

BBGI

Annual Report 2017



A Global
Infrastructure
Company

Registre de Commerce
et des Sociétés Luxembourg:
B163879

FOR THE YEAR ENDED 31 DECEMBER 2017

www.bb-gi.com
BBGI SICAV S.A.

CAUTIONARY STATEMENT

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

The Review Section may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "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, the Review Section may include target figures 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. ■



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FINANCIAL AND OPERATIONAL PORTFOLIO HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- Investment Basis NAV¹ (“NAV”) up 14.2% to £622.5 million as at 31 December 2017 (£545.0 million – 31 December 2016).
- NAV per share up 3.0% to 129.9 pence as at 31 December 2017 (126.1 pence – 31 December 2016).
- Total shareholder return (“TSR”) since listing in December 2011 to 31 December 2017 of 82.8%² equating to an annualised TSR of 10.5%³ which is well above the IRR target of 7% to 8% on the £1 IPO issue price.
- During the year, the Board increased the 2017 dividend target by 4.0% to 6.50 pence per share.
- Target dividend for 2018 raised to 6.75 pence per share, which represents a further increase of 3.8%.
- Strong cash dividend cover of 1.5x⁴.
- An Ongoing Charges ratio of 0.99%⁵ that we believe continues to be the lowest in the UK listed infrastructure sector.

PORTFOLIO HIGHLIGHTS

- 43 high quality, availability-based PPP infrastructure assets with portfolio performance and cash receipts ahead of business plan contributing to the increase in the 2017 dividend.
- Value enhancements achieved through accretive management resulting in 2.9% increase in NAV.
- Further de-risking of significant assets including the opening of Mersey Gateway Bridge in Liverpool, UK and Ohio River Bridges in the US, which moved from construction to ramp-up phase.
- Refinanced and de-risked Women’s College Hospital in Canada and Royal Women’s Hospital in Australia with long-term financing.
- Equity capital of £58.5 million raised through a placing of new ordinary shares in April 2017.
- New 4 year revolving credit facility of £180 million secured commencing in January 2018, with access to a further accordion tranche of £70 million.
- Strategic agreement signed with a subsidiary of SNC-Lavalin Group Inc. to invest in five operational availability-based PPP assets in Canada for approximately C\$189 million (approximately £112 million⁶). The Company completed its investment in the initial four operational PPP Projects in Q3 and the investment in the fifth project is expected to complete in H1 2018.
- Attractive pipeline of primary and secondary PPP investment opportunities including a pipeline agreement with SNC-Lavalin, which provides a right of first offer for a robust pipeline of Canadian availability-based PPP projects currently under construction.
- BBGI is committed to good governance, investing responsibly and being a good corporate citizen/long term custodian. Environmental Social and Governance initiatives include reduction of carbon footprint, ecological and environmental management, waste reduction and a strong support of social initiatives.
- At 31 December 2017, the Group had, on an Investment Basis, a net debt position of £49.1 million consisting of a total cash balance of £21.0 million and total borrowings outstanding of £70.1 million. In addition, the Group had utilised a further £5.6 million of the credit facility to cover outstanding letters of credit.

¹ Refer to page 29, Financial Results, for further detail on Investment Basis NAV.

² The TSR combines share price appreciation and dividends paid to show the total return to the shareholder expressed as a percentage. Based on share price at 31 December 2017 and after adding back dividends paid or declared since listing.

³ On a compound annual growth rate basis. This represents the steady state annual growth rate based on share price at 31 December 2017 and after adding back dividends paid or declared since listing.

⁴ Calculated as: (Distributions received from investments at fair value through profit or loss less net cash flows from operating activities) / (Cash Dividends paid).

⁵ Refer to page 30 for the definition of Ongoing Charges ratio.

⁶ Based on FX rate at 31 December 2017



CHAIRMAN'S STATEMENT

**DAVID RICHARDSON,
CHAIRMAN**

DEAR SHAREHOLDER,

The Company has delivered another strong set of results. Your Management Board has been equally focused on active management of the portfolio to enhance value and on sourcing significant new investment opportunities which are accretive to shareholders. Cost controls have been rigorous and helped by the internal management structure the ongoing charges remain, once again, below 1%.

DIVIDENDS AND SHAREHOLDER RETURNS

In April 2018 the Company will declare a second interim dividend of 3.25 pence per share in respect of the six-month period ended 31 December 2017; this will result in a total dividend of 6.50 pence per share for the year, representing an increase of 4.0% on the prior year. With cash flows coming in ahead of the business model and the low risk and predictable nature of the Company's contracted cash flows, we have increased our target dividend by 3.8% to 6.75 pence per share for 2018. The total shareholder return ("TSR") since listing in December 2011 to 31 December 2017 has been 82.8%, equivalent to 10.5% TSR on an annualised basis.

INVESTMENT ACTIVITY

The Company signed a strategic agreement with SNC-Lavalin Group to invest in five operational availability-based PPP assets in Canada for c. £112 million. An exciting aspect of the transaction with SNC-Lavalin is that BBGI will benefit from a pipeline agreement which provides the Company with a right of first offer for a robust pipeline of another five Canadian availability-based PPP projects currently under construction. This pipeline agreement could result in over £150 million of attractive follow-on investments over the next few years whilst not compromising the quality or focus of the existing portfolio.

In addition, the Company continues to bid selectively for operational projects and pursue primary bidding opportunities where BBGI is well positioned due to its track record, established relationships with contractors and extensive PPP experience.

Our ability to access these types of attractive investment opportunities is testament to the focus and discipline of the management team. BBGI has remained true to its original PPP investment mandate and has stayed "on-piste" and not pursued infrastructure assets with a higher risk profile. The Company remains committed to investing in high quality availability-based infrastructure assets in highly rated investment grade countries and believes this strategy will continue to provide strong uncorrelated returns from secure counterparties.

THE PORTFOLIO

Active asset management remains a key priority at BBGI and is a fundamental pillar for our long term success. A variety of active asset management initiatives during the year resulted in over £15 million of value enhancements to the portfolio including the successful refinancing of two projects. As a result of these initiatives, we achieved a net refinancing gain and now only one asset in the portfolio has a re-financing obligation.

Once again, Management has demonstrated their ability to take large projects through the construction phase and into the ramp-up or operational phase. In October, Mersey Gateway Bridge opened to traffic as planned. We were very proud to be involved in this landmark project which was the largest infrastructure project of recent years in England outside London.

CAPITAL RAISING AND CORPORATE CREDIT FACILITY

During the year the Company raised equity capital of £64.1 million both through a placing which was significantly oversubscribed and through the issuance of scrip dividends in June and October. The Company also negotiated a new revolving credit facility of £180 million, with access to a further accordion tranche of £70 million. The new facility, which has a four year term until January 2022, will provide continued access to credit to fund the Company's strong pipeline of new potential investment opportunities. I am pleased to report that the borrowing margin, arrangement fee and the commitment fee have all decreased.

In light of its attractive pipeline of investment opportunities, the Company is giving consideration to an equity fundraising in the short to medium term in order to reduce leverage and thereby to provide financing flexibility with respect to its investment pipeline. The timing of the fundraise will depend on inter alia, wider market conditions, existing shareholder support and the proximity of current pipeline opportunities. Any fundraise in the short to medium term is likely to be limited to approximately 10% of the issued share capital of the Company.

CORPORATE GOVERNANCE

The Supervisory Board and the Management Board value good corporate governance and this is reflected throughout the business. The Boards have put in place a framework for corporate governance which they believe is appropriate for the Company. BBGI is a member of the Association of Investment Companies ("AIC") and as such reports against the AIC Code of Corporate Governance ("AIC Code"), whose principles and recommendations are carefully considered, and follows the AIC Corporate Governance Guide for Investment Companies ("AIC Guide").

The Management Team meets regularly with investors, and the Supervisory Board receives investor feedback at each meeting both directly and from the Company's brokers. Additionally, my fellow board members and I are always available to meet with any investor who wishes to do so.

The Company announced its AGM results in May 2017 noting that two resolutions received over 20% of votes casts against the recommendations of the Board. These were Resolutions 7 and 12 and I would like to discuss each point below.

Resolution 7 concerned the re-election of Howard Myles to the Board. The Board recognizes the concerns which have been expressed regarding potential over-boarding and will continue to ensure that all Board members can devote sufficient time to the Company. Mr. Myles has played an important role on the Board since IPO and his extensive experience brings many benefits to the Company. His time availability and attention have been exemplary and have not been adversely impacted by his other Board appointments. His re-election is unanimously supported by both Boards. On this basis I encourage you to support the re-appointment of Mr. Myles as I believe he continues to be a very positive influence on the Company.

The Board also recognises the level of votes cast against Resolution 12, which provides the Company with authority to make market purchases in its own shares up to 14.99%. While the Company has never used this provision, we note that the 14.99% buyback option has always been fully disclosed to investors including in key marketing materials, will only be used in the event that the Company is trading at a discount to its net asset value per share, and is a standard limit for investment trusts listed in the UK. Having consulted with shareholders over the year we therefore intend to ask for this resolution again this year.

All of the Supervisory Board Directors were appointed at the time of the IPO in December 2011. The Board, in conjunction with the Management Board, has been considering a structured succession plan that will ensure the staggered retirement of each of the current directors and the recruitment of additional independent directors over a timeframe that will enable the knowledge and experience built up over the last 6 years to be both retained and built upon. To that end, we are currently recruiting a new Supervisory Board member and once that is completed and other succession matters concluded I intend to retire from the Board during the course of 2018.

RISKS AND UNCERTAINTIES

While the Management Board manages the risks facing the Company on a day-to-day basis, risk review and mitigation remain key points of discussion at all Supervisory Board meetings. An overview of the principal risks faced by the Company as well as the strategies to mitigate these risks is discussed on page 42 of this report.

The listed infrastructure sector has experienced a derating in recent months, triggered firstly by concerns that the Labour Party might bring existing UK PFI contracts “back in-house”, and then followed by the collapse of Carillion which has focused attention on operational risks.

BBGI is politically neutral and it is too early to have a view on if or when a Labour government may come to power in the UK as the next general election is not scheduled until May 2022. However we have reviewed the mechanics of “nationalisation” and believe that there are significant obstacles in practice. Furthermore our global exposure has demonstrated that governments elsewhere in the world have seen and continue to see significant benefits from PPP/PFI. A move by a UK government to effectively renege on agreements that its predecessors voluntarily entered into would have significant consequences far beyond the infrastructure sector. Given the huge costs involved in compensating both equity and debt providers, a number of practical issues and other priorities of a possible Labour government, we believe that a wholesale nationalisation of PFI contracts is unlikely.

Regarding Carillion, BBGI was well placed in that it did not have any exposure to Carillion as either a constructor of projects or as a service provider and therefore was not affected by that company’s recent liquidation. The unfortunate demise of this high-profile builder and service provider highlighted the importance of supply chain monitoring and appropriate risk mitigation policies. While this type of counterparty risk can never be fully eliminated, we believe that it can be mitigated by having a diversified supply chain with no concentrated exposure, being geographically diversified and by having a rigorous supply chain monitoring program in place.

MARKET DEVELOPMENT

While the above noted issues have resulted in some doubts about the near-term pipeline of PPP transactions in the UK, the outlook in other markets where the Company is active remains very strong. Australia, Canada, the US and Europe are all demonstrating strong pipelines with an attractive mix of new and operational PPP projects.

Your Board will continue to monitor events and take actions to ensure that BBGI is as well placed as possible. We expect that your Company’s strong cash flows, long-term contracts with sound counterparties and diversified assets which underpin its ability to pay dividends will continue to offer a reassuring degree of certainty. We believe this proposition will continue to be attractive to investors.



David Richardson

Chairman

BBGI SICAV S.A.

28 March 2018

INVESTMENT POLICY AND OBJECTIVES

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

INVESTMENT POLICY

BBGI's investment policy is to invest in infrastructure projects that have predominantly been developed under the PFI/PPP or similar procurement models.

The portfolio projects are principally operational, and investment in projects under construction will be limited to 25%.

BBGI will primarily invest in "availability-based" projects such as roads, schools, hospitals and prisons. Projects are characterised as being "availability-based" if, on average, 75% or more of their revenues do not depend on the level of use. Demand-based assets are limited to a maximum of 25% of portfolio value.

BBGI intends to invest predominantly in regions where PFI/PPP is a practised route for delivering infrastructure investment projects, principally in Europe, North America, Australia and New Zealand. However, other markets will be considered should suitable opportunities arise.

In addition, no more than 25% of the portfolio value calculated at the time of investment will be derived from projects whose revenue streams are not public sector or government-backed. In order to ensure a spread of investment risk, any new acquisition will not have an acquisition value greater than 25% of the portfolio value immediately post-acquisition.

BBGI will make prudent use of leverage primarily for working capital purposes and to finance the acquisition of new investments. Outstanding borrowings, excluding intra-group borrowings and the debts of underlying project companies, but including any financial guarantees to support subscription obligations, will be limited to 33 percent of the portfolio value.

The Company's Investment Policy has not changed since IPO and can be found on the website at <http://www.bb-gi.com/strategy/investment-policy.aspx>

INVESTMENT OBJECTIVES

Looking forward to 2018 and beyond, the Company will continue to seek to provide investors with a prudent, low-risk investment strategy focused on delivering long-term, predictable shareholder cash flows and returns through actively managing the investment portfolio. The Company has a 2017 dividend target of 6.50 pence per share and aims to increase this distribution progressively over the longer term. Given the low risk and predictable nature of the Company's contracted cash flows, we are confident in providing dividend guidance of 6.75 pence per share for 2018.

The Company targets an internal rate of return (IRR) in the region of 7% to 8% on the £1 IPO issue price, to be achieved over the longer term.

INVESTMENT PORTFOLIO

As at 31 December 2017, BBGI's assets consisted of interests in 43 high-quality, availability-based, PPP/PFI infrastructure assets in the roads & bridges⁷, healthcare, education, justice and other services sectors. Located in Australia, Canada, Continental Europe, the UK and the US, 100% of the assets by value are operational.

PORTFOLIO SUMMARY

ROADS & BRIDGES	EQUITY STAKE	EDUCATION	EQUITY STAKE
Canada Line, (Canada)	26.67%	Bedford Schools, (UK)	100.00%
E18 Motorway, (Norway)	100.00%	Belfast Metropolitan College, (UK)	100.00%
Golden Ears Bridge, (Canada)	100.00%	Clackmannanshire Schools, (UK)	100.00%
Kicking Horse Canyon, (Canada)	50.00%	Cologne Schools, (Germany)	50.00%
M1 Westlink, (UK)	100.00%	Cologne-Rodenkirchen School, (Germany)	50.00%
M80 Motorway, (UK)	50.00%	Coventry Schools, (UK)	100.00%
Mersey Gateway Bridge, (UK)	37.50%	East Down Colleges, (UK)	66.67%
North Commuter Parkway, (Canada)	50.00%	Frankfurt Schools, (Germany)	50.00%
Northeast Stoney Trail, (Canada)	100.00%	Kent Schools, (UK)	50.00%
Northwest Anthony Henday Drive, (Canada)	50.00%	Lagan College, (UK)	100.00%
Ohio River Bridges/East End Crossing, (USA)	33.33%	Lisburn College, (UK)	100.00%
Southeast Stoney Trail, (Canada)	40.00%	North West Regional College, (UK)	100.00%
William R. Bennett Bridge, (Canada)	80.00%	Scottish Borders Schools, (UK)	100.00%
		Tor Bank School, (UK)	100.00%
HEALTHCARE		JUSTICE	
Barking & Havering Clinics (LIFT), (UK)	60.00%	Burg Prison, (Germany)	90.00%
Gloucester Royal Hospital, (UK)	50.00%	Northern Territory Secure Facilities, (Australia)	100.00%
Kelowna & Vernon Hospitals, (Canada)	50.00%	Victoria Prisons, (Australia)	100.00%
Liverpool & Sefton Clinics (LIFT), (UK)	53.33%	Avon & Somerset Police Headquarters, (UK)	100.00%
Mersey Care Mental Health Hospital, (UK)	76.20%		
North London Estates Partnership (LIFT), (UK)	53.33%	OTHER	
Royal Women's Hospital, (Australia)	100.00%	Fürst Wrede Military Base, (Germany)	50.00%
Restigouche Hospital Centre, Canada)	80.00%	Stoke-on-Trent & Staffordshire Fire and Rescue Service, (UK)	85.00%
Women's College Hospital, (Canada)	100.00%	Unna Administrative Centre, (Germany) ⁸	44.10%

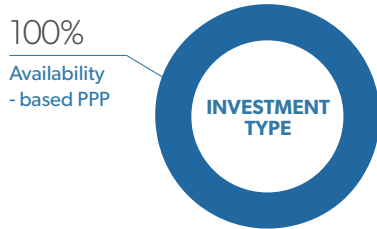
The concessions granted to project companies in the portfolio are predominantly granted by a variety of public sector clients or entities, which are either government-backed or have strong investment grade ratings (A+ to AAA by S&P). All project companies in the portfolio are located and tax resident in countries that are highly rated: Aa2/AA for the UK; Aaa/AAA for Australia, Canada, Germany and Norway; Aaa/AA+ for the US by Moody's and by Standard & Poor's.

⁷ This includes one rail project in Canada

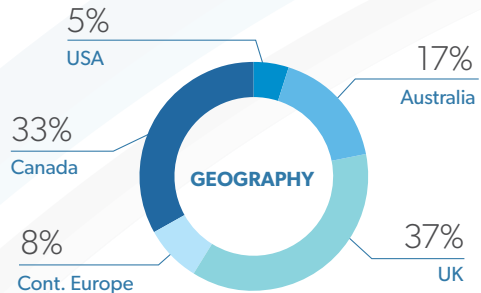
⁸ Entitled to 100% of economic distributions

PORTFOLIO OVERVIEW

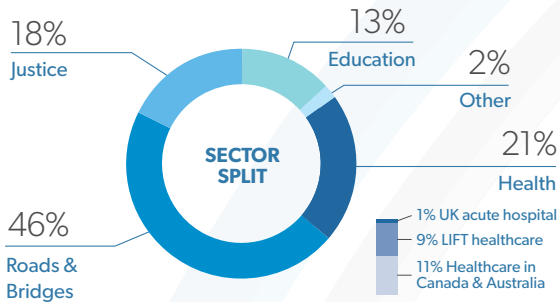
(based on portfolio value at 31 December 2017)



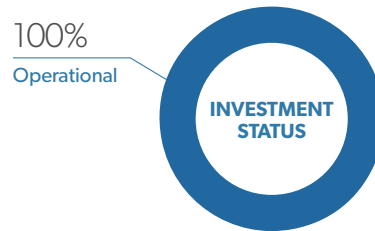
100% availability-based PPP revenue stream with no exposure to demand or regulatory risk assets



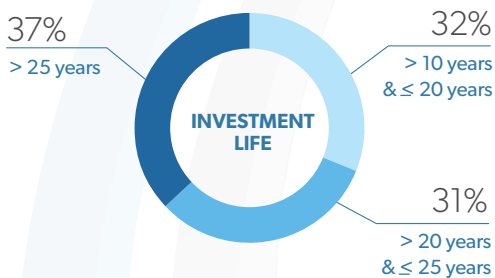
Geographically diversified in stable, developed countries



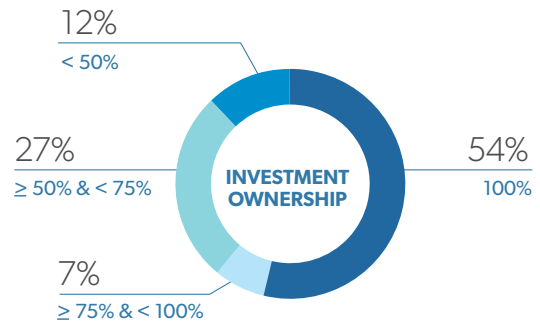
Well-diversified sector exposure with large allocation to lower risk availability-based roads & bridges (includes one rail project in Canada), and limited acute health



Low risk 100% operation portfolio (by value)



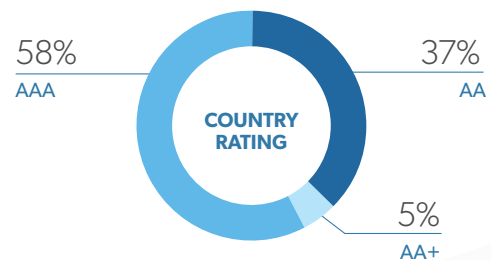
Long investment life with 68% of portfolio by value enjoying a duration >20 years; average life of 21.8 years



88% of assets in the portfolio 50% owned or more



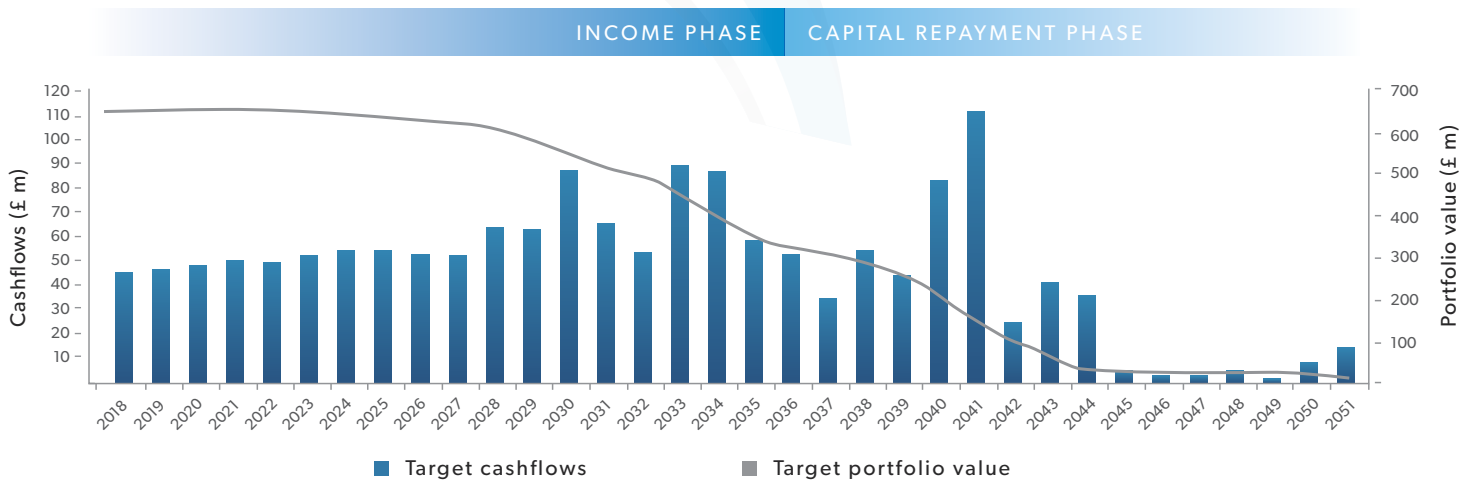
Well-diversified portfolio with no major single asset exposure



All assets located in countries with ratings between AA and AAA

PROJECTED PORTFOLIO CASH FLOW

Stable, predictable, inflation-linked returns



The above chart ⁹ based on the portfolio at 31 December 2017 illustrates a steady stream of portfolio cash flows deriving from the underlying assets until 2051. The cash flows are stable and long-term with their predictability enhanced by public sector (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 projects reach the end of their concession term.

As at 31 December 2017, BBGI has a weighted average portfolio life of 21.8 years, a decrease of 0.8 years compared with 31 December 2016.

⁹ This chart is for illustrative purposes only and should not be taken as a forecast of actual outcomes, in relation to which no assurance can be given.



**STAFFORDSHIRE
FIRE & RESCUE, UK**

FIVE LARGEST PROJECTS

GOLDEN EARS BRIDGE, CANADA (AVAILABILITY ROAD)

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 1 km, six-lane road that spans the Fraser River and connects Maple Ridge and Pitt Meadows to Langley and Surrey. The scheme, which opened in March 2009, also includes more than 3.5 km of structures including ramps, viaducts, minor bridges and underpasses, and more than 13 km of mainline roadway, a large part of which has been landscaped. The project consists of the design, construction upgrade, finance and operation for 32 years.

The project brought close to C\$1 billion in construction-related activity to the area. Commuters using the new bridge can save up to 40 minutes per peak-hour round-trip from Maple Ridge to Langley.

NORTHERN TERRITORY SECURE FACILITIES, AUSTRALIA (JUSTICE)

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, includes three separate centres:

- A 1,000 bed multi-classification men and women's correctional centre to replace the existing outdated facilities at Berrimah.
- A 30 bed secure mental health and behavioural management centre, the first of its kind in the Territory.
- A 48 bed supported accommodation and program centre for community-based offenders with facilities designed to support the government's goals of enhanced rehabilitation, education and reduced reoffending rates in the Territory.

BBGI acquired its initial interest in this project while it was still in construction and then subsequently acquired the remaining 50% stake in July 2015. The facility became operational in November 2014. The new facility allows Northern Territory Corrections to engage prisoners into structured daily programs in order to foster rehabilitation and stronger re-integration.

VICTORIA PRISONS, AUSTRALIA (JUSTICE)

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



The Metropolitan Remand Centre accommodates up to approximately 950 male prisoners and is located approximately 20 km from Melbourne city centre. The second, smaller, facility is the Marngoneet Correctional Centre that houses approximately 550 male prisoners and is located approximately 65 km from Melbourne city centre.

