year ended 31 December 2017
Personnel expenses	**4,560**	4,089
Office and other expenses	**1,858**	1,600
Legal and professional fees	**1,381**	1,186
Depreciation expense	**24**	25
	7,823	6,900

The Group has engaged certain third parties to provide legal, depositary, custodian, audit, tax and other services to the Group. The expenses incurred in relation to such services are treated as legal and professional fees. Depositary charges during the year amounted to £23,000 (2017: £21,000).

The legal and professional fees during the year includes amounts charged by the Group's external auditor which include audit fees of £182,000 (31 December 2017: £157,000) and audit related fees of £55,000 (31 December 2017: £53,000). There are no non-audit related fees charged by the Group's external auditors in the above amounts (31 December 2017: nil).

6. Other operating expenses

In thousands of Pounds Sterling	Year ended 31 December 2018	Year ended 31 December 2017
Acquisition-related costs	**1,049**	981
Foreign currency exchange loss	**3,008**	–
	4,057	981

7. Finance cost

In thousands of Pounds Sterling	Year ended 31 December 2018	Year ended 31 December 2017
Finance cost on loans and borrowings (see Note 15)	**4,014**	2,630
	4,014	2,630

8. Finance income

In thousands of Pounds Sterling	Year ended 31 December 2018	Year ended 31 December 2017
Interest income from bank deposits	**140**	8
	140	8

9. Other operating income

In thousands of Pounds Sterling	Year ended 31 December 2018	Year ended 31 December 2017
Gain on derivative financial instruments (see Note 18)	**3,867**	2,189
Other income	**70**	519
Foreign currency exchange gain	**–**	209
	3,937	2,917

10. FVPL investments

The movements of FVPL investments are as follows:

In thousands of Pounds Sterling	31 December 2018	31 December 2017
Balance at 1 January	**675,314**	569,926
Acquisitions of/additional investment in FVPL investments	**90,515**	96,522
Income from FVPL investments	**70,149**	58,456
Distributions received from FVPL investments	**(55,067)**	(49,341)
Reclassification to other receivables/payables	**(555)**	(249)
	780,356	675,314

The impact of unrealised foreign exchange gains or losses on the income from FVPL investments for the year ended 31 December 2018 amounted to £7.4 million loss (year ended 31 December 2017: £7.9 million loss). Refer to Note 18 to the consolidated financial statements and the Strategic Report section of the Annual Report for further information on the FVPL investments.

Distributions from FVPL Investments are received after: (a) financial models have been tested for compliance with certain ratios; (b) financial models have been submitted to the external lenders of the Project Companies; or (c) approvals of the external lenders on the financial models have been obtained.

As at 31 December 2018 and 2017, loan and interest receivable from unconsolidated subsidiaries is embedded within the FVPL Investments.

The valuation of FVPL Investments considers all cash flows related to individual assets.

Interest income, dividend income, asset-related management fee income and other income, recorded under the accruals basis at the level of the consolidated subsidiaries for the year ended 31 December 2018, amounted to £52,817,000 (31 December 2017: £47,092,000). The associated cash flows from these items were taken into account when fair valuing the investments.

10. FVPL investments continued

The Group made additional FVPL investments totalling £90.5 million as follows:

- A1/A6 Motorway (Netherlands), a road asset that is part of the Schiphol-Amsterdam-Almere (SAA) expansion involving the reconstruction and widening of an 18 km motorway including reversible lanes. The asset became operational in 2017 and the concession runs until 2042.
- N18 Motorway (Netherlands), another road asset between Varsseveld and Enschede comprising 15km of existing and 27km of new 2x2-lane motorway. The asset became operational in 2018 and the concession runs until 2043.
- East Down Colleges (Northern Ireland), a further 33.33% equity interest to bring to total 100% equity ownership. East Down Colleges is an educational PPP asset located in County Down, Northern Ireland that comprises Ballynahinch, Downpatrick and Newcastle Colleges
- Westland Town Hall (Netherlands), a PPP asset consisting of a new approximately 11,000 m² town hall for the municipality of Westland. The asset became operational in 2017 and the concession runs until 2042.
- McGill University Health Centre (Canada): The Group completed its 40% investment in MUHC through an existing strategic partnership. The asset became operational in October 2014 and the concession runs until 2044.
- Stanton Territorial Hospital (Canada): The Group acquired and completed a 25% equity interest in the Stanton Territorial Hospital, a new 27,000 m² state-of-the-art facility with 100 patient rooms. The asset became operational in December 2018 and the concession runs until 2048.
- Follow-on interests in North London Estates Partnerships and Liverpool and Sefton Health Partnership: The Group acquired a further 6.67% equity interest in North London Estates Partnerships LIFT Asset and Liverpool and Sefton Health Partnership LIFT Asset, bringing its equity interests to 60% in both assets. The two LIFT assets consist of 21 primary health care facilities and local community hospitals in North London and Liverpool providing the delivery of a broad range of primary healthcare services such as GP, dental and outpatient services.

Details of various asset investments in the Company's portfolio and their respective acquisition dates are as follows:

Company	Asset	Country of Incorporation	Ownership Interest on the Asset	Year Acquired
RW Health Partnership Holdings Pty Limited*	Royal Women's Hospital	Australia	100.0%	2012
Victoria Correctional Infrastructure Partnership Pty Ltd	Victoria Prisons	Australia	100.0%	2012
BBPI Sentinel Holdings Pty Ltd* BBGI Sentinel Holdings 2 Pty Ltd*, and Sentinel Financing Holdings Pty Ltd*	Northern Territory Secure Facilities	Australia	100.0%	2014 and 2015
Golden Crossing Holdings Inc.*	Golden Ears Bridge	Canada	100.0%	2012 and 2013
Trans-park Highway Holding Inc.*	Kicking Horse Canyon	Canada	50.0%	2012
NorthwestConnect Holdings Inc.*	Northwest Anthony Henday Drive	Canada	50.0%	2012
BBGI KVH Holdings Inc.*	Kelowna and Vernon Hospital	Canada	50.0%	2013
WCP Holdings Inc.*	Women's College Hospital	Canada	100.0%	2013
Stoney Trail Group Holdings Inc.*	Northeast Stoney Trail	Canada	100.0%	2013
BBGI NCP Holdings Inc.*	North Commuter Parkway	Canada	50.0%	2015
SNC-Lavalin Infrastructure Partners LP*	William R. Bennett Bridge	Canada	80.0%	2017
	Southeast Stoney Trail	Canada	40.0%	2017
	Canada Line	Canada	26.7%	2017
	Restigouche Hospital Centre	Canada	80.0%	2017
	McGill University Health Centre	Canada	40.0%	2018
BBGI Stanton Holdco 1 Inc.*	Stanton Territorial Hospital	Canada	25.0%	2018
ParticipatiemaatschappijVolkerInfraPPP B.V.*	A1/A6 Motorway	Netherlands	9.8%**	2018
	N18 Motorway	Netherlands	25.48**	2018
	Westland Townhall	Netherlands	24.99**	2018
Kreishaus Unna Holding GmbH*	Unna Administrative Centre	Germany	44.1%**	2012
PJB Beteiligungs – GmbH*	Burg Prison	Germany	90.0%	2012
Hochtief PPP 1 Holding GmbH & Co.KG*	Cologne Schools	Germany	50%	2014
	Rodenkirchen Schools	Germany		
	Frankfurt Schools	Germany		
	Fürst Wrede Military Base	Germany		
Adger OPS Vegselskap AS	E18 Motorway	Norway	100.0%	2013 and 2014

10. FVPL investments continued

Company	Asset	Country of Incorporation	Ownership Interest on the Asset	Year Acquired
Kent Education Partnership Holdings Ltd.*	Kent Schools	UK	50.0%	2012
Healthcare Providers (Gloucester) Ltd.*	Gloucester Royal Hospital	UK	50.0%	2012
Highway Management M80 Topco Limited*	M80 Motorway	UK	50.0%	2012
Bedford Education Partnership Holdings Limited*	Bedford Schools	UK	100.0%	2012
Lisburn Education Partnership Holdings Limited*	Lisburn College	UK	100.0%	2012
Clackmannanshire Schools Education Partnership (Holdings) Limited*	Clackmannanshire Schools	UK	100.0%	2012
Primaria (Barking & Havering) Limited*	Barking Dagenham Havering (LIFT)	UK	60.0%	2012
East Down Education Partnership (Holdings) Limited*	East Down Colleges	UK	100.0%	2012 and 2018
Scottish Borders Education Partnership (Holdings) Limited*	Scottish Borders Schools	UK	100.0%	2012
Coventry Education Partnership Holdings Limited*	Coventry Schools	UK	100.0%	2012
Fire Support (SSFR) Holdings Limited*	Stoke & Staffs Rescue Service	UK	85.0%	2012
GB Consortium 1 Ltd.*	North London Estates Partnership (LIFT)	UK	60.0% (both)	2012, 2014 and 2018
	Liverpool & Sefton Clinics (LIFT)	UK		
Mersey Care Development Company 1 Limited*	Mersey Care Hospital	UK	79.6%	2013 and 2014
MG Bridge Investments Limited*	Mersey Gateway Bridge	UK	37.5%	2014
Tor Bank School Education Partnership (Holdings) Limited*	Tor Bank School	UK	100.0%	2014
Lagan College Education Partnership (Holdings) Limited*	Lagan College	UK	100.0%	2014
Highway Management (City) Holding Limited*	M1 Westlink	UK	100.0%	2014
Blue Light Partnership (ASP) NewCo Limited*	Avon and Somerset Police HQ	UK	100.0%	2014, 2015
Blue Light Partnership (ASP) NewCo 2 Limited*				and 2016
Northwin Limited	North West Regional College	UK	100.0%	2015
Northwin (Intermediate) (Belfast) Limited*	Belfast Metropolitan College	UK	100.0%	2016
BBGI East End Holdings, Inc.	Ohio River Bridges	USA	33.3%	2014

* and its subsidiary companies
** legal ownership

11. Cash and cash equivalents

In thousands of Pounds Sterling	31 December 2018	31 December 2017
Bank deposits/balances	**10,444**	20,648
	10,444	20,648

For the year ended 31 December 2018

12. Taxes

The composition of the Group's consolidated tax expense is as follows:

In thousands of Pounds Sterling	Year ended 31 December 2018	Year ended 31 December 2017
Tax expense	**2,402**	1,768
Total tax expense	**2,402**	1,768

The Company pays an annual subscription tax of 0.05% on the value of its total net assets. For the year ended 31 December 2018 BBGI SICAV S.A. incurred a subscription tax expense of £330,000 (31 December 2017: £298,000). The Company as a SICAV is not subject to taxes on capital gains or income. All other consolidated companies are subject to taxation at the applicable rate in their respective jurisdictions (refer to Note 3 for further details).

The composition of the tax payable is as follows:

In thousands of Pounds Sterling	31 December 2018	31 December 2017
Current tax		
Current year tax payable	**983**	447
Previous year tax payable	**100**	166
Total current tax liability	**1,083**	613

A reconciliation of the tax expense and the tax at applicable tax rate is as follows:

In thousands of Pounds Sterling	Year ended 31 December 2018	Year ended 31 December 2017
Profit before tax	**58,332**	50,870
Income tax using the Luxembourg domestic tax rate (2018: 27.08% and 2017: 27.08%)	**15,796**	13,776
Difference between domestic tax rate and applicable tax rate	**330**	227
Reconciling difference mainly due to fair valuation of assets net of gain/loss on derivatives (unrealised)	**(13,724)**	(12,235)
Tax charge for the year	**2,402**	1,768

A significant portion of the profit before tax results from fair valuation of FVPL investments and unrealised gain on derivative financial instruments. The net income of the unconsolidated subsidiaries is taxed in their respective jurisdictions.

As a consequence of the adoption of IFRS 10, the Company is classified as an Investment Entity (see Note 2), meaning the tax expenses of the unconsolidated subsidiaries are not included within these consolidated financial statements. Therefore, the consolidated tax expense and tax assets/liabilities, if any, do not include those of the Project Companies. The tax liabilities of the Project Companies are embedded in the fair value calculation of the FVPL investments.

There are no unrecognised taxable temporary differences. The Group has tax losses carried forward amounting to £4,722,000. The Group did not recognise any deferred tax asset on tax losses carried forward.

13. Capital and reserves

Share capital

Changes in the Company's share capital are as follows:

In thousands of Pounds Sterling	31 December 2018	31 December 2017
Share capital as at 1 January	**506,061**	442,680
Issuance of ordinary shares through placing	**128,033**	58,533
Shares issuance cost on placing	**(1,905)**	(788)
Share capital issued through scrip dividends	**6,980**	5,636
Equity settlement of share based compensation (see Note 20)	**411**	–
Tax settlement of share based compensation (see Note 20)	**(420)**	–
	639,160	506,061

The changes in the number of ordinary shares of no par value issued by the Company are as follows:

In thousands of shares	31 December 2018	31 December 2017
In issue at beginning of the year	**479,105**	432,216
Shares issued through placing of ordinary shares	**95,525**	43,039
Shares issued through scrip dividends	**5,018**	3,850
Shares issued as share based compensation	**357**	–
	580,005	479,105

In April 2018 and September 2018, the Company raised gross proceeds of £60,833,000 and £67,200,000 through a placing of 47,525,493 and 48,000,000 new ordinary shares of no par value ('Placing'), respectively. The Placing price was 128.0 and 140.0 pence per Placing share, respectively. The total share issuance cost of the both Placing of ordinary shares during the year amounted to £1,905,000.

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at general meetings of the Company.

The Company meets the minimum share capital requirement as imposed under the applicable Luxembourg regulation.

