BBGI

Annual Report 2016

A Global Infrastructure Company

Registre de Commerce
et des Sociétés Luxembourg:
B163879

FOR THE YEAR ENDED 31 DECEMBER 2016

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

CAUTIONARY STATEMENT

The "Review Section" of this report, which includes the Company Overview, the Chairman's Statement and the Report of the Management Board, has 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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COMPANY OVERVIEW: Key characteristics as at 31 December 2016

THE COMPANY

BBGI SICAV S.A. ("BBGI", or the "Company" or, together with its consolidated subsidiaries, the "Group")

REGULATOR

Commission de Surveillance du Secteur Financier ("CSSF")

LEGAL FORM

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 CSSF under Part II of the Luxembourg law of 17 December 2010 on undertakings for collective investments with an indefinite life.

SHARES

Sterling denominated ordinary shares of no par value.

In issue	432,215,636
Price at 31.12.16	£1.38 per share
ISA, PEP and SIPP status	Eligible for PEPs/ISAs inclusion (subject to applicable subscription limits) provided they are purchased in the open market. Permissible assets for SIPPs.

MARKET CAPITALISATION

£596.5 million at 31 December 2016

INVESTMENT BASIS NAV

126.1 pence per share

TARGET DIVIDEND

Minimum 6.25 pence per share per annum dividend targeted from 2016 onwards[1]

TARGET IRR

7%–8% on the £1 IPO issue price[1]

INVESTMENT POLICY

- Infrastructure assets — Public Private Partnership (PPP)/Private Finance Initiative (PFI) or equivalent
- Largely operational assets and availability-based revenues
- Public sector or government-backed counterparties with diverse risk profiles
- Single asset target limit of 20% of portfolio value, subject to 25% maximum[2]
- Construction assets limited to maximum 25% of portfolio value.
- Demand-based assets limited to maximum 25% of portfolio value.

PORTFOLIO

- Global, geographically diversified portfolio with strong yield characteristics, contracted government-backed revenue streams, inflation-linked returns and long-term contracts
- 39 projects with a fair market value of £569.9 million independently reviewed
- Weighted average concession length of 22.6 years
- Weighted average debt maturity is 19.2 years
- Diverse asset mix with focus on lower risk, availability-based road projects
- 100% of the portfolio assets by value are operational[3]. Mix of availability-based social infrastructure, which represents 60% of the portfolio value, and availability-based transport infrastructure which represents 40%.
- Assets by value located 39% UK, 28% Canada, 19% Australia, 9% Continental Europe and 5% USA
- Stable cash flows with inflation-protection characteristics
- Potential for upside through active management of the portfolio

MANAGEMENT

- Internally managed with experienced PPP/PFI in-house management team
- Experienced and independent Supervisory Board
- Strong governance model and alignment of interests between management team and shareholders
- Management team remunerated through long-term and short-term incentive plans that prioritise total shareholder returns and net asset value per share, rather than increasing assets under management.
- Management team fully committed to the management of the Company with no competing interests.
- No fees payable to external manager (e.g. no fund management or acquisition fees)
- Ongoing charges[4] percentage of 0.98% of average undiluted NAV for the year includes all internal and external recurring costs.

GEARING

- Prudent use of leverage with maximum ratio of 33% of portfolio value
- No structural gearing
- £110 million credit facility in place with access to a further £70 million accordion tranche

DISCOUNT MANAGEMENT

- Able to make discretionary share repurchases through market purchases or tender offers
- Next continuation vote at 2017 annual general meeting and every second year thereafter

WEBSITE www.bb-gi.com

[1] This is a target only and not a profit forecast. No assurances are given that targets will be met. The internal rate of return is the "annualized effective compounded return rate" or rate of return that makes the net present value of all cash flows (both positive and negative) from a particular investment equal to zero.

[2] It is intended that when any new acquisition is made, the investment acquired does not have an acquisition value greater than 20% of the portfolio value of the Company immediately post-acquisition, but subject to an absolute maximum of 25%.

[3] Refer to the Portfolio Breakdown on page 10 for further detail.

[4] The Ongoing Charges is a measure which shows the drag on performance caused by operational expenses at the consolidated Group level.

FINANCIAL & OPERATIONAL HIGHLIGHTS

- Investment Basis NAV[5] ("NAV") per share up 13.1% at 126.1 pence as at 31 December 2016 (111.5 pence – 31 December 2015).
- NAV up 13.6% at £545.0 million as at 31 December 2016 (£479.8 million – 31 December 2015).
- Total shareholder return ("TSR") since listing in December 2011 to 31 December 2016 of 70.7%[6] equating to a compound annual growth rate ("CAGR") of 11.2% which is well above the IRR target of 7% to 8% on the £1 IPO issue price.
- During the year, the Board increased the annual dividend target by 4.2% to 6.25 pence per share. An interim dividend of 3.125 pence per share was paid on 26 October 2016 and a further dividend of 3.125 pence per share is proposed for the year ended 31 December 2016.
- An Ongoing Charges ratio of 0.98% that we believe continues to be the lowest in the UK listed infrastructure sector.
- Market capitalisation increased to £596.5 million at 31 December 2016, up 7.2% from £556.3 million at 31 December 2015.
- Shares continue to trade at a premium to the NAV, and stood at a premium of 9.4% as at 31 December 2016[7].
- Portfolio performance and cash receipts were ahead of business plan and underlying financial models.
- At 31 December 2016, the Group had, on an Investment Basis, a net debt position of £21.4 million consisting of a total cash balance of £23.8 million and total borrowings outstanding of £45.2 million. In addition, the Company has utilised a further £25.1 million of the debt facility to cover outstanding letters of credit.
- The portfolio of 39 projects has a fair market value of c. £569.9 million at 31 December 2016, with additional equity of £23.4 million committed.
- Average discount rate of 7.56% at 31 December 2016 compared with 7.86% at 31 December 2015.
- The successful transitions of Women's College Hospital (Canada) from ramp-up phase to full operations, and Ohio River Bridges (US) from construction to ramp-up phase, have contributed to the reduction in the average discount rate.
- Significant foreign exchange tailwind resulted in a £51.2 million uplift in the portfolio value. Put into context, since listing in December 2011 the net cumulative effect of foreign exchange movement on the portfolio value has been an uplift of £6.6 million or 1.2% of the NAV at 31 December 2016. The Company continues to hedge forward forecast project distributions on a four-year rolling basis in line with its hedging policy.
- International Financial Reporting Standards NAV ("IFRS NAV") of £538.8 million as at 31 December 2016 (£482.4 million – 31 December 2015).
- Net profit under IFRS of £80.2 million for the year ended 31 December 2016 (£35.6 million—year ended 31 December 2015).
- Global demand for PPP infrastructure assets remains strong, with demand exceeding supply in most markets. This trend has continued to have a favourable impact on valuations, but also makes it more difficult to find new investment opportunities which are accretive.
- We will pursue attractive primary development opportunities on a selective basis and will also continue to consider secondary acquisitions on an opportunistic basis.

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[5] Refer to page 35, Financial Results, for further detail on Investment Basis NAV.

[6] 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 2016 and after adding back dividends paid or declared since listing.

[7] Calculated based on a closing share price of 138 pence at 31 December 2016.

CHAIRMAN'S STATEMENT

David Richardson,
Chairman

DEAR SHAREHOLDER,

I am pleased to introduce this Annual Report for the year ended 31 December 2016.

The underlying performance for the year was robust with cash flows coming in ahead of the business model and discount rates continuing to edge down. Cost control has been rigorous and ongoing charges, which are largely Euro denominated, came in at 0.98%. Altogether, this performance has given the Board the confidence to propose raising the full-year dividend to 6.25 pence per share, an increase of 4.2% for the year.

The financial numbers for the year to 31 December 2016 have been heavily influenced by the weakening of Sterling, the company's reporting currency, following the UK's EU membership referendum. Some 61% of the Company's assets are located outside the UK and denominated in major currencies other than Sterling. The resultant £51.2 million foreign exchange uplift on the portfolio value, together with the results of active asset management and the bringing into operation of assets previously under construction, have all contributed to a NAV increase of 13.6%. It is noteworthy that the net effect of foreign exchange movements since the Company was listed in December 2011 has been an increase in the portfolio value of £6.6 million, or 1.2% of the NAV at 31 December 2016.

With interest rates remaining low across the world, competition for infrastructure assets offering strong uncorrelated yields from secure counter-parties remains intense. As a result, your company has continued to bid for primary opportunities where better value for shareholders is perceived and only selectively bids for secondary opportunities. The Management Report pages 17 to 45 sets out the status of our current pipeline of investment opportunities.

As previously advised, legislation was scheduled to be tabled at the Luxembourg parliament which would enable the company to raise new capital without having to limit the price to within a 5% premium of the latest published NAV per share at the time of the issue. Although we are confident that the legislation will be passed, unfortunately, the implementation is still in progress and the Company still has no clear line of sight as to when it will be approved. Consequently, in order to raise the additional capital to progress our strategic plans, we are today announcing a 'tap issue' placing of new shares in the Company to raise c£58 million, with the net proceeds to be utilised initially in paying down bank debt.

Better news is emerging from the exemptions which are likely to be available following the OECD project on Base Erosion and Profit Shifting (BEPS) on the limitation of interest deductibility. We believe, now, that any adverse effect on the Company's cash flows should not be material.

Since our launch in 2011, management has worked diligently to ensure the success of the Company and has produced a compound annual total shareholder return of 11.2%. In accordance with our Articles, a motion to support the continuation of the Company will be tabled at the AGM and I encourage you to vote in favour.

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

2016 was a year where the outcome of democratic processes has surprised the experts not least in the UK referendum on the European Union and in the USA Presidential Election. The consequences of both are much speculated upon but remain uncertain. Your Board will continue to monitor events and take action to ensure that BBGI is as well placed as possible. Nonetheless we expect that your company's strong cash flows, long-term contracts with sound counter-parties 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.

D.H. Richardson.

David Richardson
Chairman
BBGI SICAV S.A.
28 March 2017

BOARD MEMBERS AS AT 31 DECEMBER 2016

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 appointed 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 & 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.

BOARD MEMBERS AS AT 31 DECEMBER 2016

Duncan Ball

CO-CEO & 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 39 assets currently.

Mr. Ball has worked in the infrastructure sector, investment banking and advisory business for over 29 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& 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 39 assets currently.

Mr. Schramm has worked in the infrastructure sector, investment banking and advisory business for over 21 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 & MEMBER OF THE MANAGEMENT BOARD AT BBGI

Originally from Ireland but living in Luxembourg since 2003, Michael Denny has over 16 years of 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. Michael 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).

Kicking Horse Canyon,
Canada

INVESTMENT
POLICY & OBJECTIVES

INVESTMENT POLICY

INTRODUCTION

The Company's investment policy is to invest in equity, subordinated debt and/or similar interests issued in respect of infrastructure projects that have been developed predominantly under the PPP/PFI or similar procurement models. The Company principally invests 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 (calculated as at the time of investment).

PROJECT REVENUE STREAM CHARACTERISTICS

The Company invests predominantly in projects whose revenue streams are public sector or government-backed, although the Company may invest in projects whose revenue streams are backed by non-governmental organisations that the Directors believe carry an appropriate credit risk and represent a low counterparty risk, for example as alternative infrastructure procurement models develop (such as private-private partnerships). Investment in projects whose revenue streams are not public sector or government-backed will be limited to 25% of the portfolio value, calculated as at the time of investment.

The Company primarily invests in projects where payments received by the project entities, and hence the revenue streams from the projects, do not generally depend on the level of use of the underlying project asset and as such are "availability-based". Projects are characterised as having an "availability-based" revenue stream if, on average, 75% or more of payments received by the relevant project entity do not depend on the level of use of the project asset. Investment in projects where, on average, 25% or more of payments received by the project entities depend on the level of use made of the project assets ("demand-based") will be limited to 25% of the portfolio value, calculated as at the time of investment.

GEOGRAPHIC FOCUS

The Directors believe that attractive opportunities for the Company will continue to arise in jurisdictions where PPP/PFI is a practised route for delivering infrastructure investments. The Company intends to invest predominantly in projects that are located in Europe, North America, Australia and New Zealand. However, the Company may also invest in projects in other markets should suitable opportunities arise.