The Marngoneet Correctional Centre is the State's major intensive treatment facility for male prisoners. It offers treatment programs to promote rehabilitation, reduce repeat offending and to prepare prisoners for transition back into the community.

Both prisons started operation in 2006. In 2013 and 2016, significant augmentation orders were undertaken to expand the prisoner capacity.

M80 MOTORWAY, UK (AVAILABILITY ROAD)

TYPE	Availability-based
STATUS	Operational
EQUITY HOLDING (%)	BBGI: 50%
TOTAL INVESTMENT VOLUME (DEBT & EQUITY)	£310 million
FINANCIAL CLOSE/OPERATIONAL	January 2009/July 2011
CONCESSION PERIOD	30 years (post-construction) ending in 2041



The section of road between Stepps and Hags is an all-purpose dual carriageway and was the only non-motorway section of the A80 between Glasgow and the end of the M80 at Dunblane. The project involved construction of 18 km of dual two/three lane motorway with associated slip roads and infrastructure from Stepps in North Lanarkshire to Hags in Falkirk. Traffic availability was achieved in August 2011, with the work undertaken reducing congestion for road users and improving journey times and reliability.

WOMEN'S COLLEGE HOSPITAL, CANADA (HEALTH)

TYPE	Availability-based
STATUS	Operational
EQUITY HOLDING (%)	BBGI: 100%
TOTAL INVESTMENT VOLUME	C\$345 million
FINANCIAL CLOSE/ SUBSTANTIAL COMPLETION	June 2010/ September 2015
CONCESSION PERIOD	30 years (post substantial completion Phase 1) ending in 2043



This replacement hospital, in Toronto, Ontario, is a multi-storey building (approximately 430,000 square feet) consisting of ambulatory care, surgical research and educational facilities, as well as administrative, parking and other non-clinical space to support the Hospital's comprehensive and integrated approach to providing quality women's health care to patients with a need for diagnostics, extended treatments and chronic care. The project was delivered in two phases. The first phase became operational in May 2013. The second phase achieved substantial completion in September 2015 and final completion (which involved the integration of phases one and two) occurred in March 2016.

REPORT OF THE MANAGEMENT BOARD



LIVERPOOL & SEFTON
CLINICS (LIFT), UK

BUSINESS REVIEW

The Management Board is very pleased to present the results for the year ended 31 December 2017. Both the management report for the consolidated financial statements and the Company financial statements have been presented as one single report.

BBGI's goals for 2017 remained consistent with those of previous years, i.e. to pursue a prudent, low-risk investment strategy focused on delivering long-term, predictable shareholder returns.

HIGHLIGHTS AND KEY PERFORMANCE INDICATORS ("KPIs")

Please see page 2 for a summary of the Financial and Operational Highlights for 2017. Certain key performance indicators for the last four years are highlighted below:

KPI	TARGET	DEC-14	DEC-15	DEC-16	DEC-17	COMMENTARY
Dividends	Progressive long term dividend growth in pence per share	5.76	6.00	6.25	6.50	Achieved: 3.25 pence second 2017 interim dividend to be declared in April 2018
NAV per share	Positive NAV per share growth	3.5%	2.1%	13.1%	3.0%	Achieved
Annualised Total Shareholder Return Since Listing	7% to 8% annualised on IPO issue price of £1 per share	12.10%	11.24%	11.20%	10.50%	Achieved
Ongoing Charges	Competitive cost position	0.98%	0.96%	0.98%	0.99%	Achieved
Cash Dividend Cover	>1.0x	1.2x	1.4x	1.3x	1.5x	Achieved
Refinancing Risk (as a percentage of portfolio)	Minimise refinancing risk	14.0%	20.0%	18.0%	9.0%	Achieved: Northern Territory is the only asset with refi risk
Asset availability	> 98% asset availability	✓	✓	✓	✓	Achieved
Single asset concentration risk (as a percentage of portfolio value)	To be less than 20% of portfolio at time of acquisition	13% (GEB)	12% (NTSF)	13% (GEB)	12% (GEB)	Achieved
Availability based projects (as a percentage of portfolio)	Maximise availability based projects	100%	100%	100%	100%	Achieved

ASSET MANAGEMENT

CASH PERFORMANCE

The Company's portfolio of 43 high quality, availability-based infrastructure investments performed well during the year, with cash flows ahead of the business plan and the underlying financial models.

AVAILABILITY

The availability level of the Group's assets during 2017 was approximately 99.7%¹⁰ demonstrating the high quality of the services provided. Deductions (if any) are either borne by third-party facility managers and road operators or are part of planned lifecycle expenditures.

LOCK-UP / DEFAULTS

We are also pleased that none of our assets were reported to be in default or lock-up at year-end 31 December 2017. This is a direct result of our ongoing 'hands-on' approach and the efforts of our asset management team.

DE-RISKING: CONSTRUCTION

During the year, several assets were further de-risked:

On 14 October 2017, the Mersey Gateway Bridge (Mersey Gateway Project) opened to traffic with celebrations and fireworks. The opening was the culmination of more than three-and-a-half years of construction work. The Mersey Gateway Project covers over nine kilometres of road improvements including the bridge and a series of major new junctions. As the largest infrastructure project in England outside of London, the scale of Mersey Gateway Project is phenomenal. It includes and uses: a 2.2 kilometre elevated route including a 1,000-metre long cable stay bridge, 127.4 million m³ of concrete, 12 new bridges and 7 new or upgraded junctions across a 9.2 kilometre route through Runcorn and Widnes, 810 miles of cables connecting the three pylons to the bridge deck, and the recovery and re-use of 1,423,250 tonnes of previously contaminated materials. BBGI is very proud of its involvement in this landmark project which demonstrates the Company's ability to manage large PPP projects successfully through construction, and validates the benefits of PPP delivery at a time when some are questioning its benefits in the UK.

In addition, Ohio River Bridges in the US moved from construction completion to ramp-up phase.

BBGI has demonstrated its ability successfully to manage projects from the construction phase into the operational phase across three continents. In addition to the Mersey Gateway Project mentioned above, past projects which were successfully transitioned into the operational phase, and in doing so delivered NAV uplift, include Northwest Anthony Henday (Canada), Avon & Somerset Police Headquarters (UK), Finchley Memorial Hospital (UK), M80 Motorway (UK), Mersey Care Mental Health Facility (UK), Northern Territory Secure Facilities (Australia), Ohio River Bridges (USA) and Women's College Hospital (Canada). Collectively transitioning from construction phase to operational phase has contributed to a significant organic NAV growth of approximately 4.6%¹¹ since listing in December 2011.

DE-RISKING: REFINANCING

BBGI successfully refinanced and de-risked Women's College Hospital in Toronto, Canada and Royal Women's Hospital in Melbourne, Australia. The refinancing process for the Royal Women's Hospital successfully closed on 3 August 2017 with the execution of an AUD 150m senior secured bank debt facility thereby eliminating any future refinancing risk within the structure. On 29 September 2017, C\$207 million of Senior Secured Bonds (rated A by DBRS) were issued by Women's College Partnership and the proceeds were used to repay the existing bank facility and associated swap breakage costs. The net result of refinancing in the period is value accretive.

¹⁰ Calculated as percentage of actual availability payments received divided by scheduled payments

¹¹ Cumulative annual NAV growth, of which +0.9% in 2017.

As a result of these re-financings, the Northern Territory Secure Facilities project is the only remaining project in the BBGI portfolio with short-term debt in place. All other PPP/PFI projects have long-term amortising debt in place, which will not require refinancing.

Management will actively seek to refinance projects on an opportunistic basis when there is a possibility that the process will result in an uplift in the project value.

Debt financing at the project level is structured in a way that does not provide any recourse to the Company.

RELATIONSHIP WITH PUBLIC SECTOR CLIENTS AND PARTNERS

The Management Board continues to work hard to build and maintain a good dialogue and relationship with the Group's public sector clients and partners. We believe that having a regular dialogue with public sector clients is important for the partnership relationship and can help prevent issues from escalating. The Company is engaged through its representation at the project level in actively resolving issues, proactively identifying efficiencies and facilitating variations that benefit both shareholders and public sector clients.

We previously reported a dispute between the client and a subcontractor on the Burg prison project (the project itself makes up less than 1% of the total portfolio value). The dispute relates to the interpretation of the indexation mechanism and has resulted in the client making substantial retentions. BBGI did not suffer any losses as the retentions incurred were all passed on to the subcontractor. We are pleased to report that the issue is getting closer to being resolved amicably between the public sector client and the subcontractor. Previously, when the outcome of the discussions was unknown, the Company applied an additional risk premium to the project as part of the valuation process. As the issue is expected to settle in a timely manner, we have reduced the additional risk premium.

OPERATIONAL AND MAINTENANCE CONTRACTORS

Management 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 contract allocation.

O&M CONTRACTOR EXPOSURE AS % OF PORTFOLIO

Capilano Highway Services	12%
Honeywell	9%
Cushman and Wakefield	8%
Black & McDonald	7%
Integral FM	5%
BEAR Scotland	5%
Carmacks Maintenance Services	5%
Graham AM	4%
SNC- Lavalin O&M Inc	4%
ENGIE FM Limited	4%
Other	36%

The Company did not have any exposure to Carillion as either a constructor of facilities or as a service provider and therefore was not affected by Carillion's recent liquidation. The unfortunate demise of this high-profile builder and service provider highlights the importance of supply chain monitoring and appropriate risk mitigation policies. We believe that by having a diversified supply chain with no concentrated exposure, being geographically diversified and by having a rigorous supply chain monitoring policy in place, we are less exposed to this risk than we otherwise might be.

In addition, the Management Board believes that the Company benefits by having a large exposure to roads and bridges, 46% of portfolio value, where the value of the annual operations and maintenance cost compared to initial capital cost is proportionately lower than for social infrastructure where the operation and maintenance cost are a greater percentage of initial capital costs. In addition, the operation and maintenance services are typically less challenging on roads and bridges.

BUILDING SAFETY

Before the tragedy at Grenfell Tower in London there was a smaller but similar incident in Australia in a residential project. BBGI had no involvement, but it made us aware of potential fire safety issues associated with exterior cladding. We investigated the exterior cladding on the Royal Woman's Hospital in Melbourne after the above-mentioned incident in Australia in 2015. Extensive material testing was undertaken and an independent building surveyor confirmed the Royal Women's Hospital remains safe to occupy. Nonetheless, the cladding on the hospital is in the process of being replaced. Test panels were installed in May 2017. The cladding makes up c. 10 per cent of the exterior of the building, the rest being glass panels and reinforced concrete. During these works, there will be no impact on patients. The cladding is being replaced at no cost to Australian taxpayers, nor to BBGI.

We also undertook a UK-wide survey to ensure that no Aluminium Composite Material ("ACM") cladding had been used on any buildings in our portfolio, either from the desktop study, or through explicit confirmation by the builder. ACM was identified as being used in only one building. In this particular building a mixture of cladding, which was mainly decorative in nature as opposed to being part of the fire protection system, was used and therefore no further work was required.

As part of our active management program, the Company has undertaken a number of fire inspections over the course of the year, including checks on fire compartmentation and main fire protection systems. The reported shortfalls were typically minor in nature. Findings were shared with the relevant building and/or facilities management contractor with whom rectification programs were agreed and these are either completed or in the process of being completed. There are no immediate areas of concern and no material impact on our portfolio valuation.

Following an incident at an Edinburgh schools project (non-BBGI asset), a brick wall collapsed due to improperly applied wall ties.

A desktop study was undertaken to identify any buildings with brick or blockwork cavity walls similar to the Edinburgh schools construction and then a visual inspection conducted to look for any signs of visible defects in the elevations, e.g. cracking, spalling, bowing, missing mortar joints, signs of corrosion, etc. Where relevant, a qualified structural engineer carried out a more detailed inspection, including some intrusive surveys. No evidence of defects similar to the Edinburgh schools issue were reported and, where we conducted intrusive surveys, they demonstrated compliance with the design and a good level of workmanship.

The Group takes safety seriously, with the asset management team actively monitoring any potential issues either independently or in collaboration with public sector clients.



**WILLIAM R. BENNETT BRIDGE,
CANADA**

GROWTH IN THE PORTFOLIO

Since going public in 2011, the Management Board has been able to grow the Company successfully from 19 assets to 43 assets as at 31 December 2017. During this period, the NAV has grown 200% from £208 million to approximately £623 million. The Company has benefitted from the Management Board's ability to source attractive investment opportunities in different geographies.

BBGI remains confident of its ability to originate investment opportunities and anticipates these will come from a variety of sources:

- The newly established pipeline agreement with SNC-Lavalin which could provide further investment opportunities estimated to be in excess of £150M;
- Soliciting off-market transactions through BBGI's extensive network of PPP market participants in Australia, North America and Europe;
- Participating in primary investment opportunities / bidding on new PPP projects as part of public sector procurement processes;
- Acquiring equity interests from co-shareholders in existing projects;
- Participating selectively in competitive sale processes.

Interest in PPP infrastructure assets remained robust throughout 2017. There was significant investment capital searching for PPP assets which maintained pressure on prices. While this environment has been positive from a portfolio valuation perspective, it has been difficult to identify and acquire projects on terms that are accretive to shareholders. Notwithstanding these challenges, the Company was able to secure PPP investment opportunities on attractive terms which remained consistent with our stated strategy and to avoid style drift or engaging in hotly contested auctions

2017 NEW SECONDARY ACQUISITIONS AND ACCESS TO AN ATTRACTIVE PIPELINE OF INVESTMENT OPPORTUNITIES

In September, the Company completed its investment in four operational PPP projects in Canada. All of these assets, as described below, were developed by SNC-Lavalin and are classified as availability-based under the investment policy of the Company.

SNC-Lavalin, with a market capitalisation of approximately C\$10 billion (£5.9 billion), is the largest engineering company in Canada, one of the leading engineering and construction groups in the world and a major player in the ownership of infrastructure. Founded in 1911, it is a leader in the PPP market in Canada and has over the years built up an extensive portfolio of PPP assets.

The William R. Bennett Bridge is a 2 km corridor that straddles Okanagan Lake to connect two communities, Kelowna and West Kelowna, in the interior of British Columbia. The project became operational in 2008 and the concession runs until 2035. Availability payments are received from the Province of BC (AAA rated by S&P). BBGI's interest in the project is 80% of the project equity.

Canada Line is a 19.5 km automated rail-based rapid transit service connecting downtown Vancouver with Richmond and the Vancouver International Airport. The project became operational in 2009 and the concession runs until 2040. Availability payments are received from Translink (Aa2 rated by Moody's). BBGI's interest in the project is 26.7% of the project equity.

Southeast Stoney Trail is a 25 km highway that is part of the Calgary Ring Road network. The project became operational in 2013 and the concession runs until 2043. Availability payments are received from the Province of Alberta (A+ rated by S&P). BBGI's interest in the project is 40% of the project equity.

Restigouche Hospital Centre is a 33,500 m² hospital with 140 beds located in Campbellton, New Brunswick. The project became operational in 2013 and the concession runs until 2044. Availability payments are received from the Province of New Brunswick (A+ rated by S&P). BBGI's interest in the project is 80% of the project equity.

In addition to the above four assets, the transfer of a fifth asset, the **McGill University Health Centre** ("MUHC") (Montreal, QC), is currently planned to take place in H1 2018, subject to the satisfaction of certain closing conditions. MUHC is a 214,000 m² hospital with 500 private patient rooms located in Montreal, Quebec. The project became operational in 2014 and the concession runs until 2044. Availability payments are received from MUHC, which is rated A (high) by DBRS. BBGI's interest in the project will be 40% of the project equity.

The total cash consideration for all five-project interests is expected to amount to approximately C\$189 million (approximately GBP 112 million).

Furthermore, as part of the transaction and partnership with SNC-Lavalin, BBGI will benefit from a pipeline agreement that provides a right of first offer with respect to the potential future acquisition of select interests in SNC-Lavalin's robust pipeline of Canadian availability-based PPP projects currently under construction, which is expected to create additional investment opportunities once the assets become operational.

The pipeline agreement with SNC-Lavalin currently covers five assets in construction, as detailed below, 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.

Highway 407 East Phase I – a road outside Toronto, Ontario extending the world-class 407 ETR Highway by 148 new lane-km once Phase II is completed. The project has a 33-year concession life from financial close.

Confederation Line (Ottawa LRT) – a 12.5 km rail line featuring 13 stops that will connect the eastern and western parts of Ottawa with the downtown core. The project has a 35-year concession life from financial close.

John Hart Generating Facility – a hydroelectric facility that will generate 132 MW of power and provide up to 17% of Vancouver Island's electricity needs once complete. The project has a 20-year concession life from financial close.

New Champlain Bridge – a 3.4 km three corridor bridge across the St. Lawrence River from the île-des-Soeurs to Brossard. The project has a 35-year concession life from financial close.

Eglinton Crosstown LRT – projected to be a 19 km light rail line with up to 25 stations. The project has a 36-year concession life from financial close.

PRIMARY INVESTMENT ACTIVITY - BIDDING ON NEW PPP PROJECTS

As our portfolio grows, and assets in construction move into their operational phase, we will continue to add construction exposure to maintain an appropriate mix. As a number of senior members of our team have experience managing PPP bids and seeing assets through the construction phase, we believe some exposure (less than 25% of portfolio value) can be attractive. We see this as an opportunity to organically grow the NAV of the Company over time and will continue to ensure that the dividend target is not compromised.

The construction completion of the Mersey Gateway Bridge project in the UK once again demonstrated the value that can be generated by successfully taking a project from construction to ramp-up phase.

We are continuing to actively build our pipeline of development opportunities ("primary investments") to replace those projects that have become operational.

Primary investment activities involve sourcing and originating, bidding for and winning new infrastructure development projects, typically as part of a consortium for PPP projects. Often these primary PPP bids are led by construction companies that are keen to secure the opportunity to construct the asset, but may be keen to have a partner like BBGI for a number of reasons:

- Consortia are attracted to BBGI because of our extensive project credentials 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 project company debt onto the balance sheet of the parent company;
- BBGI's cost of capital is often lower than construction companies, so involving BBGI can make the bid more competitive;
- BBGI is a long-term investor which is attractive to government and government-backed counterparties; and
- BBGI is considered a reliable source of liquidity should a construction partner decide to sell in the future.

2017 was a busy year for the Company in terms of building up a primary development pipeline, which saw BBGI join various consortia formed to pursue major infrastructure projects in North America, Australia and Europe. During the course of 2018 we expect to submit bids for a major bridge project and some social infrastructure projects.

These primary investment opportunities are considered attractive to the Management Board because they are typically well priced on a risk-adjusted basis. Nevertheless, each opportunity will be subject to detailed due diligence on a case-by-case basis.

Although there is no certainty that BBGI and its consortia partners will be finally selected on any of the above-mentioned projects, the pipeline is attractive and we aim to continue to develop it further.

AVOIDING STYLE DRIFT

As the competition to acquire PPP assets at attractive valuations has intensified, BBGI's management team 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 can manifest itself in many ways: investing in more complex transactions with more business risk, accepting greater counterparty risk or going to jurisdictions with lower credit ratings without a commensurate increase in returns, etc.

The Management Board has made the conscious decision to avoid investing in infrastructure transactions where the revenue stream is demand-based, correlated to GDP or subject to regulatory review. We have also avoided PPP transactions in jurisdictions with lower credit ratings. The result is that we remain the only London listed pure-play PPP investment company solely concentrating on availability-based projects.

While this approach may result in periods of lower portfolio growth, we believe the benefits of this continued specialisation and focus on the PPP space will result in dependable and consistent income and returns with low risk and volatility. By staying focused on the availability sector we know well, and by remaining within our sphere of expertise, we believe there will be fewer surprises and the returns to investors will be more consistent.

CONSTRUCTION EXPOSURE

The Company's investment policy is to invest principally in projects that are operational and that have completed construction. Accordingly, investment in projects that are under construction will be limited to 25% 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 projects move from a successful construction stage to the operational stage.

As at 31 December 2017, BBGI has one project - North Commuter Parkway (NCP) – that is currently in construction. The present value of the future equity subscription obligation for NCP offsets the present value of forecasted project distributions and as a result, the project accounts for 0% of portfolio value at 31 December 2017 or 0.6% of portfolio value on a pro forma basis¹². Construction is being carried out by an experienced contractor with a proven track record for delivery. Construction is progressing well and continues to be on schedule with no significant completion delays currently expected. The monitoring and management of this project will continue to be a key focus for the Management Board in 2018.

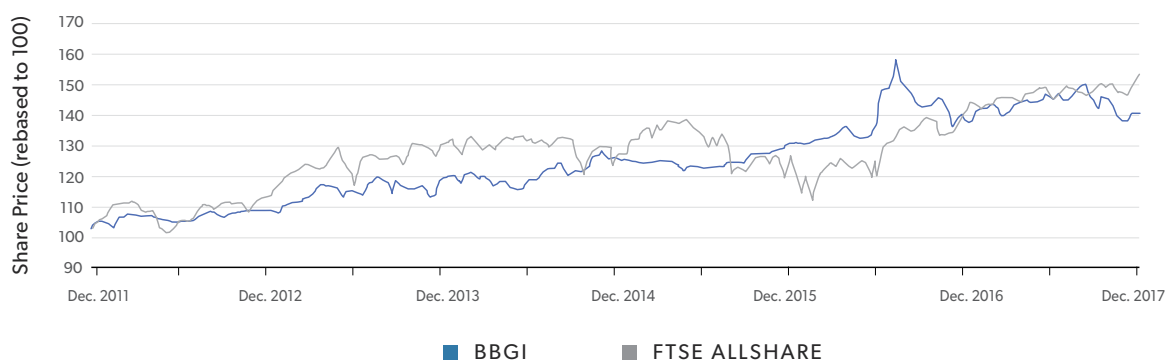
The Management Board believes that the Company’s ability to meet its dividend targets has not been compromised by having some construction exposure and will continue to monitor this closely as the portfolio grows. Further information on construction risk can be obtained from the Company’s prospectus which is available on the Company’s website.

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-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 £1.41, an increase of 2.2% in 2017 representing an 8.5% premium to the NAV per share at the year-end.

Total Shareholder Return ('TSR') in the calendar year 2017 was 7.1% whilst TSR from IPO to 31 December 2017 was 82.8% or 10.5% on an annualised basis. The Total Accounting Return for the year ended 31 December 2017 was 8.1% on a growth in NAV per share and dividend paid basis¹³.

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 year ended 31 December. Subject to market conditions and to the level of the Company’s available funds, it is intended that distributions will be paid in June and in October.

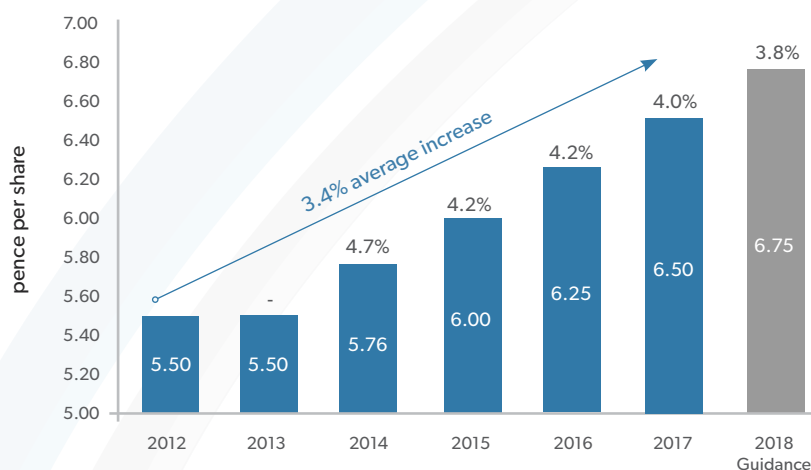
¹² Pro forma basis assumes BBGI’s equity subscription obligations have been paid. Equity subscriptions are due for payment upon construction completion, scheduled in H2 2018.

¹³ Change in NAV per share over the year plus dividends paid in 2017 expressed as a percentage of the closing 31 December 2016 NAV of 126.1 pence per share.

DIVIDENDS

On 28 June 2017, the Company paid a final dividend of 3.125 pence per share for the year ended 31 December 2016. In August 2017, BBGI announced an increase in its annual dividend target from 6.25 pence per share to 6.50 pence per share, which represents an increase of 4.0% and is in line with the increased inflationary environment as shown by the Retail Price Index in 2017. The 2017 interim dividend of 3.25 pence per share was paid on 25 October 2017. In April 2018 the Company will declare a second interim dividend of 3.25 pence per share in respect of the six-month period ended 31 December 2017; this will result in a total dividend of 6.50 pence per share for the year. Furthermore, the Board is providing 2018 dividend guidance of 6.75 pence per share, which would represent an increase of 3.8%.

Proven progressive dividend policy



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 Boards 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 results to analysts and subsequently conduct 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, Board members 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. 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 479,105,220 ordinary shares of no par value. All of the ordinary shares issued rank *pari passu*. There are no special voting or other rights attaching to any of the ordinary shares. During the year ended 31 December 2017, the Company issued 46,889,584 shares as a result of shareholder scrip elections and the placing in April 2017.