Translation reserve

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity except for exchange differences from intragroup monetary items which are reflected in the profit and loss. The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

13. Capital and reserves continued

Dividends

The dividends declared and paid by the Company during the year ended 31 December 2018 are as follows:

In thousands of Pounds Sterling except as otherwise stated	31 December 2018
2nd interim dividend of 3.25 pence per qualifying ordinary share – for the period ended 1 July 2017 to 31 December 2017	**15,582**
Interim dividend of 3.375 pence per qualifying ordinary share – for the period ended 30 June 2018	**17,861**
	33,443

The 31 December 2017 2nd interim dividend was paid in June 2018. The value of the scrip election was £2,903,000 with the remaining amount of £12,679,000 paid in cash to those investors that elected for a cash dividend.

The 30 June 2018 interim dividend was paid in October 2018. The value of the scrip election was £4,077,000 with the remaining amount of £13,784,000 paid in cash to those investors that elected for a cash dividend.

The dividends declared and paid by the Company during the year ended 31 December 2017 are as follows:

In thousands of Pounds Sterling except as otherwise stated	31 December 2017
Final dividend of 3.125 pence per qualifying ordinary share – for the year ended 31 December 2016	14,852
Interim dividend of 3.25 pence per qualifying ordinary share – for the period ended 30 June 2017	15,514
	30,366

The 31 December 2016 final dividend was paid in June 2017. The value of the scrip election was £3,001,000 with the remaining amount of £11,851,000 paid in cash to those investors that elected for cash dividend.

The 30 June 2017 interim dividend was paid in October 2017. The value of the scrip election was £2,635,000 with the remaining amount of £12,879,000 paid in cash to those investors that elected for cash dividend.

Net Asset Value

The consolidated net asset value and net asset value per share as at 31 December 2018, 31 December 2017 and 31 December 2016 were as follows:

In thousands of Pounds Sterling/pence	31 December 2018	31 December 2017	31 December 2016
Net asset value attributable to the owners of the Company	**777,020**	621,360	538,784
Net asset value per ordinary share (pence)	**133.97**	129.69	124.66

14. Earnings per share

The basic and diluted earnings per share are calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding.

In thousands of Pounds Sterling/shares	Year ended 31 December 2018	Year ended 31 December 2017
Profit attributable to owners of the Company	**55,930**	49,102
Weighted average number of ordinary shares in issue	**556,005**	479,105
Basic and diluted earnings per share (in pence)	**10.06**	10.25

The weighted average number of shares outstanding for the purpose of computation of earnings per share is computed as follows:

In thousands of shares	Year ended 31 December 2018	Year ended 31 December 2017
Shares outstanding as at 1 January	**479,105**	432,216
Effect of shares issued on placing of ordinary shares participating for the interim and final dividend of the year	**47,525**	43,039
Effect of shares issued on placing of ordinary shares participating for the second interim dividend of the year	**24,000**	–
Effect of scrip dividends issued	**5,018**	3,850
Shares issued as share based compensation	**357**	–
Weighted average – outstanding shares	**556,005**	479,105

Shares issued during September 2018 from placing of ordinary shares of 48,000,000 will be entitled to the 2018 second interim dividend only, thus only a percentage (50%) of such shares is considered in the calculation of the earnings per share for the year ended 31 December 2018.

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

15. Loans and borrowings

The Group has a 4-year £180 million Revolving Credit Facility from ING Bank and KfW IPEX-Bank ("RCF") commencing January 2018. DZ Bank acceded as a lender to the RCF in February 2018.The borrowing margin decreased to 165 bps over LIBOR. The arrangement fee and the commitment fee have also decreased from the previous RCF terms. Under the RCF, BBGI retains the flexibility to consider larger transactions by virtue of having structured a further £70 million incremental accordion tranche, for which no commitment fees will be paid.

As at 31 December 2018, the Group had utilised £16.5 million (31 December 2017: £75.7 million) of the £180 million Revolving Credit Facility, of which £1.2 million (31 December 2017: £5.6 million) was being used to cover letters of credit.

The interest payable under the credit facility as at 31 December 2018 amounted to £18,000 (31 December 2017: £533,000).

The RCF unamortised debt issuance cost amounted to £966,000 as at 31 December 2018 (31 December 2017: £100,000). The unamortised debt issuance cost is netted against the amount withdrawn from the credit facility.

The total finance cost incurred under the RCF for the year ended 31 December 2018 amounted to £4,014,000 (31 December 2017: £2,630,000) which includes amortisation of debt issue expense of £290,000 (31 December 2017: £690,000).

Total cash utilisation of the RCF during the year amounted to £198,623,000 (31 December 2017: £71,131,000) and total repayments amounted to £257,283,000 (31 December 2017: £45,221,000). Foreign exchange loss incurred by the Group in relation to loans and borrowings amounted to £3,877,000 (31 December 2017: £1,071,000 gain).

15. Loans and borrowings continued

Pledges and collaterals

As of 31 December 2018, and 31 December 2017, the Group has provided a pledge over shares issued by consolidated subsidiaries, pledge over receivables between consolidated subsidiaries and a pledge over the bank accounts of the consolidated subsidiaries.

Based on the provisions of the RCF, in the event of continuing event default, the lender, among other things, will have the right to cancel all commitments and declare all or part of utilisations to be due and payable, including all related outstanding amounts, and exercise or direct the security agent to exercise any or all of its rights, remedies, powers or discretions under the RCF.

The Group operated comfortably within covenant limits of the RCF during the year.

16. Other payables

Other payables are composed of the following:

In thousands of Pounds Sterling	31 December 2018	31 December 2017
Accruals	**3,216**	2,550
Others	**23**	86
	3,239	2,636

17. Financial risk review and management

The Group has exposure to the following risks from financial instruments:

— Credit risk

— Liquidity risk

— Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. This note also presents the result of the review performed by management on the above-mentioned risk areas.

Risk management framework

The Management Board has overall responsibility for the establishment and oversight of the Group's risk management framework.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group, resulting in:

1) impairment or reduction in the amounts recoverable from receivables and other current and non-current assets; and

2) non-recoverability, in part or in whole, of cash and cash equivalents deposited with banks.

Exposures to credit risks

The Group is exposed to credit risks on the following items in the consolidated statement of financial position:

In thousands of Pounds Sterling	31 December 2018	31 December 2017
Derivative financial instruments	**3,455**	–
Trade and other receivables	**811**	262
Cash and cash equivalents	**10,444**	20,648
	14,710	20,910

17. Financial risk review and management continued

The maximum exposure to credit risk on receivables that are neither overdue nor impaired as of 31 December 2018, amounts to £811,000 (31 December 2017: £262,000).

As of 31 December 2018, the Group is also exposed to credit risk on the loan receivable, interest and other receivable component of FVPL investments (loans provided to Project Companies) totalling to £173,240,000 (2017: £192,848,000).

Recoverable amounts of receivables and other current and non-current assets

The Group establishes when necessary an allowance for impairment, based on expected credit losses specific to the asset. A significant part of receivables of the Group are current receivables from nonconsolidated subsidiaries. These subsidiaries have the ability to pay such within a short notice. Currently there are no recorded allowances for impairment. All the Group's receivables are collectable and no significant amounts are considered as overdue, impaired and subject to expected credit losses.

Cash and cash equivalents and foreign currency forwards

The cash and cash equivalents and foreign currency forwards are maintained with reputable banks with ratings that are acceptable based on the established internal policy of the Group. Based on the assessment of the Management Board, there are no significant credit risks related to the cash and cash equivalents and foreign currency forwards maintained. The main counterparty banks of the Group has an S&P/Moody's credit rating between A+/Aa3 and AA-/Aa2.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's policy over liquidity risk is that it will seek to have sufficient liquidity to meet its liabilities and obligations when due.

The Group manages liquidity risk by maintaining adequate cash and cash equivalents and borrowing facilities to finance day-to-day operations and medium to long-term capital needs. The Group also regularly monitors the forecast and actual cash requirements and matches the maturity profiles of the Group's financial assets and financial liabilities.

The following are the contractual maturities of the financial liabilities of the Group, including estimated interest payments:

	31 December 2018				31 December 2017			
In thousands of Pounds Sterling	Carrying amount	Contractual cash flows	Within one year	More than 1 year but less than 5 years	Carrying amount	Contractual cash flows	Within one year	More than 1 year but less than 5 years
Financial liabilities								
Loans and borrowings (see Note 15)	**14,329**	**15,295**	**18**	**15,277**	70,493	70,593	70,593	–
Trade payables	**97**	**97**	**97**	**–**	92	92	92	–
Derivative financial liability	**–**	**–**	**–**	**–**	1,932	1,932	1,876	56
Other payables	**3,239**	**3,239**	**3,239**	**–**	2,636	2,636	2,636	–
	17,665	**18,631**	**3,354**	**15,277**	75,153	75,253	75,197	56

The Group needs to maintain certain financial covenants under the RCF. Non-compliance with such covenants will trigger an event of default (see Note 15). At 31 December 2018 and 2017, the Group was not in breach of any of the covenants under the credit facility. The Group has operated and continues to operate comfortably within covenant limits.

The Company can do a capital raise in order to finance further acquisitions or repay debt.

All external financial liabilities of the Company have maturities of less than one year except for loans and borrowings, which have a maturity of more than one year. The Company has sufficient cash and cash equivalents and sufficient funding sources to pay and/or refinance currently maturing obligations.

17. Financial risk review and management continued

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the returns.

Brexit

EEA AIFMs can currently market EEA AIFs in the UK through the AIFMD marketing passport. If the UK leaves the EU without concluding a Withdrawal Agreement and without entering an implementation period (a so-called "hard Brexit"), the passporting system will cease, and any references in UK legislation to the EEA passporting system will become deficient at the point of exit. To ensure that UK investors have continued access to EEA AIFs that are currently marketed in the UK, the UK government announced on 20 December 2017 that it would put forward legislation to establish a temporary permissions regime ('TPR') on 12 April 2019 at 23:00, enabling EEA AIFs and AIFMs that have notified the FCA of their intention to market in the UK via a passport before exit day to continue to access the UK market for a limited period after exit day.

The TPR is expected to last for three years after exit day, with a power for HM Treasury to extend the regime by no more than 12 months at a time in certain circumstances. To enter the regime, the Company has informed the FCA that it wishes to have temporary permission to be marketed in the UK. During the TPR, the Company will be able to be marketed in the UK on the same terms and subject to the same conditions as it could before exit day. To continue marketing the Company in the UK after the end of the TPR, the Company must notify under the UK national private placement regime. The Company will be directed by the FCA to make this notification within two years from exit day.

The Group maintains a pure-play PPP-style investment platform, fully committed to a strict investment strategy into availability-based assets. This generates stable, predictable cashflows backed by secure, highly visible contracted public-sector revenues and significantly carry no exposure to demand or regulatory risk. While the Brexit outcome remains uncertain we can say that, regardless, the Group's portfolio cashflows are contracted and, unlike demand based assets, are not sensitive to the performance of the wider economic environment.

The Group buys derivative financial instruments, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within certain internal guidelines. When circumstances allow, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss. In the event of a hard Brexit a contingency plan is in place to report all trades under these hedging instruments, for European Market Infrastructure Regulations purposes, to an EU branch of the derivative repository.

Currency risk

The Group is exposed to currency risk as a result of its underlying FVPL investments and cash and cash equivalents being denominated in currencies other than Pounds Sterling. The currencies in which these items are primarily denominated are Australian dollars (A$), Canadian dollars (C$), euros (€), Norwegian kroner (kr) and US dollars (US$).

The Group actively seek to manage geographical concentration and mitigate foreign exchange risk by balance sheet hedging through foreign exchange forward contracts, hedging of forecast portfolio distributions and borrowing in non-Sterling currencies. Furthermore, euro-denominated running costs provide a natural hedge against the euro-denominated portfolio distributions.

In respect of other monetary assets and liabilities denominated in currencies other than Pounds Sterling, the Group's policy is to ensure that its net exposure is kept at an acceptable level. The Company believes that foreign exchange exposure is part of an international portfolio, but believes the risk is partially mitigated by having exposure to a number of different currencies including the Australian dollar, Canadian dollar, US dollar, euro and Norwegian krone, all of which can provide diversification benefits. The Management Board spends considerable time reviewing its hedging strategy and believes it remains both appropriate and cost effective to continue with its four-year rolling hedge policy.

17. Financial risk review and management continued

The summary of the quantitative data about the Group's exposure to foreign currency risk provided to the management is as follows:

	31 December 2018				
In thousands of Pounds Sterling	A$	C$	€	kr	US$
Investments at fair value through profit or loss	**110,558**	**288,568**	**48,160**	**31,715**	**36,814**
Cash and cash equivalents	**25**	**3,441**	**450**	**3**	**430**
Trade payables	**–**	**–**	**(30)**	**–**	**–**
Other payables	**–**	**(46)**	**(2,994)**	**(112)**	**–**
	110,583	**291,963**	**45,586**	**31,606**	**37,244**

	31 December 2017				
In thousands of Pounds Sterling	A$	C$	€	kr	US$
Investments at fair value through profit or loss	116,760	224,710	21,161	29,898	31,048
Cash and cash equivalents	24	5,232	1,045	3	10
Trade payables	–	(18)	(18)	–	–
Other payables	–	(12)	(1,929)	(112)	–
	116,784	229,912	20,259	29,789	31,058

The significant exchange rates applied during the year ended 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018	
	Average £	Spot rate £
A$ 1	**0.561**	**0.554**
C$ 1	**0.578**	**0.576**
€ 1	**0.886**	**0.899**
kr 1	**0.092**	**0.090**
US$ 1	**0.748**	**0.785**

	31 December 2017	
	Average £	Spot rate £
A$ 1	0.595	0.579
C$ 1	0.599	0.590
€ 1	0.877	0.888
kr 1	0.094	0.090
US$ 1	0.777	0.741

The impact of a strengthening or weakening of Pounds Sterling against the Australian dollar, Canadian dollar, Euro, Norwegian krone and US dollar by 10% at 31 December 2018 and 2017 on FVPL investments is disclosed in Note 18 to the consolidated financial statements, a scenario that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted revenues and other related costs.