The Company will seek to mitigate country risk by concentrating predominantly on investment opportunities in countries where the Directors consider that project structures are reliable, where (to the extent applicable) public sector counterparties carry what the Management Board 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 project documentation.

ORIGINATION OF INVESTMENTS

Each of the investments in the portfolio complies with the investment policy and further investments will only be acquired if they comply with the Company's investment policy.

Further investments will be subject to satisfactory due diligence and agreement on price which will be negotiated on an arm's length basis and on normal commercial terms. It is anticipated that any further investments will be acquired out of existing cash resources, borrowings including letters of credit, funds raised from the issue of new capital in the Company or any combination of the three.

SINGLE INVESTMENT LIMIT AND DIVERSITY OF CLIENTS AND SUPPLIERS

In order to ensure that the Company has a spread of investment risk, it is the Company's intention that when any new acquisition is made, the investment (or, in the event of an acquisition of a portfolio of investments, each investment in the portfolio) acquired does not have an acquisition value (or, if it is an additional stake in an existing investment, the combined value of both the existing stake and the additional stake acquired) is not greater than 20% of the portfolio value of the Company immediately post-acquisition (but subject always to a maximum limit of 25% of the portfolio value immediately post-acquisition). In order to avoid over-reliance on either a single client or a single contractor when selecting new investments to acquire, the Company will seek to ensure that the portfolio of project entities in which the Company invests has a range of clients and supply chain contractors.

BORROWING & LEVERAGE

The Company intends to make prudent use of leverage (and leverage in the context of the Company shall exclude indebtedness in place at project entity level) primarily to finance the acquisition of investments and for working capital purposes. The Company will ensure that the Company's outstanding borrowings, excluding intra-group borrowings and the debts of underlying project entities but including any financial guarantees to support subscription obligations, will be limited to 33% of the portfolio value. The Company may borrow in currencies other than Pounds Sterling ("Sterling") as part of its currency hedging strategy.

CURRENCY AND HEDGING POLICY

The Company will continue to invest in project entities that are located not just in the UK and, as a result, some of the Company's underlying investments will be denominated in currencies other than Sterling. For example, investments in the current portfolio are denominated in Australian dollars, Canadian dollars, euros, Norwegian kroner and US dollars as well as Sterling. However, any dividends declared and paid on the Company's ordinary shares will be made in Sterling, and the market price and net asset value of the ordinary shares will be reported in Sterling.

Any currency rate hedging transactions will only be undertaken for the purpose of assisting the Company in meeting its dividend distribution targets. Hedging transactions will not be undertaken for speculative purposes. Management will continue to review the hedging strategy on an annual basis.

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

POTENTIAL DISPOSALS OF INVESTMENTS

Whilst the Directors may elect to retain investments over the long term, they will regularly monitor the valuations of such project entities and any secondary market opportunities to dispose of investments. The Company only intends to dispose of investments where it is considered that appropriate value can be realised for the Company or where the Management Board otherwise believes that it is appropriate to do so. Proceeds from the disposal of investments will generally be reinvested, or may be distributed at the discretion of the Directors.

The Company will not be required to dispose of investments and to rebalance its investment portfolio as a result of a change in the respective valuations of investments, although in such circumstances the Management Board will review the composition of the investment portfolio as a whole and consider whether any rebalancing is in the interests of shareholders.

AMENDMENTS TO AND COMPLIANCE WITH THE INVESTMENT POLICY

Changes to the investment policy may only be made with the approval of the CSSF and the shareholders by way of ordinary resolution, in accordance with the Luxembourg law of 17 December 2010 on undertakings for collective investments (the "Law") and (for as long as the ordinary shares are listed on the Official List) in accordance with the UK Listing Authority listing rules (the "Listing Rules"). The investment policy restrictions detailed above apply at the time of the acquisition of any new investment.

In the event of any breaches of the investment restrictions contained in the investment policy, the Company will inform shareholders through an announcement on a Regulatory Information Service.

INVESTMENT OBJECTIVES

Looking forward to 2017 and beyond, the Company will continue to seek to provide investors with secure and predictable long-term cash flows whilst actively managing the investment portfolio, with the intention of maximising the capital value over the longer term.

The Company is currently targeting a dividend of 6.25 pence per share per annum with the aim to increase this distribution progressively over the longer term. The Company targets an 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 2016, BBGI's assets consisted of interests in 39 high-quality, availability-based, PPP/PFI infrastructure assets in the transport, 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[8].

BBGI has equity and subordinated debt subscription obligations in Mersey Gateway Bridge ("MGB") and equity subscription obligations in North Commuter Parkway ("NCP"), collectively amounting to approximately £23.4 million at 31 December 2016. The subscription obligations are due for payment upon the scheduled construction completion of the respective projects. Assuming, for pro-forma purposes only, that the equity and/or subordinated debt subscription obligations for MGB and for NCP were paid down at 31 December 2016, the portfolio split would be 97% operational, 1% early-stage construction and 2% late-stage construction.

PORTFOLIO SUMMARY

AVAILABILITY ROADS & BRIDGES	EQUITY STAKE
E18 Motorway, (Norway)	100.00%
Golden Ears Bridge, (Canada)	100.00%
Kicking Horse Canyon, (Canada)	50.00%
M1 Westlink, (UK)	100.00%
M80 Motorway, (UK)	50.00%
Mersey Gateway Bridge, (UK)	37.50%
North Commuter Parkway, (Canada)	50.00%
Northeast Stoney Trail, (Canada)	100.00%
Northwest Anthony Henday Drive, (Canada)	50.00%
Ohio River Bridges/East End Crossing, (USA)	33.33%

HEALTHCARE	EQUITY STAKE
Barking & Havering Clinics (LIFT), (UK)	60.00%
Gloucestershire Royal Hospital, (UK)	50.00%
Kelowna & Vernon Hospitals, (Canada)	50.00%
Liverpool & Sefton Clinics (LIFT), (UK)[9]	53.33%
Mersey Care Mental Health Hospital, (UK)[10]	76.20%
North London Estates Partnership (LIFT), (UK)[11]	53.33%
Royal Women's Hospital, (Australia)	100.00%
Women's College Hospital, (Canada)	100.00%

The concessions granted to project entities in the portfolio are predominantly granted by a variety of public sector clients or entities which are government backed. All project entities in the portfolio are located in countries which are highly rated (Aa1/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.

EDUCATION	EQUITY STAKE
Bedford Schools, (UK)	100.00%
Belfast Metropolitan College, (UK)	100.00%
Clackmannanshire Schools, (UK)	100.00%
Cologne Schools, (Germany)	50.00%
Cologne-Rodenkirchen School, (Germany)	50.00%
Coventry Schools, (UK)	100.00%
East Down Colleges, (UK)	66.67%
Frankfurt Schools, (Germany)	50.00%
Kent Schools, (UK)	50.00%
Lagan College, (UK)	100.00%
Lisburn College, (UK)	100.00%
North West Regional College, (UK)	100.00%
Scottish Borders Schools, (UK)	100.00%
Tor Bank School, (UK)	100.00%

JUSTICE	EQUITY STAKE
Burg Prison, (Germany)	90.00%
Northern Territory Secure Facilities, (Australia)	100.00%
Victoria Prisons, (Australia)	100.00%
Avon & Somerset Police Headquarters, (UK)	100.00%

OTHER	EQUITY STAKE
Fürst Wrede Military Base, (Germany)	50.00%
Stoke-on-Trent & Staffordshire Fire and Rescue Service, (UK)	85.00%
Unna Administrative Centre, (Germany)[12]	44.10%

[8] The present value of the future distributions from the assets under construction, MGB and NCP, is offset by the future equity and/or sub debt subscription obligations to be paid upon construction completion.

[9] 53.33% equity and 59.46% sub debt

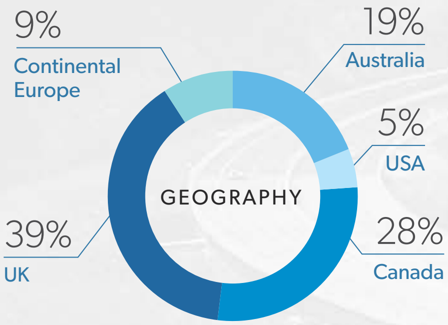
[10] 76.20% equity and 80% sub debt

[11] 53.33% equity and 60% sub debt

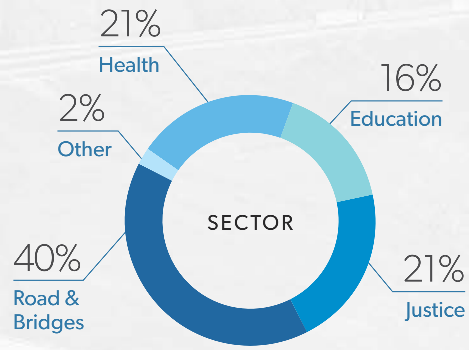
[12] Entitled to 100% of distributions

PORTFOLIO BREAKDOWN

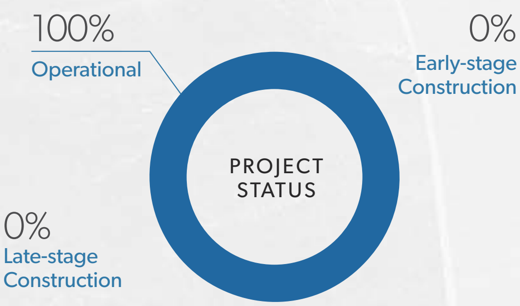
AT 31 DECEMBER 2016



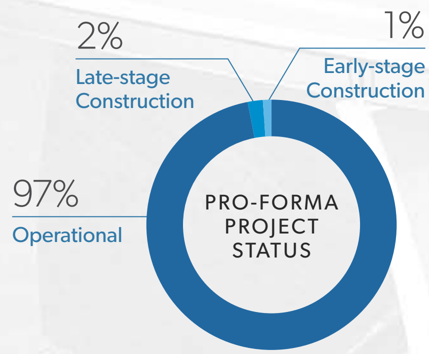
Global portfolio with 39 assets all located in AA to AAA rated countries.



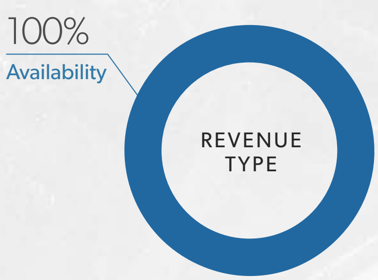
Diversified sector exposure with a bias towards availability roads and bridges.



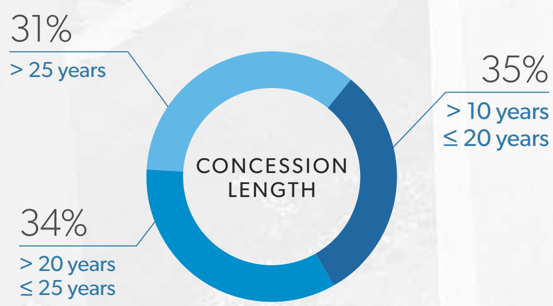
The above chart only considers those projects where the equity commitments have been paid down.



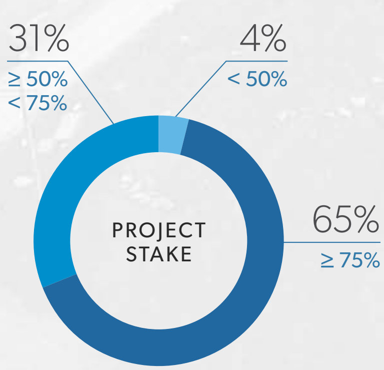
Revised project status calculation assuming, for pro-forma purposes only, that the equity and/or subordinated debt subscription obligations on the Mersey Gateway Bridge and North Commuter Parkway projects have been paid down at 31 December 2016. These subscriptions will be paid down upon scheduled construction completion and are backed by letters of credit during construction.



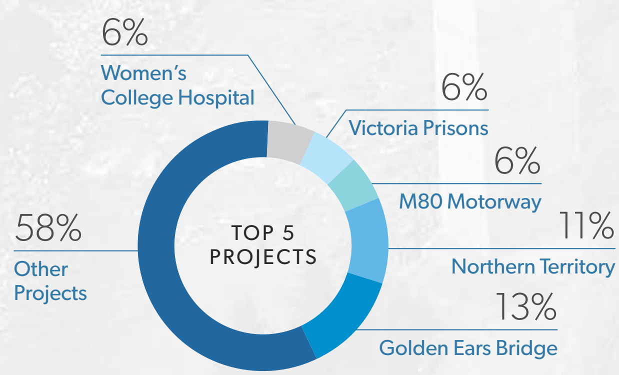
100% availability-based income; no demand risk.