SHARE ISSUE PRICE RESTRICTION

As previously reported, under the Luxembourg law of 17 December 2010 on undertakings for collective investments, the Company is restricted from issuing shares at a price exceeding the NAV per share plus 5%. At 31 December 2017, the Company's shares were trading at a premium of 8.5% to NAV per share.

A Bill of Law seeking to remove this NAV per share +5% limitation for closed-ended funds was approved by the Council of Government in December 2015 and tabled with the Luxembourg Parliament in January 2016. It was anticipated that the Luxembourg parliament would enact the suggested amendments into law during the course of 2017, however this is still awaited and there is currently no indication as to when this might happen. Whilst the law remains unchanged, the Company will continue to adhere to the current Luxembourg law and UK Listing Rules when setting the price of any future issuance of new ordinary shares.

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 BBGI KID can be found on the Company's website.

VOTING RIGHTS

There are no restrictions on the voting rights attaching to ordinary shares.

DISCOUNT MANAGEMENT

Although the Company's shares have traded at a premium since flotation, the Management Board will actively monitor any discount to the NAV per ordinary 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.

PURCHASES 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% p.a. of its issued ordinary shares; and
- make tender offers for the ordinary shares.

No shares have been bought back during the year ended 31 December 2017. The most recent authority to purchase ordinary shares which may be held in treasury or subsequently cancelled was granted to the Company on 28 April 2017. This authority expires on the date of the next Annual General Meeting ("AGM") to be held on 30 April 2018 at which point the Company proposes 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 AGM in April 2019.

DETAILS OF SUBSTANTIAL SHAREHOLDERS

As at 12 March 2018, being the latest available information, management are aware of the following shareholders holding more than 5% of the Company's ordinary shares.

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%

LONDON STOCK EXCHANGE

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

AVON & SOMERSET POLICE HQ,
UK







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. An independent professional third party reviews this valuation.

The valuation is determined using the discounted cash flow methodology. The cash flows forecast to be received by the Company or its subsidiaries, generated by each of the underlying assets, and adjusted as appropriate to reflect the risk and opportunities, have been discounted using project-specific discount rates. The valuation methodology remains unchanged from previous reporting periods.

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

			31 DECEMBER 2017	31 DECEMBER 2016
Discount rate	Weighted average		7.45%	7.56%
Indexation	UK		2.75%	1.75% in 2017, then 2.75%
	Canada		2.00% / 2.35%	1.00% / 1.35% in 2017, then 2.00% / 2.35%
	Australia		2.5%	1.5% in 2017, then 2.5%
	Germany		2%	1% in 2017, then 2%
	Norway ¹		2.94%	1.94% in 2017, then 2.94%
	USA ²		2.5%	1.5% in 2017, then 2.5%
Deposit rates (p.a.)	UK		Unchanged	1% to 2020, then 2.5%
	Canada		Unchanged	1% to 2020, then 2.5%
	Australia		2.0% to 2020, then 3.0% - 4.0% (short - medium term)	3.5% - 4.5% (short - medium term)
	Germany (Australia)		Unchanged	1% to 2020, then 2.5%
	Norway		Unchanged	1.8% to 2020, then 3.5%
	USA		Unchanged	1% to 2020, then 2.5%
Corporate tax rates (p.a.)	UK		Unchanged	19% to 2019, then 17%
	Canada ³		26.5% / 27% / 29%	26% / 26.5% / 27%
	Australia		Unchanged	30%
	Germany		Unchanged	15.8% (incl. Solidarity, excl. Trade tax)
	Norway		23%	25%
	USA		21%	35%

¹ Basket of four indices

² 80% of ORB indexation factor for revenue is contractual and is not tied to CPI

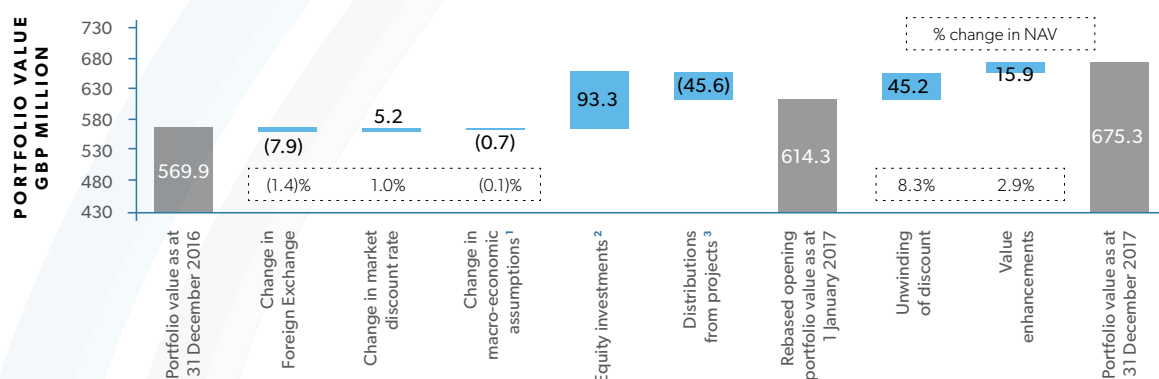
³ Individual tax rates vary among Provinces

Other key inputs and assumptions include:

- Any deductions or abatements during the operations period are passed down to subcontractors or are part of the planned lifecycle expenditures.
- Cash flows to and from the Company's subsidiaries and the portfolio investments are received at the times anticipated.
- Where the operating costs of the Company or portfolio investments are fixed by contract, such contracts are performed, and where such costs are not fixed, they are in line with the budget.
- The contracts under which payments are made to the Company and its subsidiaries remain on track and are not terminated before their contractual expiry dates.

Over the 12-month period from 31 December 2016 to 31 December 2017, the Company's NAV increased from £545.0 million to £622.5 million. The increase in NAV per share from 126.1 pence to 129.9 pence or 3.0% is primarily a result of the key drivers in the movement of the portfolio listed below:

PORTFOLIO MOVEMENT 31 DECEMBER 2016 TO 31 DECEMBER 2017



¹ This includes the net effect of assumed lower deposit rates in Australia, higher Canadian tax rates and lower tax rates in Norway and US.

² This includes (i) the purchase price paid for the interests in four Canadian assets acquired from SNC-Lavalin, (ii) the Mersey Gateway Bridge equity injection made upon construction completion, (iii) an additional capital injection in the Golden Ears Bridge project to finance the payment of a tax related obligation, and (iv) additional investments in Royal Women's Hospital project and the Northeast Stoney Trail project.

³ While distributions from projects reduce the portfolio value, they do not have an 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. These distributions are shown net of withholding tax and where applicable, shown at their hedged foreign exchange rate.

NAV MOVEMENT 31 DECEMBER 2016 TO 31 DECEMBER 2017	£ MILLION
Net asset value at 31 December 2016 ⁴	545.0
Add back: other net liabilities at 31 December 2016	24.9
Portfolio value at 31 December 2016	569.9
Change in foreign exchange	(7.9)
Change in market discount rate	5.2
Change in Assumptions	(0.7)
Equity investments	93.3
Distributions from projects	(45.6)
Rebased opening portfolio value at 1 January 2017	614.3
Unwinding of discount	45.2
Value enhancements	15.9
Portfolio value at 31 December 2017	675.3
Other net liabilities at 31 December 2017 ⁴	(52.9)
Net asset value at 31 December 2017	622.5

⁴ These figures represent the assets and liabilities of the Group; after excluding the portfolio of project investments and include, amongst other items, the Group's consolidated cash balances and borrowings (where applicable).

KEY DRIVERS FOR NAV GROWTH

GROWTH BASED ON REBASED VALUATION

During the year ended 31 December 2017, the Company recognised £61.1 million, or an 11.2% change in NAV, from the "unwinding of discounts" and value accretive enhancements. As the Company moves closer to forecast project dividend payment dates, the time value of those cash flows increases on a net present value basis as a result. The portfolio value growth from this unwinding of discount during the year was approximately £45.2 million or an 8.3% change in NAV.

The difference, £15.9 million, or a 2.9% change in NAV, above the anticipated growth from unwinding of discounts, represent the net effect of value accretive enhancements across the portfolio through active management, which include amongst others:

- Net valuation uplift from adjusting risk premium reflected in specific project discount rates (asset specific, asset reaching construction completion, asset moving closer towards the stable operational phase);
- Lower costs realised and forecast on some projects;
- Earlier than forecast extraction of cash on some projects;
- Negative impact of an accelerated settlement of a tax related obligation on the Golden Ears Bridge project;

- Additional income and return on variation orders;
- The net result of the gain on the refinancing of the Women's College Hospital project and the loss on the refinancing of the Royal Women's Hospital project.

The net effect of inflation, against the 31 December 2016 modelled Assumptions, on the portfolio value has been positive and is included in the value above.

DISCOUNT RATES AND SENSITIVITY

The discount rates used for individual assets range between 7.20% and 9.50%. The value weighted average rate is approximately 7.45% (7.56% at 31 December 2016). This methodology calculates the weighted average based on the value of each project 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 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 independently reviewed by an independent professional valuer.

We have differentiated the asset classes with respect to discount rates. For stable operational projects, such as typical schools, hospitals and roads, we have applied discount rates at the lower end of the range mentioned above. Further 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, with the only acute hospital in the BBGI portfolio being the Gloucester Royal Hospital (representing approximately 1% of BBGI's portfolio value, with no similar assets identified in the current pipeline). BBGI continues to apply a modest risk premium for complex prison projects to reflect the higher complexity of such projects, and has also applied a risk premium to a limited number of other projects 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 2017
Increase by 1% to 8.45% ¹	£(58.9) million, i.e. (9.5)%
Decrease by 1% to 6.45% ¹	£68.5 million, i.e. 11.0%

¹ Based on the average discount rate of 7.45%.

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. 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.

Other than the four-year contracted hedge rates, the Company has used the following exchange rates to value the portfolio. In September 2017, BBGI borrowed in CAD in order to finance the acquisition of its interest in the four SNC-Lavalin assets. By doing so BBGI benefits from a natural hedge until these borrowing are repaid through a capital raise. The amounts borrowed remained outstanding at 31 December 2017.

GBP/	IMPACT ON VALUATION	F/X RATES AS OF 31 DECEMBER 2017	F/X RATES AS OF 31 DECEMBER 2016	CHANGE IN FX
AUD	↓	1.729	1.714	(0.88)%
CAD	↓	1.694	1.659	(2.11)%
EUR	↑	1.126	1.173	4.01%
NOK	↓	11.085	10.665	(3.94)%
USD	↓	1.349	1.234	(9.32)%

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 2017, the appreciation of Sterling against the AUD, CAD, NOK and USD and the depreciation of Sterling against the EUR accounted for a decrease in the portfolio value of £7.9 million. Since listing in December 2011, the net cumulative effect of foreign exchange movement on the portfolio value has been a decrease of £1.3 million or 0.2% of NAV at 31 December 2017.

The following table shows the sensitivity of the net asset value to a change in foreign exchange rates:

FOREIGN EXCHANGE SENSITIVITY	CHANGE IN NET ASSET VALUE 31 DECEMBER 2017
Increase by 10% ¹	£(25.3) million, i.e. (4.1)%
Decrease by 10% ¹	£32.2 million, i.e. 5.2%

¹ Sensitivity in comparison to the foreign exchange rates at 31 December 2017 and taking into account the contractual and natural hedges in place, derived by applying a 10% increase or decrease to the GBP/foreign currency rate.

INFLATION SENSITIVITY

The project 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 2017
Inflation +1% ¹	£37.4 million, i.e. 6.0%
Inflation -1% ¹	£(30.2) million, i.e. (4.8)%

¹ Compared to the assumptions set out in the Assumptions above.

DEPOSIT RATE SENSITIVITY

The project 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 2017
Deposit rate +1% ¹	£13.4 million, i.e. 2.2%
Deposit rate -1% ¹	£(13.4) million, i.e. (2.2)%

¹ Sensitivity in comparison to the assumptions set out in the Assumptions above.

LIFECYCLE COSTS SENSITIVITY

Of the 43 projects in the portfolio, 15 project companies retain the lifecycle obligations. The remaining 28 projects 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 2017
Increase by 10% ¹	£(14.1) million, i.e. (2.3)%
Decrease by 10% ¹	£14.6 million, i.e. 2.4%

¹ Sensitivity applied to the 15 projects in the portfolio which retain the lifecycle obligation, i.e. the obligation is not passed down to the subcontractor. These projects represent approximately 50% of the total portfolio value as at 31 December 2017.

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 2017
Tax rate +5% ¹	£(25.6) million, i.e. (4.1)%
Tax rate -5% ¹	£24.9 million, i.e. 4.0%

¹ Sensitivity in comparison to the Assumptions used in the 31 December 2017 valuation.

GDP SENSITIVITY

The BBGI portfolio is not sensitive to GDP.

FINANCIAL RESULTS

The financial statements of BBGI for the year ended 31 December 2017 are on pages 71 to 116.

BASIS OF ACCOUNTING

The Company has prepared its consolidated financial statements under International Financial Reporting Standards (“IFRS”) as adopted by the European Union. In accordance with IFRS, the Company (an Investment Entity) does not consolidate certain subsidiaries, in a similar manner to the Company’s Investment Basis NAV calculation, which continues to be presented in this section of the Report of the Management Board.

As an Investment Entity, the Company does not consolidate on a line-by-line basis its investments in PPP assets that are subsidiaries, but instead recognises them as investments at fair value through profit or loss (“FVPL”). Subsidiaries which are not investments at FVPL, but instead provide investment related services or activities that relate to the investment activities of the Company, are consolidated.

INCOME AND COSTS

PRO FORMA INCOME STATEMENT

	YEAR ENDED 31 DEC 17 £ MILLION	YEAR ENDED 31 DEC 16 £ MILLION
Income from investments at FVPL	58.5	99.5
Other operating income	2.9	1.7
Operating income	61.4	101.2
Administration expenses and net finance result	(9.5)	(7.7)
Other operating expenses	(1.0)	(11.0)
Profit before tax	50.9	82.5
Tax expense (income tax)	(1.8)	(2.3)
Profit from continuing operations	49.1	80.2
Basic earnings per share (pence)	10.25	18.56

Profit from continuing operations during the year has decreased by 38.8% to £49.1 million (2016: £80.2 million).

The comparative reduction in income from investments at FVPL was driven largely by the effect of foreign exchange movements on the portfolio value during the year resulting in a loss of £7.9 million (31 December 2016: gain of £51.2 million). A detailed analysis of the movement in the fair value of the portfolio is highlighted on page 24 in the Valuation section of this report.

The other operating expenses incurred in 2017 included acquisition related costs of £1.0 million (31 December 2016: 0.2 million). There were no unrealised losses from the change in fair value of derivative financial instruments during 2017 (31 December 2016: loss of £10.9 million).

The administration expenses and net finance result are further detailed under the corporate cost analysis below.

GROUP LEVEL CORPORATE COST ANALYSIS

The table below is prepared on an accruals basis.

	YEAR ENDED 31 DEC 17 £ MILLION	YEAR ENDED 31 DEC 16 £ MILLION
Net finance cost	2.6	2.3
Staff costs	4.1	3.2
Fees to non-executive Directors	0.2	0.1
Professional fees	1.2	0.9
Office and administration	1.1	0.9
Acquisition related costs	1.0	0.2
Taxes (including non-recoverable VAT)	2.1	2.7
Corporate costs	12.3	10.3

During the year, the Group increased the available commitment under the corporate credit facility from £110 million to £180 million. The increase in net finance costs is predominantly due to this larger facility.

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

Of the acquisition costs incurred during the year, only £185,000 related to unsuccessful bid costs.

ONGOING CHARGES

The “Ongoing Charges” ratio was prepared in accordance with the AIC recommended methodology. The ratio represents the reduction in shareholder returns as a result of recurring operational expenses incurred in managing BBGI.

The Company is internally managed and, as such, is not subject to performance fees or acquisition-related fees.

ONGOING CHARGES	2017 £ MILLION	2016 £ MILLION
Ongoing Charges	6.1	5.1
Average undiluted net asset value	618.6	515.6
Ongoing Charges (%)	0.99%	0.98%

For the year ended 31 December 2017, certain non-recurring costs have been excluded from the Ongoing Charges, most notably acquisition-related advisory costs of £1.1 million (inclusive of VAT), direct taxation of £1.8 million and net finance costs of £2.6 million. 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 investments, financing charges and gains/losses arising from investments.

CASH FLOWS

The table below summarises the cash received by the consolidated Group from the FVPL investments net of the cash flows from operating, financing and other cash flows from investing activities of the Group.

	YEAR ENDED 31 DEC 17 £ MILLION	YEAR ENDED 31 DEC 16 £ MILLION
Distributions from FVPL investments	49.3	42.5
Net cash flows from operating activities	(12.0)	(11.7)
Acquisitions of / additional investments at FVPL	(96.5)	(9.5)
Net cash flows from financing activities	58.7	(24.1)
Impact of foreign exchange gain/(loss) on cash and cash equivalents	(1.0)	1.8
Net cash inflow (outflow)	(1.5)	(1.0)

During the year, the Group recognised £49.3 million of distributions, on a pre withholding tax basis, from FVPL investments which was ahead of business plan and underlying financial models. Where applicable withholding tax was deducted at source and is presented in the above table under Net cash flow from operating activities.

Net cash outflows from operating activities mainly comprise corporate cost during the year. Acquisitions and or additional investments at FVPL include costs of project acquisitions and follow on investments made during the year. Net cash flows from financing activities include £24.7 million of cash dividends paid during the year (31 December 2016: £24.0 million).



BALANCE SHEET

PRO FORMA BALANCE SHEET

	31 DECEMBER 2017			31 DECEMBER 2016		
	Investment Basis £ MILLION	Adjust £ MILLION	Consolidated IFRS £ MILLION	Investment Basis £ MILLION	Adjust £ MILLION	Consolidated IFRS £ MILLION
Investment portfolio at fair value	675.3	–	675.3	569.9	–	569.9
Adjustments to investments	–	0.2	0.2	–	1.7	1.7
Other assets and liabilities (net)	(3.7)	0.9	(2.8)	(3.5)	0.6	(2.9)
Net cash/(borrowings)	(49.1)	(0.3)	(49.4)	(21.4)	(1.3)	(22.7)
Derivative financial liability	–	(2.0)	(2.0)	–	(7.2)	(7.2)
Net assets attributable to ordinary shares	622.5	(1.2)	621.3	545.0	(6.2)	538.8

As at 31 December 2017, the Group has 43 projects which are accounted for as FVPL investments (31 December 2016: 39). During September 2017, the Group completed its investment in four operational PPP projects in Canada.

Net borrowings under IFRS include cash and cash equivalents of £20.6 million (31 December 2016: £22.1 million) less amounts borrowed under the Group revolving credit facility of £70.1 million (31 December 2016: £45.2 million). Net borrowings under Investment Basis excludes debt issuance cost and includes other cash balances not included in the consolidation and outside of the project valuation.

The derivative financial liability adjustment reflects the fair value of forward currency contracts that hedge certain future portfolio distributions. Under the Investment Basis, the contracted forward rates are applied to the hedged future distributions with the unhedged distributions converted at the 31 December 2017 closing rate.

THREE-YEAR COMPARATIVE OF INVESTMENT BASIS NAV

	2017	2016	2015
NAV (millions)	622.5	545.0	479.8
NAV per share (pence)	129.9	126.1	111.5

The published NAV increased by 14.2% to £622.5 million at 31 December 2017 (2016: £545.0 million). This equates to a growth in NAV per share of 3.0% to 129.9 pence at 31 December 2017 (2016: 126.1 pence).

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 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 financial statements. Please see Note 2 to the financial statements.

FINANCING

TAP ISSUE

Following its 2017 AGM, the Company has the ability to issue up to 10% of its issued share capital via tap issues in order to finance further acquisitions or repay debt. Under the new EU Prospectus Regulation, which was enacted into law in 2017, regulated market issuers have the ability to conduct private placements of new securities of less than 20 percent of their existing listed securities for a 12-month period and to have those new securities admitted to listing without the need to issue a listing prospectus. The Company intends to ask shareholders to renew its authority at its forthcoming AGM to issue up to 10% of its issued share capital via tap issues.

In April 2017, the Company raised £58.5 million by issuing 43,039,300 new ordinary shares at a price of 136.0 pence each. The Placing was significantly oversubscribed. The proceeds of the placing were used to substantially repay outstanding borrowings and thereby provide financing flexibility with respect to the Company's investment pipeline.

In light of its attractive pipeline of investment opportunities, the Company is giving consideration to an equity fundraising in the short to medium term in order to reduce leverage and thereby to provide financing flexibility with respect to its investment pipeline. The timing of the fundraise will depend on inter alia, wider market conditions, existing shareholder support and the proximity of current pipeline opportunities. Any fundraise in the short to medium term is likely to be limited to approximately 10% of the issued share capital of the Company.

REVOLVING CREDIT FACILITY

In June 2017, the Company increased the commitment under the multi-currency Revolving Credit Facility ("RCF") with ING Bank ('ING') and KfW IPEX-Bank ('KfW') from £110 million to £180 million by utilising the accordion tranche provision.

The term of the RCF in place during the reporting period was three years, which subsequently expired in January 2018. The borrowing margin under this RCF was 185 bps over LIBOR. At 31 December 2017, the Group had utilised £75.7 million of the £180 million RCF, of which £5.6 million was used to cover letters of credit.

In October 2017 the Group secured a new multi-currency Revolving Credit Facility ('new RCF') of £180 million from ING and KfW. The new RCF replaced the £180 million old RCF with ING and KfW, when it expired in January 2018. DZ Bank AG subsequently acceded as a lender to the new RCF in February 2018.

The tenor of the new RCF is four years, commencing in January 2018. The borrowing margin has decreased to 165 bps over LIBOR. The arrangement fee and the commitment fee have also decreased.

Under the new 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.

The new RCF will be used primarily to fund acquisitions and provide letters of credit for investment obligations, and the intention will be to repay the facility from time to time through equity fundraisings.

PROJECT REFINANCING

During the period, the Company successfully refinanced and de-risked Women's College Hospital in Toronto, Canada and Royal Women's Hospital in Melbourne, Australia. The refinancing process for the Royal Women's Hospital closed successfully on 3 August with the execution of an A\$150 million senior secured bank debt facility thereby eliminating any future refinancing risk within the structure. Furthermore, on 29 September 2017, Women's College Partnership issued C\$207 million of Senior Secured Bonds (rated A by DBRS). The proceeds were used to repay the existing bank facility and associated swap breakage costs.

As a result of these re-financings, the Northern Territory Secure Facilities project is the only remaining project in the BBGI portfolio with short-term debt in place. All other PPP/PFI projects have long-term amortising debt in place, which will not require refinancing.

Debt financing at the project level is structured in a way that does not provide any recourse to the Company.

FOREIGN EXCHANGE

The portfolio suffered a slight foreign exchange loss driven primarily by the strengthening of Sterling against the AUD, CAD, NOK and USD against the reported exchange rates at 31 December 2016. The EUR strengthened over the same period.

BBGI has a global portfolio and benefits from exposure to a diverse and broad set of highly rated counterparties. BBGI endeavours to mitigate the currency risk which results from this international exposure by hedging the expected distributions from the assets on a four-year rolling basis.

It is worth noting that since listing in December 2011, the cumulative net effect of foreign exchange movement on BBGI's portfolio valuation has been a reduction in value of £1.3 million or 0.2% of the NAV at 31 December 2017.

HEDGING

The Company's global portfolio of assets brings with it an inevitable exposure to foreign exchange movements on future portfolio distributions denominated in Australian dollars (AUD), Canadian dollars (CAD), euros (EUR), Norwegian kroner (NOK) and US dollars (USD).

Since listing in 2011, the Management Board has maintained a policy of using forward contracts to hedge a portion of its anticipated foreign currency portfolio distributions. The Company seeks to provide protection for Sterling dividends that it aims to pay on the ordinary shares over the next four years, in order to reduce the risk of currency fluctuations and the volatility of returns that may result from such currency exposure. The Company previously hedged 100% of the expected dividend for the coming year and 75%, 50% and 25% respectively of each of the subsequent years. During our annual review of the hedging, the Management Board decided to increase the amount of hedging as the benefits were seen to be greater than the modest additional cost. The Management Board revised its policy to hedge the portfolio's non-GBP cash flows (except EUR, where the exposure is offset by the Company's expenses incurred in euros) with a 4-year rolling hedge strategy: YR1 100%, YR2 100%, YR3 100% and YR4 75%. During the period, the Company entered into a number of additional currency forwards, in accordance with its more conservative hedging policy.

While the Company tries to mitigate the impacts of foreign currency movements on the NAV by hedging a portion of the expected distributions coming from the portfolio over the next four years, it would not be economical to attempt to fully immunise the portfolio against any NAV changes due to foreign exchange movements.

The portfolio suffered from a foreign exchange loss of £7.9 million over the course of 2017.

At 31 December 2017, 63% of the portfolio by value had cash flows denominated in currencies other than Sterling. In September 2017, BBGI borrowed in CAD in order to finance the acquisition of the four SNC-Lavalin assets. By doing so BBGI benefits from a natural hedge until these borrowings are repaid through a capital raise. The amounts borrowed remained outstanding at 31 December 2017.

TAXATION

STATUS FOR TAXATION

As a SICAV, the Company is not subject to taxes on capital gains or income but is subject to an annual subscription tax of 0.05% on its reported NAV. All of the other Group consolidated companies are subject to taxation at the applicable rate in their respective jurisdictions.