Interest rate risk

Except for the loans and other receivables from Project Companies which are included as part of FVPL investments, the Group does not account for other fixed-rate financial assets and liabilities at fair value through profit or loss. For the years ended 31 December 2018 and 2017, the main variable interest rate exposure of the Group is on the interest rates applied to the Group's cash and cash equivalents, including deposit rates used in valuing the Project Company and the borrowings of the Group. A change in the deposit rates used in valuing a Project Company would have an impact on the value of such and a corresponding impact on the Group's FVPL investments and on the consolidated profit or loss during the year (see Note 18).

17. Financial risk review and management continued

Investment risk

The valuation of FVPL investments depends on the ability of the Group to realise cash distributions from Project Companies. The distributions to be received from the Project Companies are dependent on cash received by a particular Project Company from the service concession agreements. The service concession agreements are predominantly granted to the Project Company by a variety of public sector clients including, but not limited to, central government departments and local, provincial and state government and corporations set up by the public sector.

The Group predominantly makes investments in countries where the Directors consider that asset structures are reliable, where (to the extent applicable) public sector counterparties carry what the Directors consider to be an appropriate credit risk, or alternatively where insurance or guarantees are available for the sovereign credit risk, where financial markets are relatively mature and where a reliable judicial system exists to facilitate the enforcement of rights and obligations under the assets.

The management continuously monitors the ability of a particular Project Company to make distributions to the Group. During the year, there have been no material concerns raised in relation to current and future distributions to be received from any of the Project Companies.

Capital risk management

The Company's objective when managing capital is to ensure the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for further stakeholders and to maintain an optimal capital structure. The Company, at a Group level, views the share capital (see Note 13) and the RCF (see Note 15) as capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders, increase the current credit facility, pay down debt or issue new shares.

The Group regularly reviews compliance with Luxembourg regulations regarding restrictions on minimum capital. During the year covered by these consolidated financial statements, the Group complied with all externally imposed capital requirements.

There were no changes in the Group's approach to capital management during the year.

Derivative financial assets and liabilities not designated as cash flow hedge

The Group has entered into foreign currency forwards to fix the foreign exchange rates on certain investment distributions that are expected to be received and on a portion of the non-Pounds sterling denominated portfolio value. The derivative financial instruments (asset/liability) in the consolidated statement of financial position represent the fair value of foreign currency forwards which were not designated as hedges. The movements in their fair value are directly charged/credited in the consolidated income statement.

18. Fair value measurements

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position are as follows:

	31 December 2018				
In thousands of Pounds Sterling	Fair value through profit or loss	Assets at amortised cost	Liabilities at amortised cost	Total carrying amount	Fair value
Assets					
FVPL investments	**780,356**	**–**	**–**	**780,356**	**780,356**
Trade and other receivables	**–**	**811**	**–**	**811**	**811**
Cash and cash equivalents	**10,444**	**–**	**–**	**10,444**	**10,444**
Derivative financial instruments	**3,455**	**–**	**–**	**3,455**	**3,455**
	794,255	**811**	**–**	**795,066**	**795,066**
Liabilities					
Loans and borrowings	**–**	**–**	**14,329**	**14,329**	**15,295**
Derivative financial instruments	**–**	**–**	**–**	**–**	**–**
Trade payables	**–**	**–**	**97**	**97**	**97**
Other payables	**–**	**–**	**3,239**	**3,239**	**3,239**
	–	**–**	**17,665**	**17,665**	**18,631**

	31 December 2017				
In thousands of Pounds Sterling	Fair value through profit or loss	Assets at amortised cost	Liabilities at amortised cost	Total carrying amount	Fair value
Assets					
FVPL investments	675,314	–	–	675,314	675,314
Trade and other receivables	–	262	–	262	262
Cash and cash equivalents	20,648	–	–	20,648	20,648
	695,962	262	–	696,224	696,224
Liabilities					
Loans and borrowings	–	–	70,493	70,493	70,593
Derivative financial instruments	1,932	–	–	1,932	1,932
Trade payables	–	–	92	92	92
Other payables	–	–	2,636	2,636	2,636
	1,932	–	73,221	75,153	75,253

18. Fair value measurements continued

FVPL investments

The Management Board is responsible for carrying out the fair market valuation of the Company's investments, which it then presents to the Supervisory Board. The valuation is carried out on a six-monthly basis as at 30 June and 31 December each year. The valuation is reviewed by an independent third party professional.

The valuation is determined using the discounted cash flow methodology. The cash flow forecasts, generated by each of the underlying assets, are received by the Company or its subsidiaries, adjusted as appropriate to reflect risks and opportunities, and discounted using asset-specific discount rates. The valuation methodology remains unchanged from previous reporting periods.

The Group uses the following assumptions ('Assumptions') for the cash flows:

			31 December 2018	31 December 2017
Discount rate	Weighted average		7.20%	7.45%
Indexation	UK		2.75%	2.75%
	Canada		2.00%/2.35%	2.00%/2.35%
	Australia		2.5%	2.5%
	Germany		2%	2%
	Netherlands[1]		2%	N/A
	Norway[1]		2.25%	2.25%
	USA[2]		2.5%	2.5%
Deposit rates (p.a.)	UK		1% to 2020, then 2.5%	1% to 2020, then 2.5%
	Canada		1% to 2020, then 2.5%	1% to 2020, then 2.5%
	Australia		2% to 2020, then 3.0% – 4.0% (short – medium term)	2% to 2020, then 3.0% – 4.0% (short – medium term)
	Germany		1% to 2020, then 2.5%	1% to 2020, then 2.5%
	Netherlands		1% to 2020, then 2.5%	N/A
	Norway		1.8% to 2020, then 3.5%	1.8% to 2020, then 3.5%
	USA		1% to 2020, then 2.5%	1% to 2020, then 2.5%
Corporate tax rates (p.a.)	UK		19% to 2019, then 17%	19% to 2019, then 17%
	Canada[3]		26.5%/27%/29%	26.5%/27%/29%
	Australia		30%	30%
	Germany		15.8% (incl. Solidarity, excl. Trade tax)	15.8% (incl. Solidarity, excl. Trade tax)
	Netherlands		25% in 2019, 22.5% in 2020, then 20.5%	N/A
	Norway		23%	23%
	USA		21%	21%

1 CPI indexation only presented above. Certain assets are however subject to a basket of indices.
2 80% of ORB indexation factor for revenue is contractual and is not tied to CPI.
3 Individual tax rates vary among Provinces.

18. Fair value measurements continued

Key Project Company and portfolio cash flow assumptions underlying NAV calculation include:

- The discount rates and the Assumptions as set out above continue to be applicable.
- The financial models for the Project Companies accurately reflect the terms of all agreements relating to the Project Companies and represent a fair and reasonable estimation of future cash flows accruing to the Project Companies.
- Cash flows are converted to Sterling at either the hedged rate or at the reporting period closing rate for unhedged future cash flows.
- Cash flows from and to the Project Companies are received and paid at the times anticipated.
- Where the operating costs of the Project Companies are fixed by contract, such contracts are performed, and where such costs are not fixed, they remain within the current budgets.
- In cases where lifecycle costs/risks are borne by the Project Companies they remain in line with the current budgets.
- Contractual payments to the Project Companies remain on track and are not terminated before their contractual expiry date.
- Any deductions or abatements during the operations period of the Project Companies are fully passed down to subcontractors under contractual arrangements or are part of the planned (lifecycle) budgets.
- Where the Project Companies own the residual property value in an asset, that the projected amount for this value is realised.
- In cases where the Project Companies have contracts which are in the construction phase they are either completed on time or any delay costs are borne by the construction contractors.
- There are no tax or regulatory changes in the future which negatively impact cash flow forecasts.
- In forming the above assessments, the Group works with Project Company management teams, as well as using due diligence information from, or working with, suitably qualified third parties such as technical advisors, legal advisors and insurance advisors.

Discount rate sensitivity

The discount rates used for individual assets range between 6.8% and 8.7%. The value weighted average rate is approximately 7.2% (7.45% at 31 December 2017). This methodology calculates the weighted average based on the value of each asset in proportion to the total portfolio value, i.e. based on the net present value of their respective future cash flows.

The discount rates used for individual Project Companies are based on the Group's knowledge of the market, discussions with advisors and publicly available information on relevant transactions. Furthermore, the discount rates used as part of the portfolio valuation process are independently reviewed by a third party professional valuer.

The following table shows the sensitivity of the net asset value to a change in the discount rate:

	+1% to 8.2% in 2018[1]		–1% to 6.2 in 2018[1]	
Effects in thousands of Pounds Sterling	Equity	Profit or loss	Equity	Profit or loss
31 December 2018	**(65,140)**	**(65,140)**	**75,503**	**75,503**
31 December 2017	(58,911)	(58,911)	68,514	68,514

1 Based on the average discount rate of 7.2%.

18. Fair value measurements continued

Foreign exchange rate sensitivity

A significant proportion of the Group's underlying investments are denominated in currencies other than Sterling. The Group maintains its accounts, prepares the valuation and pays distributions in Sterling. Accordingly, fluctuations in exchange rates between Sterling and the relevant local currencies will affect the value of the Group's underlying investments. During 2018, the appreciation of Sterling against the Australian dollar and Canadian dollar and the depreciation of Sterling against the Euro, Norwegian krone and US dollar accounted for a decrease in the portfolio value of £7.4 million.

The following table shows the sensitivity of the FVPL investments due to a change in foreign exchange rates compared to the Assumptions above:

	Increase by 10%		Decrease by 10%	
Effects in thousands of Pounds Sterling	**Equity**	**Profit or loss**	**Equity**	**Profit or loss**
31 December 2018[1]	**(20,442)**	**(20,442)**	**21,588**	**21,588**
31 December 2017	(25,267)	(25,267)	32,179	32,179

1 Sensitivity in comparison to the spot foreign exchange rates at 31 December 2018 and taking into account the contractual and natural hedges in place, derived by applying a 10% increase or decrease to the £/foreign currency rate.

Inflation sensitivity

The asset cash flows are correlated with inflation (e.g. RPI or CPI). The table below demonstrates the effect on the FVPL investments of a change in inflation rates compared to the Assumptions above:

	+1%		–1%	
Effects in thousands of Pounds Sterling	**Equity**	**Profit or loss**	**Equity**	**Profit or loss**
31 December 2018	**40,056**	**40,056**	**(32,959)**	**(32,959)**
31 December 2017	37,383	37,383	(30,151)	(30,151)

Deposit rate sensitivity

The asset cash flows are positively correlated with the deposit rates. The table below demonstrates the effect on the FVPL investments of a change in deposit rates compared to the Assumptions above:

	+1%		–1%	
Effects in thousands of Pounds Sterling	**Equity**	**Profit or loss**	**Equity**	**Profit or loss**
31 December 2018	**15,534**	**15,534**	**(16,062)**	**(16,062)**
31 December 2017	13,388	13,388	(13,443)	(13,443)

Lifecycle costs sensitivity

Of the Group's 48 FVPL investments, 16 FVPL investments retain the lifecycle obligations. The remaining 32 assets have this obligation is passed down to the subcontractor. The table below demonstrates the impact of a change in lifecycle costs on the FVPL investments:

	Increase by 5% in 2018[1] and 10% in 2017		Decrease by 5% in 2018[1] and 10% in 2017	
Effects in thousands of Pounds Sterling	**Equity**	**Profit or loss**	**Equity**	**Profit or loss**
31 December 2018	**(7,717)**	**(7,717)**	**7,480**	**7,480**
31 December 2017	(14,059)	(14,059)	14,644	14,644

1 Sensitivity applied to the 16 assets in the portfolio which retain the lifecycle obligation, i.e. the obligation is not passed down to the subcontractor. These assets represent 48% of the total portfolio value as at 31 December 2018.

18. Fair value measurements continued

Corporate tax rate sensitivity

The profits of each portfolio company are subject to corporation tax in the country where that company is located. The table below demonstrates the effect on the FVPL investments of a change in tax rates compared to the Assumptions outlined above:

Effects in thousands of Pounds Sterling	+1% in for 31 December 2018[1] and 5% for 31 December 2017		-1% in for 31 December 2018[1] and -5% for 31 December 2017	
	Equity	Profit or loss	Equity	Profit or loss
31 December 2018	**(6,296)**	**(6,296)**	**6,060**	**6,060**
31 December 2017	(24,567)	(24,567)	24,907	24,907

1 Sensitivity in comparison to the Assumptions used in the 31 December 2018 valuation.

Senior debt refinancing sensitivity

Assumptions are used where a refinancing of senior debt financing is required for an asset during the remaining asset concession term. There is a risk that such assumptions may not be achieved. The below table shows the effect of a +100bps adjustment to the forecasted margins. The base rate for senior debt is either fixed or a long term interest swap is available with the effect that none of our assets is subject to changes in base rates

Effects in thousands of Pounds Sterling	Margin +1%[1]	
	Equity	Profit or loss
31 December 2018	**(6,563)**	**(6,563)**

1 Sensitivity in comparison to the Assumption used in the 31 December 2018 valuation. The Northern Territory Secure Facilities asset is the only remaining asset in the Group's FVPL investments carrying refinancing risk.

Derivative financial instruments

The fair value of derivative financial instruments ("foreign exchange forwards") is calculated by discounting the difference between the contractual forward rate and the estimated forward exchange rates at the maturity of the forward contract. The foreign exchange forwards are fair valued periodically by the counterparty bank. The fair value of derivative financial instruments as of 31 December 2018 amounted to an asset of £3,455,000 (31 December 2017: £1,932,000 – liability). The counterparty bank has an S&P/Moody's credit rating of A+/Aa3.

The gain on the valuation of foreign exchange forwards for the year ended 31 December 2018 amounted to £3,867,000 (31 December 2017: £2,189,000 – gain) (see Note 9).