Weighted average concession life is 22.6 years and weighted average debt life is 19.2 years.

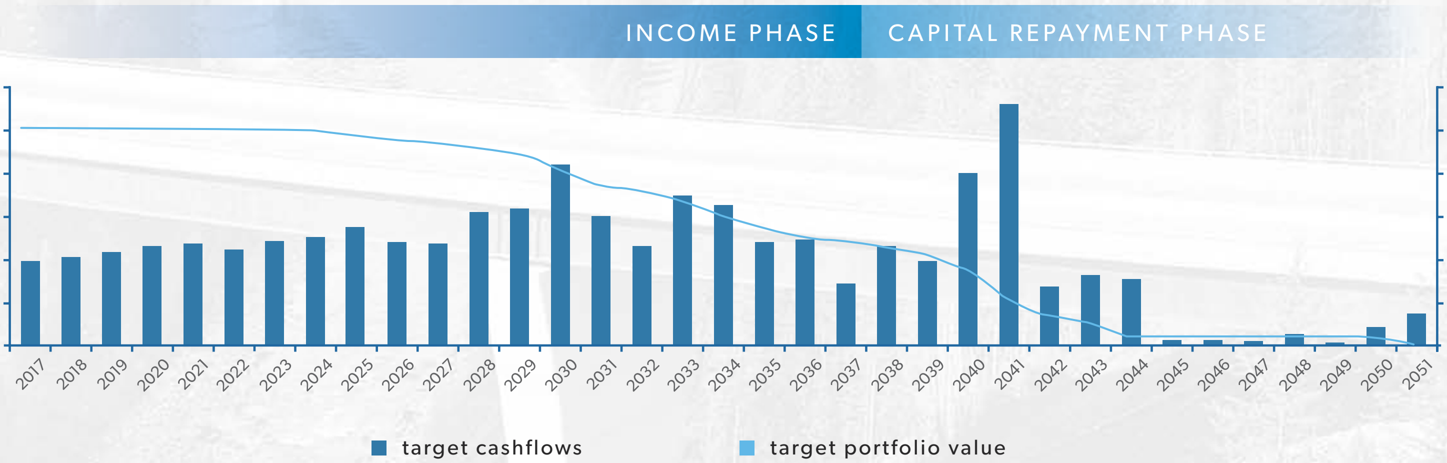


96% of portfolio owned 50% or more.



Well-diversified portfolio with no major single asset exposure.

ILLUSTRATIVE PORTFOLIO OVERVIEW



The above chart [13] based on the portfolio at 31 December 2016 illustrates the target long-term steady stream of portfolio cash flows deriving from the underlying assets until year 2051.

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.

BBGI has a weighted average portfolio life of 22.6 years, a decrease of 1.1 years compared with 31 December 2015.

[13] 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.

FIVE LARGEST PROJECTS

GOLDEN EARS BRIDGE, CANADA (AVAILABILITY ROAD)

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.

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)

NORTHERN TERRITORY SECURE FACILITIES, AUSTRALIA (JUSTICE)

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, a 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.

TYPE
Availability-based

STATUS
Operational

EQUITY HOLDING (%)
BBGI: 100%

TOTAL INVESTMENT VOLUME (DEBT & EQUITY)
A$620 million

FINANCIAL CLOSE/OPERATIONAL
Oct 2011/Nov 2014

CONCESSION PERIOD
30 years (post-construction)

VICTORIA PRISONS, AUSTRALIA (JUSTICE)

The Metropolitan Remand Centre accommodates up to approximately 950 male prisoners and is located approximately 20 km from the Melbourne city centre.

The second, smaller facility is the Marngoneet Correctional Centre that houses approximately 550 male prisoners, and 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.

TYPE	EQUITY HOLDING (%)	FINANCIAL CLOSE/OPERATIONAL
Availability-based	BBGI: 100%	21 Jan 2004/Feb–March 2006
STATUS	**TOTAL INVESTMENT VOLUME (DEBT & EQUITY)**	**CONCESSION PERIOD**
Operational	A$244.5 million	25 years (post-construction)

M80 MOTORWAY, UNITED KINGDOM (AVAILABILITY ROAD)

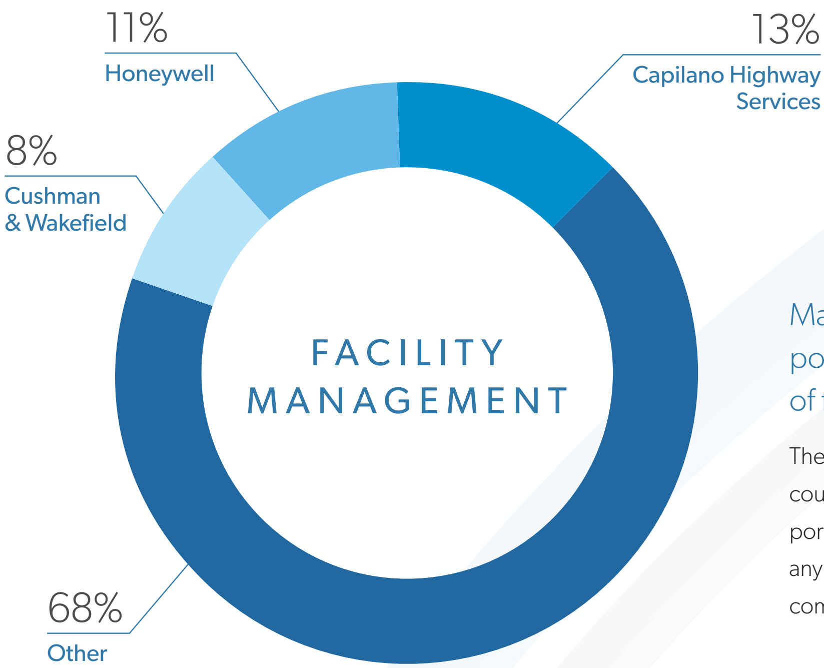
The section of road between Stepps and Haggs is an all-purpose dual carriageway and was the only non-motorway section of the A80 between Glasgow and the end of the M80 at Dunblane. The project involved construction of 18 km of dual two/three lane motorway with associated slip roads and infrastructure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

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

WOMEN'S COLLEGE HOSPITAL, CANADA (HEALTH)

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 healthcare 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. Women's College Hospital was recognised as one of the best operational projects in Canada and North America, and received awards from the Canadian Counsel for Public Private Partnerships and the P3 Awards respectively.

TYPE	EQUITY HOLDING (%)	FINANCIAL CLOSE/OPERATIONAL
Availability-based	BBGI: 100%	13 June 2010/24 Sept 2015
STATUS	**TOTAL INVESTMENT VOLUME (DEBT & EQUITY)**	**CONCESSION PERIOD**
Operational	C$345 million	30 years from substantial completion



Management continually reviews the potential concentration risk in respect of facility management contractors.

The diagram below illustrates the level of counterparty exposure as a percentage of portfolio value. Management has not identified any significant exposure risk and therefore remains comfortable with the current contract allocation.

REPRESENTATION AT PROJECT LEVEL

With regard to the project entities acquired, the Management Board has taken, in most cases, two board seats within each portfolio asset. More information on the performance of the project entities is provided in the Valuation section of this report.

RELATIONSHIP WITH CLIENTS

The Management Board continues to work hard to build and maintain a good dialogue 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, especially as some public sector clients are under increased fiscal constraints. The Management Board 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.

Across the entire portfolio, BBGI remains comfortable with the counter-party risk of the public sector clients, and the Management Board is not aware of any instances of financial distress that might lead to default. Facility management continues to be performed at a high level and, with the exception of the Burg prison project referred to below, there are no significant incidents to report.

In the event of poor performance by the facility manager, then the associated cost, typically a deduction from the unitary payment, will be passed on to the facility manager.

BURG PRISON

There is a dispute between the client and a subcontractor on the Burg prison project. The dispute itself, which relates to the interpretation of the indexation mechanism, has resulted in the client making substantial retentions. Although the project company is a party to the formal dispute, it has not suffered any losses as the retentions incurred have all been passed on to the subcontractor. During 2016 the courts ruled in favour of the client. The dispute went to appeal and, in January 2017, the appeal court also ruled in favour of the client. The objective of the subcontractor is now to agree to an invoicing procedure that provides sufficient evidence of the disputed indexation element. Due to this, a risk premium has been included in the valuation of the project. To date, deductions on the project have been minimal. The project itself makes up approximately 1% of the total portfolio value.

As a general rule, the public sector clients have been diligent in managing their infrastructure costs. The Company's representatives at the project level continue to work closely with all contracted parties, including the client, facility managers and managed service providers; the objective of which is to ensure that both a quality service and value for money is being delivered to the public client.

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 strict contractual interpretation by some clients for asset-wide defects, one example being breaches in fire-compartment walls in buildings. Efforts to realise savings have been largely focused on healthcare 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 less than 1.5% of BBGI's portfolio value, this development does not present a material exposure to the Group. Notwithstanding this, 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.

E18, Norway

REPORT OF THE MANAGEMENT BOARD

BUSINESS REVIEW

BUSINESS OF THE COMPANY

The Management Board is very pleased to present the results for the year ended 31 December 2016. Both the management report for the consolidated financial statements and the standalone financial statements have been presented as one single report.

HIGHLIGHTS

Please see page 2 for a summary of the Financial and Operational Highlights for 2016.

BBGI's goals for 2016 remained consistent with those of previous years, i.e. to actively manage the portfolio in order to enhance returns and to position the Company for continued selective growth.

Certain key performance indicators for 2016 are highlighted in the next page.

KEY PERFORMANCE INDICATORS (KPI's)

	31 DEC 2013	31 DEC 2014	31 DEC 2015	31 DEC 2016	TARGET
Dividends declared for the year	5.50 pence per share	5.76 pence per share	6.00 pence per share	6.25 pence per share expected	2013: 5.50 pence per share 2014: 5.76 pence per share 2015: 6.00 pence per share 2016: 6.25 pence per share target[14]
Investment Basis NAV	£449.25m	£465.29m	£479.84m	£545.0m	Stable growth
Growth in NAV per share in reporting period	2.04%	3.49%	2.05%	13.10%	Stable and consistent NAV per share growth
Total Shareholder return in year (share price plus dividends per share)	15.70%	10.79%	8.69%	11.20%[15]	7% to 8% on the £1 IPO issue price
Total Shareholder return since listing in December 2011 (share price plus dividends per share)	29.00%	41.25%	53.53%	70.70%[16]	7% to 8% on the £1 IPO issue price
Ongoing Charges (using the AIC recommended methodology)[17]	1.11%	0.98%	0.96%	0.98%	Seek to minimise at all times
Weighted average discount rate	8.39%	8.21%	7.86%	7.56%	To reflect the risk associated with the underlying investments
Weighted average PPP/PFI concession life	24.6 years	24.2 years	23.7 years	22.6 years	Maintain/renew the longevity of the portfolio
Weighted average portfolio debt maturity	23.2 years	21.3 years	19.2 years	19.2 years	Maintain long-term financing of the portfolio
Five largest investments as a percentage of the portfolio by value	51%	40%	41%	42%	Portfolio diversification
Largest investment as a percentage of the portfolio by value	17% (Golden Ears Bridge)	13% (Golden Ears Bridge)	12% (Northern Territory Secure Facilities)	13% (Golden Ears Bridge)	To be less than 20% at time of acquisition
Inflation correlation of the portfolio (+/−1%)	Not reported	Not reported	Approx 0.50%	Approx 0.50%	To maintain a strong correlation

[14] The Board proposes a final dividend for 2016 of 3.125 pence per share, which is in line with the 2016 dividend target. This final dividend proposal is subject to the shareholders' approval at the Company's AGM to be held on 28 April 2017.

[15] Based on the share price at 31 December 2016 compared to the share price at 31 December 2015, and after adding back dividends paid during the year ended 31 December 2016.

[16] The compound annual growth rate since listing in December 2011 to 31 December 2016 equates 11.2%.

[17] The Association of Investment Companies.