The net income of the unconsolidated subsidiaries (i.e. project related special purpose companies) 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 of the Consolidated Financial Statements), meaning the tax expenses of the unconsolidated subsidiaries are not included within the consolidated financial statements but are embedded in the present value of the project itself.

TAX DEVELOPMENTS

BBGI continues to assess the impact, if any, of the implementation of various national and global tax initiatives. In this context, the Company and its advisors continue to monitor the potential impact that certain tax measures could have on Group cash flows, most notably:

Base Erosion & Profit Shifting (“BEPS”): The Company and its advisors have continued to monitor developments closely in those countries where BBGI invests. Some areas of key focus for the Board during the year were the following:

Interest Deduction Limitation (BEPS 4): Based on the advice received to date and the published information available BBGI does not expect the implementation of BEPS 4 to have a material adverse impact on the Group’s cash flows although we continue to closely monitor the situation.

Specifically, BBGI’s UK assets are eligible for the Public Infrastructure Exemption which provides an exclusion from calculations for interest on third party loan financing costs and under certain conditions, related party financing costs under a grandfathering regime. An election for this exemption may be made in very limited situations where it is expected that the net interest expense will exceed the GBP 2 million group de-minimis threshold in any given year.

We continue to monitor the situation in Norway but to date there has been little update in terms of new regulation on interest restrictions.

The advice received to date from the other relevant jurisdictions where BBGI invests is that the assets are either exempt from interest limitation rules or the respective governments believe that their existing rules, most notably thin capitalisation rules, continue to be an effective means to limit the scope for BEPS and, as such, no significant changes are expected as a result of BEPS 4.

Change in Luxembourg transfer pricing requirements: During the year, the Company worked with its advisors to implement the necessary steps to ensure full compliance with the new legislation. This legislation, which was enacted into law in December 2016, aims to incorporate the concept of the arm’s length principle, based on the OECD principles as revised by Actions 8-10 of the OECD Base Erosion and Profit Shifting Action Plan, into the local legislation in December 2016.

Neutralising the effect of hybrid mismatch arrangements (BEPS 2): The Company took the necessary steps during the year to avoid any potential hybrid mismatch, thereby mitigating any potential risk of BEPS 2 on the Group’s cash flows.

Treaty benefit eligibility: The Company continues to monitor cross border tax rules and the impact any changes may have on the Group’s cash flows.

BBGI and its advisors will continue to review these developments and others to assess whether any structural changes are required in order to minimise the impact, if any, on the Group’s cash flows.

MARKET DEVELOPMENTS

BBGI'S GROWTH STRATEGY IN THE CURRENT MARKET

The Management Board believes that the geographic and political diversification offered by participation in numerous PPP markets is attractive to the Company, provided new investments have the appropriate balance of risk and return. BBGI has significant investment expertise in key infrastructure markets internationally, and its global portfolio provides an excellent platform to access opportunities and build relationships with potential vendors.

PPP procurement and levels of competition vary from market to market. In most markets, infrastructure under-investment persists and budget constraints often necessitate the involvement of the private sector to finance and deliver much-needed infrastructure projects. Below is a review of BBGI's key markets.



UK

For several years, the UK greenfield market has provided limited opportunities for infrastructure investors. The lack of pipeline was particularly noticeable given that the UK has one of the world's most mature PPP markets with over 700 PFI projects signed since 1992 delivering investments of over £60 billion. The outlook for the UK greenfield market is expected to improve moderately in 2018, with some social and transport transactions expected to progress during the year:

The Welsh government is due to issue a tender for its A465 dual motorway project in the southern part of the country. In England, the £1.5 billion Lower Thames Crossing DBFM PF2, involving the building of a new Thames River Crossing at Tilbury, is expected to launch in the second half of 2018. Another potential project in England is the £1.3 billion A303 Stonehenge road improvement and tunnel project.

The Ministry of Justice plans to progress four major prisons, and expectations are that some or all of these projects are likely to be delivered under the PF2 model.

The UK market also continues to be a source of secondary market transactions. There has been a reduction in secondary market PPP/PFI deal flow, reflecting 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 – more equity investors are chasing a similar or reduced number of transactions. This has resulted in a trend of lower discount rates for stable, mature secondary projects over a number of years.

BBGI will continue to participate cautiously and selectively in auctions but also actively look for negotiated transactions. Our focus will be on more opportunistic investments where the competition is less intense. BBGI will also continue to consider primary development opportunities in the UK.



CANADA

Canada is among the world’s most prolific PPP markets, and is one of the most mature and stable. To date, 272 deals have reached financial close, of which nine were in 2017. Half a dozen provinces, numerous municipalities and the federal government are the major drivers in this market.

Provincial agencies such as Infrastructure Ontario, Partnerships BC, SaskBuilds, Alberta Infrastructure, Partnerships New Brunswick, and Société Québécoise des Infrastructures are at the heart of Canada’s PPP program. These independent entities are responsible for the majority of projects in procurement.

As at December 2017, there is a well-defined pipeline of over 40 PPP transactions with a value in excess of C\$26 billion. Notable projects include various light rail transit (“LRT”) projects in BC, Alberta and Ontario, several road/bridge projects and various smaller social infrastructure projects.

With a dozen projects in Canada, BBGI is well positioned to participate in the attractive primary pipeline, either on its own, or in conjunction with the newly established strategic partnership with SNC-Lavalin, the largest engineering company in Canada and a leader in the Canadian PPP market.

The Canadian secondary market is expected to be active in 2018 as projects developed over the last several years come into operation and may be offered for sale.

In addition, the pipeline agreement with SNC-Lavalin 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.



UNITED STATES OF AMERICA

The US PPP market remains one of great potential, but with nascent deal flow. Conservative estimates suggest the US will have to spend roughly US\$3.6 trillion by 2020 in order to maintain its existing infrastructure, so the need for increased infrastructure spending seems apparent.

In his State of the Union speech in January 2018, President Trump referenced an upcoming US\$1.5 trillion infrastructure plan that intends to “tap into private investment to fix infrastructure”.

While there were limited details in the President’s address, leaked details on the upcoming bill suggest the proposed legislation will include an incentive program that could be a boon to the PPP market as the federal government is only offering to subsidise 20% of the projects that apply. The rest of the funding would essentially be accomplished through some form of private and public initiatives. Another proposal called for the establishment of a

federal capital-financing program to finance purchases of “federally owned civilian real property”.

The US PPP market is certainly in need of a lift as only five greenfield deals reached financial close in 2017, valued at US\$4.77 billion. This was a fall off compared to 2016, which saw nine deals close with US\$10.14 billion of value.

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



CONTINENTAL EUROPE

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

The German federal government attitude to the use of PPP is generally positive, and the identified needs across roads are large, so the scope for a healthy German pipeline is there. A program, dubbed the "Neuen Generation ÖPP" involved the launch of 11 road PPPs, with expectations of two to three new road procurements each year until the end of the decade. With six existing assets in Germany, strong credentials and German language skills within our team, BBGI is well positioned to consider these upcoming opportunities.

The Norwegian highway PPP programme is providing investors with a pipeline of deal flow for 2018 and 2019. The Rv555 and the E10/Rv85 projects are expected to start procurement in 2018 and 2019 respectively. BBGI is in a consortium bidding to deliver these new projects.

The Company is also actively considering opportunities in the Netherlands where a mix of transportation and social infrastructure opportunities are being considered.

The Belgian PPP market had experienced a slowdown in recent years in the wake of cancelled projects, permitting issues and changes relating to public debt accounting regulations. However, with many of these issues now resolved, we expect 2018 to be more active with a number of prison, transportation and social infrastructure projects on the horizon.

The French greenfield pipeline for 2018 will involve only a few social and transport projects. France has a stable legal and political environment, making it an attractive destination

for investors. However, its greenfield PPP pipeline has been shrinking, meaning brownfield trades will represent the bulk of potential investment opportunities for the foreseeable future.

The Irish PPP market has experienced a dramatic resurgence following the country's emergence from the global financial crisis. Ireland's government has embraced infrastructure development as a means to boost jobs and economic growth and has put PPPs at the centre of its project delivery strategy. Ireland recently released its National Development Plan 2018 -2027. Looking to the future and given the significant increase in planned Exchequer capital investment over the coming years, which will see public investment in Ireland as a share of national income moving to among the highest in the EU, the PPP review concludes that PPPs can play a very important role in the delivery of public capital investment projects contained in the National Development Plan.

The pipeline in Central and Eastern Europe will be modest in 2018 with the D4 Expressway being one of the few projects on the horizon which is of interest to the Company.

In Spain, the PPP Plan Extraordinaria de Inversion en Carreteras is a EUR5billion investment over the next four years to improve and expand the national motorway network, using private investment and availability payments. While this program is attractive in terms of its size and the availability-style nature of the projects, the credit rating of the counter-parties and certain risk transfer expectations make the investment opportunities unattractive to the Company. BBGI has not focused much attention on these and other opportunities in Southern Europe given the weaker credit ratings of these countries.



AUSTRALIA

The country is turning towards infrastructure investments as a tool for economic growth. Inexpensive capital and high demand for infrastructure assets is fuelling brownfield and greenfield transactions. A strong pipeline of greenfield PPP projects and state asset sales is on the horizon.

In the PPP space, the pipeline of public-private partnerships is building, particularly in the transport sector. The State of Victoria will procure the AUD16.5billion North East Link toll road as an availability PPP. The 26km project is likely to be Australia's biggest ever PPP. In addition, there are a number of rail PPP projects expected or currently underway.

Elsewhere, the social infrastructure sector is expected to provide deal flow into the future. South Australia is expecting two schools PPPs and Victoria is understood to be considering another big program of school building. In addition, all states as well as the federal government are looking for ways to get private operators and investors into social housing.

BBGI has three large operational assets in Australia and is widely viewed as one of the more active secondary investors in the market. We will continue to monitor the market and are hopeful that some select opportunities may emerge in 2018.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Responsible Investment (“RI”) and Environmental, Social and Governance (“ESG”) are core values of the Company

BBGI is committed to good governance, investing responsibly and being a good corporate citizen/long term custodian. As companies’ influence on global economic activity increases, the resultant effect on the environment and society in general is much greater than before. ESG is therefore inextricably linked to both, so good corporate governance practices are essential to ensure that the impact a company can have in these areas is positive.

RESPONSIBLE INVESTMENT

Our aim is to invest responsibly. The Company’s philosophy on responsible investment can be summarised as follows:

- Include RI/ESG into the investment review and decision making process;
- Ensure RI/ESG objectives are integrated into management policies and practices;
- Remain mindful of RI/ESG concerns throughout the management of any investment;
- 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; and
- Monitor and report on RI/ESG initiatives.

The effective assessment and management of RI and ESG matters can have a positive effect on the value of portfolio companies, and hence on BBGI.

COMMITMENT TO THE ENVIRONMENT

BBGI’s vision is to promote the conservation, protection and improvement of the physical and natural environments surrounding its projects through careful monitoring, local engagement and management. During the year, many of the Group’s portfolio companies have undertaken initiatives to advance the Company’s environmental objectives. Below is just a sample of some of the more recent initiatives:

- The Victorian Correctional Infrastructure Project (VCIP) has initiatives in place to reduce future greenhouse gas emissions. At both the Marngoneet Correctional Centre (MCC) and Metropolitan Remand Centre (MRC), VCIP has, through its subcontractors, engaged a waste diversion company to divert waste from landfill. This includes recovering materials which can be recycled, removing medical waste and providing secure paper destruction. Monthly, these waste reduction initiatives typically see a reduction over 2 tonnes of CO₂ emissions being emitted into the atmosphere at MCC, and a reduction of over 4 tonnes of CO₂ emissions being emitted into the atmosphere at MRC. This reduction of CO₂ equates to approximately 25 trees planted each month.
- At the Royal Women’s Hospital facility, BBGI with the support of our project partners have, through the design and the operational phase of the hospital, taken a very proactive approach to utilities conservation and management, the two primary drivers being to ensure that our client’s operational funds can be better directed to their core business of caring for the sick, and also our broader responsibility to reduce where possible our overall carbon footprint. Aside from this, the ProjectCo is contributing A\$50,000, a substantial amount of the overall capital required to undertake the works of replacing and upgrading the existing carpark lighting at the Royal Women’s Hospital. This initiative will allow the Hospital to substantially reduce energy costs and benefit from close to A\$1 million in energy savings over the next 10-15 years and will reduce CO₂ emissions by approximately 5,300 tonnes over the same period. BBGI is delighted to have been at the forefront of this initiative and this active pursuit, together with its partners, has been welcomed by the Department of Human and Health Services, Victoria.

- In 2017, the Mersey Gateway project received a prestigious accolade that recognises excellence in ecology and environmental management. The project team came first in the stakeholder engagement category at the Chartered Institute of Ecology and Environmental Management Best Practice Awards. The awards highlight outstanding examples of environmental management on large-scale projects. One of the key achievements was the work done to ensure the haul roads on the salt marsh did not interfere with bird nesting.



- In Canada, BBGI has invested over C\$2 million to upgrade its existing highway operations from high-pressure sodium lamps to highly efficient LED lights on the Northeast Stoney Trail project in Calgary. This initiative will help to reduce the carbon footprint of the project significantly by reducing the electricity consumption by more than 50%. The energy savings are estimated at over 30 million kilowatt hours over the remaining life of the concession or enough energy for 3,400 homes for a year. The reduction in greenhouse gas emissions is equivalent to CO2 produced by 4,800 passenger vehicles driven for a year. BBGI's client on the project, Alberta Transportation, has been extremely pleased with BBGI's voluntary initiative and has asked BBGI to upgrade Alberta Transportation's part of the ring road with the same lights.



COMMITMENT TO THE COMMUNITY AND SOCIAL INITIATIVES

An infrastructure project can have an immense impact on the local communities and the local social environment. Accordingly, the Company requires that its representatives within the various project companies strive to ensure that the project companies develop and maintain positive relationships with the communities affected by their particular project. Below are some examples of these community initiatives:

- During the construction of the Mersey Gateway Bridge in the UK, BBGI's project team established a volunteer scheme including a four-week training programme where people could learn a range of skills including presentation skills and customer service. They also found out details about the ecology, environment and the local history and heritage of the Mersey Gateway project. After completion of the course, the volunteers were offered the opportunity to support the project's visitor centres and help to tell the story of the project to local schools and community groups. Studies show that the economic benefits Mersey Gateway will bring to Halton and the surrounding area are almost four times greater than its costs. The projected long-term economic benefits are expected to include 4,640 permanent new jobs as a result of the operation of the Mersey Gateway, regeneration activity and inward investment and over £61 million a year in Gross Value Added from new jobs by 2030. Other social benefits include reductions in journey times of up to 10 minutes, increase in journey time reliability and less congestion, and 80% less traffic using the Silver Jubilee Bridge, freeing it up for use as a local bridge.



- Across our Liverpool & Sefton Clinics (LSHP) Project buildings there were over 70 community events. These were hosted at the buildings after hours and saw over 10,000 individuals engaged in a variety of community events. The events included a variety of topics from health care, nutrition, mental health, entrepreneurial empowerment and other topics important to the community. The events also raised in excess of £5,000 for local charities.

GOVERNANCE

Good corporate governance is fundamental to BBGI and its activities.

In terms of employment, the Company is an Equal Opportunities Employer, 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 a project entity, it then, through its representatives on the Board of the project company, undertakes regular reviews of the environmental, social governance and ethical policies that the project 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 also monitored across the Company's portfolio and any serious breaches or incidents are reported to the Management Board, which in turn reports to the Supervisory Board. Each year a number of 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 in order to help them meet its requirements.

RISK AND RISK MANAGEMENT

The Board, with the support of the appointed Risk Manager, considers the process of identifying, evaluating and managing the various risks faced by the Company on an ongoing basis. The Management Board has established internal controls to manage these risks by reference to a risk register, and reviews and monitors this register and the various risks on a quarterly basis. The Supervisory Board also reviews the key risks affecting the Company at each scheduled quarterly Board meeting, by reference to the said risk register. If a new risk develops or the likelihood of a risk occurring increases, where appropriate and to the extent possible, a mitigation strategy is developed and implemented, together with enhanced monitoring. The Audit Committee also reviews the effectiveness of the Company's risk management and internal control systems at least annually.



Below is a list of principal risks and mitigants: The Management Board set out the material risks relating to the Company's portfolio in the Company's IPO prospectus dated 6 December 2011 and updated them in the two prospectuses that followed dated 26 June 2013 and 19 November 2013 respectively; each prospectus is available on the Company's website.

PRINCIPAL RISKS	RISK DESCRIPTION	RISK MITIGATION
ECONOMIC AND MARKET RISKS		
Foreign Exchange	<p>A significant proportion of the Company's underlying investments, 63% of portfolio value at 31 December 2017, are 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 realized by investors.</p>	<p>Currency-hedging arrangements in respect of the non-Sterling distributions denominated in AUD, CAD, NOK and USD for a period of four years in order to mitigate some of this risk.</p> <p>BBGI has investments in 5 currencies other than Sterling, so there is some natural diversification amongst the underlying currencies.</p> <p>The ability to draw on the RCF in the currency of the underlying project distributions thereby providing a natural hedge.</p> <p>Refer to the sensitivity analysis in the Valuation section of the Report of the Management Board in relation to deposit rates of the project companies.</p>
Interest and deposit rates	<p>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 project level and cash deposits.</p> <p>The project 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.</p>	<p>The project companies have sought to hedge substantially all their floating rate interest liabilities against changes in underlying interest rates with interest rate swaps.</p> <p>In order to avoid cash drag, the Group maintains deposits at low levels with the Company only raising capital when there is a clear strategy for the deployment of proceeds.</p> <p>Refer to the sensitivity analysis in the Valuation section of the Report of the Management Board.</p>
Inflation	<p>The Company's ability to meet targets and its investment objectives may be adversely or positively affected by higher or lower than expected inflation. There is also a risk that general operating costs may be higher than forecast in the financial model because of inflation.</p> <p>The revenues and expenditure of project 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 project earnings, the extent to which the project company's costs are affected by inflation and any unitary charge indexation provisions agreed with the client on any project.</p>	<p>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.</p> <p>The Company and the service providers for the underlying project companies continually monitor any potential or actual changes.</p> <p>Refer to the sensitivity analysis in the Valuation section of the Report of the Management Board.</p>

TAXATION		
Changes to tax legislation, treaties and rates	<p>There is a continued risk that changes in tax law, tax rates and global tax initiatives (e.g. the OECD BEPS 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.</p>	<p>Management work closely with the Group's global tax advisors and are briefed periodically on relevant tax developments.</p> <p>BBGI has a globally diversified portfolio of assets, thereby reducing the tax concentration risk of any one country.</p> <p>Based on the advice received to date and the published information available, BBGI does not currently expect the implementation of the various BEPS initiatives to have a material adverse impact on the Company's cash flows. We will however continue to monitor developments closely in all jurisdictions where we have investments.</p> <p>Refer to the sensitivity analysis in the Valuation section of the Report of the Management Board.</p>
POLITICAL		
Change in law/regulation	<p>Different laws and regulations apply within the countries where the Company and the project companies are located. There is a risk that changes in law 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.</p>	<p>The Management Board seeks regular briefings from its legal and tax advisors in order to stay abreast of impending or possible changes in law.</p> <p>Change in law provisions are included in some contracts, thus providing further mitigation.</p>
Nationalisation of PPP Projects	<p>In September, the UK Shadow Chancellor John McDonnell said the party would bring private finance initiative (PFI) contracts "back in-house" if Labour was returned to government, but later softened its stance to say it would examine all contracts and bring those in-house that did not offer "value for money".</p> <p>While the tone of McDonnell's comments on PFI was not positive, the Management Board believes there will be significant challenges to actually implementing a programme of 'buying-out' PFI contracts from long-term investors.</p> <p>Bringing PFI contracts in-house would require public sector counterparties to exercise their right to voluntarily terminate the contracts and take over management of the projects. 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 levels.</p>	<p>We remain 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 / deterrents to the risk of voluntary termination for the UK projects where BBGI has made investments:</p> <p>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 project companies, so any public body wishing to terminate a PFI project would need to cover the cost of the swap breakage fee.</p> <p>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.</p> <p>The project 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.</p> <p>BBGI has a globally diversified portfolio of assets, thereby reducing the concentration risk in any one country.</p> <p>Total UK PFI exposure is 37% of the overall portfolio.</p> <p>The Company has strong, well established relationships with its public sector clients and there have been no discussions to date about voluntary termination between BBGI and its public sector clients in the UK or elsewhere.</p> <p>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 about 1.0% of NAV.</p>

FINANCIAL		
Valuation / Poor investment selection	<p>During the year the Audit Committee and the Management Board concluded that the most significant risk of material misstatement in the Company's financial statements continues to be the fair valuation of the investment portfolio, and in particular the discount rates applied and the key Assumptions when valuing these investments.</p> <p>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 project company may be different to those estimated or projected.</p>	<p>The Company's portfolio valuation 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.</p> <p>BBGI has developed a robust process for project due diligence. Typical due diligence includes model audit, legal, tax, technical, and insurance reviews.</p> <p>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 Report of the Management Board.</p>
Project re-financing risk	<p>In some projects, a refinancing may be required to repay the project company's financing obligations as they fall due. Where a project 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 project company. Where no refinancing is available or not on commercially viable terms this could lead to the total loss of the investment.</p>	<p>The Northern Territory Secure Facilities project in Australia is the only remaining project in the BBGI portfolio that is subject to refinancing risk.</p> <p>BBGI and its advisers will conduct a timely market assessment in advance of the refinancing.</p>
OPERATIONAL		
Construction delays, defects, insolvency	<p>Construction projects 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 project company.</p>	<p>BBGI applies strict criteria when identifying / assessing potential counterparties and undertakes a detailed investment due diligence process before committing to invest in construction projects. Typical mitigants include the following:</p> <ul style="list-style-type: none"> • 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. • Retention letters of credit, bonding or parent company guarantees for construction period.
Lifecycle risk	<p>During the life of an investment, components of the projects (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.</p>	<p>Of the 43 projects in the BBGI portfolio, 15 project companies retain the lifecycle obligations. The remaining 28 projects have this obligation passed down to the subcontractor.</p> <p>The timing and costs of such replacements or refurbishments is forecast, modelled and provided for by each project company based upon manufacturers' data and warranties, and specialist advisers are usually retained by the project companies to assist in such forecasting of lifecycle timings, scope of work and costs.</p> <p>Refer to the sensitivity analysis in the Valuation section of the Report of the Management Board.</p>

<p>Subcontractor credit risk</p>	<p>The risk of a subcontractor service failure or subcontractor insolvency which is sufficiently serious to cause a project 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.</p>	<p>For projects under construction there are a number of mitigants and steps taken to manage this risk:</p> <ul style="list-style-type: none"> • In the case of a construction joint venture consisting of two or more strong 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. • Construction exposure consistently monitored and maintained at less than 25% portfolio value in aggregate. <p>Many of the same mitigants are in place for projects once they become operational. Other mitigants during operations include:</p> <ul style="list-style-type: none"> • Periodic benchmarking of defined facility services on some projects. • Diversified group of subcontractors with no substantial concentration risk. • Ongoing subcontractor monitoring.
<p>Cyber attack</p>	<p>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.</p>	<p>BBGI has taken a number of measures in order to reduce the risk of a cyber-attack, some of which are outlined below.</p> <p>The Company has outsourced the hosting of its IT platform to an industry specialist. By 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.</p> <p>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.</p> <p>Business continuity tests and disaster recovery tests are performed periodically.</p>
<p>Contractual imperfections</p>	<p>The projects that BBGI invest in rely on complex contractual arrangements in order 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.</p>	<p>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.</p> <p>BBGI engages specialist advisers when undertaking due diligence on potential investments in order to understand the risk being retained by the project company.</p>

<p>Aggressive Contractual Interpretation of the performance requirement</p>	<p>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 projects 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.</p>	<p>Deductions are passed down to subcontractors who typically deliver the services and are responsible for any abatement or deductions. Risk to equity is typically remote.</p> <p>Efforts to realise savings have been largely focused on health care projects (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. As acute care UK hospital PPPs account for about 1% of BBGI's portfolio value, this development does not present a material exposure to the Group.</p> <p>Typical PPP/PFI contracts include very comprehensive provision for dispute resolution procedures which provide the Project Company with the ability to challenge any harsh interpretation of the contract.</p> <p>Notwithstanding the above, BBGI will continue to monitor this development closely, in particular any potential knock-on effect it may have on other UK PPP sectors in which BBGI is invested. While the impact to the Group's portfolio is currently immaterial, if this situation migrates to other sectors and the issues are not resolved satisfactorily, it could affect the value of these projects.</p>
<p>STRATEGIC</p>		
<p>Premium/discount to NAV</p>	<p>The risk of share price volatility or trading at a discount to NAV leading to shareholder dissatisfaction.</p>	<p>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 annum of the ordinary shares in issue.</p> <p>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.</p> <p>Furthermore, the Management Board meets regularly with shareholders and receives regular briefings from the Company's brokers.</p>
<p>Underperformance of Management Board/ Key man risk</p>	<p>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.</p>	<p>The Co-CEO concept adopted by BBGI reduces the key man risk considerably. In addition, succession plans have been developed.</p> <p>Adequate notice periods are included in management contracts.</p> <p>Benchmarked compensation packages and deferred remuneration.</p>
<p>Client counterparty risk</p>	<p>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 project cash flows. Although the Management Board believes such public sector 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.</p>	<p>With 43 projects, BBGI's exposure to any single counterparty is mitigated. The concessions granted to project companies in the portfolio, are predominantly granted by a variety of public sector clients or entities that are government backed. All project companies in the portfolio are located in countries which are highly rated (Aa2/AA for the UK; Aaa/AAA for Australia, Canada, Germany and Norway; Aaa/AA+ for the US) by Moody's and by Standard & Poor's.</p>
<p>Access to capital</p>	<p>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 or by issuing additional equity. 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.</p>	<p>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. For example, the completion of an acquisition could be conditional on obtaining the required funds.</p> <p>Furthermore, the Company has recently refinanced its RCF and in the process has extended the term from three to four years, expiring in January 2022.</p>

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.