During the year ended 31 December 2018, the Group realised a loss of £1,520,000 on the cash settlement of foreign exchange forwards (31 December 2017: £3,074,000 – realised loss).

Other items

The carrying amounts of cash and cash equivalents, receivables and payables that are payable within one year, or on demand, are assumed to be their respective fair values.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

18. Fair value measurements continued

The following table shows the grouping of assets/(liabilities) recognised at fair value under their respective levels as at 31 December 2018:

In thousands of Pounds Sterling	Level 1	Level 2	Level 3	Total
FVPL investment	**–**	**–**	**780,356**	**780,356**
Derivative financial asset	**–**	**3,455**	**–**	**3,455**

The following table shows the grouping of assets/(liabilities) recognised at fair value in different levels as at 31 December 2017:

In thousands of Pounds Sterling	Level 1	Level 2	Level 3	Total
FVPL investment	–	–	675,314	675,314
Derivative financial liability	–	(1,932)	–	(1,932)

The following table shows a reconciliation of the movements in the fair value measurements in level 3 of the fair value hierarchy:

In thousands of Pounds Sterling	31 December 2018	31 December 2017
Balance at 1 January	**675,314**	569,926
Acquisitions of/additional investment in FVPL investments	**90,515**	96,522
Income from FVPL investments	**70,149**	58,456
Distributions received from FVPL investments	**(55,067)**	(49,341)
Reclassification to other receivables/payables	**(555)**	(249)
	780,356	675,314

The impact of unrealised foreign exchange gains or losses on the income from FVPL investments for the year ended 31 December 2018, amounted to £ 7.4 million loss (year ended 31 December 2017: £7.9 million loss).

19. Subsidiaries

During the year ended 31 December 2018, the Company had the following consolidated subsidiaries ("Holding Companies" if referred to individually) which are included in the consolidated financial statements:

	Country of Incorporation	Effective Ownership Interest	Year Acquired/ Established
BBGI SICAV S.A.	Luxembourg	Ultimate Parent	2011
BBGI Management HoldCo S.à r. l. ("MHC")	Luxembourg	100.0%	2011
BBGI Inv, S.à r. l.	Luxembourg	100.0%	2012
BBGI Investments S.C.A.	Luxembourg	100.0%	2012
BBGI PPP Investments S.à r. l.	Luxembourg	100.0%	2018
BBGI Holding Limited	UK	100.0%	2012
BBGI (NI) Limited	UK	100.0%	2013
BBGI (NI) 2 Limited	UK	100.0%	2015
BBGI CanHoldco Inc.	Canada	100.0%	2013
BBGI LP Invest Can Inc.	Canada	100.0%	2017
BBGI Guernsey Holding Limited	Guernsey	100.0%	2013
BBGI Ireland Limited	Ireland	100.0%	2017

19. Subsidiaries continued

The Company's subsidiaries which are not consolidated, by virtue of the Company being an Investment Entity, and are accounted for as FVPL investments, are as follows:

Company	Asset name	Country of Incorporation	Effective Ownership Interest in Entity	Date Acquired/ controlled
RW Health Partnership Holdings Pty Limited	Royal Women's Hospital	Australia	100.0%	2012
RWH Health Partnership Pty Limited	Royal Women's Hospital	Australia	100.0%	2012
RWH Finance Pty Limited	Royal Women's Hospital	Australia	100.0%	2012
Victorian Correctional Infrastructure Partnership Pty Ltd	Victoria Prisons	Australia	100.0%	2012
BBPI Sentinel Holdings Pty Ltd	Northern Territory Secure Facilities	Australia	100.0%	2014
BBPI Sentinel Holding Trust	Northern Territory Secure Facilities	Australia	100.0%	2014
BBPI Sentinel Pty Ltd	Northern Territory Secure Facilities	Australia	100.0%	2014
BBPI Member Trust	Northern Territory Secure Facilities	Australia	100.0%	2014
Sentinel Partnership Pty Ltd	Northern Territory Secure Facilities	Australia	100.0%	2014 and 2015
Sentinel UJV	Northern Territory Secure Facilities	Australia	100.0%	2014 and 2015
Sentinel Financing Holdings Pty Ltd	Northern Territory Secure Facilities	Australia	100.0%	2014 and 2015
Sentinel Financing Pty Ltd	Northern Territory Secure Facilities	Australia	100.0%	2014 and 2015
Sentinel Finance Holding Trust	Northern Territory Secure Facilities	Australia	100.0%	2014 and 2015
Sentinel Finance Trust	Northern Territory Secure Facilities	Australia	100.0%	2014 and 2015
BBGI Sentinel Holdings 2 Pty Ltd	Northern Territory Secure Facilities	Australia	100.0%	2015
BBGI Sentinel Holding Trust 2	Northern Territory Secure Facilities	Australia	100.0%	2015
BBGI Sentinel 2 Pty Ltd	Northern Territory Secure Facilities	Australia	100.0%	2015
BBGI Sentinel Trust 2	Northern Territory Secure Facilities	Australia	100.0%	2015
Golden Crossing Holdings Inc.	Golden Ears Bridge	Canada	100.0%	2012 and 2013
Golden Crossing Finance Inc.	Golden Ears Bridge	Canada	100.0%	2012 and 2013
Golden Crossing Inc.	Golden Ears Bridge	Canada	100.0%	2012 and 2013
Global Infrastructure Limited Partnership	Golden Ears Bridge	Canada	100.0%	2012 and 2013
Golden Crossing General Partnership	Golden Ears Bridge	Canada	100.0%	2012 and 2013
BBGI KVH Holdings Inc.	Kelowna and Vernon Hospital	Canada	100.0%	2013
BBGI KVH Inc.	Kelowna and Vernon Hospital	Canada	100.0%	2013
WCP Holdings Inc.	Women's College Hospital	Canada	100.0%	2013
WCP Inc.	Women's College Hospital	Canada	100.0%	2013
WCP Investments Inc.	Women's College Hospital	Canada	100.0%	2013
Women's College Partnership	Women's College Hospital	Canada	100.0%	2013
Stoney Trail Group Holdings Inc.	Northeast Stoney Trail	Canada	100.0%	2013
Stoney Trail LP Inc.	Northeast Stoney Trail	Canada	100.0%	2013
Stoney Trail Investments Inc.	Northeast Stoney Trail	Canada	100.0%	2013
Stoney Trail Inc.	Northeast Stoney Trail	Canada	100.0%	2013
Stoney Trail Global Limited Partnership	Northeast Stoney Trail	Canada	100.0%	2013
Stoney Trail General Partnership	Northeast Stoney Trail	Canada	100.0%	2013
BBGI NCP Holdings Inc.	North Commuter Parkway	Canada	100.0%	2015
BBGI GHIB GP Inc	Holding entity	Canada	100.0%	2017
BBGI GHIB LP	Holding entity	Canada	100.0%	2017
BBGI Stanton Holdco 1 Inc.	Stanton Territorial Hospital	Canada	100.0%	2018
BBGI Stanton Holdco 2 Inc.	Stanton Territorial Hospital	Canada	100.0%	2018
PJB Beteiligungs – GmbH	Burg Prison	Germany	100.0%	2012
Projektgesellschaft Justizvollzug Burg GmbH & Co. KG	Burg Prison	Germany	90.0%	2012
PJB Management GmbH	Burg Prison	Germany	100.0%	2012
Adger OPS Vegselskap AS	E18 Motorway	Norway	100.0%	2013 and 2014
Bedford Education Partnership Holdings Limited	Bedford Schools	UK	100.0%	2012
Bedford Education Partnership Limited	Bedford Schools	UK	100.0%	2012
Lisburn Education Partnership (Holdings) Limited	Lisburn College	UK	100.0%	2012
Lisburn Education Partnership Limited	Lisburn College	UK	100.0%	2012

19. Subsidiaries continued

Company	Asset name	Country of Incorporation	Effective Ownership Interest in Entity	Date Acquired/ controlled
Clackmannanshire Schools Education Partnership (Holdings) Limited	Clackmannanshire Schools	UK	100.0%	2012
Clackmannanshire Schools Education Partnership Limited	Clackmannanshire Schools	UK	100.0%	2012
Primaria (Barking & Havering) Limited	Barking Dagenham Havering (LIFT)	UK	100.0%	2012
Barking Dagenham Havering Community Ventures Limited	Barking Dagenham Havering (LIFT)	UK	60.0%	2012
Barking & Havering LIFT (Midco) Limited	Barking Dagenham Havering (LIFT)	UK	60.0%	2012
Barking & Havering LIFT Company (No.1) Limited	Barking Dagenham Havering (LIFT)	UK	60.0%	2012
Scottish Borders Education Partnership (Holdings) Limited	Scottish Borders Schools	UK	100.0%	2012
Scottish Borders Education Partnership Limited	Scottish Borders Schools	UK	100.0%	2012
Coventry Education Partnership Holdings Limited	Coventry Schools	UK	100.0%	2012
Coventry Education Partnership Limited	Coventry Schools	UK	100.0%	2012
Fire Support (SSFR) Holdings Limited	Stoke & Staffs Rescue Service	UK	85.0%	2012
Fire Support (SSFR) Limited	Stoke & Staffs Rescue Service	UK	85.0%	2012
Highway Management M80 Topco Limited	M80 Motorway	UK	100.0%	2012
Tor Bank School Education Partnership (Holdings) Limited	Tor Bank School	UK	100.0%	2013
Tor Bank School Education Partnership Limited	Tor Bank School	UK	100.0%	2013
Mersey Care Development Company 1 Limited	Mersey Care Hospital	UK	100.0%	2013 and 2014
MG Bridge Investments Limited	Mersey Gateway Bridge	UK	100.0%	2014
Lagan College Education Partnership (Holdings) Limited	Lagan College	UK	100.0%	2014
Lagan College Education Partnership Limited	Lagan College	UK	100.0%	2014
Highway Management (City) Holding Limited	M1 Westlink	UK	100.0%	2014
Highway Management (City) Finance Plc	M1 Westlink	UK	100.0%	2014
Highway Management (City) Limited	M1 Westlink	UK	100.0%	2014
Blue Light Partnership (ASP) NewCo Limited	Avon and Somerset Police HQ	UK	100.0%	2014, 2015 and 2016
Blue Light Partnership (ASP) NewCo 2 Limited	Avon and Somerset Police HQ	UK	100.0%	2015
GT ASP Limited	Avon and Somerset Police HQ	UK	100.0%	2015
Blue Light Partnership (ASP) Holdings Limited	Avon and Somerset Police HQ	UK	100.0%	2014, 2015 and 2016
Blue Light Partnership (ASP) Limited	Avon and Somerset Police HQ	UK	100.0%	2015
Northwin Limited	North West Regional College	UK	100.0%	2015
Northwin (Intermediate) (Belfast) Limited	Belfast Metropolitan College	UK	100.0%	2016
Northwin (Belfast) Limited	Belfast Metropolitan College	UK	100.0%	2016
GB Consortium 1 Limited	North London Estates Partnership (LIFT) and Liverpool and Sefton Clinics (LIFT)	UK	100.0%	2012 and 2018
East Down Education Partnership (Holdings) Limited	East Down Colleges	UK	100.0%	2012 and 2018
East Down Education Partnership Limited	East Down Colleges	UK	100.0%	2012 and 2018
BBGI East End Holdings Inc.	Ohio River Bridges	USA	100.0%	2014

20. Related parties and key contracts

All transactions with related parties were undertaken on an arm's length basis.

Supervisory Board fee

The members of the Supervisory Board of the Company were entitled to a total of £228,000 in fees for the year ended 31 December 2018 (31 December 2017: £157,000).

Directors' shareholding in the Company

In thousands of shares	31 December 2018	31 December 2017
Colin Maltby	**123**	117
Frank Schramm	**418**	251
Duncan Ball	**428**	252
Michael Denny	**79**	41
David Richardson	**–**	172
	1,048	833

Remuneration of the Management Board

Under the current remuneration program, all staff are entitled to an annual base salary payable monthly in arrears, which is reviewed annually by the Management Board. The Management Board members are entitled to a fixed remuneration under their contracts and are also entitled to participate in a short-term incentive plan and a long-term incentive plan. Compensation under their contracts is reviewed annually by the Supervisory Board.

The total short-term and other long-term benefits recorded in the consolidated income statement for key management personnel are as follows:

In thousands of Pounds Sterling	31 December 2018	31 December 2017
Short-term benefits	**1,980**	1,962
Share-based payment	**485**	459
	2,465	2,421

Share-based compensation

Each of the members of the Management Board received award letters ("2017 Award", "2016 Award" and "2015 Award", respectively) under the Group's long-term incentive plan. These awards are to be settled by BBGI Management HoldCo S.à r.l. in the Company's own shares. Of the awards granted, 50% vests by reference to a performance measure based on the Company's Total Shareholder Return ("TSR condition") over the Return Periods (below), and the remaining vests by reference to a performance measure based on the increase in the Company's Investment Basis NAV per share ("NAV condition"). Further details are as follows:

	2017 Award	2016 Award	2015 Award
Return Period	**December 2017–December 2020**	December 2016–December 2019	December 2015–December 2018
Vesting period (by reference to performance measure – NAV Condition and TSR condition)	**36 mos. ending 31/12/2020**	36 mos. ending 31/12/2019	36 mos. ending 31/12/2018
Maximum number of shares which will vest	**881,626**	785,562	696,998

20. Related parties and key contracts continued

The fair value of the equity instruments awarded to the Management Board was determined using a Monte Carlo model, the key parameters of which are listed in the following table:

	2017 Award	2016 Award	2015 Award
Share price at grant date	**£1.405**	£1.395	£1.28
Maturity	**3 years**	3 years	3 years
Annual target dividends (2018 to 2020)	**£0.0650**	–	–
Annual target dividends (2017 to 2019)	**–**	£0.0625	–
Annual target dividends (2016 to 2018)	**–**	–	£0.06
Volatility	**10%**	10%	10%
Risk free rate	**Between 0.38%–0.56%**	0.25%	0.85%

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the plan is indicative of future trends, which may not necessarily be the actual outcome.