The Company's portfolio of investments performed well during the year, with cash flows ahead of the business plan. During the year, the investment portfolio enjoyed a significant uplift in valuation driven primarily by the weakening of Sterling against all major currencies in the wake of the UK EU membership referendum, and also as a result of continued active management, the construction completion effect on discount rates, disciplined cost control and the continued strong market demand for PPP infrastructure assets.

It is worth noting that whilst foreign exchange has played a significant part in contributing to the portfolio value growth during the year under review, this should, however, be put into context. Since listing in December 2011, the cumulative net effect of foreign exchange movement on BBGI's portfolio valuation has been an uplift in value of £6.6 million or 1.2% of the NAV at 31 December 2016.

In light of the continued favourable portfolio performance, the Board resolved to increase its annual dividend target from 6.00 pence per share to 6.25 pence per share, which represents an increase of 4.2%.

GROWTH IN THE PORTFOLIO

Interest in PPP infrastructure assets once again remained robust throughout 2016. As reported last year there is more investment capital searching for PPP assets than there is supply, maintaining pressure on prices. While this environment has been positive from a portfolio valuation perspective, it has been more difficult to identify and acquire projects on terms that are accretive to shareholders.

NEW SECONDARY ACQUISITIONS

In March, BBGI completed the acquisition of 100% of the equity and subordinated debt interests in the Belfast Metropolitan College ("BMC") project in Northern Ireland. BMC is an educational campus composed of two five-storey teaching facilities and a two-storey engineering facility with associated car parking and a landscaped courtyard. The project is operational and the concession runs until January 2026. The BMC acquisition was part of a transaction that included the North West Regional College ("NWRC") project, also in Northern Ireland, which transferred in December 2015. Because the Company has had previous dealings with the vendor, the acquisition of these projects was conducted on a directly negotiated basis without having to engage in a broad auction process. The combined acquisition cost for both projects was £11.7 million. BBGI will receive availability payments during the concession periods from the governing bodies of each of BMC and NWRC.

While only one acquisition completed during the year, it was not due to lack of interest, but rather adherence to our investing discipline. There were many investment opportunities presented to, and considered by, BBGI in 2016 but none of them were considered value accretive to shareholders. We came close to transacting on opportunities in Canada and Australia, but ultimately were either outbid or vendors sold to co-shareholders who exercised pre-emption rights. In addition, we have been heavily engaged in a number of consortia bids for primary projects, as described below.

We avoided the broad auction processes and incurred less than £100,000 in bid/pursuit costs. We also avoided "strategy drift" and have not altered our investment metrics or relaxed our acquisition criteria in order to grow.

Despite a competitive acquisition environment, the Company still expects to grow the portfolio on favourable terms. We are currently considering a number of strategic opportunities which we believe to be attractive.

PRIMARY INVESTMENT ACTIVITY - BIDDING ON NEW PPP PROJECTS

As our portfolio grows, and projects currently 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%) can be attractive. We see this as an opportunity to organically grow the NAV over time and will continue to ensure that the dividend target is not compromised. The substantial construction completion of the Ohio River Bridges project in the US in December 2016 once again demonstrated the value that can be generated by successfully taking a project from construction to operational 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;
- BBGI is considered a reliable source of liquidity should a construction partner decide to sell in the future.

2016 has been 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 transport infrastructure projects in North America, Australia and Europe:

GORDIE HOWE INTERNATIONAL BRIDGE (CANADA/UNITED STATES):

BBGI is a member of one of three consortia short-listed to develop proposals for the Gordie Howe International Bridge with an expected cost in excess of C$2 billion. The bridge is a high-profile project which will connect Michigan and Ontario and will be paid for by the Canadian federal government. The formal procurement process began in Q3 2016 and, if successful, financial close will occur in H2 2017.

OUTER SUBURBAN ARTERIAL ROADS (AUSTRALIA):

BBGI is member of one of three consortia shortlisted for an A$1.8 billion PPP project to upgrade and maintain eight arterial roads in the western suburbs of Melbourne, Australia. The project is the first of its kind in Australia and calls for duplication and widening as well as maintaining 700 km of roads between the suburbs of Werribee and Footscray. It is the first part of the Outer Suburban Arterial Roads program, and a larger package of motorway and suburban road upgrades worth A$6.2 billion (£3.8 billion).

FARGO-MOORHEAD FLOOD DIVERSION PROJECT (UNITED STATES OF AMERICA):

BBGI is a member of one of four consortia which were shortlisted for the approximately US$800 million Fargo-Moorhead flood diversion PPP opportunity in North Dakota, US. The procurement process began in December 2016.

NORWEGIAN PIPELINE (NORWAY):

BBGI is a member of a consortium seeking to pre-qualify for an upcoming pipeline of PPP projects in Norway. The first road project is the RV3/RV25 Ommangsvollen-Grundset (Central Norway), the procurement process for which is expected to start in Q2 2017. The transaction size is expected to be approximately £360 million.

In addition, BBGI is in advanced discussions on various other transport projects, and is supporting consortia to pursue 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.

This primary investment activity demonstrates BBGI's ability to grow the portfolio of infrastructure investments not only by acquiring operational projects but also by partnering with construction companies in consortium bids on new PPP projects. BBGI will continue to selectively pursue further growth opportunities in both new and existing assets. Further information on construction risk can be obtained from the Company's prospectus which is available on the Company's website.

FUTURE GROWTH

Since going public in 2011, the Management Board has been able to grow the Company successfully from 19 assets to 39 assets as at 31 December 2016. The Company has benefitted from the Management Board's ability to source attractive investment opportunities from a variety of sources and in different geographies.

The Management Board has been very conscious of the need to exercise restraint and discipline in pursuing selective and accretive growth. To this extent our strategy has not changed, we will remain very selective and surgical in pursuing new investment opportunities and will only move forward with those opportunities which we believe will create shareholder value.

There are a handful of core guidelines that we will continue to follow in 2017:

REMAIN DISCIPLINED ON PRICE

We will remain focused on pursuing opportunities that are accretive. We believe our internal management structure serves us well in this regard. As the only internally managed London-listed PPP Investment Company, the individuals making the investment decisions work directly for the Company and not for an external manager. Unlike the structure with a typical external manager, the management team is not rewarded for assets under management or paid acquisition fees. Therefore, there is a clear alignment of interests between the Company's management and its shareholders with no bias for growth at BBGI unless it is beneficial to shareholders.

FOLLOW THROUGH ON INTEGRATION AND ASSET MANAGEMENT INITIATIVES

In an increasingly competitive acquisition environment, bidders are often requested to consider synergies and various savings as part of their bids to be successful. Synergies and savings will only be priced when management are confident they can be achieved. For an acquisition to be value accretive these enhancements need to be implemented post acquisition, so we will only price those enhancements we are comfortable to achieve post-acquisition.

KEEP AN EYE ON BID COSTS

While we will continue to examine and consider a wide variety of opportunities, we will remain focused on bid costs and will only incur due diligence costs for opportunities where we have a reasonable prospect of success. We will be careful in allocating our energy and budgets only to the best opportunities. In 2016, BBGI incurred less than £100,000 of broken bid costs. Additionally, we have kept our costs low over the reporting period by having a relatively modest credit facility (£110 million) which results in lower standby fees, while still retaining the flexibility to consider larger transactions by having a further £70 million accordion tranche for which no standby fees are paid.

While price is always a key consideration, BBGI has been able to differentiate itself in a number of transactions by being able to transact quickly and discreetly, having specific credentials and regional knowledge, or offering the best value by being able to consider synergies or efficiencies. We remain optimistic that we will be able to continue to grow the portfolio on attractive terms.

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 2016, BBGI has two projects—Mersey Gateway Bridge and North Commuter Parkway—which are currently in construction. These projects account for 3% of portfolio value on a pro forma basis[18]. Construction in each case is being carried out by experienced contractors with a proven track record for delivery. The monitoring and management of these projects will continue to be a key focus for the Management Board in 2017.

Mersey Gateway Bridge, United Kingdom

While there is some increased risk associated with investing in projects during the construction phase, we believe the higher returns afforded during the construction phase are attractive on a risk-adjusted basis. We also consider these risks to be manageable as the construction risk is generally passed down to creditworthy construction subcontractors. The typical construction contract is a fixed-price, date-certain contract where the construction contractor is responsible for any potential cost overruns or delays. Construction support packages typically consist of letters of credit or bonds from third parties and, to the extent necessary, parent company guarantees from the parents of the construction companies.

In addition, the Company's asset management team has several individuals with specific PPP construction experience to help identify, manage and, where possible, mitigate any potential risks relating to construction. The skills inherent in this team have given the Company the confidence to pursue primary development opportunities.

During the year, the Management Board oversaw the completion of the Ohio River Bridges project, which opened to traffic on time and on budget on 18 December 2016. Despite cold weather, over 500 enthusiastic motorists participated in the opening ceremonies and then joined the public caravan in order to be among the first to cross the bridge and drive the 8 ½ mile bridge and tunnel project. At the opening ceremony, the bridge was officially named the Lewis and Clark Bridge.

[18] Refer to the Pro Forma Project Status diagram on page 11 for further details.

Ohio River Bridge,
United States of America

Over the past five years, BBGI has participated in several similar opening ceremonies and demonstrated its ability to successfully manage projects from the construction phase into the operational phase across three continents. Past projects which were successfully transitioned into the operational phase, and in doing so delivered NAV uplift, include Avon & Somerset Police Headquarters (UK), Mersey Care Mental Health Facility (UK), Finchley Memorial Hospital (UK), Women's College Hospital (Canada), and Northern Territory Secure Facilities (Australia).

Avon & Somerset Police Headquarters,
United Kingdom

Women's College Hospital,
Canada

Finchley Memorial Hospital,
United Kingdom

Northern Territory Secure Facilities,
Australia

The Management Board believes that the Company's ability to meet its dividend targets has not been compromised by this construction exposure and will continue to monitor this closely as the portfolio grows.

BBGI remains optimistic for further NAV growth, particularly once the two projects currently in construction within the Company's portfolio move closer to, and into, the operational phase. The ability to provide such organic growth in NAV as particular potential risks in assets reduce over time is an important and differentiating characteristic of the Company.

As we look forward to 2017 and beyond, we would hope that some of the primary development opportunities for which we have been shortlisted or are considering (including those described in more detail on page 21) will materialise into new investment opportunities, and will replace some of the current construction exposure as these projects complete and move towards the stable operational phase of their lifecycle.

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). A review of the hedging strategy is carried out on an annual basis. The Management Board has implemented 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.

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 benefited from a foreign exchange gain of £51.2 million over the course of 2016. The net uplift in portfolio value from foreign exchange since listing in December 2011 has been £6.6 million or 1.2% on a NAV per share basis.

In March 2016, the Company, in accordance with its hedging policy, entered into a number of forward currency contracts in order to partially hedge the impact of currency fluctuations on portfolio distributions over the hedged period. The hedges were rolled for a period of four years. Also in July, the Company entered into a number of additional currency forwards, again in accordance with its hedging policy. By hedging in July it enabled the Company to lock in favourable exchange rates when compared to the closing rates used for the 31 December 2015 valuation. The Company does not currently hedge euro cash flows, as it currently forecasts that these cash flows will continue to be used to cover the Group's running costs which are largely euro denominated.

At 31 December 2016, 61% of the portfolio by value has cash flows denominated in currencies other than Sterling.