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; project 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 42 to 47 and under the heading “Risk and Risk Management”. In order to maintain its viability, 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 project 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. Once complete, each valuation is independently reviewed by a professional valuer and is also subject to the audit/review of 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 Report of the Management Board on pages 23 to 28.

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.

DONATIONS

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

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 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.

REGULATORY ENVIRONMENT

Since its IPO in December 2011, the regulatory environment in which the Company operates has become increasingly complex for both it and its stakeholders. New regulations have added to the Company’s costs, and continue to present new challenges to the complexity of oversight and management of the business. Promoting good corporate governance will therefore continue to be fundamental to everything we do at BBGI. Indeed, it lies at the heart of the Company’s success, supporting better access to external finance and investment, and sending a message to the stakeholders that the Company is being well run so that they can have confidence in its long-term success. Accordingly, the Company recognises the importance of effective engagement with its stakeholders viewing it as a key part of its long-term success and sustainability.

GOVERNANCE CODE

During the year under review, the Company has followed the discussions and developments arising out of the UK Government’s Corporate Governance Green Paper closely. In particular it notes the Financial Reporting Council proposal for a completely reworked Corporate Governance Code (with proposed publication of the final version in early summer 2018, and application for financial years beginning on or after 1 January 2019), and the recently published IA-ICSA guidance “The Stakeholder Voice in Board Decision Making”, and it notes the intention to strengthen the stakeholder voice at Board level through the development of a new Corporate Governance Code principle in this regard.

The Boards have put in place a framework for corporate governance which they believe is appropriate for the Company. BBGI is a member of the Association of Investment Companies (“AIC”) and as such reports against the AIC Code of Corporate Governance (“AIC Code”), which principles and recommendations are carefully considered, and follows the AIC Corporate Governance Guide for Investment Companies (“AIC Guide”).

LAGAN COLLEGE,
NORTHERN IRELAND



Revised versions of both the UK Corporate Governance Code (“UK Code”) and subsequently the AIC Code (to reflect the various changes to the UK Code) were published in early and mid-2016 respectively, applying to reporting periods beginning on or after 17 June 2016. The Company has followed the revised AIC Code dated July 2016 for the 2017 reporting period; it has worked throughout the year to ensure it complies with the AIC Code and, in the event that it does not, to explain why. 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

The Company is authorised by the CSSF to act as an Alternative Investment Fund Manager (“AIFM”). Being so authorised, the Company is subject to increased regulatory supervision from the CSSF. The recurring cost of such regulatory supervision costs the Company in the region of £100,000 per annum.

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

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, who are experts in their respective fields, have been appointed to these roles:

COMPLIANCE:

99 Advisory Luxembourg – ICE S.A.

CUSTODIAN, DEPOSITORY, PAYING AGENT, TRANSFER AGENT:

RBC Investor Services Bank S.A.

INTERNAL AUDIT:

Grant Thornton Advisory

(previously Grant Thornton ABAX Consulting: name change only on 7 December 2017)

RISK MANAGEMENT:

SGG Fund Management S.A.

Notwithstanding these appointments, the Company’s Management Board retains overall responsibility for the correct and effective operation of the delegated functions. Accordingly, the members of the Management Board have been appointed as Designated Board Members (“DBMs”) with oversight and control responsibilities for their respective functions.

INTERNAL CONTROLS – GENERAL

The Management Board is responsible for setting up the Company’s system of internal control, and the Supervisory Board for reviewing its effectiveness. The Management Board has therefore established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed.

In addition to the above, at each quarterly meeting the Supervisory Board monitors the Company’s investment performance against its stated objective, and reviews its activities to ensure that the Management Board is adhering to the investment policy and guidelines. During these meetings, the Management Board (which has agreed on clearly defined investment criteria, returns targets and risk appetite) reports in detail on these issues including, but not limited 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.

THE BOARD OF DIRECTORS

as at 31 December 2017

Name	Function	Independence	Age	Original appointment	Next renewal date
SUPERVISORY BOARD					
David Richardson	Chairman of Supervisory Board	Independent	66	3 October 2011	30 April 2018
Colin Maltby	Senior Independent Director	Independent	67	3 October 2011	30 April 2018
Howard Myles	Director and Chairman of Audit Committee	Independent	68	3 October 2011	30 April 2018
MANAGEMENT BOARD					
Duncan Ball	Member of the Management Board	Not independent	52	5 October 2011	5 October 2018
Frank Schramm	Member of the Management Board	Not independent	49	5 October 2011	5 October 2018
Michael Denny	Member of the Management Board	Not independent	40	30 April 2013	30 April 2018

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.

MERSEY GATEWAY
BRIDGE, UK

BIOGRAPHIES

SUPERVISORY BOARD



DAVID RICHARDSON

Independent Chairman of the Supervisory Board

David Richardson currently holds a number of non-executive directorships, including Senior Independent Director of Assura plc, and non-executive director of The Edrington Group Ltd. Mr Richardson's executive career has focused on financial roles, including over 20 years with Whitbread plc where he was Strategic Planning Director and, subsequently, Finance Director. He was instrumental in transforming Whitbread from a brewing and pubs company into a market leader in hotels, restaurants and leisure clubs.

Mr Richardson has previously served as Chairman of the London Stock Exchange Primary Markets Group, Corporate Governance Committee of the Institute of Chartered Accountants in England and Wales, Four Pillars Hotels Ltd., Forth Ports plc and De Vere Group plc, and has also held non-executive directorships at Serco Group plc, Tomkins plc, Dairy Crest plc, World Hotels AG and The Restaurant Group plc.

Mr Richardson graduated from the University of Bristol with a degree in Economics and Accounting, and qualified as a Chartered Accountant in 1975.



COLIN MALTBY

Senior Independent Director

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 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

Independent Director and Chairman of the Audit Committee

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 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.

MANAGEMENT BOARD



DUNCAN BALL

Co-CEO and member of the Management Board at BBGI

Along with Frank Schramm, 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 43 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.

Prior to his current role with BBGI, he worked at Bilfinger Project Investments (“BPI”) where he was responsible for arranging and managing all project finance activities related to the Company’s public-private partnerships developments in North America.

Prior to joining BPI, Mr Ball was a senior member of the North American infrastructure team at Babcock & Brown and was instrumental in helping establish the company’s infrastructure business in Canada. Before joining Babcock & Brown, Mr Ball was Managing Director and Co-Head of Infrastructure for North America for ABN AMRO Bank.

Mr Ball worked at Macquarie Bank where he helped establish Macquarie’s infrastructure practice in Western Canada. Mr Ball worked within the investment-banking group at both RBC Capital Markets and CIBC World Markets prior to working at Macquarie’s.

Mr Ball studied at Harvard Business School after obtaining a Bachelor of Commerce Degree from Queen’s University in Canada. He is also a CFA charter holder and is a graduate of the Rotman School of Business Directors Education Programme at the University of Toronto.



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 43 assets currently.

Mr Schramm has worked in the infrastructure sector, investment banking and advisory business for over 22 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.

Prior to his current role with BBGI, he worked at BPI where, as Co-Managing Director, he led the European infrastructure operations with over 60 staff. In this role he was responsible for all European development activities and the asset management of over 20 infrastructure investments.

Prior to that role, Mr Schramm was Finance Director of BPI’s infrastructure operations in Continental Europe, responsible for all project finance activities including all divestment activities.

Before joining BPI in November 2003, Mr Schramm worked at Macquarie Bank in the investment banking group from 2000 until 2003, with responsibility for structured finance transactions. Prior to that he was employed at Deutsche Anlagen Leasing from 1998 to 2000, and Bilfinger Berger BOT GmbH from 1995 to 1998.



MICHAEL DENNY

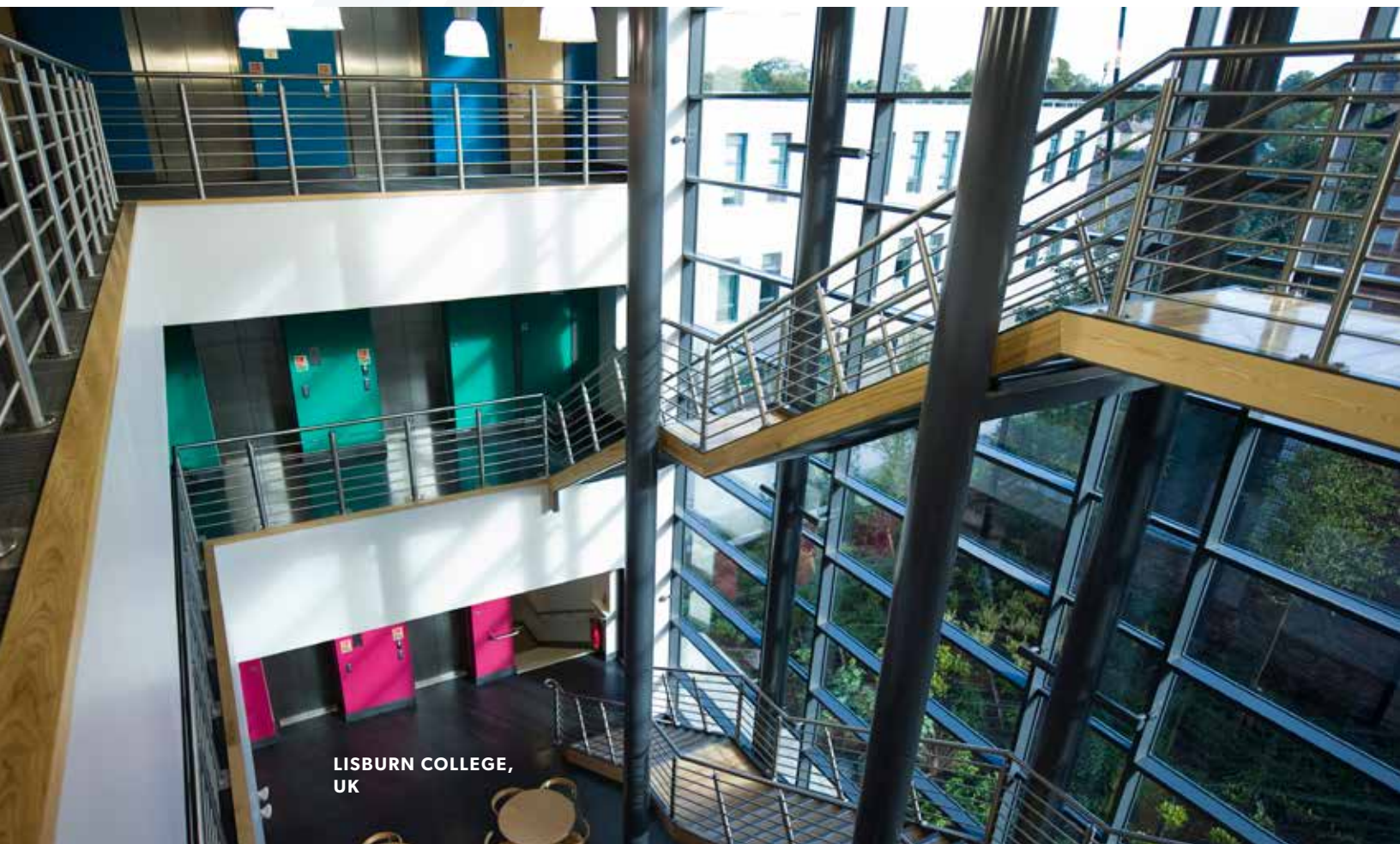
CFO and member of the Management Board at BBGI

Originally from Ireland but living in Luxembourg since 2003, Mr Denny has over 17 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.

Prior to joining BBGI, Mr Denny spent five years heading up the Luxembourg office of the Lehman Brothers Real Estate portfolio, a Group which consisted of three Lehman Brothers sponsored real estate funds with US\$2.4 billion of invested equity and approximately US\$6 billion of assets under management. In this role, Mr Denny managed a team of 15 staff and was directly involved in the legal and tax structuring of the funds, holding directorships on a number of regulated vehicles. He was directly responsible for all corporate financial aspects of the Luxembourg platform.

Mr Denny obtained a Degree in Economics and Finance from the Waterford Institute of Technology, Ireland, and holds an Advanced Diploma in Management Accounting from the Chartered Institute of Management Accounting (CIMA).



LISBURN COLLEGE,
UK

BOARD MEMBERS AND OTHER INTERESTS

Mr Ball, Mr Denny and Mr Schramm, the members of the Management Board, are also BBGI Management HoldCo managers. Apart from Mr Ball and Mr Schramm, who both hold service contracts, and Mr Denny, who holds a management contract, 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 Richardson, Mr Maltby and Mr Myles 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 DECEMBER 2017	% OF ISSUED SHARE CAPITAL	31 DECEMBER 2016
David Richardson	172	0.04	166
Colin Maltby	117	0.02	112
Frank Schramm	251	0.05	193
Duncan Ball	252	0.05	193
Michael Denny	41	0.01	39
	833	0.17	703

BOARD DIVERSITY AND TENURE

Following the publications in October 2017 of the Parker Review "Beyond One by '21" Report, and a second Hampton-Alexander "FTSE Women Leaders" Report in November 2017, the Boards have considered both their diversity and ethnicity. They concur that Board appointments must always be made on merit, that boards should have a balance of relevant skills, experience, length of service and knowledge of the Company, and that Independent Directors should take the lead in the appointment of new Directors.

The Company has been established for six years, with no new appointments made to the Supervisory Board in the year under review, or since listing and admission to trading on the London Stock Exchange in December 2011. One appointment has been made on the Management Board over the same period where Michael Denny replaced Arne Speer as a member of the Board with effect from 30 April 2013.

The Supervisory Board, acting as the Nominations Committee, in conjunction with the Management Board has reviewed the succession plans for the Company. They recognise that there is potential for an issue as all the current Supervisory Board directors were appointed at the time of the IPO in December 2011. The Boards have, therefore, put in place a structured succession plan with the aim of staggering the retirement of each of the current non-executive directors and recruiting additional independent directors over a timeframe that will enable the knowledge and experience built up over the last 6 years to be both retained and built upon. In recruiting new directors the Nominations Committee will actively seek 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 value for shareholders.

MANAGEMENT BOARD

GENERAL

The Management Board is responsible for the day-to-day management of the Company, including administration, preparation of semi-annual valuations, the statutory financial statements, the management accounts, business plans, presenting results and information to shareholders, coordinating all service providers to the Group, and giving the Supervisory Board general advice and feedback. The Management Board is responsible, *inter alia*, for undertaking the discretionary investment management of the Company's assets and those of the rest of the Group; it therefore carries out the function of investment manager. Accordingly, the Company has not engaged an external investment manager.

The Management Board comprises three members, each contractually engaged by BBGI Management HoldCo, a direct 100% subsidiary of the Company, therefore none of them is deemed independent by 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 envisaged 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, not by shareholders; in itself therefore, 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.

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 (renewable). Mr Ball and Mr Schramm were both originally appointed on 5 October 2011 with Mr Denny originally appointed on 30 April 2013.

The Supervisory Board evaluates the performance of the Management Board and its Directors annually to ensure that the Management Board collectively, and its Directors individually, 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 as a whole. The Supervisory Board, satisfied with the evaluations carried out in 2016 and latterly in 2017, resolved to renew Mr Denny's appointment for a further term of one year with effect from 30 April 2017, and those of Mr Ball and Mr Schramm for a further term of one year with effect from 5 October 2017.

ATTENDANCE AT MANAGEMENT BOARD MEETINGS DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Name	Scheduled meetings and attendance	Unscheduled meetings and attendance*	Total meetings and attendance
MANAGEMENT BOARD	11	15	26
Frank Schramm	11	15	26
Duncan Ball	11	15	26
Michael Denny	11	15	26

* From time to time there are unscheduled meetings of the Management 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; however, this has not been the case for the year under review.

SUPERVISORY BOARD

GENERAL

The Supervisory Board consists of three members who are all Non-Executive Directors, each of whom is considered independent.

In accordance with the Articles, all members of the Supervisory Board are elected for a period ending at the Annual General Meeting of the Company in April every 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. Although the Company is not a member of the FTSE 350, the annual re-election requirement of the AIC Code Principle 3 is met by the Articles which provide for a more stringent process than that required for non-FTSE 350 companies.

The Supervisory Board believes that its members 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 brokers. The members of the Supervisory Board are kept fully informed of investment and financial controls, and other matters relevant to their remit. Both Supervisory and Management Board members also have access, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company. In the period under review, the Supervisory Board met seven times. Attendance of individual Supervisory Board members is outlined in the table below.

As previously mentioned, 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. On appointment to the Supervisory Board, new members will be provided with an induction.

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; members may also request the addition of any agenda item they consider appropriate for Board discussion. At each meeting, the members are required to advise of any potential or actual conflicts of interest prior to discussion.

ANNUAL PERFORMANCE EVALUATION

The Supervisory Board evaluates its performance and considers the term and independence of each member on an annual basis; for the year ended 31 December 2017, this process has been completed. The evaluation performed comprised completion of a questionnaire followed by collation of all comments into a summary. The Supervisory Board considered the results of this evaluation process 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 had been effective and appropriate. For the evaluation of the Chairman, the Senior Independent Director discussed the results of the questionnaire with the Chairman personally prior to further distribution to, and discussion with, the remaining member.

As the Company is not a FTSE 350 company, an externally facilitated evaluation of the Supervisory Board every three years (as proposed by AIC Code Principle 7) was not conducted. In addition, no independent third party has been appointed to manage the exercise as the Board considers the current process to be appropriate.

ATTENDANCE AT SUPERVISORY BOARD MEETINGS DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Name	Scheduled meetings and attendance	Unscheduled meetings and attendance*	Total meetings and attendance
SUPERVISORY BOARD	5	2	7
David Richardson	5	2	7
Colin Maltby	5	2	7
Howard Myles	5	2	7

* 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. However, this has not been the case for the year under review.

OTHER LISTED COMPANY DIRECTORSHIPS

David Richardson

Assura plc

Colin Maltby

BH Macro Limited

Ocean Wilsons Holdings Limited

Howard Myles

Aberdeen Private Equity Fund Limited

Baker Steel Resources Trust Limited

The Forest Company Limited

Lazard World Trust Fund SICAF

JP Morgan Brazil Investment Trust plc

Small Companies Dividend Trust plc

As part of its annual performance evaluation process it was concluded that, throughout the reporting period, each member of the Supervisory Board 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.

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. 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 described above, the Supervisory Board recommends the re-election of each.

REVIEW/MONITORING OBLIGATIONS/DELEGATION OF RESPONSIBILITIES OF SUPERVISORY BOARD

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

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 Brokers and shareholders. The Company's investment strategy is reviewed regularly in conjunction with the Management Board.

COMMITTEES OF THE SUPERVISORY BOARD

There is only one constituted Committee of the Supervisory Board; that is, the Audit Committee. It operates under clearly defined terms of reference, and these are available from the company secretary upon request.

AUDIT COMMITTEE

The Audit Committee (the “Committee”) has 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 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: Howard Myles is Chairman of the Committee, with Colin Maltby and David Richardson the other members. Biographical details of each member can be found in the Governance section of this report.

The Committee is required to report its findings to the Supervisory Board, identifying any matters on which it considers that action or improvement is needed, and make recommendations on the steps to be taken. 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 Committee meetings at which the annual and interim financial statements are considered, and at other times if considered necessary by the Committee.

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

Name	Scheduled meetings and attendance
AUDIT COMMITTEE	2
Howard Myles	2
David Richardson	2
Colin Maltby	2

From time to time there are unscheduled meetings of the Audit Committee, 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. However, no unscheduled meetings were called during 2017.

- AGM

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

There are no other constituted Committees as the Supervisory Board considers its size to be such that it would be unnecessarily burdensome to establish them. The Board as a whole 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 Richardson, the Independent Chairman of the Supervisory Board.

OTHER COMMITTEE FUNCTIONS

• REMUNERATION COMMITTEE

Acting as Remuneration Committee, the Supervisory Board met three times during the financial year to review the levels and structure of the remuneration, compensation, and other benefits and entitlements of the Management Board of the Company and its subsidiaries. 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 financial year, the Supervisory Board met four times as 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.

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 Extraordinary General Meeting of the Company’s shareholders held at the registered office of the Company on 28 April 2017.

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

REMUNERATION

SUPERVISORY BOARD REMUNERATION

The Supervisory Board members are the Company’s Non-Executive Directors and are paid a fixed quarterly fee. These fees are considered annually by the Supervisory Board, acting as the Remuneration Committee, based on the advice and recommendations of the Management Board. No member of the Supervisory Board is entitled to vote on his 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 annual fee entitlement of each member of the Supervisory Board was reviewed during the year. With effect from 1 May 2017, the annual fee entitlement of the Chairman increased to £65,000 (previously £55,000) and the annual fee entitlement of both the Senior Independent Director and the Chairman of the Audit Committee increased to £50,000 (previously £42,500).

During the year under review, the annual fee paid to the Chairman of the Supervisory Board was £61,667 (2016: £55,000) and the annual fees paid to both the Senior Independent Director and the Chairman of the Audit Committee were £47,500 (2016: £42,500).

The aggregate fee paid to the members of the Supervisory Board during 2017 was £156,667 (2016: £140,000). No additional fees were paid during the year.

MANAGEMENT AND STAFF REMUNERATION

The Company believes that an appropriate remuneration programme for each Manager 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.

The Supervisory Board acting as the Company’s Remuneration Committee reviews the level and structure of the remuneration to which the Management Board members and employees of the Group are entitled on an annual basis. Appropriate benchmarking with comparable listed businesses 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 Management and employees with a history of proven success;
- align the interests of the Group's Management 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 long-term incentive plan ("LTIP"). In addition, each member participates in a short-term incentive plan ("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 EUR. Mr Ball receives all cash entitlements in CAD. Payments in currencies other than Sterling, the reporting currency of the Group, can result in both positive and negative foreign exchange movements.

SERVICE/MANAGEMENT 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%, 100% and 125% of the total base fee paid in the year respectively;
- the Threshold, Target and Maximum levels of the LTIP awards are set at 50%, 100% and 150% of the base fee at the date of grant;
- LTIPs granted with return periods commencing from December 2014 onwards will be settled in shares;
- an expected shareholding of 150% of salary 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 2017 STIP target performance objectives entitle him to a maximum €135,000 payment. LTIPs issued to Mr Denny each have a maximum value at their respective award dates of €100,000.

Notice periods to/from the Company of 12 months from May 2016 (previously 24 months' notice) apply in respect of Mr Ball and Mr Schramm. With respect to Mr Denny, a notice period to/from the Company of 6 months applies.

FIXED REMUNERATION

The combined annual base fee received by the members of the Management Board during the year ended 31 December 2017 was £924,717 (2016: £783,185). Approximately £55,000 of this increase is directly attributable to the change in the foreign exchange rates used over the period.

In addition to their base fees, both Mr Schramm and Mr Ball received a monthly car allowance during the year amounting to £27,878 (2016: £26,053) and a supplementary annual payment to provide pension, retirement or similar benefits equating to 15% of their annual base fee (increased from 5% to 15% as part of the 2017 remuneration review).

VARIABLE REMUNERATION

SHORT-TERM INCENTIVE PLAN (“STIP”)

The Supervisory Board is responsible for determining both whether the relevant performance objectives (which may be financial and non-financial) 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 2017, the combined amount expensed in respect of the 2017 STIP amounted to £863,171 (2016: £709,459). Payments under the STIP are made in CAD and EUR.

LONG-TERM INCENTIVE PLAN (“LTIP”)

During the year under review a combined amount of £459,000 (2016: £262,612) was expensed against those LTIPs which have been awarded but had not vested.

As of 31 December 2017, the total amount accrued in respect to all LTIPs which have been awarded but have not vested amounted to £766,000 (2016: £834,114). Further details on the individual awards are set out below.

- Cash-based LTIP awards

In January 2017, Mr Ball and Mr Schramm each received the maximum amount payable under the 2013 award of C\$366,123 and €259,375 respectively in full settlement of the Company’s obligations. In July 2017, Mr Denny received the maximum amount payable under the May 2014 award of €100,000 in full settlement of the Company’s obligations.

At 31 December 2017, there were no outstanding cash-based LTIP awards.

- 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 111 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 2017	YEAR ENDED 31 DECEMBER 2016
Award date	Return Period		
2014	Dec 2014 to Dec 2017	215	98
2015	Dec 2015 to Dec 2018	108	108
2016	Dec 2016 to Dec 2019	136	-
2017	Dec 2017 to Dec 2020	-	-
		459	206

The 2017 award was issued in December 2017. No expense was accrued for this particular award during the reporting period.