The fair value of the awards and amounts recognised as additional paid in capital in the Group's consolidated statement of financial position are as follows:

In thousands of Pounds Sterling	31 December 2018	31 December 2017
2017 Award	**137**	–
2016 Award	**267**	136
2015 Award	**433**	216
2014 Award	**–**	411
Amount recognised in additional paid-in capital	**837**	763

During the year, the Company settled the outstanding obligation under the 2014 Award through (a) issuance of 357,320 shares and (b) facilitation of tax settlement amounting to £420,000. The total accrued amount under the 2014 Award as at 31 December 2017 was £411,000. This amount was transferred from Additional paid in capital to Share capital at the settlement date. The tax settlement of the share-based compensation of £420,000 was presented as a reduction in the Company's share capital.

The amounts recognised as expenses in the Group's consolidated income statement are as follows:

In thousands of Pounds Sterling	Year ended 31 December 2018	Year ended 31 December 2017
2017 Award	**137**	–
2016 Award	**132**	136
2015 Award	**216**	108
2014 Award	**–**	215
Amount recognised as additional paid in capital	**485**	459

In December 2018, each of the members of the Management Board received an award letter ("2018 Award"). The terms of the 2018 Award are comparable to the 2017 Awards.

Receivable component of FVPL Investments

As at 31 December 2018, the loan receivable and interest receivable component of FVPL investments, which is included in the FVPL investments, amounted to £173,240,000 (31 December 2017: £192,848,000). The fixed interest charged on the receivables ranges from 6.75% to 13.5% per annum. The receivables have expected repayment dates ranging from 2024 to 2044.

20. Related parties and key contracts continued

Trade and other receivables

As at 31 December 2018, trade and other receivables include a short-term receivable from an asset amounting to £803,000 (31 December 2017: £249,000). The remaining amount pertains to third-party receivables.

21. Commitments and contingencies

The Group has engaged, in the ordinary course of business, the services of certain entities to provide legal, custodian, audit, tax and other services to the Company. The expenses incurred in relation to such are treated as legal and professional fees (see Note 5).

MHC leases its current office under a cancellable operating lease agreement. The expenses incurred in relation to such are treated as administration expenses (see Note 5).

22. Service Concession Agreements

As at 31 December 2018, the Group has a portfolio of 48 assets (see also Note 10), with a weighted average remaining concession length of 21.3 years. The Group has a diverse asset mix from which the service concession receivables are derived. All assets are availability based.

The rights of both the concession provider and concession operator are stated within the specific asset agreement.

The following table summarises the main information about the Group's outstanding service concession agreements:

Sector	Asset Name	% Equity Owned on Asset	Short Description of Concession Arrangement	Phase	Period of Concession (Operational Phase)		Investment Volume
					Start Date	End Date	
Availability Roads	Kicking Horse Canyon	50.0%	Design, build, finance and operate a 26-km stretch of the Trans-Canada Highway, a vital gateway to British Columbia.	Operational	September 2007	October 2030	C$ 148 million
	Golden Ears Bridge	100.0%	Design, build, finance and operate the Golden Ears Bridge that spans the Fraser River and connects Maple Ridge and Pitt Meadows to Langley and Surrey, near Vancouver, British Columbia.	Operational	June 2009	June 2041	C$ 1,117 million
	Northwest Anthony Henday Drive	50.0%	Partly design, build, finance and operate a major transport infrastructure asset in Canada, a ring road through Edmonton, capital of the province of Alberta.	Operational	November 2011	October 2041	C$ 1,170 million
	M80 Motorway	50.0%	Design, build finance and operate 18 km of dual two/three lane motorway with associated slip roads and infrastructure from Stepps in North Lanarkshire to Haggs in Falkirk (Scotland).	Operational	July 2011	September 2041	£310 million

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22. Service Concession Agreements continued

Sector	Asset Name	% Equity Owned on Asset	Short Description of Concession Arrangement	Phase	Period of Concession (Operational Phase)		Investment Volume
					Start Date	End Date	
	E18 Motorway	100.0%	Design, build, finance, operate and maintain a 38 km dual carriageway in Norway, including 61 bridges and structures and 75 km of secondary roads, carving through a rugged and beautiful landscape between Grimstad and Kristiansand.	Operational	August 2009	August 2034	kr 3,604 million
	Northeast Stoney Trail	100.0%	Design, build, finance, operate and maintain a 21 km section of highway, forming part of a larger ring road developed in Calgary, Alberta, Canada.	Operational	November 2009	October 2039	C$ 424 million
	Ohio River Bridges	33.3%	Design, build, finance, operate and maintain East End Bridge asset which includes a cable-stay bridge, a tunnel and the connecting highway with a total length of 8 miles crossing the Ohio river in the greater Louisville-Southern Indiana region.	Operational	December 2016	September 2051	US$ 1,175 million
	Mersey Gateway Bridge	37.5%	Design, build, finance, operate and maintain of a new circa 1-km long six-lane toll cable-stay bridge (three towers) over the Mersey river to relieve the congested and ageing Silver Jubilee Bridge and upgrading works for 9.5 km of existing roads and associated structures.	Operational	October 2017	March 2044	£650 million
	M1 Westlink	100.0%	Design, build, finance, operate and maintain with significant amount of construction work completed in 2009 to upgrade key sections of approx. 60 km of motorway through Belfast and its vicinity, including O&M of the complete motorway.	Operational	February 2006	February 2036	£161 million

22. Service Concession Agreements continued

Sector	Asset Name	% Equity Owned on Asset	Short Description of Concession Arrangement	Phase	Period of Concession (Operational Phase) Start Date	End Date	Investment Volume
	North Commuter Parkway	50.0%	Design, build, finance, operate and maintain two new arterial roadways and a new river crossing located in the north area of Saskatoon, Saskatchewan, Canada, and design, construct, finance, operate and maintain a replacement river crossing located in Saskatoon's downtown core.	Operational	October 2018	September 2048	C$ 311 million
	Canada Line	26.7%	Design, build, finance, operate and maintain of a 19km rapid transit line connecting the cities of Vancouver and Richmond with Vancouver International Airport in British Columbia, Canada.	Operational	August 2009	July 2040	C$ 1,895 million
	Southeast Stoney Trail	40.0%	Design, build, finance, operate and maintain of a 25km section of highway, forming part of a larger ring road developed in Calgary, Alberta, Canada.	Operational	November 2013	September 2043	C$ 524 million
	William R. Bennett Bridge	80.0%	Design, build, finance, operate and maintain of a 1.1km long floating bridge in Kelowna, British Columbia, Canada.	Operational	May 2008	June 2035	C$ 184 million
	A1/A6 Motorway	9.8%*	Design, build, finance operate and maintain the enlargement of the A1/A6 Motorway in the Netherlands, which involves the reconstruction and widening of this 2x5 lanes motorway plus 2 reversible direction lanes. The asset involves some 70 new engineering structures.	Operational	July 2017	June 2042	€ 750 million
	N18 Motorway	25.48%*	Design, build finance operate and maintain the extension of the N18 Motorway between Varsseveld and Enschede in the eastern part of the Netherlands. It comprises of 15 km of existing and 27km of a new 2x2-lane motorway with more than 30 ecological passages, aiming at a reduction in traffic in certain villages and safety improvement.	Operational	April 2018	April 2043	€ 130 million

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22. Service Concession Agreements continued

Sector	Asset Name	% Equity Owned on Asset	Short Description of Concession Arrangement	Phase	Period of Concession (Operational Phase)		Investment Volume
					Start Date	End Date	
Social Infrastructure	Victoria Prisons	100.0%	Design, build, finance, operate, and maintain for a period of 25 years, two new correctional facilities for the State of Victoria, Australia (MCC and MRC).	Operational	March 2006 (MRC)/ February 2006 (MCC)	May 2031	A$ 244.5 million
	Burg Prison	90.0%	Design, build, finance, operate, and maintain for a concession period of 25 years, a new prison for the state of Saxony-Anhalt, Germany.	Operational	May 2009	April 2034	€ 100 million
	Avon and Somerset Police HQ	100.0%	Design, build, finance, operate and maintain four new build police and custody facilities in the Avon and Somerset region (UK).	Operational	July 2014/July 2015	March 2039	£83 million
	Northern Territory Secure Facilities	100.0%	Design, build, finance, operate and maintain a new correctional facility, located near Darwin, including three separate centres of the 1,048 bed multi-classification men's and women's correctional centre and 24-bed Complex Behaviour Unit.	Operational	November 2014	October 2044	A$620 million
	Bedford Schools	100.0%	Design, build, finance, operate and maintain the redevelopment of two secondary schools in the County of Bedfordshire.	Operational	June 2006	December 2035	£29 million
	Coventry Schools	100.0%	Design, build, finance, operate and maintain one new school and community facilities for the Coventry City Council.	Operational	In stages from March 2006 to June 2009	December 2034	£27 million
	Kent Schools	50.0%	Design, build, finance, operate and maintain the redevelopment, which included the construction of new build elements for each school as well as extensive reconfiguration and refurbishment of six schools.	Operational	June 2007	September 2035	£106 million
	Scottish Borders Schools	100.0%	Design, build, finance, operate and maintain three new secondary schools for Scottish Borders Council.	Operational	July 2009	November 2038	£92 million

22. Service Concession Agreements continued

Sector	Asset Name	% Equity Owned on Asset	Short Description of Concession Arrangement	Phase	Period of Concession (Operational Phase) Start Date	End Date	Investment Volume
	Clackmannanshire Schools	100.0%	Design, build, finance, operate and maintain the redevelopment of three secondary schools in Clackmannanshire, Scotland.	Operational	In stages from January to May 2009	March 2039	£77 million
	East Down Colleges	100.0%	Design, build, finance, operate and maintain the East Down Colleges in Northern Ireland.	Operational	June 2009	May 2036	£73.8 million (with Lisburn College)
	Lisburn College	100.0%	Design, build, finance, operate and maintain Lisburn College in Northern Ireland.	Operational	April 2010	May 2036	£73.8 million (with East Down Colleges)
	Tor Bank School	100.0%	Design, build, finance, operate and maintain a new school for pupils with special education needs in Northern Ireland.	Operational	October 2012	October 2037	£13 million
	Lagan College	100.0%	Design, build, finance operate and maintain the redevelopment of school in Northern Ireland	Operational	October 2013	September 2038	£33 million
	Cologne Schools	50.0%	Design, build, finance operate and maintain the redevelopment of five schools in Cologne.	Operational	April 2005	December 2029	€32 million
	Rodenkirchen Schools	50.0%	Design, build, finance operate and maintain a school for approx. 1200 pupils in Cologne.	Operational	November 2007	November 2034	€40 million
	Frankfurt Schools	50.0%	Design, build, finance operate and maintain the redevelopment of four schools in Frankfurt.	Operational	August 2007	July 2029	€89 million
	North West Regional College	100.0%	Design, build, finance, operate and maintain the North West Regional College educational campus in Derry, Northern Ireland.	Operational	February 2001	January 2026	£9 million
	Belfast Metropolitan College	100.0%	Design, build, finance, operate and maintain the Belfast Met educational campus in Milfield, Belfast, Northern Ireland.	Operational	September 2002	August 2027	£20 million
	Westland Town Hall	24.99%*	Design, build, finance, operate and maintain Westland Town Hall, a PPP accommodation asset consisting of a new approximately 11,000m² town hall for the Dutch Municipality of Westland.	Operational	August 2017	August 2042	€33 million

22. Service Concession Agreements continued

Sector	Asset Name	% Equity Owned on Asset	Short Description of Concession Arrangement	Phase	Period of Concession (Operational Phase)		Investment Volume
					Start Date	End Date	
	Gloucester Royal Hospital	50.0%	Design, build, finance, operate and maintain a hospital scheme in Gloucester, UK.	Operational	April 2005	February 2034	£38 million
	Liverpool and Sefton Clinics (LIFT)	60.0%	Design, build, finance, operate and maintain the primary healthcare facilities in Liverpool and Sefton, UK.	Operational	In 7 tranches starting April 2005 and ending February 2013	In 7 tranches starting November 2037 and ending February 2043	£97 million
	North London Estates Partnership (LIFT)	60.0%	Design, build, finance, operate and maintain the primary healthcare facilities of the Barnet, Enfield and Haringey LIFT programme, UK.	Operational	In 4 tranches starting February 2006 and ending June 2013	In 4 tranches starting January 2031 and ending June 2043	£72 million
	Barking Dagenham Havering (LIFT)	60.0%	Design, build, finance, operate and maintain 10 facilities/clinics in East London, UK with asset construction completions between 2005 and 2009.	Operational	In 3 tranches starting October 2005 and ending October 2008	In 3 tranches starting September 2030 and ending September 2033	£65 million
	Royal Women's Hospital	100.0%	Design, build, finance, operate and maintain a new nine-storey Royal Women's Hospital in Melbourne.	Operational	June 2008	June 2033	A$316 million
	Mersey Care Hospital (part of Liverpool Sefton Clinics (LIFT) above)	79.6%	Design, build, finance, operate and maintain a new mental health in-patient facility on the former Walton hospital site in Liverpool, UK.	Operational	December 2014	December 2044	£25 million
	Kelowna and Vernon Hospitals	50.0%	Design, build, finance, operate and maintain a new Patient Care Tower, a new University of British Columbia Okanagan Clinical Academic Campus and car park at Kelowna General Hospital, and a new Patient Care Tower at Vernon Jubilee Hospital.	Operational	January 2012	August 2042	C$432.9 million
	Women's College Hospital	100.0%	Design, build, finance, operate and maintain the new Women's College Hospital in Toronto, Ontario, Canada.	Operational	May 2013 (Phase 1), September 2015 (Phase 2), March 2016 (final completion).	May 2043	C$345 million

22. Service Concession Agreements continued

Sector	Asset Name	% Equity Owned on Asset	Short Description of Concession Arrangement	Phase	Period of Concession (Operational Phase) Start Date	End Date	Investment Volume
	Restigouche Hospital Centre	80.0%	Design, build, finance, operate and maintain the new Psychiatric Care Centre in Restigouche, New Brunswick, Canada.	Operational	June 2015	October 2044	C$210 million
	McGill University Health Centre	40.0%	Design, build, finance, operate and maintain of the new McGill University Health Centre, Montreal, Canada.	Operational	October 2014	September 2044	C$2,012 million
	Stanton Territorial Hospital	25.0%	Design, build, finance, operate and maintain of the new Stanton Territorial Hospital, Yellowknife, Northwest Territories, Canada.	Operational	December 2018	December 2048	C$298 million
	Stoke & Staffs Rescue Service	85.0%	Design, build, finance, operate and maintain 10 new community fire stations in Stoke-on-Trent and Staffordshire, UK.	Operational	November 2011	October 2036	£47 million
	Unna Administrative Centre	44.1%*	Design, build, finance, operate and maintain the administration building of the Unna District in Rhine-Westphalia, Germany.	Operational	July 2006	July 2031	€24 million
	Fürst Wrede Military Base	50.0%	Design, build, finance, operate and maintain the refurbishment and new construction of a 32 hectare army barracks in Munich, Germany.	Operational	March 2008	March 2028	€48 million

* Legal ownership.