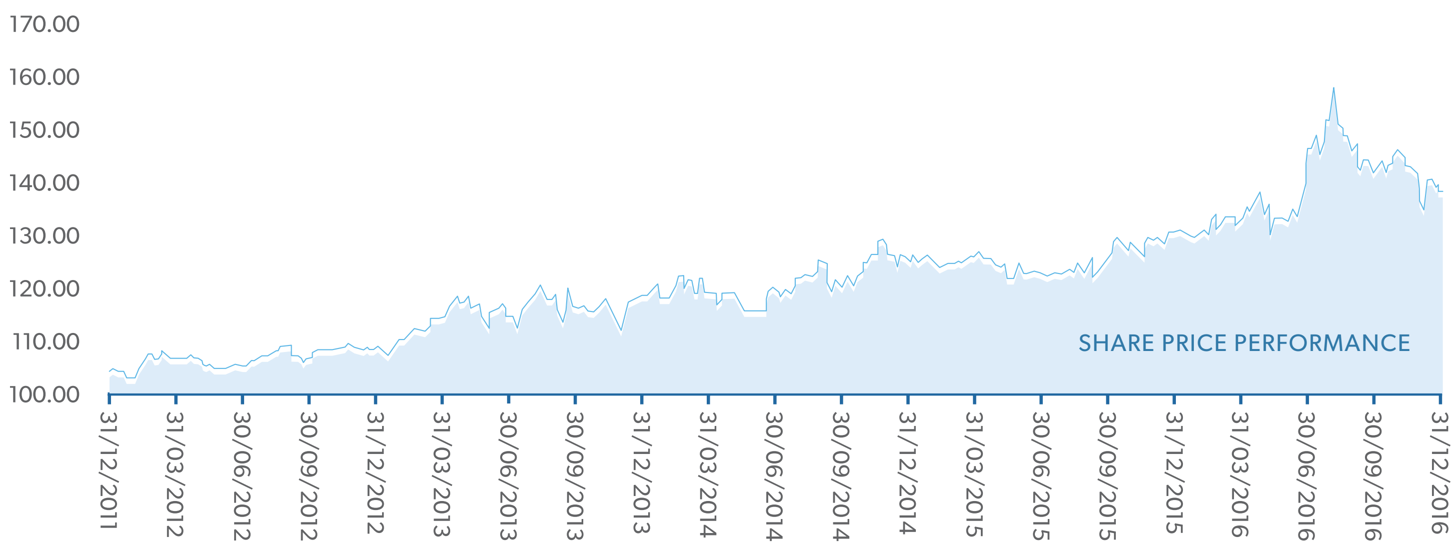
INVESTMENT PERFORMANCE

SHARE PRICE

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 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.

The share price closed the year at £1.38, an increase of 6.7% in 2016 representing a 9.4% premium to the NAV per share at the year-end. TSR in calendar year 2016 was 11.2% whilst TSR from IPO to 31 December 2016 was 70.7% or a CAGR of 11.2%.

The shareholder return for the year ended 31 December 2016 was 18.6% on a growth in NAV per share and dividend paid basis[19].



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 twice per annum in May/June and in October.

DIVIDENDS

On 29 June 2016, the Company paid a final dividend of 3.00 pence per share for the year ended 31 December 2015. In August 2016, BBGI announced an increase in its annual dividend target from 6.00 pence per share to 6.25 pence per share, which represents an increase of 4.2%. The 2016 interim dividend of 3.125 pence per share was paid on 26 October 2016. The Board proposes a final dividend of 3.125 pence per share (with a scrip alternative) for the year ended 31 December 2016, which would result in a total distribution of 6.25 pence per share for the year.

[19] Change in NAV per share over the year plus dividends paid in 2016 expressed as a percentage of the closing 31 December 2015 NAV of 111.5 pence per share.

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.

Formal reports are made by the Company twice a year through the annual and interim reports and financial statements. In addition, management statements and other current information on the Company provided through the Company's website pages and market announcements assist in keeping investors and other interested parties informed. 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 results of such meetings are announced by the Company 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, at the end of March and August each year immediately following release of the annual and interim results, the Co-CEOs present the results to analysts and subsequently conduct roadshows and offer shareholder visits to discuss the results, explain the ongoing strategy and 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 432,215,636 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 2016, the Company issued 1,822,633 shares as a result of shareholder scrip elections.

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%. This same restriction is also referred to in the Company's Articles. At 31 December 2016 the Company's shares were trading at a premium of 9.4% 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. In anticipation of the change in law, the Company convened an EGM of its shareholders on 29 April 2016, the purpose being to request shareholders' approval to remove the reference to the 5% restriction from the Company's articles (subject to the Bill being enacted into law). This was successfully achieved with over half the Company's shareholders voting on the three resolutions proposed, and 100% of them voting in favour. It was anticipated that the Luxembourg parliament would enact the suggested amendments into law during the course of Q3 or Q4 2016, 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 new issues.

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 2016. The most recent authority to purchase ordinary shares which may be held in treasury or subsequently cancelled was granted to the Company on 29 April 2016 and expires on the date of the next Annual General Meeting ("AGM") to be held on 28 April 2017 at which point the Company proposes that its authority to buy back shares be renewed.

CONTINUATION VOTE

The Company's Articles of Association required the Boards to offer a continuation vote to the Company's shareholders at the AGM held on 30 April 2015 to allow the Company to continue in its current form, with a further vote every two years. In accordance with the Articles therefore, a further continuation vote will be offered to shareholders at the forthcoming AGM on 28 April 2017.

DETAILS OF SUBSTANTIAL SHAREHOLDERS

As at 10 March 2017, 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 SHARED CAPITAL
M & G Investments	69,363,317	16.0
Newton Investment Management	60,290,646	13.9
Schroder Investment Management	40,432,673	9.4

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

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 macroeconomic assumptions for the cash flows:

MACROECONOMIC ASSUMPTIONS

END OF PERIOD	2017	2018–2020	2021–ONWARDS
UNITED KINGDOM			
Indexation (%) [1]	1.75	2.75	2.75
Deposit Interest Rate (%) [1]	1.0	1.0	2.5
SPC Corporate Tax (%) [9]	19.0	19.0	17.0
CANADA			
Indexation (%) [1,2]	1.00/1.35	2.00/2.35	2.00/2.35
Deposit Interest Rate (%) [1]	1.0	1.0	2.5
SPC Corporate Tax (%) [3]	27.0/26.0/26.5	27.0/26.0/26.5	27.0/26.0/26.5
GBP/CAD as at 31 December 2016 [4]	1.659	1.659	1.659
AUSTRALIA			
Indexation (%) [1,5]	1.50	2.50	2.50
Deposit Interest Rate (%) [1,6]	3.50/4.50	3.50/4.50	3.50/4.50
SPC Corporate Tax (%)	30.0	30.0	30.0
GBP/AUD as at 31 December 2016 [4]	1.714	1.714	1.714
GERMANY			
Indexation (%) [1]	1.00	2.00	2.00
Deposit Interest Rate (%) [1]	1.0	1.0	2.5
SPC Corporate Tax (%) [7]	15.8	15.8	15.8
GBP/EUR as at 31 December 2016 [4]	1.173	1.173	1.173
NORWAY			
Indexation (%) [1,8]	1.94	2.94	2.94
Deposit Interest Rate (%) [1]	1.8	1.8	3.5
SPC Corporate Tax (%)	25.0	25.0	25.0
GBP/NOK as at 31 December 2016 [4]	10.665	10.665	10.665
UNITED STATES OF AMERICA			
Indexation (%) [1,10]	1.50	2.50	2.50
Deposit Interest Rate (%) [1]	1.0	1.0	2.5
SPC Federal Tax (%)	35.0	35.0	35.0
GBP/USD as at 31 December 2016 [4]	1.234	1.234	1.234

[1] A lower inflation rate for 2017 is used in the project entities' financial models when compared to the previous valuation. This is applicable for projects for which the documentation does not prescribe the actual published rate, if available, to be used for the next 12 months from the date of the index being published. The short-term 1% transition deposit rate period has been extended by one additional year.

[2] All Canadian projects have a long-term 2.0% indexation factor with the exceptions of Northeast Stoney Trail and Northwest Anthony Henday Drive, which have a slightly different indexation factor derived from a basket of regional labour, CPI and commodity indices.

[3] Tax rate is 27% in Alberta and Saskatchewan, 26% in British Columbia and 26.5% in Ontario.

[4] As published on www.oanda.com.

[5] Long-term Consumer Price Index 2.50%/long-term Labour Price Index 3.50%.

[6] Cash on Debt Service Reserve Accounts and Maintenance Service Reserve Accounts can be invested on a six-month basis. Other funds are deposited on a shorter term.

[7] Including Solidarity charge, excluding Trade tax which varies between communities.

[8] Indexation of revenue based on basket of four specific indices.

[9] UK Corporate tax decreases from 19% to 17% in 2020.

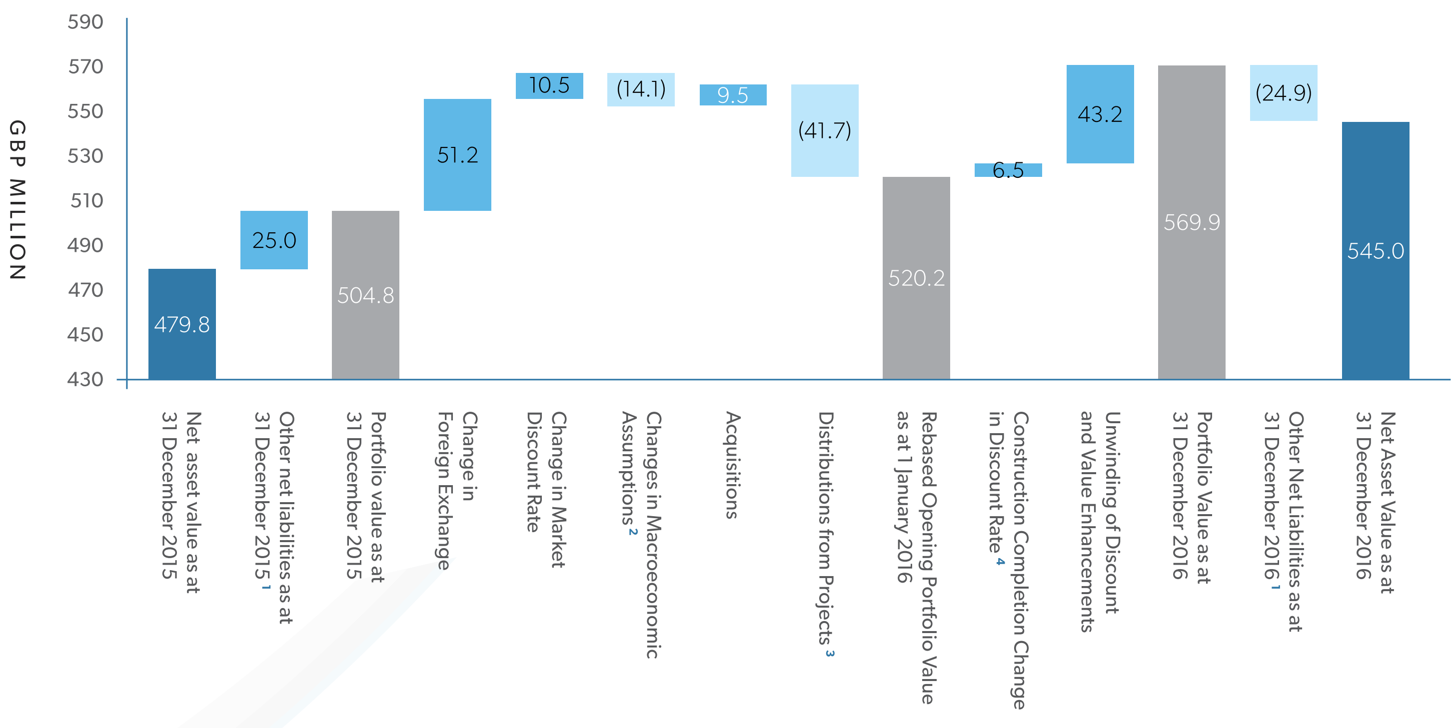
[10] 80% of ORB indexation factor for revenue is contractual and is not tied to CPI.

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 2015 to 31 December 2016, the Company's NAV increased from £479.8 million to £545.0 million. The increase in NAV per share from 111.5 pence to 126.1 pence or 13.1% is primarily a result of the key drivers listed below:

NAV MOVEMENT:
31 DECEMBER 2015–31 DECEMBER 2016



[1] These figures represent the assets and liabilities of the Group's consolidated subsidiaries; they exclude the project investments and include, amongst other items, the Group's consolidated cash balances and borrowings.

[2] This represents the net effect of assumed lower deposit rates, lower inflation rate for 2017, lower UK tax rate and lower Norwegian tax rate.

[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.