No loan has been granted to, nor any guarantee provided for the benefit of, any manager by the Company. There are no family relationships between Mr Ball, Mr Denny and Mr Schramm.

At no time will Mr Ball, Mr Denny and Mr Schramm acquire or have options over any shares in BBGI Management HoldCo S.à r.l., which is and is intended to be wholly owned by the Company.

As at the date of this Annual 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 2017 was £2.07 million (2016: £1.77 million). The total variable remuneration accrued, but not yet paid, for the financial year ending 31 December 2017 was £1.71 million. The total variable remuneration paid in 2017 relating to the financial year ended 31 December 2016 was £1.21 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.

GENERAL MEETINGS

2017

Two shareholder meetings were held during 2017, the AGM and an Extraordinary General Meeting (“EGM”), each on 28 April. The notices of these meetings (and associated documents) may be found on the Company's website at

<http://www.bb-gi.com/investor-relations/publications/agm-egm/2017.aspx>,

and the results of each meeting at

<http://www.bb-gi.com/investor-relations/regulatory-news.aspx>.

2018

The next Annual General Meeting (“AGM”) of the Company will be held on Monday 30 April 2018 at the registered office. 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 at

www.bb-gi.com.

AUDIT COMMITTEE REPORT

I am pleased to present the Committee's report to shareholders on its activities in respect of the year ended 31 December 2017. The Audit Committee has been operating throughout the year within clearly defined terms of reference.

COMPOSITION OF THE AUDIT COMMITTEE

Each of the three Non-Executive Directors is a member of the Committee, which is chaired by me, and our biographies can be found in the Governance section of this report. The 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, the Chairman, David Richardson, is also a member of the Committee, and this has enabled him to not only bring his extensive accounting knowledge to the table but also keeps him fully informed of any issues that may arise.

RESPONSIBILITIES

The Audit 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 annually by the Audit Committee and are then referred to the Board for approval. A copy of the terms of reference is available upon request from the Company Secretary.

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 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.

2017: THE YEAR UNDER REVIEW

The Audit Committee met twice in the year to 31 December 2017 and member attendance can be found within the Governance section of this Annual Report, under the heading "Committees of the Supervisory Board". At these meetings, the Committee considered, *inter alia*:

- the 2016 Annual and 2017 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/approval of the external Auditor's plan for the following financial year;
- the appropriateness of the Group's accounting policies;
- new IFRS reporting standards and the impact, if any, they might have on Group financial reporting;
- the risk register of the Company;
- the adequacy of the internal control systems and standards;
- the Internal Auditor's Annual Report of the year under review; and

- the implications on the governance of the Company resulting from the General Data Protection Regulation, which was agreed upon by the European Parliament and Council in April 2016, and will replace the Data Protection Directive 95/46/ec in May 2018 as the primary law regulating how companies protect EU citizens' personal data..

SIGNIFICANT RISKS CONSIDERED

During the year under review, the Audit 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 108.5% of the Company's net asset value. Particular attention was given to the discount rates applied and the key Assumptions used when valuing these investments. This risk of material misstatement is carefully considered when the Committee reviews the Company's annual and interim financial statements. The Management Board carry 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 Management Board members were available during the Audit Committee review process to provide detailed explanations of the rationale used for the valuation of investments. The external Auditor was also invited to attend the Audit 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.

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 2017 had been properly carried out and the investments fairly valued.

NON-AUDIT SERVICES

The Audit Committee considered the extent of non-audit services ("NAS") provided by the external Auditor. The Audit Committee will continue to approve all NAS to be performed by the external Auditor that are not prohibited before the firm is engaged and the NAS are carried out.

APPOINTMENT OF EXTERNAL AUDITORS

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. During the year there was a rotation of audit partner on the Group audit engagement. The outgoing audit partner, Ms Frauke Oddone who had lead the engagement since the Company's listing in December 2011 was replaced by Ms Emmanuelle Ramponi. Ms Ramponi presided over both the 2017 interim review and the 2017 year end audit process.

As a result of its work during the period, the Audit 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 Audit Committee has recommended to the Board to re-appoint KPMG Luxembourg, Société coopérative as the Group's external Auditor.

CONCLUSION

In conclusion, the Audit 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



Howard Myles
Chairman of the Audit Committee
28 March 2018

MANAGEMENT BOARD RESPONSIBILITIES STATEMENT

The Management Board of the Company is responsible for ensuring proper preparation of the annual report and financial statements of the Company 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 them 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 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,
28 March 2018

SIGNATURES



Duncan Ball
Co-CEO



Frank Schramm
Co-CEO



Michael Denny
CFO

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 2017, 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 2017, 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 and loss” and to Note 10 in the consolidated financial statements. 97% of the Group’s total assets (in value) 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 the infrastructure investment portfolio 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 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 key 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 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, sub-ordinated debt interest and principal repayment and directors fees) from the underlying project model to the Company’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 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 "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 "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 "Réviseur d'Entreprises Agréé" by the General Meeting of the shareholders on 28 April 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is seven 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, 28 March 2018

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Emmanuelle Ramponi

CONSOLIDATED INCOME STATEMENT

IN THOUSANDS OF POUNDS STERLING	NOTE	YEAR ENDED 31 DECEMBER 2017	YEAR ENDED 31 DECEMBER 2016
Continuing operations			
Income from investments at fair value through profit or loss	10	58,456	99,523
Other operating income	9	2,917	1,735
Operating income		61,373	101,258
Administration expenses	5	(6,900)	(5,508)
Other operating expenses	6	(981)	(11,053)
Operating expenses		(7,881)	(16,561)
Results from operating activities		53,492	84,697
Finance cost	7	(2,630)	(2,252)
Finance income	8	8	11
Net finance result		(2,622)	(2,241)
Profit before tax		50,870	82,456
Tax expense	12	(1,768)	(2,254)
Profit from continuing operations		49,102	80,202
Profit from continuing operations attributable to owners of the Company		49,102	80,202
Earnings per share			
Basic earnings per share (pence)	14	10.25	18.56
Diluted earnings per share (pence)	14	10.25	18.56

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 2017	YEAR ENDED 31 DECEMBER 2016
Profit for the year	49,102	80,202
Other comprehensive income for the year	-	-
Total comprehensive income for the year attributable to the owners of the Company	49,102	80,202

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 2017	31 DECEMBER 2016
Assets			
Property plant and equipment		51	68
Investments at fair value through profit or loss	10	675,314	569,926
Non-current assets		675,365	569,994
Trade and other receivables	20	262	1,897
Other current assets		851	62
Cash and cash equivalents	11	20,648	22,113
Current assets		21,761	24,072
Total assets		697,126	594,066
Equity			
Share capital	13	506,061	442,680
Additional paid-in capital	20	763	304
Translation reserves	13	(597)	(597)
Retained earnings	13	115,133	96,397
Equity attributable to owners of the Company		621,360	538,784
Liabilities			
Loans and borrowings	15	-	44,755
Derivative financial liability	18	56	4,327
Non-current liabilities		56	49,082
Loans and borrowings	15	70,493	45
Trade payables		92	145
Derivative financial liability	18	1,876	2,868
Other payables	16	2,636	2,956
Tax liabilities	12	613	186
Current liabilities		75,710	6,200
Total liabilities		75,766	55,282
Total equity and liabilities		697,126	594,066
Net asset value attributable to the owners of the Company		621,360	538,784
Net asset value per ordinary share (pence)	13	129.69	124.66

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 2016		440,259	98	(597)	42,610	482,370
Total comprehensive income for the year ended 31 December 2016						
Profit for the year		-	-	-	80,202	80,202
Total comprehensive income for the year		-	-	-	80,202	80,202
Transactions with owners of the Company, recognised directly in equity						
Cash dividend	13	-	-	-	(23,994)	(23,994)
Scrip dividend	13	2,421	-	-	(2,421)	-
Share-based payment	20	-	206	-	-	206
Balance at 31 December 2016		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 dividend	13	-	-	-	(24,730)	(24,730)
Scrip dividend	13	5,636	-	-	(5,636)	-
Share-based payment	20	-	459	-	-	459
Balance at 31 December 2017		506,061	763	(597)	115,133	621,360

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 2017	YEAR ENDED 31 DECEMBER 2016
Cash flows from operating activities			
Profit for the year		49,102	80,202
Adjustments for:			
- Depreciation expense	5	25	25
- Net finance cost	7,8	2,622	2,241
- Income from investments at fair value through profit or loss	10	(58,456)	(99,523)
- Change in fair value of derivative financial instrument	6, 9	(2,189)	10,870
- Foreign exchange gain	9	(209)	(1,391)
- Share-based compensation	20	459	206
- Income tax expense	12	1,768	2,254
		(6,878)	(5,116)
Changes in:			
- Trade and other receivables		1,884	(122)
- Other assets		(789)	(21)
- Trade and other payables		(397)	(257)
Cash generated from operating activities		(6,180)	(5,516)
Interest paid		(1,429)	(1,832)
Interest received		8	11
Realised loss on derivative financial instruments	18	(3,074)	(1,987)
Taxes paid		(1,341)	(2,357)
Net cash flows from operating activities		(12,016)	(11,681)
Cash flows from investing activities			
Acquisition of /additional investments at fair value through profit or loss	10	(96,522)	(9,525)
Distributions received from investments at fair value through profit or loss		49,341	42,514
Acquisition of other equipment		(8)	(31)
Net cash flows from investing activities		(47,189)	32,958
Cash flows from financing activities			
Issuance of share capital through placing	13	57,745	-
Repayment of loans and borrowings	15	(45,221)	-
Proceeds from issuance of loans and borrowings	15	71,131	-
Dividends paid	13	(24,730)	(23,994)
Debt issue cost	13	(234)	(180)
Net cash flows from financing activities		58,691	(24,174)
Net increase (decrease) in cash and cash equivalents		(514)	(2,897)
Impact of foreign currency exchange gain/(loss) on cash and cash equivalents		(951)	1,767
Cash and cash equivalents at 1 January	11	22,113	23,243
Cash and cash equivalents at 31 December	11	20,648	22,113

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 01. 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 fund) 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 assets. The Company has limited investment in projects that are under construction.

As at 31 December 2017, the Group employed 18 staff (31 December 2016: 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 2016.

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 Board on 28 March 2018.

NOTE 02. 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 2016 with the following exceptions:

- In January 2016, the IASB published amendments to IAS 12 (Income Taxes) under the title “Recognition of Deferred Tax Assets for Unrealised Losses”. These amendments clarify the accounting for deferred tax assets related to debt instruments measured at fair value. The amendments are to be applied for annual periods beginning on or after 1 January 2017. The Group did not have any deferred tax assets as at 31 December 2017 and as such the amendment had no impact in the Group’s consolidated financial statements during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

- In January 2016, the IASB published amendments to IAS 7 (Statement of Cash Flows) under its Disclosure Initiative. Under the amendments, the following changes in liabilities arising from financing activities are required to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; (v) other changes. The amendments are to be applied for annual periods beginning on or after 1 January 2017. The impact of change in foreign exchange in the Group's cash flows from financing activities is disclosed as a non-cash transaction in Note 15.

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 the capital value 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.

- 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 projects that have been developed predominantly under the PPP/PFI or similar procurement models. Each of these PPP/PFI projects is valued at fair value. The valuation is carried out on a six-monthly basis as at 30 June and 31 December each year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017, the Company has 43 PPP/PFI 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* – the Group holds interests in PPP/PFI projects in the form of equity interests, subordinated debt and similar instruments.

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 project 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.

NOTE 03. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

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 on the balance sheet date 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 intragroup 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, held-to-maturity financial assets, loans and receivables, and available-for-sale financial assets.

At balance sheet date, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

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 IAS 39 and 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 IAS 39 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

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

IMPAIRMENT

NON-DERIVATIVE FINANCIAL ASSETS

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset or group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset(s), and that loss event(s) had an impact on the estimated future cash flows of the asset(s) that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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.

INTANGIBLE ASSETS AND GOODWILL

Goodwill that arises on the acquisition of consolidated subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, please see recognition policy on business combination. Goodwill is measured at cost less accumulated impairment losses and is tested at least annually for impairment.

Other intangible assets, if any, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

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 Group 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

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.

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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

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:

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 is required to adopt IFRS 9 Financial Instruments from 1 January 2018. The Group has assessed the estimated impact that the initial application of IFRS 9 will have on its consolidated financial statements. The estimated impact of the adoption of IFRS 9 as at 1 January 2018 is based on the assessments taken to date and is summarised below. The actual impacts of adopting the standards at 1 January 2018 may change because of other factors that will come to the attention of the Management during 2018, which were not considered during such assessment. The main impact of IFRS 9 on the Group's consolidated financial statements is regarding classification of financial assets and liabilities.

IFRS 9 contains a new classification and measurement approach for financial asset 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 eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale:

The Group classifies its financial assets as either (1) fair value through profit or loss or (2) loans and receivables at 31 December 2017 (see Note 18). The Group does not classify any financial asset as held to maturity or available for sale. During the Group's analysis, the Group has taken into consideration the following factors:

- 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 of doing so. The Group's business model for trade and other receivables and derivative financial assets 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. However, receivables and derivative financial assets are held for the sole purpose of collecting contractual cash flows.

IFRS 9 largely retains 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 does not have any impact on the Group's financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

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

IN THOUSANDS OF POUNDS STERLING	FAIR VALUE THROUGH PROFIT OR LOSS	AMORTISED COST
Assets		
FVPL investments	675,314	–
Trade and other receivables	–	262
Cash and cash equivalents	20,648	–
	695,962	262
Liabilities		
Loans and borrowings	–	70,493
Derivative financial instruments	1,932	–
Trade payables	–	92
Other payables	–	2,636
	1,932	73,221

The provisions of IFRS 9 regarding impairment, expected credit loss models, and hedging are not expected to have significant impact to the Group.

OTHER NEW STANDARDS

- In April 2016, the IASB issued IFRS 15 (Revenue from contracts with customers). IFRS 15 replaces 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 is applicable for annual periods beginning on or after 1 January 2018 as endorsed by the European Union. The changes are not expected to have a significant impact on the Group's financial position or results of operations.
- 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 but has not yet been endorsed by the European Union. The changes are not expected to have a significant impact on the Group's financial position or results of operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 04. 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 projects. The Management Board has concluded that the Group’s reportable segments are: (1) UK; (2) Continental Europe; (3) Australia; (4) North America; and (5) Holding Activities. These reportable segments are the basis on which the Group reports information to the Management Board.

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 for the year ended 31 December 2016 is presented below:

IN THOUSANDS OF POUNDS STERLING	UK	NORTH AMERICA	AUSTRALIA	CONTINENTAL EUROPE	HOLDING ACTIVITIES	TOTAL GROUP
Income from FVPL investments	19,783	52,412	16,047	11,281	–	99,523
Administration expenses	–	–	–	–	(5,508)	(5,508)
Other operating income – (net)	–	–	–	–	(9,318)	(9,318)
Results from operating activities	19,783	52,412	16,047	11,281	(14,826)	84,697
Finance cost	–	–	–	–	(2,252)	(2,252)
Finance income	–	–	–	–	11	11
Tax expense	–	–	–	–	(2,254)	(2,254)
Profit or loss from continuing operations	19,783	52,412	16,047	11,281	(19,321)	80,202

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

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

Segment information as at 31 December 2016 is presented below:

IN THOUSANDS OF POUNDS STERLING	UK	NORTH AMERICA	AUSTRALIA	CONTINENTAL EUROPE	HOLDING ACTIVITIES	TOTAL GROUP
Assets						
FVPL investments	221,522	188,371	108,671	51,362	–	569,926
Other non-current assets	–	–	–	–	68	68
Current assets	–	–	–	–	24,072	24,072
Total assets	221,522	188,371	108,671	51,362	24,140	594,066
Liabilities						
Non-current	–	–	–	–	49,082	49,082
Current	–	–	–	–	6,200	6,200
Total liabilities	–	–	–	–	55,282	55,282

The Holding Activities of the Group include the activities which are not specifically related to a specific project 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 05. ADMINISTRATION EXPENSES

IN THOUSANDS OF POUNDS STERLING	YEAR ENDED 31 DECEMBER 2017	YEAR ENDED 31 DECEMBER 2016
Personnel expenses	4,089	3,214
Office and other expenses	1,600	1,360
Legal and professional fees	1,186	909
Depreciation expense	25	25
	6,900	5,508

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 administration expenses. Depositary charges during the year amounted to £21,000 (2016: £18,000).

The legal and professional fees include audit, audit related and non-audit related fees charged by the Group's external auditor as follows:

IN THOUSANDS OF POUNDS STERLING	YEAR ENDED 31 DECEMBER 2017	YEAR ENDED 31 DECEMBER 2016
Audit fees	210	191
Audit related fees	–	–
Non-audit related fees	–	–
	210	191

NOTE 06. OTHER OPERATING EXPENSES

IN THOUSANDS OF POUNDS STERLING	YEAR ENDED 31 DECEMBER 2017	YEAR ENDED 31 DECEMBER 2016
Acquisition-related costs	981	183
Loss on derivative financial instruments (see Note 18)	–	10,870
	981	11,053

NOTE 07. FINANCE COST

IN THOUSANDS OF POUNDS STERLING	YEAR ENDED 31 DECEMBER 2017	YEAR ENDED 31 DECEMBER 2016
Finance cost on loans and borrowings (see Note 15)	2,630	2,252
	2,630	2,252

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 08. FINANCE INCOME

IN THOUSANDS OF POUNDS STERLING	YEAR ENDED 31 DECEMBER 2017	YEAR ENDED 31 DECEMBER 2016
Interest income from bank deposits	8	11
	8	11

NOTE 09. OTHER OPERATING INCOME

IN THOUSANDS OF POUNDS STERLING	YEAR ENDED 31 DECEMBER 2017	YEAR ENDED 31 DECEMBER 2016
Foreign currency exchange gain	209	1,391
Gain on derivative financial instruments (see Note 18)	2,189	–
Other income	519	344
	2,917	1,735

NOTE 10. FVPL INVESTMENTS

IN THOUSANDS OF POUNDS STERLING	31 DECEMBER 2017	31 DECEMBER 2016
Balance at 1 January	569,926	504,776
Acquisitions of/additional investment in FVPL investments	96,522	9,525
Income from FVPL investments	58,456	99,523
Distributions received from FVPL investments	(49,341)	(42,514)
Reclassification to other receivables/payables	(249)	(1,384)
	675,314	569,926

The impact of unrealised foreign exchange gains or losses on the income from FVPL investments for the year ended 31 December 2017 amounted to £7.9 million loss (year ended 31 December 2016: £51.2 million gain).

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 Entities; or (c) approvals of the external lenders on the financial models have been obtained.

As at 31 December 2017 and 2016, 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 projects.

Interest income, dividend income, project-related directors' fee income and other income, recorded under the accruals basis at the level of the consolidated subsidiaries for the year ended 31 December 2017, amounted to £47,092,000 (31 December 2016: £44,942,000). The associated cash flows from these items were taken into account when fair valuing the investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

During September 2017, the Group completed its investment in four operational PPP projects in Canada. All of these assets, as described below, were developed by SNC-Lavalin Group Inc. and are classified as availability-based under the investment policy of the Group.

- **The William R. Bennett Bridge** is a 2 km corridor that straddles Okanagan Lake to connect two communities, Kelowna and West Kelowna, in the interior of British Columbia. The project became operational in 2008 and the concession runs until 2035. Availability payments are received from the Province of BC (AAA rated by S&P). The Group's interest in the project is 80% of the project equity.
- **Canada Line** is a 19.5 km automated rail-based rapid transit service connecting downtown Vancouver with Richmond and the Vancouver International Airport. The project became operational in 2009 and the concession runs until 2040. Availability payments are received from Translink (Aa2 rated by Moody's). The Group's interest in the project is 26.7% of the project equity.
- **Southeast Stoney Trail** is a 25 km highway that is part of the Calgary Ring Road network. The project became operational in 2013 and the concession runs until 2043. Availability payments are received from the Province of Alberta (A+ rated by S&P). The Group's interest in the project is 40% of the project equity.
- **Restigouche Hospital Centre** is a 33,500 m² hospital with 140 beds located in Campbellton, New Brunswick. The project became operational in 2013 and the concession runs until 2044. Availability payments are received from the Province of New Brunswick (A+ rated by S&P). The Group's interest in the project is 80% of the project equity.

During the year, the Group made also additional investments in existing projects as follows:

- Mersey Gateway Bridge equity injection made upon construction completion
- an additional capital injection in the Golden Ears Bridge project to finance the payment of a tax related obligation, and
- additional investments in Royal Women's Hospital project and the Northeast Stoney Trail project.

Details of various PPP/PFI projects in the Company's portfolio and their respective acquisition dates are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

Company	Project Name	Country of Incorporation	Effective Ownership Interest on the Project	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 Hospitals	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. Bennet 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
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, Cologne-Rodenkirchen School, Frankfurt Schools, Fürst Wrede Military Base,	Germany Germany Germany Germany	50.0%	2014
Adger OPS Vegselkap AS	E18	Norway	100.0%	2013 and 2014
Kent Education Partnership Holdings Ltd.*	Kent Schools	UK	50.0%	2012
Healthcare Providers (Gloucester) Ltd.*	Gloucester Hospital	UK	50.0%	2012
Highway Management M80 Topco Limited*	M80	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 and Havering (LIFT)	UK	60.0%	2012
East Down Education Partnership (Holdings) Limited*	East Down Colleges	UK	66.7%	2012
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*	Staffordshire Fire Stations	UK	85.0%	2012
GB Consortium 1 Ltd.*	North London Estates Partnership Liverpool & Sefton Clinics (LIFT)	UK UK	53.3% (both)	2012 and 2014
Mersey Care Development Company 1 Limited*	Mersey Care Hospital	UK	76.2%	2013 and 2014
MG Bridge Investments Limited*	Mersey Gateway	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	UK	100.0%	2014, 2015
Blue Light Partnership (ASP) NewCo 2 Limited*	Police Headquarters			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/ies

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 11. CASH AND CASH EQUIVALENTS

IN THOUSANDS OF POUNDS STERLING	31 DECEMBER 2017	31 DECEMBER 2016
Bank deposits/balances	20,648	22,113
	20,648	22,113

NOTE 12. TAXES

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

IN THOUSANDS OF POUNDS STERLING	YEAR ENDED 31 DECEMBER 2017	YEAR ENDED 31 DECEMBER 2016
Tax expense	1,768	2,254
Total tax expense	1,768	2,254

The Company pays an annual subscription tax of 0.05% of its total net assets. For the year ended 31 December 2017 BBGI SICAV S.A. incurred a subscription tax expense of £298,000 (31 December 2016: £248,000). 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 2 for further details).

The composition of the tax payable is as follows:

IN THOUSANDS OF POUNDS STERLING	31 DECEMBER 2017	31 DECEMBER 2016
Current tax		
Current year tax payable	447	115
Previous year tax payable	166	71
Total current tax liability	613	186

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

IN THOUSANDS OF POUNDS STERLING	YEAR ENDED 31 DECEMBER 2017	YEAR ENDED 31 DECEMBER 2016
Profit before tax	50,870	82,456
Income tax using the Luxembourg domestic tax rate (2017: 27.08% and 2016: 29.22%)	13,776	24,094
Difference between domestic tax rate and applicable tax rate	227	248
Reconciling difference mainly due to fair valuation of projects net of gain/loss on derivatives (unrealised)	(12,235)	(22,088)
Tax charge for the year	1,768	2,254

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

A significant portion of the profit before tax results from fair valuation of FVPL investments. 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 Entities. The tax liabilities of the Project Entities are reflected within the fair value calculation of the FVPL investments.

There are no unrecognised taxable temporary differences. The Group has tax losses carried forward amounting to £3,895,000. The Group did not recognise any deferred tax asset on tax losses carried forward.

NOTE 13. CAPITAL AND RESERVES

SHARE CAPITAL

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

IN THOUSANDS OF POUNDS STERLING	31 DECEMBER 2017	31 DECEMBER 2016
Share capital as at 1 January	442,680	440,259
Issuance of ordinary shares through placing	58,533	–
Shares issuance cost on placing	(788)	–
Share capital issued through scrip dividends	5,636	2,421
	506,061	442,680

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 2017	31 DECEMBER 2016
In issue at beginning of the year	432,216	430,393
Shares issued through placing of ordinary shares	43,039	–
Shares issued through scrip dividends	3,850	1,823
	479,105	432,216

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

DIVIDENDS

The following final and interim dividends were declared and paid by the Company during the year ended 31 December 2017:

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 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 did not elect for the scrip.

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 did not elect for the scrip.

The following final and interim dividends were declared and paid by the Company during the year ended 31 December 2016:

IN THOUSANDS OF POUNDS STERLING EXCEPT AS OTHERWISE STATED	31 DECEMBER 2016
Final dividend of 3.0 pence per qualifying ordinary share – for the year ended 31 December 2015	12,912
Interim dividend of 3.125 pence per qualifying ordinary share – for period ended 30 June 2016	13,503
	26,415

The 31 December 2015 final dividend was paid in June 2016. The value of the scrip election was £2,245,000 with the remaining amount of £10,667,000 paid in cash to those investors that did not elect for the scrip.