Independent Auditor's Report on the Company Financial Statements

To the Shareholders of
BBGI SICAV S.A.
6E, route de Trèves
L-2633 Senningerberg

Report of the Réviseur d'Entreprises agréé
Report on the audit of the financial statements

Opinion
We have audited the financial statements of BBGI SICAV S.A. (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion
We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the financial statements » section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of investment in subsidiary and loans receivable from subsidiaries
a) Why the matter was considered to be one of most significance in our audit of the financial statements of the current period?
We refer to the accounting policy for "Impairment – Non derivative financial assets" and to Note 13 and 14 in the financial statements. 95% of the Company's total assets are investment in subsidiary and loans receivable from subsidiaries subject to an impairment assessment at each reporting date.

The conclusion whether there is objective evidence of impairment of investment in subsidiary is a significant judgement area resulting from a number of assumptions in the financial models. The valuation is inherently subjective due to the absence of a liquid market for these investments, and the fact that their fair value is determined using the fair value of the underlying infrastructure investments which, in turn, is determined using a discounted cash flow methodology applied by the Management Board. The complexity of this methodology as well as assumptions taken in the financial models mean that there is a risk that the fair value of these investments may not be appropriate. The key assumptions used by the Management Board are in respect of discount rates and components of budgets used being part of long term forecast cash flows. In addition, the Management Board also used key macroeconomic assumptions such as inflation, interest and tax rates that have an impact on the long term forecast cash flows.

As for the loans receivable from subsidiaries, on 1 January 2018, a new accounting standard for financial instruments (IFRS 9) became effective. It has introduced a new impairment model based on expected credit losses (ECL), which applies to loans receivable from subsidiaries. Valuation of the underlying investments is an important consideration in the determination of such ECL.

The significance of the estimates and judgements involved, coupled with the fact that a small percentage difference in the key assumptions used in the valuation of investment in subsidiary and in the impairment assessment of loans receivable from subsidiary, when aggregated, could result in a material misstatement on the income statement and statement of financial position, warrants specific audit focus in this area.

b) How the matter was addressed in our audit

Our audit procedures to determine if there is any impairment of investment in subsidiary and loans receivable from subsidiaries consist of the analysis of the valuation of the underlying infrastructure assets that have been developed predominantly under PPP/PFI or similar procurements models ("Infrastructure Investments") and of ECL, as appropriate, which included, but were not limited to the following:

— We tested the design, implementation and effectiveness of the key controls around the determination and monitoring of the discounted cash flows and the determination and monitoring of related key assumptions;

— We used our own valuation specialists and their market knowledge to perform the following procedures:

- We considered and commented the approach and methodology documented by Management Board used in BBGI SICAV S.A.'s Valuation Report against International Private Equity and Venture Capital Valuation guidelines;
- We obtained market benchmarks for discount rates from public and private sources. We considered the discount rates applied in BBGI SICAV S.A.'s Valuation Report against market benchmarks in the light of market, project, sector and country issues;
- We performed research on key assumptions and commented and compared those against the assumptions applied in BBGI SICAV S.A.'s Valuation Report;
- We reviewed the results of the sensitivity analyses on significant assumptions taken by the Management Board;
- We challenged and determined the appropriateness of the Management Board's assumptions used for the valuation of a sample of investments applying following procedures:
  - > We agreed the underlying shareholder cash flows inputs (such as dividends, subordinated debt interest and principal repayment and directors fees) from the underlying project model to the Company's financial model;
  - > We considered if the methodology for assessing fair value has been applied consistently across the assets;
  - > We read the latest board minutes, board packages and other supporting documents and information in respect of the sampled investments;

— We reviewed the Valuation Report prepared by the Management Board and assessed whether the valuation inputs and results are consistent with our other audit procedures performed as part of our audit of the financial statements;

— We obtained the analysis prepared by the Management Board of the impact of IFRS 9 on the impairment of loans receivable from subsidiaries and performed the following procedures:

- We challenged the criteria used to identify a significant increase in credit risk for loans receivable from subsidiaries in accordance with IFRS 9;
- We performed an overall assessment of the assumptions and models used to calculate the ECL.

Other information

The Management Board is responsible for the other information. The other information comprises the information stated in the annual report but does not include the financial statements and our report of "Réviseur d'Entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Management Board and Those Charged with Governance for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "Réviseur d'Entreprises Agréé" by the General Meeting of the Shareholders on 30 April 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is eight years.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014, on the audit profession were not provided and that we remain independent of the Group in conducting the audit.

Luxembourg, 27 March 2019

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Emmanuelle Ramponi

Company Statement of Comprehensive Income

In thousands of Pounds Sterling	Note	Year ended 31 December 2018	Year ended 31 December 2017
Administration expenses	4	**(7,156)**	(5,832)
Other operating expenses	5	**(4,895)**	(2,077)
Other operating income	6	**285**	2,622
Results from operating activities		**(11,766)**	(5,287)
Finance income	7	**20,125**	30,646
Finance costs	15	**–**	(1,386)
Net finance income		**20,125**	29,260
Profit before tax		**8,359**	23,973
Tax expense	8	**(330)**	(298)
Profit from continuing operations		**8,029**	23,675
Attributable to:			
Owners of the Company		**8,029**	23,675
Earnings per share			
Basic earnings per share	11	**1.44**	4.94
Diluted earnings per share	11	**1.44**	4.94

The accompanying notes form an integral part of the Company's financial statements.

Company Statement of Financial Position

In thousands of Pounds Sterling	Note	31 December 2018	31 December 2017
Assets			
Loans receivable from subsidiary	13	**192,036**	255,611
Investment in subsidiary	14	**263,371**	97,112
Non-current assets		**455,407**	352,723
Loans receivable from subsidiaries	13	**117,021**	119,243
Interest and other receivables from subsidiary	13	**30,763**	10,542
Other current assets		**219**	307
Cash and cash equivalents	9	**2,132**	13,902
Current assets		**150,135**	143,994
Total assets		**605,542**	496,717
Equity			
Share capital	10	**639,642**	506,061
Retained earnings		**(35,678)**	(10,264)
Equity attributable to owners of the Company		**603,964**	495,797
Total equity		**603,964**	495,797
Liabilities			
Trade payables		**57**	18
Other payables		**1,434**	825
Current tax liabilities	8	**87**	77
Current liabilities		**1,578**	920
Total liabilities		**1,578**	920
Total equity and liabilities		**605,542**	496,717
Net asset value	10	**603,964**	495,797
Net asset value per ordinary share (pence)	10	**104.13**	103.48

The accompanying notes form an integral part of the Company's financial statements.

Company Statement of Changes in Equity

In thousands of Pounds Sterling	Note	Share capital	Retained earnings	Total equity
Balance at 1 January 2017		442,680	(3,573)	439,107
Total comprehensive income for the year				
Profit for the year		–	23,675	23,675
Transactions with owners of the Company, recognised directly in equity				
Issuance of shares from placing of ordinary shares – net of issue cost	10	57,745	–	57,745
Cash dividends	10	–	(24,730)	(24,730)
Scrip dividends	10	5,636	(5,636)	–
Balance at 31 December 2017		506,061	(10,264)	495,797
Total comprehensive income for the year				
Profit for the year		**–**	**8,029**	**8,029**
Transactions with owners of the Company, recognised directly in equity				
Issuance of shares from placing of ordinary shares – net of issue cost	10	**126,128**	**–**	**126,128**
Cash dividends	10	**–**	**(26,463)**	**(26,463)**
Scrip dividends	10	**6,980**	**(6,980)**	**–**
Shares issued on behalf of a subsidiary	10	**473**	**–**	**473**
Balance at 31 December 2018		**639,642**	**(35,678)**	**603,964**

The accompanying notes form an integral part of the Company's financial statements.

Company Statement of Cash Flows

In thousands of Pounds Sterling	Note	Year ended 31 December 2018	Year ended 31 December 2017
Cash flows from operating activities			
Profit for the year		**8,029**	23,675
Adjustments for:			
– Net finance income	7,15	**(20,087)**	(29,260)
– Foreign exchange loss	5	**2,747**	1,640
– Tax charge	8	**330**	298
		(8,981)	(3,647)
Changes in:			
– Other receivables from subsidiary		**36**	–
– Other current assets		**88**	(238)
– Trade payables		**39**	719
– Other payables		**601**	7
Cash generated from operating activities		**(8,217)**	(3,159)
Taxes paid		**(320)**	(280)
Interest paid		**–**	(1,026)
Net cash flows from operating activities		**(8,537)**	(4,465)
Cash flows from investing activities			
Loan repayment from subsidiary	13	**22,375**	4,769
Loans provided to subsidiary	13	**(3,869)**	–
Investment in subsidiary	14	**(121,621)**	–
Interest received		**–**	6,985
Net cash flows from investing activities		**(103,115)**	11,754
Cash flows from financing activities			
Proceeds of issuance of ordinary shares – net	10	**126,128**	57,745
Payments of loans and borrowings		**–**	(45,160)
Dividends paid	10	**(26,463)**	(24,730)
Net cash flows from financing activities		**99,665**	(12,145)
Net increase (decrease) in cash and cash equivalents		**(11,987)**	(4,856)
Impact of foreign exchange (loss) gain on cash and cash equivalents		**217**	38
Cash and cash equivalents at 1 January	9	**13,902**	18,720
Cash and cash equivalents at 31 December	9	**2,132**	13,902

The accompanying notes form an integral part of the Company's financial statements.

Notes to the Company Financial Statements

1. Reporting entity

BBGI SICAV S.A. ("BBGI", or the "Company") is an investment company incorporated in Luxembourg in the form of a public limited company (*société anonyme*) with variable share capital (*société d´investissement à capital variable*, or "SICAV") and regulated by the Commission de Surveillance du Secteur Financier ("CSSF") under Part II of the amended Luxembourg law of 17 December 2010 on undertakings for collective investments with an indefinite life. The Company qualifies as an alternative investment fund within the meaning of Article 1 (39) of the amended law of 12 July 2013 on alternative investment fund managers ("2013 Law") implementing Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 and is authorised as an internal alternative investment fund manager in accordance with Chapter 2 of the 2013 Law. The Company's registered office is EBBC, 6E, route de Trèves, L-2633 Senningerberg, Luxembourg. The Company was admitted to the official list of the UK Listing Authority (premium listing, closed-ended investment fund) and to trading on the main market of the London Stock Exchange on 21 December 2011.

The Company is a closed-ended investment company that invests principally in a diversified portfolio of operational Public Private Partnership ("PPP")/Private Finance Initiative ("PFI") infrastructure assets or similar style assets.

The Company had no employees as of 31 December 2018 and 2017, respectively.

Reporting period

The Company's reporting period runs from 1 January to 31 December each year. The Company's statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows include comparative figures as at 31 December 2017.

The amounts presented as "non-current" in the Company statement of financial position are those expected to be settled after more than one year. The amounts presented as "current" are those expected to be settled within one year.

2. Basis of preparation

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and the provisions of the Standard of Recommended Practices issued by the Association of Investment Companies ("AIC SORP"). These financial statements were approved by the Board on 28 March 2018.

Changes in accounting policy

The accounting policies, measurement and valuation principles applied by the Company in these financial statements are the same as those applied by the Company in its annual financial statements as of and for the year ended 31 December 2017 except for the below:

IFRS 9: Financial Instruments

IFRS 9: Financial instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement

The Company adopted *IFRS 9: Financial Instruments* from 1 January 2018. The main impact of IFRS 9 on the Company's financial statements is regarding classification of financial assets and liabilities.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets measured at either:

1) Amortised cost;

2) Fair value through other comprehensive income; or

3) Fair value through profit or loss

The standard eliminated the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

2. Basis of preparation continued

The Company classified its financial assets as either (i) fair value through profit or loss or (ii) loans and receivables at 31 December 2017. The Company did not classify any financial asset as held to maturity or available for sale. During the Company's analysis, the Company took into consideration the following factors:

- Business model assessment – The business model of the Company regarding receivables from subsidiaries and affiliated companies and other receivable is one of collecting contractual cash flows.
- Purpose to collect contractual cash flows – The Company's investments, loans and other receivables from subsidiaries is backed by distributions received from underlying investments made by the Group in PPP/PFI assets. The Company views the equity and debt claim by the Group from each investment as a single asset. The Company holds the receivables from subsidiaries and affiliated companies and other receivables for the purpose of collecting the contractual cash flows.