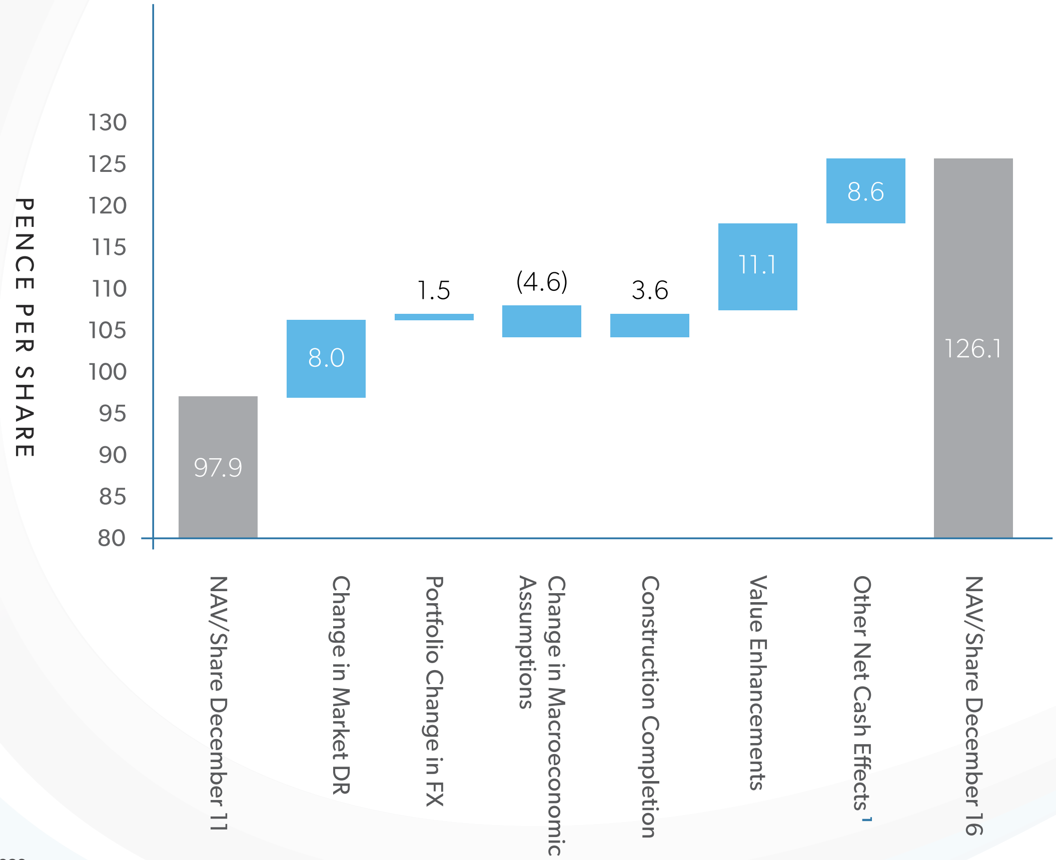
[4] The uplift resulting from the transition of Women's College Hospital (Canada) project from ramp-up phase towards the stable operational phase, and the Ohio River Bridges project from construction to the ramp-up phase. In addition, the construction premiums on the Mersey Gateway Bridge project and the North Commuter Parkway project have been slightly reduced as we move closer to construction completion.

NAV MOVEMENT:
31 DECEMBER 2015 –31 DECEMBER 2016

NAV MOVEMENT 31 DECEMBER 2015–31 DECEMBER 2016	£ MILLION
Net asset value at 31 December 2015	479.8
Add: other net liabilities at 31 December 2015	25.0
Portfolio value at 31 December 2015	504.8
Change in foreign exchange	51.2
Change in market discount rate	10.5
Change in macroeconomic assumptions	(14.1)
Acquisitions/follow-on investments	9.5
Distributions from projects	(41.7)
Rebased opening portfolio value at 1 January 2016	520.2
Construction completion change in discount rate	6.5
Unwinding of discount and value enhancements	43.2
Portfolio value at 31 December 2016	569.9
Other net liabilities at 31 December 2016	(24.9)
Net asset value at 31 December 2016	545.0

NAV PER SHARE GROWTH
DECEMBER 2011–31 DECEMBER 2016

The table provides a breakdown of the component parts that contributed to the growth in the NAV per share from listing in December 2011 to 31 December 2016.



[1] Includes amongst others the effect from the unwinding of discount and from capital increases.

KEY DRIVERS FOR NAV GROWTH

GROWTH BASED ON REBASED VALUATION

During the year ended 31 December 2016, the Company recognised £43.2 million from the "unwinding of discounts" and value 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 of the "unwinding of discount". The portfolio value growth from the unwinding of discount during the year was approximately £41.1 million or 8.5% on a NAV per share basis.

The difference, £2.1 million, or 0.4% on a NAV per share basis, above the anticipated growth from unwinding of discount, represents a value enhancement made up of the net effect of value enhancements across the portfolio through active management, which include amongst others:

- Renewal or change of service provider of Management Services Agreements for the Australian assets, and for some UK, German and Canadian assets on more favourable terms;
- Lower forecast insurance costs;
- Lower costs realised and forecast on some projects;
- Earlier than forecast extraction of cash;
- Additional income on variation orders;
- A more favourable tax status on three assets;
- The net result of the gain on the refinancing of the Staffordshire Fire and Rescue Service project, the loss realised on the refinancing of the Northern Territory Secure Facilities ("NTSF") project, and the estimated loss on the refinancing of the Royal Women's College Hospital ("RWH") project.

The net effect of inflation, against the 31 December 2015 modelled assumptions, on the portfolio value has been negative.

DISCOUNT RATES AND SENSITIVITY

The discount rates used for individual assets range between 7.30% and 10.20%. The value weighted average rate is approximately 7.56% (7.86% at 31 December 2015). 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.

An alternative methodology to calculate the weighted average discount rate would be to calculate the weightings based on the nominal future cash flows for each project. Based on that calculation, the rate is 7.68% (8.02% at 31 December 2015).

The discount rates used for individual project entities are based on BBGI's knowledge of the market, discussions with advisors and publicly available information on relevant transactions.

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 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 Gloucestershire Royal Hospital.

BBGI continues to apply a modest risk premium for complex prison projects to reflect the higher complexity of such projects, and also applied a risk premium to a limited number of 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 2016
Increase by 1% to 8.56% [1]	£(52.6) million, i.e. (9.7)%
Decrease by 1% to 6.56% [1]	£61.4 million, i.e. 11.3%

[1] Based on the average discount rate of 7.56%.

FOREIGN EXCHANGE AND SENSITIVITY

BBGI values its portfolio of assets by discounting anticipated future cash flows. The present value 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:

	F/X RATES AS AT 31 DECEMBER 2015	F/X RATES AS AT 31 DECEMBER 2016
GBP/AUD	2.028	1.714
GBP/CAD	2.053	1.659
GBP/EUR	1.357	1.173
GBP/NOK	13.042	10.665
GBP/USD	1.480	1.234

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 Pounds Sterling and the relevant local currencies will affect the value of the Company's underlying investments. During 2016, the depreciation of Pounds Sterling against the AUD, CAD, NOK, EUR and USD accounted for an increase in the portfolio value of £51.2 million. Since listing in December 2011, the net cumulative effect of foreign exchange movement on the portfolio value has been an uplift of £6.6 million or 1.2% of NAV at 31 December 2016.

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 2016
Increase by 10% [1]	£(27.9) million, i.e. (5.1)%
Decrease by 10% [1]	£34.1 million, i.e. 6.3%

[1] Sensitivity in comparison to the foreign exchange rates at 31 December 2016 and taking into account the 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 macroeconomic assumptions in the table above:

INFLATION SENSITIVITY	CHANGE IN NET ASSET VALUE 31 DECEMBER 2016
Inflation +1% [1]	£31.5 million, i.e. 5.8%
Inflation -1% [1]	£(27.0) million, i.e. (5.0)%

[1] Compared to the assumptions set out in the macroeconomic 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 macroeconomic assumptions above:

DEPOSIT RATE SENSITIVITY	CHANGE IN NET ASSET VALUE 31 DECEMBER 2016
Deposit rate +1% [1]	£11.8 million, i.e. 2.2%
Deposit rate -1% [1]	£(11.7) million, i.e. (2.2)%

[1] Sensitivity in comparison to the assumptions set out in the macroeconomic assumptions above.

LIFECYCLE COSTS SENSITIVITY

Of the 39 projects in the portfolio, 13 project companies retain the lifecycle obligations. The remaining 26 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 2016
Increase by 10% [1]	£(13.4) million, i.e. (2.5)%
Decrease by 10% [1]	£13.2 million, i.e. 2.4%

[1] Sensitivity applied to the 13 projects in the portfolio which retain the lifecycle obligation, i.e. the obligation is not passed down to the subcontractor. These projects represent 49% of the total portfolio value as at 31 December 2016.

The Management and Supervisory Boards have approved the net asset value calculation on an Investment Basis as at 31 December 2016.

FINANCIAL RESULTS

The financial statements of BBGI for the year ended 31 December 2016 are on pages 71 to 111.

BASIS OF ACCOUNTING

The Company has prepared its financial statements under IFRS. In accordance with IFRS 10, IFRS 12 and IAS 27, the Company (an Investment Entity) does not consolidate certain subsidiaries, in a similar manner to the Company's pro forma investment basis data, which continue to be included in this section of the Report of the Management Board. As an Investment Entity, the Company does not consolidate its investments in PPP assets that are subsidiaries on a line-by-line basis, but instead recognises them as investments at fair value through profit or loss.

INCOME AND COSTS

PRO FORMA INCOME STATEMENT

	YEAR ENDED 31 DEC 16 £ MILLION	YEAR ENDED 31 DEC 15 £ MILLION
Fair value movements	99.5	42.0
Other (expenses)/income - net	(10.4)	1.8
Total profit before corporate costs	89.1	43.8
Corporate costs (excluding income tax)	(8.0)	(7.0)
Foreign exchange gains/(losses)	1.4	(0.6)
Net earnings before taxes	82.5	36.2
Income tax	(2.3)	(0.6)
Net earnings	80.2	35.6
Basic earnings per share (pence)	18.56	8.27

The fair value movement on the portfolio was primarily driven by the effect of foreign exchange movements on the portfolio value, the unwinding of discount, a decrease in discount rates and project level cost optimisations resulting in an income of £99.5 million (31 December 2015: £42.0 million). One notable component of the fair value movements was the effect of foreign exchange movements on the portfolio value during the year ended 31 December 2016 which resulted in a gain of £51.2 million (31 December 2015: £24.1 million loss). A detailed analysis of the movement in the fair value of the portfolio is highlighted on page 30 to 31 in the Valuation section of this report.

The net other expenses incurred in 2016 include an amount of £10.9 million relating to the loss resulting from the change in the fair valuation of the derivative financial instruments, i.e. the forward currency contracts.

The Corporate costs are composed mainly of administration costs of approx. £5.5 million inclusive of non-recoverable VAT and net finance costs of approx. £2.3 million.

Net earnings for the year have increased by 125.3% to £80.2 million (2015: £35.6 million).

GROUP LEVEL CORPORATE COST ANALYSIS

The table below is prepared on an accruals basis.

CORPORATE COSTS	YEAR ENDED 31 DEC 16 £ MILLION	YEAR ENDED 31 DEC 15 £ MILLION
Interest expense and other finance cost	2.3	1.9
Staff costs	3.2	2.7
Fees to non-executive directors	0.1	0.1
Professional fees	0.9	0.7
Office and administration	0.9	0.9
Acquisition related costs	0.2	0.5
Taxes (including non-recoverable VAT)	2.7	0.8
Corporate costs	**10.3**	**7.6**

The Company increased the corporate credit facility in May 2016 from £80 million to £110 million. The increase in interest and other finance costs is predominantly due to this larger facility.

The comparative increase in Staff Costs is mainly due to foreign exchange movements during the reporting period. The majority of the Group's employees receive payment in euros with all remuneration converted into the Company's functional currency, Sterling, for reporting purposes. During the year ended 31 December 2016, there was a notable strengthening of the euro against Sterling resulting in an increase in Staff Costs on a Sterling or functional currency basis only. The Company continues to utilise its euro denominated project distributions to partially fund the Company's euro denominated working capital requirements and therefore continues to benefit from the natural foreign exchange hedge that this offers. Further detail of staff costs is provided in the Remuneration section, starting on page 48.

Of the acquisition costs incurred during the year, only £96,000 related to unsuccessful bid costs which did not result in a value accretive acquisition.

The comparative increase in taxes was primarily driven by the withholding tax applied on portfolio distributions throughout the year.

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	2016 £ MILLION	2015 £ MILLION
Ongoing Charges	5.1	4.5
Average undiluted net asset value	515.6	471.8
Ongoing Charges (%)	0.98%	0.96%

For the year ended 31 December 2016, certain non-recurring costs have been excluded from the Ongoing Charges, most notably acquisition-related advisory costs of £0.2 million (inclusive of VAT), direct taxation of £2.3 million and finance costs of £2.3 million.