The 30 June 2016 interim dividend was paid in October 2016. The value of the scrip election was £176,000 with the remaining amount of £13,327,000 paid in cash to those investors that did not elect for the scrip.

NET ASSET VALUE

The consolidated net asset value and net asset value per share as at 31 December 2017, 31 December 2016 and 31 December 2015 are as follows:

IN THOUSANDS OF POUNDS STERLING/PENCE	31 DECEMBER 2017	31 DECEMBER 2016	31 DECEMBER 2015
Net asset value attributable to the owners of the Company	621,360	538,784	482,370
Net asset value per ordinary share (pence)	129.69	124.66	112.08

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 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 2017	YEAR ENDED 31 DECEMBER 2016
Profit attributable to owners of the Company	49,102	80,202
Weighted average number of ordinary shares in issue	479,105	432,216
Basic and diluted earnings per share (in pence)	10.25	18.56

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 2017	YEAR ENDED 31 DECEMBER 2016
Shares outstanding as at 1 January	432,216	430,393
Effect of shares issued on placing of ordinary shares	43,039	–
Effect of scrip dividends issued	3,850	1,823
Weighted average – outstanding shares	479,105	432,216

Shares issued via scrip dividends and during placing have participation rights on all the profits or losses of the Group for the year ended 31 December 2017. 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.

NOTE 15. LOANS AND BORROWINGS

The Group has a three-year revolving credit facility from ING Bank and KfW IPEX-Bank (“RCF”). In June 2017 the Group increased the commitment under the RCF from £110 million to £180 million by utilising the accordion tranche provision. The term of the facility is three years, expiring in January 2018. The borrowing margin is 185 basis points over LIBOR.

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

As at 31 December 2016, the Group had utilised £70.3 million of the £110 million Revolving Credit Facility, of which £25.1 million was being used to cover letters of credit.

The interest payable under the credit facility as at 31 December 2017 amounted to £533,000 (31 December 2016: £45,000).

The unamortised debt issuance cost related to the above-mentioned credit facilities amounted to £100,000 as at 31 December 2017 (31 December 2016: £466,000). The unamortised debt issuance cost is netted against the amount withdrawn from the credit facility.

The total finance cost incurred in relation to the above-mentioned RCF for the year ended 31 December 2017 amounted to £2,630,000 (31 December 2016: £2,252,000) which includes debt issue expense of £690,000 (31 December 2016: £432,000).

Non-cash foreign exchange gain earned by the Group in relation to loans and borrowings amounted to £1,071,000 (31 December 2016: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

In October 2017 the Group secured a new multi-currency Revolving Credit Facility ('new RCF') of £180 million from ING and KfW. The new RCF replaced the £180 million old RCF with ING and KfW, when it expired in January 2018. DZ Bank AG subsequently acceded as a lender to the new RCF in February 2018.

The tenor of the new RCF is four years, commencing in January 2018. The borrowing margin has decreased to 165 bps over LIBOR. The arrangement fee and the commitment fee have also decreased. Under the new 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.

PLEDGES AND COLLATERALS

As of 31 December 2017, and 31 December 2016, and as a result of the refinancing described above, the Group has pledged the current and future assets held within the consolidated subsidiaries (see Note 19).

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.

NOTE 16. OTHER PAYABLES

Other payables are composed of the following:

IN THOUSANDS OF POUNDS STERLING	31 DECEMBER 2017	31 DECEMBER 2016
Accruals	2,550	2,823
Others	86	133
	2,636	2,956

NOTE 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017	31 DECEMBER 2016
Cash and cash equivalents	20,648	22,113
Trade and other receivables	262	1,897
	20,910	24,010

The maximum exposure to credit risk on receivables that are neither overdue nor impaired as of 31 December 2017, amounts to £262,000 (31 December 2016: £1,897,000).

As of 31 December 2017, the Group is also exposed to credit risk on the loan receivable and interest receivable component of FVPL investments (loans provided to Project Entities) totalling to £192,848,000 (2016: £194,309,000).

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

The Group establishes when necessary an allowance for impairment that represents its estimate of any potential losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that may have been incurred but are not yet identified. The collective loss allowance is determined based on historical data of payment related to such receivables. Currently there are no recorded allowances for impairment. All the Group's receivables are collectable and no significant amounts are considered as overdue or impaired.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

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

	31 DECEMBER 2017				31 DECEMBER 2016			
	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
IN THOUSANDS OF POUNDS STERLING								
Financial liabilities								
Loans and borrowings (see Note 15)	70,493	70,593	70,593	–	44,800	45,266	45	45,221
Trade payables	92	92	92	–	145	145	145	–
Derivative financial liability	1,932	1,932	1,876	56	7,195	7,195	2,868	4,327
Other payables	2,636	2,636	2,636	–	2,956	2,956	2,956	–
	75,153	75,253	75,197	56	55,096	55,562	6,014	49,548

The Group needs to maintain certain financial covenants under the RCF. Noncompliance with such covenants will trigger an event of default (see Note 15). At 31 December 2017 and 2016, 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.

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.

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.

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 (AUD), Canadian dollars (CAD), euros (EUR), Norwegian kroner (NOK) and US dollars (USD).

From time to time the Group enters into forward currency contracts to fix the foreign exchange rates in respect of a certain portion of future expected distributions to be received from the individual project entities which are not denominated in Pounds Sterling. Hedging transactions have not and will not be undertaken for speculative purposes. The management reviews the hedging strategy on an annual basis.

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 policy and believes it remains both appropriate and cost effective to continue with its four-year rolling hedge policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

There will be periods where the global nature of the Group's portfolio produces positive foreign exchange impacts on valuation and other times when the reverse is true.

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

IN THOUSANDS OF POUNDS STERLING	31 DECEMBER 2017				
	AUD	CAD	EUR	NOK	USD
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

IN THOUSANDS OF POUNDS STERLING	31 DECEMBER 2016				
	AUD	CAD	EUR	NOK	USD
Investments at fair value through profit or loss	108,671	159,913	20,346	31,016	28,458
Cash and cash equivalents	1,191	2,904	844	11	465
Trade payables	-	(2)	(91)	-	-
Other payables	(6)	(9)	(2,304)	-	-
	109,856	168,806	18,795	31,027	28,923

The significant exchange rates applied during the year ended 31 December 2017 and 31 December 2016 are as follows:

	31 DECEMBER 2017	
	AVERAGE GBP	SPOT RATE GBP
AUD 1	0.595	0.579
CAD 1	0.599	0.590
EUR 1	0.877	0.888
NOK 1	0.094	0.090
USD 1	0.777	0.741

	31 DECEMBER 2016	
	AVERAGE GBP	SPOT RATE GBP
AUD 1	0.551	0.584
CAD 1	0.559	0.603
EUR 1	0.819	0.853
NOK 1	0.088	0.094
USD 1	0.741	0.810

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

The impact of a strengthening or weakening of Pounds Sterling against the AUD, CAD, EUR, NOK and USD by 10% at 31 December 2017 and 2016 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, hedging instruments and other related costs.

INTEREST RATE RISK

Except for the loans and other receivables from Project Entities 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 2017 and 2016, 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 Entities and the borrowings of the Group. A change in the deposit rates used in valuing a Project Entity 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).

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 project 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 projects.

The management continuously monitors the ability of a particular Project Company to make distributions to the Group. During the year, there have been no significant 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 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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 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 2017					
IN THOUSANDS OF POUNDS STERLING	Fair value through profit or loss	Loans and receivables	Other financial liabilities	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

31 DECEMBER 2016					
IN THOUSANDS OF POUNDS STERLING	Fair value through profit or loss	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Assets					
FVPL investments	569,926	–	–	569,926	569,926
Trade and other receivables	–	1,897	–	1,897	1,897
Cash and cash equivalents	22,113	–	–	22,113	22,113
Derivative financial instruments	–	–	–	–	–
	592,039	1,897	–	593,936	593,936
Liabilities					
Loans and borrowings	–	–	44,800	44,800	45,266
Trade payables	–	–	145	145	145
Derivative financial instruments	7,195	–	–	7,195	7,195
Other payables	–	–	2,956	2,956	2,956
	7,195	–	47,901	55,096	55,562

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

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. An independent professional third party reviews this valuation.

The valuation is determined using the discounted cash flow methodology. The cash flows forecast to be received by the Company or its subsidiaries, generated by each of the underlying assets, and adjusted as appropriate to reflect the risk and opportunities, have been discounted using project-specific discount rates. The valuation methodology remains unchanged from previous reporting periods.

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

			31 DECEMBER 2017	31 DECEMBER 2016
Discount rate	Weighted average	↓	7.45%	7.56%
Indexation	UK		2.75%	1.75% in 2017, then 2.75%
	Canada		2.00% / 2.35%	1.00% / 1.35% in 2017, then 2.00% / 2.35%
	Australia		2.5%	1.5% in 2017, then 2.5%
	Germany	↔	2%	1% in 2017, then 2%
	Norway ¹		2.94%	1.94% in 2017, then 2.94%
	USA ²		2.5%	1.5% in 2017, then 2.5%
Deposit rates (p.a.)	UK		Unchanged	1% to 2020, then 2.5%
	Canada		Unchanged	1% to 2020, then 2.5%
	Australia	↓	2.0% to 2020, then 3.0% - 4.0% (short - medium term)	3.5% - 4.5% (short - medium term)
	Germany	(Australia)	Unchanged	1% to 2020, then 2.5%
	Norway		Unchanged	1.8% to 2020, then 3.5%
	USA		Unchanged	1% to 2020, then 2.5%
Corporate tax rates (p.a.)	UK		Unchanged	19% to 2019, then 17%
	Canada ³		26.5% / 27% / 29%	26% / 26.5% / 27%
	Australia	↕	Unchanged	30%
	Germany		Unchanged	15.8% (incl. Solidarity, excl. Trade tax)
	Norway		23%	25%
	USA		21%	35%

¹ Basket of four indices

² 80% of ORB indexation factor for revenue is contractual and is not tied to CPI

³ Individual tax rates vary among Provinces

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

OTHER KEY INPUTS AND ASSUMPTIONS INCLUDE:

- Any deductions or abatements during the operations period are passed down to subcontractors or are part of the planned lifecycle expenditures.
- Cash flows to and from the Company's subsidiaries and the portfolio investments are received at the times anticipated.
- Where the operating costs of the Company or portfolio investments are fixed by contract, such contracts are performed, and where such costs are not fixed, they are in line with the budget.
- The contracts under which payments are made to the Company and its subsidiaries remain on track and are not terminated before their contractual expiry dates.

DISCOUNT RATE SENSITIVITY

The discount rates used for individual assets range between 7.20% and 9.50%. The value weighted average rate is approximately 7.45% (7.56% at 31 December 2016). This methodology calculates the weighted average based on the value of each project 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 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 independently reviewed by an independent professional valuer.

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

EFFECTS IN THOUSANDS OF POUNDS STERLING	+1% TO 8.45% IN 2017*		-1% TO 6.45% IN 2017*	
	EQUITY	PROFIT OR LOSS	EQUITY	PROFIT OR LOSS
31 December 2017	(58,911)	(58,911)	68,514	68,514
31 December 2016	(52,649)	(52,649)	61,377	61,377

*Based on the average discount rate of 7.45%.

FOREIGN EXCHANGE RATE SENSITIVITY

A significant proportion of the Group'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 Pounds Sterling and the relevant local currencies will affect the value of the Company's underlying investments. During 2017, the appreciation of Pounds Sterling against the AUD, CAD, NOK and USD and the slight depreciation of Pounds Sterling against the EUR accounted for a decrease in the portfolio value of £7.9 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

The following table shows the sensitivity of the FVPL investments due to a change in foreign exchange rates compared to the Assumptions above:

EFFECTS IN THOUSANDS OF POUNDS STERLING	INCREASE BY 10%		DECREASE BY 10%	
	EQUITY	PROFIT OR LOSS	EQUITY	PROFIT OR LOSS
31 December 2017	(25,267)	(25,267)	32,179	32,179
31 December 2016	(27,913)	(27,913)	34,116	34,116

Sensitivity in comparison to the foreign exchange rates at 31 December 2017 and taking into account the contractual and natural hedges in place, derived by applying a 10% increase or decrease to the GBP/foreign currency rate.

INFLATION SENSITIVITY

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

EFFECTS IN THOUSANDS OF POUNDS STERLING	+1%		-1%	
	EQUITY	PROFIT OR LOSS	EQUITY	PROFIT OR LOSS
31 December 2017	37,383	37,383	(30,151)	(30,151)
31 December 2016	31,535	31,535	(27,022)	(27,022)

DEPOSIT RATE SENSITIVITY

The project cash flows are 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:

EFFECTS IN THOUSANDS OF POUNDS STERLING	+1%		-1%	
	EQUITY	PROFIT OR LOSS	EQUITY	PROFIT OR LOSS
31 December 2017	13,388	13,388	(13,443)	(13,443)
31 December 2016	11,832	11,832	(11,749)	(11,749)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

LIFECYCLE COSTS SENSITIVITY

Of the Group's 43 PPP/PFI projects, 15 project companies retain the lifecycle obligations. For the remaining 28 projects, this obligation is passed down to the subcontractors. The table below demonstrates the impact of a change in lifecycle costs:

EFFECTS IN THOUSANDS OF POUNDS STERLING	INCREASE BY 10%		DECREASE BY 10%	
	EQUITY	PROFIT OR LOSS	EQUITY	PROFIT OR LOSS
31 December 2017	(14,059)	(14,059)	14,644	14,644
31 December 2016	(13,445)	(13,445)	13,200	13,200

Sensitivity applied to the 15 projects in the portfolio which retain the lifecycle obligation, i.e. the obligation is not passed down to the subcontractor. These projects represent 50% of the total portfolio value as at 31 December 2017.

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 2017 amounted to a liability of £1,932,000 (31 December 2016: £7,195,000 – 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 2017 amounted to £2,189,000 (31 December 2016: £10,870,000 – loss).

During the year ended 31 December 2017, the Group realised a loss of £3,074,000 on the cash settlement of foreign exchange forwards (31 December 2016: £1,987,000 – 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).

The following table shows the grouping of assets/(liabilities) recognised at fair value under their respective 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 asset/(liability)	–	(1,932)	–	(1,932)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

The following table shows the grouping of assets/(liabilities) recognised at fair value in different levels as at 31 December 2016:

IN THOUSANDS OF POUNDS STERLING	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
FVPL investment	-	-	569,747	569,747
Derivative financial asset/(liability)	-	(7,195)	-	(7,195)

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 2017	31 DECEMBER 2016
Balance at 1 January	569,926	504,776
Acquisitions of/additional investment in FVPL investments	96,522	9,525
Income from FVPL investments	58,456	99,523
Distributions received from FVPL investments	(49,341)	(42,514)
Reclassification to other receivables/payables	(249)	(1,384)
	675,314	569,926

The impact of unrealised foreign exchange gains or losses on the income from FVPL investments for the year ended 31 December 2017, amounted to £7.9 million loss (year ended 31 December 2016: £51.2 million gain).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 19. SUBSIDIARIES

During the year ended 31 December 2017, 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 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

The Company's subsidiaries which are not consolidated, by virtue of the Company being an Investment Entity, are as follows:

Company	Project Name	Country of Incorporation	Effective Ownership Interest	Year Acquired/ Established
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
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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

Company	Project Name	Country of Incorporation	Effective Ownership Interest	Year Acquired/ Established
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
BBPI Member Trust	Northern Territory Secure Facilities	Australia	100.0%	2014
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 Investments 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 Hospitals	Canada	100.0%	2013
BBGI KVH Inc.	Kelowna and Vernon Hospitals	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%	2017
BBGI GHIB LP	Holding entity	Canada	100%	2017
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 Vegselkap AS	E18	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
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 and Havering (LIFT)	UK	100.0%	2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

Company	Project Name	Country of Incorporation	Effective Ownership Interest	Year Acquired/ Established
Barking Dagenham Havering Community Ventures Limited	Barking Dagenham and Havering (LIFT)	UK	60.0%	2012
Barking & Havering LIFT (Midco) Limited	Barking Dagenham and Havering (LIFT)	UK	60.0%	2012
Barking & Havering LIFT Company (No.1) Limited	Barking Dagenham and Havering (LIFT)	UK	60.0%	2012
East Down Education Partnership (Holdings) Limited	East Down Colleges	UK	66.7%	2012
East Down Education Partnership Limited	East Down Colleges	UK	66.7%	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	Staffordshire Fire Stations	UK	85.0%	2012
Fire Support (SSFR) Limited	Staffordshire Fire Stations	UK	85.0%	2012
Highway Management M80 Topco Limited	M80	UK	100.0%	2012
Tor Bank School Education Partnership (Holdings) Limited	Tor Bank	UK	100.0%	2013
Tor Bank School Education Partnership Limited	Tor Bank	UK	100.0%	2013
Mersey Care Development Company 1 Limited	Mersey Care	UK	76.2%	2013 and 2014
MG Bridge Investments Limited	Mersey Gateway	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 Headquarters	UK	100.0%	2014, 2015 and 2016
Blue Light Partnership (ASP) NewCo 2 Limited	Avon and Somerset Police Headquarters	UK	100.0%	2015
GT ASP Limited	Avon and Somerset Police Headquarters	UK	100.0%	2015
Blue Light Partnership (ASP) Holdings Limited	Avon and Somerset Police Headquarters	UK	100.0%	2014, 2015 and 2016
Blue Light Partnership (ASP) Limited	Avon and Somerset Police Headquarters	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
BBGI East End Holdings Inc.	Ohio River Bridges	USA	100.0%	2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 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 £157,000 in fees for the year ended 31 December 2017 (31 December 2016: £140,000). There are no outstanding amounts due as at 31 December 2017.

DIRECTORS' SHAREHOLDING IN THE COMPANY

IN THOUSANDS OF SHARES	31 DECEMBER 2017	31 DECEMBER 2016
David Richardson	172	166
Colin Maltby	117	112
Frank Schramm	251	193
Duncan Ball	252	193
Michael Denny	41	39
	833	703

REMUNERATION OF THE MANAGEMENT BOARD

Under the current remuneration program, all staff of BBGI Management HoldCo S.à r.l. 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 2017	31 DECEMBER 2016
Short-term benefits	1,962	1,550
Share-based payment	459	206
Other long-term benefits	-	55
	2,421	1,811

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

SHARE-BASED COMPENSATION

Each of the members of the Management Board received award letters (“2016 Award”, “2015 Award” and “2014 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:

	2016 AWARD	2015 AWARD	2014 AWARD
Return Period	December 2016-December 2019	December 2015-December 2018	December 2014-December 2017
Vesting period (by reference to performance measure – NAV Condition)	36 mos. ending 31/12/2019	36 mos. ending 31/12/2018	36 mos. ending 31/12/2017
Maximum number of shares which will vest	785,562	696,998	725,498

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:

	2016 AWARD	2015 AWARD	2014 AWARD
Share price at grant date	£ 1.395	£ 1.28	£ 1.21
Maturity	3 years	3 years	2.34 years
Target dividends (2017 to 2019)	£0.0625	–	–
Target dividends (2016 to 2018)	–	£0.06	–
Target dividends (2015 to 2017)	–	–	£ 0.06
Volatility	10%	10%	10%
Risk free rate	0.25%	0.85%	0.64%

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 2017	31 DECEMBER 2016
2016 Award	136	–
2015 Award	216	108
2014 Award	411	196
Amount recognised as additional paid-in capital	763	304

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

The amounts recognised as expenses in the Group's consolidated income statement are as follows:

IN THOUSANDS OF POUNDS STERLING	YEAR ENDED 31 DECEMBER 2017	YEAR ENDED 31 DECEMBER 2016
2016 Award	136	–
2015 Award	108	108
2014 Award	215	98
Amount recognised as additional paid in capital	459	206

In December 2017, each of the members of the Management Board received an award letter ("2017 Award"). The terms of the 2017 Award are comparable to the 2016 Awards.

RECEIVABLE COMPONENT OF FVPL INVESTMENTS

As at 31 December 2017, the loan receivable and interest receivable component of FVPL investments, which is included in the FVPL investments, amounted to £192,848,000 (31 December 2016: £194,309,000). 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.

TRADE AND OTHER RECEIVABLES

As at 31 December 2017, trade and other receivables include a short-term receivable from a project amounting to £249,000 (31 December 2016: £1,687,000). The remaining amount pertains to third-party receivables.

NOTE 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).

As of 31 December 2017 the Group has an equity subscription obligation in North Commuter Parkway project amounting to approximately £4.1 million which is supported by a letter of credit (see Note 15). This subscription obligations is due for payment upon the scheduled construction completion of the project.

During the year the Group settled the subscription obligation for the Mersey Gateway Bridge project, and the corresponding letter of credit was cancelled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 22. SERVICE CONCESSION AGREEMENTS

As at 31 December 2017, the Group has a portfolio of 43 projects (see also Note 10), with a weighted average remaining concession length of 21.8 years. The Group has a diverse asset mix from which the service concession receivables are derived. All projects are availability based.

The rights of both the concession provider and concession operator are stated within the specific project agreement.

The following table summarises the main information about the Group's outstanding service concession agreements:

Sector	Project Name	% Equity Owned on Project	Short Description of Concession Arrangement	Phase	Period of Concession (Operational Phase)		Investment Volume
					Start Date	End Date	
Availability Roads	Kicking Horse Canyon	50%	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	CAD 148 million
	Golden Ears Bridge	100%	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	CAD 1,117 million
	Northwest Anthony Henday Drive	50%	Partly design, build, finance and operate a major transport infrastructure project in Canada, a ring road through Edmonton, capital of the province of Alberta.	Operational	November 2011	October 2041	CAD 1,170 million
	M80	50%	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
	E18 Motorway	100%	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	NOK 3,604 million
	Northeast Stoney Trail	100%	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	CAD 424 million
	Ohio River Bridges	33.33%	Availability-fee DBFO East End Bridge Project entails 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	USD 1,175 million
	Mersey Gateway Bridge	37.5%	Construction 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

Sector	Project Name	% Equity Owned on Project	Short Description of Concession Arrangement	Phase	Period of Concession (Operational Phase)		Investment Volume
					Start Date	End Date	
	M1 Westlink	100%	DBFO project with significant amount of construction work completed in 2009 to upgrade key sections of approx. 60 km of motorway through Belfast and its vicinity, incl. O&M of the complete motorway.	Operational	February 2006	February 2036	£161 million
	North Commuter Parkway	50%	Design, construct, 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.	In construction	In construction	October 2018	CAD 311 million
	Canada Line	26.7%	Design, construct, 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	CAD 1,895 million
	Southeast Stoney Trail	40%	Design, construct, 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	CAD 524 million
	William R. Bennett Bridge	80%	Design, construct, finance, operate and maintain of a 1.1km long floating bridge in Kelowna, British Columbia, Canada.	Operational	May 2008	June 2035	CAD 184 million
Justice	Victoria Prisons	100%	Design, build, finance and operate, 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	AUD 244.5 million
	Burg Prison	90%	Design, build, finance and operate, for a concession period of 25 years, a new prison for the state of Saxony-Anhalt, Germany.	Operational	May 2009	April 2034	EUR 100 million
	Avon and Somerset Police Headquarters	100%	Design, build, finance 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%	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	AUD 620 million
Education	Bedford Schools	100%	Design, build, finance and operate the redevelopment of two secondary schools in the County of Bedfordshire.	Operational	June 2006	December 2035	£29 million
	Coventry Schools	100%	Design, build, finance and operate one new school and community facilities for the Coventry City Council.	Operational	In stages from March 2006 to June 2009	December 2034	£27 million

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

Sector	Project Name	% Equity Owned on Project	Short Description of Concession Arrangement	Phase	Period of Concession (Operational Phase)		Investment Volume
					Start Date	End Date	
	Kent Schools	50%	Design, build, finance and operate 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%	Design, build, finance and operate three new secondary schools for the Scottish Borders Council.	Operational	July 2009	November 2038	£92 million
	Clackmannanshire Schools	100%	Design, build, finance and operate the redevelopment of three secondary schools in Clackmannanshire, Scotland.	Operational	In stages from January to May 2009	March 2039	£77 million
	East Down College	66.67%	Design, build, finance and operate East Down Colleges in Northern Ireland.	Operational	June 2009	May 2036	£73.8 million (with Lisburn College)
	Lisburn College	100%	Design, build, finance and operate Lisburn College in Northern Ireland.	Operational	April 2010	May 2036	£73.8 million (with East Down College)
	Tor Bank School	100%	Develop, fund, build, operate and manage a new school for pupils with special education needs in Northern Ireland.	Operational	October 2012	October 2037	£13 million
	Lagan College	100%	Construction and redevelopment of one school entity in Northern Ireland	Operational	October 2013	September 2038	£33 million
	Cologne Schools	50%	Construction and redevelopment of five schools in Cologne.	Operational	April 2005	December 2029	EUR 32 million
	Cologne-Rodenkirchen School	50%	Construction of one school for approx. 1200 pupils in Cologne.	Operational	November 2007	November 2034	EUR 40 million
	Frankfurt Schools	50%	Construction and redevelopment of four schools in Frankfurt.	Operational	August 2007	July 2029	EUR 89 million
	North West Regional College	100%	Design, build, finance and maintain/operate of the North West Regional College educational campus in Derry, Northern Ireland	Operational	February 2001	January 2026	£9 million
	Belfast Metropolitan College	100%	Design, build, finance and maintain/operate of the Belfast Met educational campus in Milfield, Belfast, Northern Ireland	Operational	September 2002	August 2027	£20 million
Health	Gloucester Hospital	50%	Design, build, finance and operate a hospital scheme in Gloucester, England.	Operational	April 2005	February 2034	£38 million
	Liverpool and Sefton Clinics	53.33%	Design, build, finance, operate and manage primary healthcare facilities in Liverpool and Sefton.	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	53.33%	Design, build, finance and operate primary healthcare facilities of the Barnet, Enfield and Haringey LIFT programme.	Operational	In 4 tranches starting February 2006 and ending June 2013	In 4 tranches starting January 2031 and ending June 2043	£72 million

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

Sector	Project Name	% Equity Owned on Project	Short Description of Concession Arrangement	Phase	Period of Concession (Operational Phase)		Investment Volume
					Start Date	End Date	
	Barking Dagenham and Havering Clinics	60.0%	Design, build finance and operate 10 facilities/clinics in East London with project 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%	Design, build, finance and operate a new nine-storey Royal Women's Hospital in Melbourne.	Operational	June 2008	June 2033	AUD 316 million
	Mersey Care Hospitals (part of Liverpool Sefton Clinics above)	76.2%	Design, build, finance and operate 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%	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	CAD 432.9 million
	Women's College Hospital	100%	Design, build, finance and operate 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	CAD 345 million
	Restigouche Hospital Centre	80%	Design, build, finance and operate of the new Psychiatric Care Centre in Restigouche, New Brunswick, Canada.	Operational	June 2015	October 2044	CAD 210 million
Others	Staffordshire Fire Stations	85%	Design, build, finance and operate 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 and operate the administration building of the Unna District in Rhine-Westphalia, Germany.	Operational	July 2006	July 2031	EUR 24 million
	Fürst Wrede Military Base	50%	Refurbishment and new construction of a 32 hectare army barracks in Munich.	Operational	March 2008	March 2028	EUR 48 million

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The following pages show the Company's standalone financial statements

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 2017, 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 2017, 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 (the "Law of 23 July 2016") and with International Standards on Auditing (the "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 (the "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 SUBSIDIARY

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 14 and 15 in the financial statements. 95% of the Company’s total assets (in value) are investment in subsidiary and loans receivable from subsidiary subject to an impairment assessment at each reporting date. The conclusion whether there is objective evidence of impairment of investment in subsidiary and loans receivable from 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 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 key 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 the valuation of individual investment in subsidiary and 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 subsidiary consist of the analysis of the valuation of the underlying infrastructure assets that have been developed predominantly under the PPP/PFI or similar procurement models (“Infrastructure Investments”), which 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 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.