IFRS 9 largely retained the existing requirements as prescribed under IAS 39 for the classification of financial liabilities. The main changes under IFRS 9 pertains to liabilities designated at fair value through profit or loss. The Company has not designated any financial liability at fair value through profit or loss and has no current intention to do so. The adoption of IFRS 9 only resulted in reclassification of the Company's financial assets and liabilities into amortised cost, as follows:

In thousands of Pounds Sterling	1 January 2018 Under IFRS 9 Amortised cost	31 December 2017 Under IAS 39 Loans and receivables
Assets		
Loans receivable from subsidiaries	**374,854**	374,854
Interest and other receivables from subsidiaries	**10,542**	10,542
Cash and cash equivalents	**13,902**	13,902
	399,298	399,298

In thousands of Pounds Sterling	Amortised cost	Other financial liabilities
Liabilities		
Trade payables	**18**	18
Other payables	**825**	825
	843	843

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at fair value through other comprehensive income, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The Company's receivables are from its wholly owned subsidiaries (direct and indirect). Loans and receivables are linked to the PPP/PFI assets financed by these subsidiaries either through loans and/or equity investments. The ECL, if any, of the Company from its loans and receivables from subsidiaries would have a direct link to the fair value of the PPP/PFI investments. The Company performs a fair valuation of the PPP/PFI investments every 6 months and considers any ECL on the loans and receivables, among others, based on the results of the valuation. For the year ended 31 December 2017 and 2018, respectively, the Company has not identified any factor which would trigger an ECL on its loans and receivables from subsidiaries.

IFRS 15: Revenue from contracts with customers

In April 2016, the IASB issued IFRS 15 (Revenue from contracts with customers). IFRS 15 replaced existing guidance and introduces a new model for revenue recognition that is based on the transfer of control. This affects the timing and amount of revenue in certain instances. IFRS 15 was adopted by the Group on 1 January 2018. The adoption did not have a significant impact on the Group's financial position or results of operations.

Basis of measurement

These financial statements have been prepared on the historical cost basis.

2. Basis of preparation continued

Functional and presentation currency

These financial statements are presented in Pounds Sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand unless otherwise stated.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

Impairment testing for investments

Investment in subsidiary and loans receivable from subsidiaries are measured at cost less accumulated impairment losses. The impairment losses are based on ECLs on such receivables.

The loans and receivables of the Company from its subsidiaries are directly linked to the PPP/PFI assets financed by these subsidiaries either through loans and/or equity investments. The ECL, if any, of the Company from its loans and receivables from subsidiaries has a direct link with the fair value of the PPP/PFI investments.

The Company performs a fair valuation of the PPP/PFI investments every 6 months and considers any ECL on the loans and receivables, among others based on the results of the valuation. The fair valuation of the subsidiaries' PPP/PFI assets is done by calculating the net present value of the cash flows from its PPP/PFI assets, based on internally generated models. The net present value of such assets are determined using future cash flows, using certain macroeconomic assumptions for the cash flows which include indexation rates, deposit interest rates, corporate tax rates and foreign currency exchange, related to the specific assets. The cash flows are discounted at the applicable discount rate for companies involved in service concession assets. A material change in the macroeconomic assumptions and discount rates used for such valuation could have a significant impact on the net present value of the cash flows. As of 31 December 2018, the Company believes that there is no ECL to be recorded on its loans and receivables from subsidiaries.

Going concern basis of accounting

The Management Board has examined significant areas of possible financial risk including cash and cash requirements. It has not identified any material uncertainties which would cast significant doubt on the Company's ability to continue as a going concern for a period of not less than 12 months from the date of approval of the Company's financial statements. The Management Board has satisfied itself that the Company has adequate resources to continue in operational existence for the foreseeable future. After due consideration, the Management Board believes it is appropriate to adopt the going concern basis in preparing the Company's financial statements.

3. Significant accounting policies

The accounting policies set out below have been applied consistently by the Company.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into Pounds Sterling at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Pounds Sterling at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into Pounds Sterling at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on translation are recognised in profit or loss as a gain or loss on currency translation.

3. Significant accounting policies continued

Financial instruments

Non-derivative financial assets

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

In general, the Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate financial asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

At the statement of financial position date, except for the investment in a subsidiary accounted for at cost, all non-derivative financial assets of the Company have been classified as loans and receivables at amortised cost.

Loans and receivables at amortised cost

Loans and receivables at amortised cost are financial assets with fixed or determinable payments that are not accounted for at fair value through profit or loss or fair value through other comprehensive income. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses using the expected credit loss model.

Non-derivative financial liabilities

The Company classifies non-derivative financial liabilities into the liabilities at amortised cost. Such financial liabilities are recognised initially at fair value less any direct attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

The Company derecognises a financial liability (or part of a financial liability) from the statement of financial position when, and only when, it is extinguished or when the obligation specified in the contract or agreement is discharged or cancelled or expired. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is considered in profit or loss.

Impairment

Non-derivative financial assets

The Company recognises loss allowances for ECL on financial assets measured at amortised cost. The Company measures loss allowances using lifetime ECLs or shorter.

12-month ECLs are the portion of ECL that results from default events that are possible within the 12 months after the reporting date. Lifetime ECLs are the ECL that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due without due reason provided by the debtor of such delay in payment.

3. Significant accounting policies continued

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held), notwithstanding how many days the obligation is outstanding.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortised cost is credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation;

Loss allowances for non-derivative financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. As applicable, the gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to a liability. The unwinding of the discount is recognised as finance cost.

Investments in subsidiaries

Investments in subsidiaries are held at cost less any impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and term deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of change in their fair value, and are used by the Company in the management of its short-term commitments.

Share capital

Ordinary shares are classified as equity. Given that the Company has no contractual obligation to deliver cash or any other financial asset or to exchange financial assets or liabilities with another entity under conditions that are unfavourable, the Company classifies the issued shares to be equity rather than liability. Moreover, no shareholder has the right to request the redemption of issued shares.

Costs directly attributable to the issue of ordinary shares, or which are associated with the establishment of the Company, that would otherwise have been avoided are recognised as a deduction from equity, net of any tax effects.

Finance income and finance costs

Interest income and expenses are recognised in the statement of comprehensive income using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, where appropriate, a shorter period) to the carrying amount of the financial instrument. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. Interest received or receivable and interest paid or payable are recognised in profit or loss as finance income and finance costs, respectively.

Operating expenses

All operating expenses are recognised in the statement of comprehensive income on an accruals basis.

3. Significant accounting policies continued

Tax

According to the Luxembourg regulations regarding SICAV companies, the Company itself is exempt from paying income and/or capital gains taxes in Luxembourg. It is, however, liable to annual subscription tax of 0.05% of its total net assets on an investment basis, payable quarterly and assessed on the last day of each quarter.

New standards and interpretations not yet adopted

The IASB and IFRIC have issued a number of standards and interpretations with an effective date after the beginning of the year of these Company financial statements as follows:

- In January 2016, the IASB issued IFRS 16 (Leases). IFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 is applicable for annual periods beginning on or after 1 January 2019. The Company does not have finance leases and does not have non-cancellable operating leases. The changes are not expected to have an impact on the Company's financial position or results of operations.
- In June 2017, IFRIC 23 (Uncertainty over Income Tax Treatments) was issued. IFRIC 23 provides clarification on the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It also requires the Company to reassess its judgements and estimates related to taxes if facts and circumstances change. The Company currently does not have deferred tax assets and liabilities. The adoption of IFRIC 23 will not have an impact on the Company's financial position or results of operations.

4. Administration expenses

In thousands of Pounds Sterling	Year ended 31 December 2018	Year ended 31 December 2017
Support agreement fees (see Note 13)	**5,506**	4,511
Legal and professional fees	**746**	769
Other administration expenses	**904**	552
	7,156	5,832

Depositary charges during the year amounted to £23,000 (31 December 2017: £21,000).

The legal and professional fees during the year includes amounts charged by the Group's external auditor which include audit fees of £141,000 (31 December 2017: £126,000), audit related fees of £55,000 (31 December 2017: £53,000). There are no non-audit related fees charged by the Group's external auditors in the above amounts (31 December 2017: nil).

5. Other operating expenses

In thousands of Pounds Sterling	Year ended 31 December 2018	Year ended 31 December 2017
Foreign currency translation loss	**2,747**	1,640
Foreign exchange indemnity agreement expense (see Note 13)	**1,110**	–
Acquisition related costs	**870**	254
Others	**168**	183
	4,895	2,077

6. Other income

In thousands of Pounds Sterling	Year ended 31 December 2018	Year ended 31 December 2017
Realised foreign exchange gain	**270**	–
Others	**15**	64
Foreign exchange indemnity agreement income (see Note 13)	**–**	2,558
	285	2,622

7. Finance income

In thousands of Pounds Sterling	Year ended 31 December 2018	Year ended 31 December 2017
Finance income from multi-currency facility (see Note 13)	**20,087**	22,204
Interest income from deposits	**38**	3
Finance income from profit participating loans	**–**	7,986
Finance income from assets	**–**	453
	20,125	30,646

8. Taxes

The composition of current tax payable is as follows:

In thousands of Pounds Sterling	31 December 2018	31 December 2017
Current tax liability		
Subscription tax	**87**	77
	87	77

A reconciliation of the tax expense and the tax at applicable tax rate is as follows:

In thousands of Pounds Sterling	Year ended 31 December 2018	Year ended 31 December 2017
Profit before tax	**8,359**	23,973
Tax using the Company's domestic tax rate	**–**	–
Subscription tax expense	**330**	298
Tax charge for the year	**330**	298

The Company pays an annual subscription tax of 0.05% of its total net assets under investment basis. For the year ended 31 December 2018, the Company incurred a subscription tax charge of £330,000 (31 December 2017: £298,000). All direct and indirect subsidiaries of the Company are subject to taxation at the applicable rate in their respective jurisdictions.

9. Cash and cash equivalents

In thousands of Pounds Sterling	31 December 2018	31 December 2017
Bank balances/deposits	**2,132**	13,902
	2,132	13,902

10. Capital and reserves

Share capital

Changes in the Company's share capital are as follows:

In thousands of Pounds Sterling	31 December 2018	31 December 2017
Share capital as at 1 January	**506,061**	442,680
Issuance of ordinary shares through placing	**128,033**	58,533
Shares issuance cost on placing	**(1,905)**	(788)
Share capital issued through scrip dividends	**6,980**	5,636
Shares issued as share based compensation	**473**	–
	639,642	506,061

In April 2018 and September 2018, the Company raised gross proceeds of £60,833,000 and £67,200,000 through a placing of 47,525,493 and 48,000,000 new ordinary shares of no par value ('Placing'), respectively. The Placing price was 128.0 and 140.0 pence per Placing share, respectively. The share issuance cost of the placing of ordinary shares during the year amounted to £1,905,000.

BBGI Management HoldCo S.à r.l. ("MHC"), a wholly owned subsidiary of the Company, provides share based compensation to senior executives whereby it will issue a certain number of shares of the Company to entitled executives calculated based on a long term incentive plan agreement ("LTIP agreement"). During the year, in accordance with the LTIP agreement, MHC issued 357,000 shares of the Company at 132 pence per share for a total amount of £473,000. The amount of £473,000 was recorded as an advance made by the Company to MHC during the year.

The changes in the number of ordinary shares of no par value issued by the Company are as follows:

In thousands of shares	31 December 2018	31 December 2017
In issue at beginning of the year	**479,105**	432,216
Shares issued through placing of ordinary shares	**95,525**	43,039
Shares issued through scrip dividends	**5,018**	3,850
Shares issued as share based compensation	**357**	–
	580,005	479,105

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at general meetings of the Company.

The Company meets the minimum share capital requirement as imposed under the applicable Luxembourg regulation.

Dividends

The dividends declared and paid by the Company during the year ended 31 December 2018 are as follows:

In thousands of Pounds Sterling except as otherwise stated	Year ended 31 December 2018
2nd interim dividend of 3.25 pence per qualifying ordinary share – for the year ended 31 December 2017	**15,582**
Interim dividend of 3.375 pence per qualifying ordinary share – for the period ended 30 June 2018	**17,861**
	33,443

The 31 December 2017 2nd interim dividend was paid in June 2018. The value of the scrip election was £2,903,000 with the remaining amount of £12,679,000 paid in cash to those investors who elected for a cash dividend.

The 30 June 2018 interim dividend was paid in October 2018. The value of the scrip election was £4,077,000 with the remaining amount of £13,784,000 paid in cash to those investors who elected for a cash dividend.

10. Capital and reserves continued

The dividends declared and paid by the Company during the year ended 31 December 2017 are as follows:

In thousands of Pounds Sterling except as otherwise stated	Year ended 31 December 2017
Final dividend of 3.125 pence per qualifying ordinary share – for the year ended 31 December 2016	14,852
Interim dividend of 3.25 pence per qualifying ordinary share – for the period ended 30 June 2017	15,514
	30,366

The 31 December 2016 final dividend was paid in June 2017. The value of the scrip election was £3,001,000 with the remaining amount of £11,851,000 paid in cash to those investors who elected for a cash dividend.

The 30 June 2017 interim dividend was paid in October 2017. The value of the scrip election was £2,635,000 with the remaining amount of £12,879,000 paid in cash to those investors who elected for a cash dividend.

Net asset value

The Company net asset value and net asset value per share as of 31 December 2018, 2017 and 2016 are as follows:

In thousands of Pounds Sterling/pence	31 December 2018	31 December 2017	31 December 2016
Net asset value attributable to the owners of the Company	**603,964**	495,797	439,107
Net asset value per ordinary share (pence)	**104.13**	103.48	101.59

11. Earnings per share

The basic and diluted earnings per share as at 31 December 2018 and 2017 are calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding.