The ongoing charges ratio excludes all non-recurring costs, i.e. costs of acquisition/disposal of investments, financing charges and gains/losses arising from investments. The ongoing charges include an accrual for the Short-Term Incentive Plan ("STIP")/bonuses and the Long-Term Incentive Plan ("LTIP").

BALANCE SHEET

PRO FORMA BALANCE SHEET

	31 DECEMBER 2016			31 DECEMBER 2015		
	Investment Basis £ MILLION	Adjust £ MILLION	Consolidated IFRS £ MILLION	Investment Basis £ MILLION	Adjust £ MILLION	Consolidated IFRS £ MILLION
Investment portfolio at fair value	569.9	--	569.9	504.8	--	504.8
Adjustments to investments	--	1.7	1.7	--	0.3	0.3
Other assets and liabilities (net)	(3.5)	0.6	(2.9)	(3.4)	0.3	(3.1)
Net cash/(borrowings)	(21.4)	(1.3)	(22.7)	(21.6)	0.3	(21.3)
Fair value of derivative financial instruments	--	(7.2)	(7.2)	--	1.7	1.7
Net assets attributable to ordinary shares	545.0	(6.2)	538.8	479.8	2.6	482.4

Under IFRS, the derivative financial instruments, i.e. the forward currency contracts, are presented at fair value. Under the Investment Basis the contracted forward rates are applied to the hedged distributions with the unhedged distributions converted at the 31 December 2016 closing rate.

SUMMARY NET CORPORATE CASH FLOW

During the year ended 31 December 2016 the Company received, on a consolidated IFRS basis, £42.5 million of portfolio distributions (2015: £33.8 million) which was ahead of business plan and the underlying financial models. These distributions were recorded in the standalone financial statements of the recipient as dividends, interest payments, capital and subordinated debt principal repayments.

The net cash receipts for the year ended 31 December 2016, after deducting the net cash outflow for Group operating costs, finance costs, and realised losses on foreign exchange derivatives, were £32.6 million (2015: £27.9 million).

The table below summarises the cash received by the holding companies from the investments net of certain cash outflows for the Group level corporate costs. For further detail on corporate cash flows, refer to the Consolidated Statement of Cash Flows in the Group's Consolidated Financial Statements.

	YEAR ENDED 31 DEC 16 £ MILLION	YEAR ENDED 31 DEC 15 £ MILLION
Distributions from investments—gross of withholding taxes	42.5	33.8
Net cash outflow from operating activities before finance costs [1]	(6.1)	(5.6)
Cash outflow from finance costs—net	(1.8)	(1.2)
Realised gain/(loss) on derivative financial instruments	(2.0)	0.9
Net cash flow	32.6	27.9

[1] Includes the withholding tax deducted at source on the distributions from investments.

THREE-YEAR COMPARATIVE OF INVESTMENT BASIS NAV

	2016	2015	2014
NAV (millions)	545.0	479.8	465.3
NAV per share (pence)	126.1	111.5	109.2

The published NAV increased by 13.6% to £545.0 million at 31 December 2016 (2015: £479.8 million). This equates to a growth in NAV per share of 13.1% to 126.1 pence at 31 December 2016 (2015: 111.5 pence).

FINANCING

TAP ISSUE

Following its 2016 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. The Company intends to ask shareholders to renew this authority at its forthcoming AGM.

The Company also announced on 29 March 2017 an intended placing of new ordinary shares to raise c. £58.5 million at a placing price (equivalent to the 31 December 2016 NAV per share, adjusted for the unwinding of the discount, for foreign exchange movements and a 4.9% premium) of 136.0 pence per share. The proceeds of the placing will be used to substantially repay outstanding borrowings and thereby provide financing flexibility with respect to the Company's investment pipeline.

The Company does not use structural gearing.

CREDIT FACILITY

The Company has a multi-currency Revolving Credit Facility ("RCF") with ING Bank and KfW IPEX-Bank, and in May 2016 utilised part of the accordion tranche provision, to increase the total commitment from £80 million to £110 million. The Company retains the ability, by utilising the accordion provision, to increase further the total commitment under the facility to £180 million. No commitment fees are paid on the unutilised segment of the accordion tranche.

The Company uses the facility primarily to fund acquisitions and to provide letters of credit for investment obligations. The intention is to repay the facility from time to time through equity fundraisings. The Company does not use structural gearing. The term of the facility is three years, expiring in January 2018. The borrowing margin is 185 bps over LIBOR. At 31 December 2016, the Company had utilised £70.3 million of the £110 million facility, of which £25.1 million has been used to cover letters of credit.

Management intend to commence the process of refinancing the RCF in Q2/Q3 2017.

PROJECT REFINANCING

In April 2016, BBGI successfully closed the £45 million refinancing on the Stoke & Staffordshire Fire Stations ("SSFR") project, realising an attractive margin reduction of 115 bps. This refinancing was carried out on an opportunistic basis with the original loan not due to mature until 2035, further demonstrating BBGI's ability to create shareholder value by active asset management.

Management was pleased with the outcome given that the process concluded in a market where margins were beginning to rise and, consequently, quite a number of refinancings were put on hold or abandoned.

The refinancing of NTSF for a further 5 years concluded in July 2016. The refinancing resulted in a loss compared to our financial model. This loss was mainly due to the unexpected swap close out costs attributable to one lender who was no longer active in the Australian market and, as a result, executed their swap termination rights under the loan agreement.

The 31 December 2016 valuation of RWH was adjusted to reflect the new refinancing assumptions which if realised would result in a refinancing loss. The refinancing process itself commenced during the reporting period and Management expect the process to conclude during H1 2017.

Subject to a successful refinancing of RWH with long-term debt, only NTSF will have short-term debt in place. All other PPP/PFI projects in the BBGI portfolio have long-term amortising debt in place, which will not require refinancing.

It is expected that the long-term amortising debt of Women's College Hospital will be refinanced sometime before July 2019 when there is an increase in the lending margin and a cash sweep in favour of the lenders, both of which act as an incentive to refinance.

Management will actively seek to refinance projects on an opportunistic basis when there is a possibility that it will result in an uplift in the project value. As at 31 December 2016, the weighted average PPP project concession length remaining was 22.6 years and the weighted average portfolio debt maturity was 19.2 years. Debt financing at the project level is structured in a way that does not provide any recourse to the Company.

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 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 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.

BEPS 4: INTEREST DEDUCTIONS AND OTHER FINANCIAL PAYMENTS

On 5 October 2015, the OECD published its final recommendations on its Base Erosion Profit Shifting ("BEPS") initiative. Action 4 under the initiative sets out recommendations regarding best practices in the design of rules to prevent base erosion through using interest expense. Specifically, it is recommended that member countries adopt a "fixed ratio rule" which would limit net deductions of interest to a percentage of EBITDA.

BBGI has continued to follow developments closely over the reporting period. In December 2016 the first draft of the UK Finance Bill 2017 was released with a further draft released post the balance sheet date in January 2017. The draft Bill provides some further clarity, particularly in the area of Public Benefit Exemption ("PBE"). Two of the more notable features are the following:

- Increased clarity over the type of investment that should qualify for PBE, which appears to be somewhat broader than was expected from the earlier consultation stage, and;
- It is now expected that 'Grandfathering' will be available for related party interest paid by qualifying companies where: (i) the loan has been in place since before May 2016; and (ii) the income is broadly fixed under long-term contracts (at least 10 years).

Based on the above updates, BBGI does not currently expect the implementation of BEPS Action 4 to have a material adverse impact on the Company's cash flows in the UK.

The advice received to date from the other relevant jurisdictions where BBGI invests is that, for the most part, 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 Action 4.

BBGI will however continue to monitor the initiative very closely across the various jurisdictions in which it is invested.

OTHER TAX DEVELOPMENTS

BBGI continues to work closely with its global tax advisors to assess the impact, if any, which could result from the implementation of various other tax developments. In this context the Company is currently assessing amongst others the impact that certain tax measures could have on Group cash flows, specifically BEPS Action 2: neutralising the effect of hybrid mismatch arrangements and also the impact the latest Luxembourg taxation circular on intra group financing could have on the Group's cash flows.

BBGI will continue to review these developments and assess whether any structural changes are required.

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.

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 Principle 15, the Directors have considered the viability and prospects of the Company for a period of five years. This period is 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. In addition, this five-year period aligns with the typical planning periods considered by the Boards during their periodic strategic reviews of the business.

The Company's investment policy is to invest in equity, subordinated debt and/or similar interests issued in respect of infrastructure projects developed mainly under PPP/PFI – or similar – procurement models, principally into already operational projects (construction completed), with public sector/government-backed revenue streams, and "availability-based" payments received from project entities. In addition, investments are only made into jurisdictions with: relatively mature financial markets; public sector counterparties with appropriate credit risk; and reliable legal systems. More detail on the Company's investment policy can be found in the relevant section of this annual report on pages 7 to 9.

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 46 to 64, 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; human error; or deliberate bypassing of control processes.

Lagan College,
United Kingdom

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 29 to 34.

Given the investment policy, risk management and valuation processes that are in place therefore, 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.

MARKET DEVELOPMENT

BBGI'S GROWTH STRATEGY IN THE CURRENT MARKET

In a low interest rate environment, PPP/PFI assets with stable, predictable, inflation-linked cash flows derived from creditworthy government or government-backed counterparties are seen as an attractive investment proposition by many investors. In addition, a greater acceptance and understanding of infrastructure as a mainstream asset class and key component of a well-diversified portfolio have caused more investors, especially those with long-dated liabilities to match, to increase their allocations to the sector.

As a result, there have been several investors including pension funds, insurance companies and infrastructure funds who are aggressively bidding on the limited supply of PPP/PFI products and causing prices to increase or remain at relatively high valuation levels.

The secondary market for social and transport infrastructure was very competitive in 2016, and we expect this trend to persist in 2017. As a result, discount rates in the sector are expected to remain at current levels or to show further but more moderate levels of tightening, with the corresponding positive effect on the valuation of our existing assets.

In this competitive environment, vendors often require prospective purchasers to price in lifecycle savings, refinancing gains, aggressive tax structures, portfolio efficiencies and other upsides to secure an acquisition. The result is that the margin for error has decreased and it is increasingly difficult to source acquisitions that will be accretive to shareholders. A recent survey of institutional investors in the sector by Preqin reported that there is US$137 billion of 'dry powder' held by infrastructure investment funds, and 53% of surveyed fund managers believe that asset pricing will be their biggest challenge in 2017.

A key component of our growth strategy has been to consider opportunities in creditworthy countries outside the UK. Often the competition is not quite as intense and more attractive pricing and terms can be obtained. During the year, we came close to selection as the preferred bidder on acquisition opportunities in Australia and Canada, and made one follow-on investment in the UK. We are committed to maintaining our pricing discipline in 2017 regardless of whether we are considering assets in construction or in operation.

Another key component of our growth strategy will be to consider projects in the bidding/construction stage, as we believe the pricing on construction projects is more attractive on a risk-adjusted basis.

Often the competition for construction assets is less intense as some investors require current yield, do not have sufficient and adequate asset management staff to oversee construction assets, or have mandates that restrict investment at this stage. BBGI has also used its strong PPP credentials to make it an appealing partner to construction companies who sometimes lack long-term ownership credentials, which are often required as part of the pre-qualification processes run by procuring government authorities.

Using this approach, BBGI has been shortlisted for a number of opportunities over the past two years and will continue with this strategy. In addition to the various opportunities listed on page 21, the Company is also actively considering other attractive development opportunities, about which more details will be provided at the appropriate time.

The Management Board expects it will be able to secure construction assets at higher discount rates during the construction stage and will be well positioned to realise the potential value uplift when the assets become operational. In addition, projects acquired at this stage often have pre-emption rights, which can facilitate further investment on favourable terms.

In 2015, the Management Board oversaw the successful transition of three projects from construction phase into the operational/ramp-up phase. During 2016, the East End Crossing Project completed construction on time and on budget. In 2017 and 2018, the Management Board further expects both the Mersey Gateway and North Commuter Parkway projects to complete construction respectively, and it is actively looking to replenish some of this construction stage exposure by pursuing select primary projects at the bidding phase.