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 “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 scepticism 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 Boards' 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 "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 "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 28 April 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is seven 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 Company in conducting the audit.

Luxembourg, 28 March 2018

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 2017	YEAR ENDED 31 DECEMBER 2016
Administration expenses	4	(5,832)	(4,858)
Other operating expenses	5	(2,077)	(244)
Other operating income	6	2,622	17
Results from operating activities		(5,287)	(5,085)
Finance income	7	30,646	57,076
Finance costs	12	(1,386)	(2,252)
Net finance income		29,260	54,824
Profit before tax		23,973	49,739
Tax expense	8	(298)	(248)
Profit from continuing operations		23,675	49,491
Attributable to:			
Owners of the Company		23,675	49,491
Earnings per share			
Basic earnings per share	11	4.94	11.45
Diluted earnings per share	11	4.94	11.45

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 2017	31 DECEMBER 2016
Assets			
Loans receivable from subsidiary	14	255,611	465,150
Investment in subsidiary	15	97,112	2,000
Non-current assets		352,723	467,150
Loans receivable from subsidiaries	14	119,243	–
Interest and other receivables from subsidiary	14	10,542	–
Other current assets		307	69
Cash and cash equivalents	9	13,902	18,720
Current assets		143,994	18,789
Total assets		496,717	485,939
Equity			
Share capital	10	506,061	442,680
Retained earnings		(10,264)	(3,573)
Equity attributable to owners of the Company		495,797	439,107
Total equity		495,797	439,107
Liabilities			
Loans and borrowings	12	–	44,755
Non-current liabilities		–	44,755
Loans and borrowings	12	–	45
Trade payables		18	1,193
Other payables		825	780
Current tax liabilities	8	77	59
Current liabilities		920	2,077
Total liabilities		920	46,832
Total equity and liabilities		496,717	485,939
Net asset value	10	495,797	439,107
Net asset value per ordinary share (pence)	10	103.48	101.59

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 2016		440,259	(26,649)	413,610
Total comprehensive income for the year				
Profit for the year		–	49,491	49,491
Transactions with owners of the Company, recognised directly in equity				
Cash dividends	10	–	(23,994)	(23,994)
Scrip dividends	10	2,421	(2,421)	–
Balance at 31 December 2016		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

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 2017	YEAR ENDED 31 DECEMBER 2016
Cash flows from operating activities			
Profit for the year		23,675	49,491
Adjustments for:			
- Net finance income	7,12	(29,260)	(54,824)
- Foreign exchange loss		1,640	9
- Tax expense	8	298	248
		(3,647)	(5,076)
Changes in:			
- Other current assets		(238)	(18)
- Trade payables		719	3,582
- Other payables		7	150
Cash generated from operating activities		(3,159)	(1,362)
Interest paid		(1,026)	(1,832)
Taxes paid		(280)	(250)
Net cash flows from operating activities		(4,465)	(3,444)
Cash flows from investing activities			
Interest received		6,985	42,018
Loans provided to subsidiary		-	(9,525)
Loan repayment from subsidiary		4,769	-
Net cash flows from investing activities		11,754	32,493
Cash flows from financing activities			
Proceeds of issuance of ordinary shares - net	10	57,745	-
Payments of loans and borrowings	12	(45,160)	(180)
Dividends paid	10	(24,730)	(23,994)
Net cash flows from financing activities		(12,145)	(24,174)
Net increase (decrease) in cash and cash equivalents		(4,856)	4,875
Impact of foreign exchange gain (loss) on cash and cash equivalents		38	(9)
Cash and cash equivalents at 1 January	9	18,720	13,854
Cash and cash equivalents at 31 December	9	13,902	18,720

The accompanying notes form an integral part of the Company's financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 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 principally invests in a diversified portfolio of operational Public Private Partnership (PPP)/ Private Finance Initiative (PFI) infrastructure assets or similar assets.

The Company had no employees as of 31 December 2017 and 2016, respectively.

REPORTING PERIOD

The Company’s reporting period runs from 1 January to 31 December each year. The Company’s statement of financial position, income statement, statement of comprehensive income and statement of cash flows include comparative figures as at 31 December 2016.

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.

NOTE 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 2016 except for the below:

- In January 2016, the IASB published amendments to IAS 12 (Income Taxes) under the title “Recognition of Deferred Tax Assets for Unrealised Losses”. These amendments clarify the accounting for deferred tax assets related to debt instruments measured at fair value. The amendments are to be applied for annual periods beginning on or after 1 January 2017. The Company did not have any deferred tax assets as at 31 December 2017 and as such the amendment had no impact in the Company’s financial statements during the year.
- In January 2016, the IASB published amendments to IAS 7 (Statement of Cash Flows) under its Disclosure Initiative. Under the amendments, the following changes in liabilities arising from financing activities must be disclosed in the future: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; (v) other changes. The amendments are to be applied for annual periods beginning on or after 1 January 2017. The impact of non-cash transactions from financing and investing activities is disclosed in Note 14 of the Company’s financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost basis, except for certain financial instruments that are valued at fair value, if applicable.

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 subsidiary are measured at cost less accumulated impairment losses. Impairment is tested at least annually by comparing the cost of the loans and investments with the net present value of cash flows in relation to the investee (and its subsidiaries), 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 projects. The cash flows are discounted at the applicable discount rate for companies involved in service concession projects. 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 2017, the Company believes that there is no impairment to be recorded on its investment in subsidiary and the loans and receivables from subsidiary.

GOING CONCERN BASIS OF ACCOUNTING

The Management Board has examined significant areas of possible financial risk including cash and cash requirements. They have 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.

NOTE 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

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.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, and available-for-sale financial assets.

At the balance sheet date, except for the investment in subsidiary accounted for at cost, all non-derivative financial assets of the Company have been classified as loans and receivables.

LOANS AND RECEIVABLES

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.

NON-DERIVATIVE FINANCIAL LIABILITIES

The Company 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 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

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset or group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset(s), and that loss event(s) had an impact on the estimated future cash flows of the asset(s) that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

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 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 statement of comprehensive income 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 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 consolidated financial statements as follows:

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 is required to adopt IFRS 9 Financial Instruments from 1 January 2018. The Company has assessed the estimated impact that the initial application of IFRS 9 will have on its consolidated financial statements. The estimated impact of the adoption of IFRS 9 as at 1 January 2018 is based on the assessments taken to date and is summarised below. The actual impacts of adopting the standards at 1 January 2018 may change because of other factors that will come to the attention of the Management during 2018, which were not considered during such assessment. The main impact of IFRS 9 on the Company's consolidated financial statements is regarding classification of financial assets and liabilities.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

IFRS 9 contains a new classification and measurement approach for financial asset 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 eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

The Company financials assets are mainly its equity investment in subsidiary, loans and other receivables for subsidiaries which is valued at amortised cost, and at 31 December 2017 (see Note 14 and 15). The Company does not classify any financial asset as held to maturity or available for sale.

During the Company's analysis, the Company has taken into consideration the following factors:

- Business model assessment – The business model of the Company regarding the investment in subsidiary and loans and other receivables from subsidiaries is 'hold and collect'. There are no other significant financial asset class aside from such.
- Purpose to collect contractual cash flows – The Company's purpose of holding its investment in subsidiary and loans and other receivables from subsidiaries is to collect cash flows. The cash flows arising from such will be used to pay dividends or return of capital to shareholders of the Company.

Based on the above, the Company's loans and other receivables from subsidiaries will continue to be valued at amortised cost. The Company will continue to value its investment in subsidiary at cost under IAS 27.

IFRS 9 largely retains 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. As such, IFRS 9 does not have any impact on the Company's financial liabilities.

The provisions of IFRS 9 regarding impairment, expected credit loss models, and hedging are not expected to have significant impact to the Company.

OTHER NEW STANDARDS

- In April 2016, the IASB issued IFRS 15 (Revenue from contracts with customers). IFRS 15 replaces 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 is applicable for annual periods beginning on or after 1 January 2018 as endorsed by the European Union. The changes are not expected to have a significant impact on the Group's financial position or results of operations.
- 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 but has not yet been endorsed by the European Union. The changes are not expected to have a significant impact on the Group's financial position or results of operations.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 4. ADMINISTRATION EXPENSES

IN THOUSANDS OF POUNDS STERLING	YEAR ENDED 31 DECEMBER 2017	YEAR ENDED 31 DECEMBER 2016
Support agreement fees (see Note 14)	4,511	3,632
Legal and professional fees	769	591
Other administration expenses	552	635
	5,832	4,858

Depositary charges during the year amounted to £21,000 (2016: £18,000).

The legal and professional fees include audit, audit related and non-audit related fees charged by the Company's external auditor as follows:

IN THOUSANDS OF POUNDS STERLING	YEAR ENDED 31 DECEMBER 2017	YEAR ENDED 31 DECEMBER 2016
Audit fees	179	165
Audit related fees	–	–
Non-audit related fees	–	–
	179	165

NOTE 5. OTHER OPERATING EXPENSES

IN THOUSANDS OF POUNDS STERLING	YEAR ENDED 31 DECEMBER 2017	YEAR ENDED 31 DECEMBER 2016
Foreign currency translation loss	1,640	9
Acquisition related costs	254	86
Others	183	149
	2,077	244

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 6. OTHER INCOME

IN THOUSANDS OF POUNDS STERLING	YEAR ENDED 31 DECEMBER 2017	YEAR ENDED 31 DECEMBER 2016
Foreign exchange indemnity agreement income (see Note 14)	2,558	–
Others	64	17
	2,622	17

NOTE 7. FINANCE INCOME

IN THOUSANDS OF POUNDS STERLING	YEAR ENDED 31 DECEMBER 2017	YEAR ENDED 31 DECEMBER 2016
Finance income from multi-currency facility (see Note 14)	22,204	–
Finance income from profit participating loans (see Note 14)	7,986	55,027
Finance income from projects	453	750
Interest income from deposits	3	5
Finance income from shareholder loan (see Note 14)	–	1,294
	30,646	57,076

NOTE 8. TAXES

IN THOUSANDS OF POUNDS STERLING	31 DECEMBER 2017	31 DECEMBER 2016
Current tax expense		
Subscription tax	77	59
	77	59

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017	YEAR ENDED 31 DECEMBER 2016
Profit before tax	23,973	49,739
Tax using the Company's domestic tax rate	–	–
Subscription tax expense	298	248
Tax charge for the year	298	248

The Company pays an annual subscription tax of 0.05% of its total net assets under investment basis. For the year ended 31 December 2017 BBGI SICAV S.A. incurred a subscription tax expense of £298,000 (31 December 2016: £248,000). All direct and indirect subsidiaries of the Company are subject to taxation at the applicable rate in their respective jurisdictions.

NOTE 9. CASH AND CASH EQUIVALENTS

IN THOUSANDS OF POUNDS STERLING	31 DECEMBER 2017	31 DECEMBER 2016
Bank balances/deposits	13,902	18,720
	13,902	18,720

NOTE 10. CAPITAL AND RESERVES

SHARE CAPITAL

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

IN THOUSANDS OF POUNDS STERLING	31 DECEMBER 2017	31 DECEMBER 2016
Share capital as at 1 January	442,680	440,259
Issuance of ordinary shares through placing	58,533	–
Shares issuance cost on placing	(788)	–
Share capital issued through scrip dividends	5,636	2,421
	506,061	442,680

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017	31 DECEMBER 2016
In issue at beginning of the year	432,216	430,393
Shares issued through placing of ordinary shares	43,039	–
Shares issued through scrip dividends	3,850	1,823
	479,105	432,216

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 following final and interim dividends were declared and paid by the Company during the year ended 31 December 2017:

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 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 did not elect for the scrip.

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 did not elect for the scrip.

The following final and interim dividends were declared and paid by the Company during the year ended 31 December 2016:

IN THOUSANDS OF POUNDS STERLING EXCEPT AS OTHERWISE STATED	YEAR ENDED 31 DECEMBER 2016
Final dividend of 3.0 pence per qualifying ordinary share – for the year ended 31 December 2015	12,912
Interim dividend of 3.125 pence per qualifying ordinary share – for period ended 30 June 2016	13,503
	26,415

The 31 December 2015 final dividend was paid in June 2016. The value of the scrip election was £2,245,000 with the remaining amount of £10,667,000 paid in cash to those investors that did not elect for the scrip.

The 30 June 2016 interim dividend was paid in October 2016. The value of the scrip election was £176,000 with the remaining amount of £13,327,000 paid in cash to those investors that did not elect for the scrip.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

NET ASSET VALUE

The Company net asset value and net asset value per share as of 31 December 2017, 2016 and 2015 are as follows:

IN THOUSANDS OF POUNDS STERLING/PENCE	31 DECEMBER 2017	31 DECEMBER 2016	31 DECEMBER 2015
Net asset value attributable to the owners of the Company	495,797	439,107	413,610
Net asset value per ordinary share (pence)	103.48	101.59	96.10

NOTE 11. EARNINGS PER SHARE

The basic and diluted earnings per share at 31 December 2017 and 2016 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 2017	YEAR ENDED 31 DECEMBER 2016
Profit attributable to ordinary shareholders	23,675	49,491
Weighted average number of ordinary shares in issue	479,105	432,216
Basic and diluted earnings per share (in pence)	4.94	11.45

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 2017	YEAR ENDED 31 DECEMBER 2016
Shares outstanding as at 1 January	432,216	430,393
Effect of shares issued on placing of ordinary shares	43,039	-
Effect of scrip dividends issued	3,850	1,823
Weighted average – outstanding shares	479,105	432,216

Shares issued via scrip dividends and during placing have participation rights on all the profits or losses of the Group for the year ended 31 December 2017. 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 12. LOANS AND BORROWINGS

In September 2017 BBGI Management Holdco Sarl (MHC) has replaced the Company as a borrower under the three-year revolving credit facility from ING Bank and KfW IPEX-Bank ("RCF"), including all unamortised debt issue cost. There were no borrowings (drawdowns) outstanding or interest payable at the date of transfer.

As at 31 December 2016, the Company had utilised £70.3 million of the £110 million Revolving Credit Facility, of which £25.1 million was being used to cover letters of credit.

The finance cost incurred and attributable to the Company for the year ended 31 December 2017 amounted to £1,386,000 (31 December 2016: £2,252,000). The total finance cost for the year ended 31 December 2017 includes the amortisation of the debt issue cost of £405,000 (31 December 2016: £432,000).

PLEDGES AND COLLATERALS

The Company, as an obligor under the RCF, has pledged all the current and future assets.

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.

NOTE 13. 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017	31 DECEMBER 2016
Loans and other receivable from subsidiaries	385,396	465,150
Cash and cash equivalents	13,902	18,720
	399,298	483,870

RECOVERABLE AMOUNTS OF RECEIVABLES AND OTHER CURRENT AND NON-CURRENT ASSETS

The Company establishes an allowance for impairment that represents its estimate of any potential losses in respect of receivables and other current assets and noncurrent assets. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment related to such receivables and other current assets and noncurrent assets. Currently there are no recorded allowances for impairment. All the Company's receivables are collectible and no significant amounts are considered as overdue or impaired.

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 credit risks related to the cash and cash equivalents maintained with banks.

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 projects. The Company also regularly monitors the 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 2017. The Company has sufficient cash and cash equivalents and funding sources to pay currently maturing obligations.

MARKET 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 dollars (AUD), Canadian dollars (CAD), euros (EUR), Norwegian kroner (NOK) and US dollars (USD).

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

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

IN THOUSANDS OF POUNDS STERLING	31 DECEMBER 2017				
	AUD	CAD	EUR	NOK	USD
Cash and cash equivalents	22	836	748	2	8

IN THOUSANDS OF POUNDS STERLING	31 DECEMBER 2016				
	AUD	CAD	EUR	NOK	USD
Cash and cash equivalents	1,131	2,237	365	3	373

The significant exchange rates applied during the year ended 31 December 2017 and 31 December 2016 are as follows:

	31 DECEMBER 2017	
	AVERAGE GBP	SPOT RATE GBP
AUD 1	0.595	0.579
CAD 1	0.599	0.590
EUR 1	0.877	0.888
NOK 1	0.094	0.090
USD 1	0.777	0.741

	31 DECEMBER 2016	
	AVERAGE GBP	SPOT RATE GBP
AUD 1	0.551	0.584
CAD 1	0.559	0.603
EUR 1	0.819	0.853
NOK 1	0.088	0.094
USD 1	0.741	0.810

A strengthening (weakening) of Pounds Sterling against the AUD, CAD, EUR, NOK and USD, as applicable, by 10% at 31 December 2017 and 31 December 2016 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 forecasted revenues, hedging instruments and other related costs.

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).

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

The fair value of loans and other receivable from subsidiary and investment in subsidiary, with a total carrying value of £ 482,508,000 (2016: £467,150,000), amounts to £609,131,000 (2016: £572,337,000). 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 covered by these financial statements, the Company complied with all externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

NOTE 14. 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 £157,000 (2016: £140,000). There are no outstanding amounts due as of 31 December 2017.

PROFIT PARTICIPATING LOAN

The Company as lender and BBGI Management Holdco S.à r.l. (MHC), its wholly owned subsidiary, as borrower had entered into a profit participating loan (PPL) agreement. Pursuant to this agreement the Company undertook to make available an interest bearing loan to MHC for the purposes of funding its initial and subsequent acquisitions of interests in PPP/PFI infrastructure assets. As at 31 December 2016 the outstanding balance under the PPL amounted to £421,285,000. During 2017, the Company converted all of the outstanding balance under the PPL into a combination of the following (a) multicurrency facility (MCF) of £219,222,000 (b) interest free loans (IFL1 and IFL2) totalling to £106,951,000 and (c) additional equity contribution of £95,112,000.

The interest income from PPL for the year ended 31 December 2017 amounted to £7,986,000 (2016: £55,027,000).

The interest outstanding under the PPL amounted to £1,766,000 as of 31 December 2017 (31 December 2016: nil).

SHAREHOLDER LOAN

The Company as lender and MHC as borrower have entered into a shareholder loan (SHL) agreement which matures in January 2018. Pursuant to this agreement the Company has undertaken to make available an interest bearing loan to MHC for the purposes of funding certain acquisitions. As at 31 December 2016 the outstanding balance of the SHL amounted to £43,865,000. On 1 January 2017, the Company converted all the outstanding balance of the SHL to MCF amounting to £43,865,000.

There was no interest income related to the SHL for the year ended 31 December 2017 (2016: £1,294,000). There was no outstanding interest payable under the SHL as of 31 December 2017 and 2016.

MULTICURRENCY FACILITY

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 infrastructure assets.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

At the date of entering into the agreement, the Company converted PPL amounting to £219,222,000 and SHL amounting to £43,864,000 into MCF. Movements in the MCF during the year are as follows:

IN THOUSANDS OF POUNDS STERLING	YEAR ENDED 31 DECEMBER 2017
1 January – conversion of PPL and SHL into MCF	263,086
Additions	19,684
Capitalisation of interest under MCF	1,766
Conversion to interest free loan (see below)	(21,107)
Principal payments received	(6,244)
Foreign exchange movements	(1,574)
	255,611

Additions during the year is composed of conversion of outstanding interest on MCF of £10,869,000 and conversion of outstanding interest free loan of £8,815,000 (under IFL 2 – see below) into MCF.

During the year, the finance income from the MCF amounted to £22,204,000. The unpaid amount of MCF interest receivable amounting to £6,157,000 is shown as interest receivables from subsidiary in the Company's statement of financial position.

INTEREST FREE LOANS

On 1 January 2017, the Company as a lender and MHC as a borrower, entered into an interest free loan agreement (IFL1). The Company converted a portion of the PPL amounting to £8,315,000 into IFL1 on 1 January 2017. The interest free loan matures on 1 January 2018 with the possibility to extend it from time to time and to introduce an arm's length interest rate at the moment of any extension.

On 1 January 2017, MHC assigned its rights under the interest free loan receivable (IFL SCA) of £8,315,000 with SCA to the Company. As a consideration for this assignment, the outstanding amount owed by MHC under IFL 1 was fully extinguished. The IFL SCA matures on 1 January 2018 with the possibility to extend it from time to time and to introduce an arm's length interest rate. There were no further movements under IFL1 during the year.

In November 2017, the Company as a lender and MHC as a borrower, entered into an interest free loan agreement (IFL2). The Company converted a portion of the PPL amounting to £98,636,000 into IFL 2 on 1 January 2017. The interest free loan matures in November 2018 with the possibility to extend it from time to time and to introduce an arm's length interest rate. During the year, an IFL2 principal was amounting to £8,815,000 was converted to MCF. As of 31 December 2017, IFL2 amounted to £89,821,000.

In January 2017, the Company as a lender and MHC as a borrower, entered into a further interest free loan agreement (IFL3) amounting to £21,107,000. The amount was converted from MCF to IFL3, a non-cash transaction. The interest free loan matures on January 2018 with the possibility to extend it from time to time and to introduce an arm's length interest rate. There were no further movements under the IFL3 during the year.

The above interest free loans were shown as current loans receivable from subsidiaries in the Company's statement of financial position.

FOREIGN EXCHANGE INDEMNITY AGREEMENT

With effect 1 January 2017, 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

During the year, MHC earned a net foreign exchange gain of £2,558,000 which remains outstanding as of 31 December 2017. The outstanding amount under the Indemnity Agreement is presented in the Company's statement of financial position as other receivable from subsidiary.

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 2017, the Company recorded Support Agreement expenses amounting to £4,511,000 (2016: £3,632,000).

As of 31 December 2017, the Company settled all outstanding liability to MHC in relation to the above through offset with interest on the MCF amounting to £3,061,000 and cash payment.

NOTE 15. SUBSIDIARY

MHC, the Company's sole direct subsidiary is a Luxembourg domiciled entity. The Company's total equity investment in MHC amounted to £97,112,000 as of 31 December 2017 (2016: £2,000,000). The increase during the year represents the conversion of PPL to equity investment in MHC totalling to £95,112,000.

The Company's investments in PPP/PFI infrastructure assets, or similar assets, were made and will continue to be made through MHC.

NOTE 16. COMMITMENTS AND CONTINGENCIES

In addition to other commitments and contingencies mentioned above, the Company 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 4).

BOARD MEMBERS, AGENTS & ADVISERS

SUPERVISORY BOARD

- David Richardson (Chairman)
- Colin Maltby
- Howard Myles

MANAGEMENT BOARD

- Duncan Ball
- Michael Denny
- Frank Schramm

REGISTERED OFFICE

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CENTRAL ADMINISTRATIVE AGENT, LUXEMBOURG REGISTRAR AND TRANSFER AGENT, DEPOSITARY & PRINCIPAL PAYING AGENT

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