In thousands of Pounds Sterling/shares	Year ended 31 December 2018	Year ended 31 December 2017
Profit attributable to ordinary shareholders	**8,029**	23,675
Weighted average number of ordinary shares in issue	**556,005**	479,105
Basic and diluted earnings per share (in pence)	**1.44**	4.94

The weighted average number of shares outstanding for the purpose of computation of earnings per share is computed as follows:

In thousands of shares	Year ended 31 December 2018	Year ended 31 December 2017
Shares outstanding as at 1 January	**479,105**	432,216
Effect of shares issued on placing of ordinary shares participating for the interim and final dividend of the year	**47,525**	43,039
Effect of shares issued on placing of ordinary shares participating for the second interim dividend of the year	**24,000**	–
Effect of scrip dividends issued	**5,018**	3,850
Shares issued as share based compensation	**357**	–
Weighted average – outstanding shares	**556,005**	479,105

Shares issued during September 2018 from placing of ordinary shares of 48,000,000 will be entitled for the 2018 2nd interim dividend only, thus only a percentage (50%) of such shares is considered in the calculation of the earnings per share for the year ended 31 December 2018.

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

12. Financial risk and capital risk management

The Company has exposure to the following risks from financial instruments:

— Credit risk;
— Liquidity risk;
— Market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital.

Risk management framework

The Management Board has overall responsibility for the establishment and oversight of the Company's risk management framework.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting in:

1) impairment or reduction in the amounts recoverable from receivables and other current and non-current assets; and

2) non-recoverability, in part or in whole, of cash and cash equivalents deposited with banks.

A significant part of receivables of the Company are receivables from subsidiaries. These subsidiaries have the ability to pay based on the projected cash flows to be received by such subsidiaries from its investments.

Exposures to credit risks

The Company is exposed to credit risks on the following items in the Company's statement of financial position:

In thousands of Pounds Sterling	31 December 2018	31 December 2017
Loans and other receivable from subsidiaries (including accrued interest)	**339,820**	385,396
Cash and cash equivalents	**2,132**	13,902
	341,952	399,298

Recoverable amounts of receivables and other current and non-current assets

The Company establishes when necessary an allowance for impairment, based on expected credit losses specific to the asset. Currently there are no recorded allowances for impairment. All the Company's receivables are recoverable and no significant amounts are considered as overdue, impaired or subject to expected credit losses.

Cash and cash equivalents

The cash and cash equivalents are maintained with reputable banks with ratings that are acceptable based on the established internal policy of the Company. Based on the assessment of the Management Board, there are no significant ECLs related to cash and cash equivalent balances with banks.

12. Financial risk and capital risk management continued

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's policy over liquidity risk is that it will seek to have sufficient liquidity to meet its liabilities and obligations when due.

The Company manages liquidity risk by maintaining adequate cash and cash equivalents and borrowing facilities to finance day-to-day operations and long-term assets. The Company also regularly monitors forecast and actual cash requirements and matches the maturity profiles of the Company's financial assets and financial liabilities.

The Company has the ability to issue further share capital via tap issues in order to finance further acquisitions or repay debt.

All external financial liabilities of the Company have maturities of less than one year as of 31 December 2018. The Company has sufficient cash and funding sources to pay currently maturing obligations.

Market risk

Brexit

EEA AIFMs can currently market EEA AIFs in the UK through the AIFMD marketing passport. If the UK leaves the EU without concluding a Withdrawal Agreement and without entering an implementation period (a so-called "hard Brexit"), the passporting system will cease, and any references in UK legislation to the EEA passporting system will become deficient at the point of exit. To ensure that UK investors have continued access to EEA AIFs that are currently marketed in the UK, the UK government announced on 20 December 2017 that it would put forward legislation to establish a temporary permissions regime ('TPR') on 12 April 2019 at 23:00, enabling EEA AIFs and AIFMs that have notified the FCA of their intention to market in the UK via a passport before exit day to continue to access the UK market for a limited period after exit day.

The TPR is expected to last for three years after exit day, with a power for HM Treasury to extend the regime by no more than 12 months at a time in certain circumstances. To enter the regime, the Company has informed the FCA that it wishes to have temporary permission to be marketed in the UK. During the TPR, the Company will be able to be marketed in the UK on the same terms and subject to the same conditions as it could before exit day. To continue marketing the Company in the UK after the end of the TPR, the Company must notify under the UK national private placement regime. The Company will be directed by the FCA to make this notification within two years from exit day.

The Group, in which the Company is the ultimate parent entity, maintains a pure-play PPP-style investment platform, fully committed to a strict investment strategy into availability-based assets. This generates stable, predictable cashflows backed by secure, highly visible contracted public-sector revenues and significantly carry no exposure to demand or regulatory risk. While the Brexit outcome remains uncertain we can say that, regardless of the outcome, the Group's portfolio cashflows are contracted and, unlike demand based assets, are not sensitive to the performance of the wider economic environment.

12. Financial risk and capital risk management continued

Currency Risk

The Company is exposed to currency risk as a result of its cash and cash equivalents being denominated in currencies other than Pounds Sterling. The currencies in which these items are primarily denominated are Australian Dollar (A$), Canadian Dollar (C$), Euro (€), Norwegian Krone (kr) and US Dollar (US$).

In respect of other monetary assets and liabilities denominated in currencies other than Pounds Sterling, the Company's policy is to ensure that its net exposure is kept at an acceptable level. The management believes that there is no significant concentration of currency risk in the Company.

The summary of the quantitative data about the Company's exposure to foreign currency risk provided to the management is as follows:

	31 December 2018				
In thousands of Pounds Sterling	**A$**	**C$**	**€**	**kr**	**US$**
Cash and cash equivalents	**21**	**20**	**120**	**2**	**8**

	31 December 2017				
In thousands of Pounds Sterling	**A$**	**C$**	**€**	**kr**	**US$**
Cash and cash equivalents	22	836	748	2	8

The Company has loans and receivables from MHC denominated in foreign currency but the Company is not exposed to fluctuations in foreign exchange rates in relation to these receivables due to the foreign exchange indemnity agreement entered into between the Company and MHC (see Note 13).

The significant exchange rates applied during the year ended 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018	
	Average £	**Spot rate £**
A$ 1	**0.561**	**0.554**
C$ 1	**0.578**	**0.576**
€ 1	**0.886**	**0.899**
kr 1	**0.092**	**0.090**
US$ 1	**0.748**	**0.785**

	31 December 2017	
	Average £	**Spot rate £**
A$ 1	0.595	0.579
C$ 1	0.599	0.590
€ 1	0.877	0.888
kr 1	0.094	0.090
US$ 1	0.777	0.741

The impact of a strengthening or weakening of Pounds Sterling against the Australian dollar, Canadian dollar, Euro, Norwegian krone and US dollar, as applicable, by 10% at 31 December 2018 and 31 December 2017 would not have a significant impact on the Company's cash and cash equivalents and therefore on the statement of comprehensive income. This assumes that all other variables, in particular, interest rates, remain constant and ignores any impact of forecast revenues, hedging instruments and other related costs.

12. Financial risk and capital risk management continued

Fair values versus carrying amounts

The below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying amounts of cash and cash equivalents, receivables and payables that are payable within one year, or on demand, are assumed to be their respective fair values (Level 3).

The fair value of loans and other receivable from subsidiary and investment in subsidiary, with a total carrying value of £603,191,000 (31 December 2017: £482,508,000), amounts to £781,160,000 (31 December 2017: £609,131,000). The fair value of these loans receivable and investment in subsidiary is determined by discounting the future cash flows to be received from such assets using applicable market rates (Level 3).

Capital risk management

The Company's objective when managing capital is to ensure the Company's ability to continue as a going concern in order to provide returns to shareholders and benefits for further stakeholders and to maintain an optimal capital structure. The Company views the share capital (see Note 10) as capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders, avail of new credit facility/ies, pay down debt, or issue new shares.

The Company regularly reviews compliance with Luxembourg regulations regarding restrictions on minimum capital. During the year, the Company complied with all externally imposed capital requirements and made no changes in its approach to capital management.

13. Related parties and key contracts

All transactions with related parties were undertaken on an arm's length basis.

Supervisory Board fees

The aggregate remuneration of the Directors of the Supervisory Board in their capacity as such was £228,000 (31 December 2017: £157,000).

13. Related parties and key contracts continued

Loans and receivables from subsidiary – noncurrent

On 1 January 2017, the Company as a lender and MHC as a borrower, entered into a multicurrency facility agreement ("MCF"). Pursuant to this agreement the Company has and will continue to make available an interest bearing loan to MHC for the purposes of funding its initial and subsequent acquisitions of interests in PPP/PFI and similar styled infrastructure assets. The maximum amount that can be withdrawn from the MCF amounts to £680,000,000. The interest rate charged on the withdrawn amount shall be the interest rate on loans charged to the underlying projects less a specific margin.

Movements in the MCF during the year are as follows:

In thousands of Pounds Sterling	Year ended 31 December 2018	Year ended 31 December 2017
1 January	**255,611**	263,086
Additions	**1,107**	19,684
Capitalisation of interest under MCF	**1,599**	1,766
Conversion to interest free loan and/or equity investment	**(41,610)**	(21,107)
Principal payments received	**(22,375)**	(6,244)
Foreign exchange movements	**(2,296)**	(1,574)
	192,036	255,611

During the year, the Company converted £24,677,000 of MCF into equity investment in MHC.

In addition, the Company has voluntarily forgiven an amount of £16,933,000 of MCF receivable from MHC. The forgiveness of MCF is treated as an assumed additional capital contribution made by the Company to MHC.

During the year, the finance income from the MCF amounted to £20,087,000 (31 December 2017: £22,204,000).

Loans receivable from subsidiaries – current

The Company has entered into various interest free loan agreements ("IFL") with MHC and BBGI Investments S.C.A. ("SCA"), an indirect 100% owned subsidiary. These IFLs have a term of one year with the possibility to extend and to introduce an arm's length interest rate. The details of the interest free loans receivable from subsidiaries are as follows:

In thousands of Pounds Sterling	Year ended 31 December 2018	Year ended 31 December 2017
IFL receivable from MHC	**110,928**	110,928
IFL receivable from SCA	**6,093**	8,315
	117,021	119,243

Interest and other receivables from subsidiary

The details of the interest and other receivables from subsidiaries are as follows:

In thousands of Pounds Sterling	Year ended 31 December 2018	Year ended 31 December 2017
Interest receivable from MCF	**20,985**	6,157
Interest receivable on profit participating loan	**–**	1,766
Receivable from foreign exchange indemnity agreement	**–**	2,558
Other advances to MHC	**9,778**	61
	30,763	10,542

13. Related parties and key contracts continued

Foreign exchange indemnity agreement

The Company and MHC have entered into a foreign exchange indemnity agreement (Indemnity Agreement) whereby the Company will indemnify MHC for any net losses incurred by MHC in relation to foreign exchange transactions, including losses on foreign exchange forwards. The agreement also stipulates that where MHC makes a net gain on foreign transactions, then it shall pay an equivalent amount to the Company.

During the year, MHC incurred a net foreign exchange loss of £1,110,000 thus resulting to an Indemnity Agreement expense of the Company (31 December 2017: £2,558,000 gain). As of 31 December 2018, all obligations of the Company to MHC resulting from the Indemnity Agreement were settled (31 December 2017: £2,558,000 receivable).

Support agreement with MHC

The Company and MHC have entered into a support agreement (Support Agreement) whereby MHC provides support and assistance to the Company with respect to the day-to-day operations. As at 31 December 2018, the Company recorded Support Agreement expenses amounting to £5,506,000 (31 December 2017: £4,511,000).

During 2018, the Company settled all outstanding liabilities to MHC in relation to the above.

Other advances to MHC

As of 31 December 2018, the Company has outstanding advances to MHC amounting to £9,778,000 (31 December 2017: £61,000).

14. Subsidiary

MHC, the Company's sole direct subsidiary, is a Company incorporated and domiciled in Luxembourg. The Company's total equity investment in MHC amounted to £263,371,000 as of 31 December 2018 (31 December 2017: £97,112,000). The movements in the Company's investment in MHC are as follows:

In thousands of Pounds Sterling	Year ended 31 December 2018	Year ended 31 December 2017
1 January	**97,112**	2,000
Additional investment through capital contribution	**121,621**	–
Conversion of MCF to equity investment in MHC through contribution in kind	**24,677**	–
Investment in MHC through forgiveness of outstanding MCF principal	**16,933**	–
Investment in MHC through forgiveness of outstanding MCF interest	**3,028**	–
Conversion of profit participating loan to equity	**–**	95,112
	263,371	97,112

The Company's investments in PPP/PFI infrastructure assets, or similar assets, were made and will continue to be made through MHC.

15. Commitments and contingencies

In September 2017, MHC has replaced the Company as a borrower under the three-year revolving credit facility (RCF). As a result, the Company has not incurred any finance cost (31 December 2017: £1,386,000). The Company, as an obligor under the RCF, has pledged all its current and future assets.

Based on the provisions of the RCF, in the event of continuing event default by MHC, the lenders will, among other things, have the right to cancel all commitments and declare all or part of utilisations to be due and payable, including all related outstanding amounts, and exercise or direct the security agent to exercise any or all of its rights, remedies, powers or discretions under the RCF.

Board Members, Agents & Advisers

Supervisory Board
- Colin Maltby (Chairman)
- Howard Myles
- Jutta af Rosenborg (appointed 1 July 2018)
- David Richardson (retired 30 August 2018)

Management Board
- Duncan Ball
- Michael Denny
- Frank Schramm

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Registre de Commerce et des Sociétés Luxembourg B163879

Listing	Chapter 15 premium listing, closed-ended investment company
Trading	Main Market
ISIN	LU0686550053
SEDOL	B6QWXM4
Ticker	BBGI
Indices	FTSE 250, FTSE 350 and FTSE All-Share

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