This development pipeline represents an exciting opportunity for BBGI and will provide an attractive alternative to only acquiring assets in the secondary market. BBGI intends to pursue the strategy further and will selectively consider development opportunities so long as, in aggregate, construction assets remain below 25% of the portfolio and they do not compromise the Company's ability to satisfy its dividend targets.

Currently, we are evaluating a range of opportunities. These range by sector, geography, and/or stage of investment, but all fit the Company's stated investment objectives and growth strategy. We are confident the pipeline could result in new value-accretive investments for the Company.

REVIEW OF MARKETS

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 a unique 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.

UNITED KINGDOM

The UK PPP/PFI market was once considered the most vibrant and robust market in the world. Over 700 PFI projects delivering investments of over £60 billion have been signed since 1992. However, in recent years, the pace of primary activity has slowed.

Ever since 52% of the UK electorate voted to leave the EU in June 2016, BREXIT has dominated the UK's political and economic discourse. Since then the future of infrastructure spending has been a major source of economic debate. In the Autumn Statement, Philip Hammond, the Chancellor of the Exchequer, announced that the government would make a modest increase in its spending on infrastructure. This includes an additional £1.1 billion on local road networks and £450 million on the rail system over the next five years.

The Chancellor also stated that further new projects (including its PF2 initiative) would be announced in the coming months and that the government would extend its project guarantee scheme until 2026. Therefore, for the time being, the BREXIT vote has had a minimal negative impact on UK infrastructure.

InfraDeals, part of the Inframation Group, is currently tracking 20 PPP projects in active procurement in the UK. There are still good prospects to be found, even though investment opportunities in traditional primary project finance transactions have fallen compared with historic volumes. Attractive opportunities exist in the transport sector. Highways England may look to attract further investment in roads, as the government looks to boost productivity.

The UK market continues to be the largest source of secondary market transactions globally. There has been a reduction in secondary market PPP/PFI deal flow, reflecting the slowdown in public sector procurement since 2010. 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 smaller, more opportunistic investments where the competition is less intense. BBGI will also continue to consider primary development opportunities in the UK.

CANADA

Canada is the world's most prolific PPP market, and is one of the most mature and stable. To date, 177 deals have reached financial close, of which 28 were in the last 12 months. Half a dozen provinces, at least 15 municipalities, and the federal government are the major drivers in this market.

Over the last number of years, the Canadian market has shifted from an emphasis on the healthcare and justice sectors, to transport. There is also now more activity in the wastewater and waste-to-energy sectors.

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 P3 program. These independent entities are responsible for the majority of projects in procurement.

Infrastructure Ontario is the biggest agency in terms of size, with over 450 employees and the numbers of deals (74) to reach financial close. However, in recent years the emergence of PPPs in provinces such as Saskatchewan and in new municipalities has been a major theme.

In Saskatchewan, a total of six deals have closed: four projects delivered by SaskBuilds and two at a municipal level in the city of Saskatoon. The projects have been delivered across both the social and civil sectors.

While Canada has seen significant movements in terms of transportation infrastructure, there is still a robust pipeline of small- and mid-sized social infrastructure projects.

The secondary market has great potential throughout Canada, considering the number of deals that have reached financial close since 2004. The Canadian secondary market is expected to be active in 2017 as projects developed over the last two or three years come into operation and may be offered for sale. Now with seven projects in Canada, BBGI is a well-known market participant and has very good exposure to deal flow.

BBGI expects to build on its recent success in the primary market with the North Commuter Parkway, and is actively bidding or considering a number of upcoming primary bids.

UNITED STATES OF AMERICA

The US will have to spend roughly US$3.6 trillion by 2020 in order to maintain its existing infrastructure, according to conservative estimates. While PPPs have been instrumental in getting a number of projects over the line, only a few states have used the procurement method to date.

Established market participants such as Virginia, Texas, Florida and Indiana retained their place as PPP market leaders in 2016. More recent entrants such as Pennsylvania, North Carolina and Ohio also reached financial close on their first PPPs. US states and municipalities have historically been much more reluctant to adopt PPPs than their Canadian counterparts. However, the federal government, and an increasing number of state legislatures, have recently begun taking steps to make PPPs more acceptable for stakeholders.

As a presidential candidate, Donald Trump made an ambitious pledge to mobilise anywhere from half a trillion to a trillion dollars into upgrading the nation's ageing roads, bridges and transportation hubs. Rather than rely solely on direct federal spending, Trump advisers have said they would probably use tax credits and public-private partnerships. During his first address to a joint session of Congress on 28 February 2017, Trump revealed the size of his planned infrastructure programme as US$1 trillion, some of which is to be funded by "private capital".

In anticipation of this promised major infrastructure initiative, the National Governors Association recently forwarded a list of 428 "shovel-ready" projects to the new administration. The list includes an array of transportation, water, energy and emergency-response projects. The sheer size of the list underscores the intense interest in the initiative from governors in both political parties. We await more detail on this ambitious proposal from the new president.

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.

In the medium term, we expect a modest number of mostly transportation assets to come to the secondary market, as projects that have reached financial close move into operations and construction companies consider recycling their equity.

CONTINENTAL EUROPE

European infrastructure markets remain active with certain countries offering an attractive pipeline of new projects. We witnessed an increase in both primary and secondary deal flow and, accordingly, we believe these markets, in particular Holland, Germany and the Nordic states, are likely to provide investment opportunities over the medium term.

The German federal government has announced plans to procure €7.5 billion of new road projects under the PPP model. The programme, dubbed the "Neue Generation ÖPP" will see 10+ road PPPs launched, with two to three new road procurements each year until the end of 2019. The A3 PPP road in Bavaria was the most recent project announced to start procurement with more projects to follow. With six existing assets in Germany, 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 dealflow in 2017-2019. The first of those projects to be procured include the Rv3/Rv25 in March 2017, followed by the E10/RV85 and Rv555 projects in 2018. BBGI is hoping to leverage its experience with the E18 road project in Norway to secure participation in consortia bidding to deliver these new projects.

The Company is also actively considering opportunities in the Netherlands and Belgium, where a mix of transportation and social infrastructure opportunities are being considered. The Dutch market continues to be one of the most reliable markets in Europe, with a consistent pipeline of sizeable deals that regularly attract major international developers and financers.

In Spain, Portugal and Italy, assets procured under historic programmes are creating secondary market opportunities. BBGI has not focused much attention on the opportunities in Southern Europe given the weak credit ratings of these countries and the tendency of some public sector clients to renegotiate contracts.

AUSTRALIA

The country is turning towards infrastructure investments as the next economic growth engine, as the commodities boom is winding down. 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.

The current federal government, led by Malcolm Turnbull of the Liberal Party, has been a vocal supporter of increased investment in infrastructure, carrying on from Tony Abbott who dubbed himself as the "Infrastructure Prime Minister". One of this regime's flagship projects is the Asset Recycling Program. Under this, the central government pays out the equivalent of 15% of the proceeds from any regional government asset privatisation that is reinvested in new infrastructure projects.

In the PPP pipeline, there are still many rail and light rail projects that are due for tender. Sydney Metro Northwest and Southwest are set to receive funds from the electricity networks' sale, and the Parramatta Light Rail is scheduled to announce its preferred route by the end of this year.

Prison and social housing projects are also in the pipeline, with New South Wales looking to procure a new 600-bed prison at Grafton as a PPP. The region is also evaluating proposals for social housing projects from the private sector through the Premier's Innovation Initiative.

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 2017.

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 Luxembourg law of 17 December 2010 on undertakings for collective investments and is subject to the Luxembourg 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.

Since its IPO in December 2011, the Company's operating environment has become increasingly complex for both it and its stakeholders. A raft of regulations since then to which the Company must adhere have added to the Company's costs, and have brought new challenges to the complexity of oversight and management of the business. Good corporate governance is therefore becoming increasingly critical. 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 and that they can have confidence in its long-term success.

Recent behaviour by a few organisations has, however, meant that changes may well be made to parts of the UK corporate governance regime, as evidenced by the UK Government's Corporate Governance Reform Green Paper published at the end of 2016. We will follow the discussions and developments arising out of this Green Paper closely, particularly where they are likely to affect BBGI.

The Company takes corporate governance matters seriously. The Boards recognise the importance of a strong corporate governance culture and 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").

Although 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 previous AIC Code dated February 2015 for the 2016 reporting period. The Company 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, with the exception of the appointment of a new Risk Manager mentioned below in the section "Delegated functions", 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.

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.

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, are appointed to these roles:

COMPLIANCE	99 Advisory Luxembourg - ICE (previously The ICE Breakers S.A.)
CUSTODIAN, DEPOSITORY, PAYING AGENT, TRANSFER AGENT	RBC Investor Services Bank S.A.
INTERNAL AUDIT	Grant Thornton ABAX Consulting
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.

MATERIAL CONTRACTS

The following new material contracts relating to the governance of the Company were entered into during the year ended 31 December 2016:

- Global IT Services PSF: IT Services Provider
- SGG: Risk Management Services

During the year under review, the third party service provider for Risk Management, Grant Thornton ABAX Investment Services, informed the Company that Grant Thornton was unable to continue to provide both risk management and internal audit services. Accordingly, in June, the Management Board approved the appointment of SGG Fund Management S.A. ("SGG") to provide the full suite of risk management services to the Company, to take effect from 1 September 2016. There has been no increase in costs to the Company because of this change, nor was there any disruption during the handover. In addition, formal written regulatory approval of this appointment was received from the CSSF on 29 August 2016.

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.

A copy of the Articles is available for inspection at the Company's registered offices 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.

During the year under review, the annual fee paid to the Chairman of the Supervisory Board was £55,000 (2015: £55,000) and the annual fees paid to both the Senior Independent Director and the Chairman of the Audit Committee were £42,500 (2015: £42,500).

The aggregate fee paid to the members of the Supervisory Board during 2016 was £140,000 (2015: £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 level and structure of the remuneration to which the Management Board members and employees of the Group are entitled are reviewed on an annual basis by the Supervisory Board acting as the Company's Remuneration Committee. 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 exchanges 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 average annual salary respectively;
- the Threshold, Target and Maximum levels of the LTIP awards are set at 50%, 100% and 150% of salary 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.

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 entitlement of the members of the Management Board at 31 December 2016 is £832,663 (2015: £686,034). Of the £146,629 increase between 2015 and 2016, £132,792 is directly attributable to the impact of Sterling weakening against the CAD and EUR over the reporting period.

In addition to their base fees, both Mr. Schramm and Mr. Ball received a monthly car allowance during the year amounting to £26,053 (2015: £23,491) and a supplementary annual payment of 5% of their annual fee to provide pension, retirement or similar benefits.

SHORT-TERM INCENTIVE PLAN ("STIP")

Under the STIP, awards for Mr. Ball and Mr. Schramm are subject to the achievement of pre-determined performance objectives set by the Supervisory Board at the beginning of the relevant financial year. The maximum amount payable under the STIP is 125% of the relevant executive's annual fee, with a target performance to produce an entitlement of 100% of fee and a minimum performance threshold to produce 50%. The relevant annual fee is the total base fee paid in the year.

Mr. Denny's 2016 target performance objectives entitle him to a maximum €90,000 payment.

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 2016, the combined amount accrued in respect of the 2016 STIP amounted to £709,459 (2015: £610,135). Payments under the STIP are made in CAD and EUR.

LONG-TERM INCENTIVE PLAN ("LTIP")

During the year under review a combined amount of £262,612 (2015: £310,218) was accrued against those LTIPs which have been awarded but not vested.

As of 31 December 2016, the combined amount accrued but not yet paid to Mr. Ball, Mr. Denny and Mr. Schramm with respect to the 2013, 2014 and 2015 LTIP award letters amounted to £834,114 (2015: £677,676). Further details on the individual awards are set out below.

CASH-BASED LTIP AWARDS

2012 AWARD

In December 2015, after the end of the Return Period, the Company made a payment of C$350,000 to Mr. Ball based on the estimated amount due under the 2012 award. In January 2016, the Company made a payment of €250,000 to Mr. Schramm under the 2012 award. Also in January, an adjusting payment of C$2,890 was made to Mr. Ball. All awards were settled in cash.

2013 AWARD

During the year ended 31 December 2016, an accrual of £54,612 (2015: £212,218) was recorded in respect of the 2013 award granted to Mr. Ball, Mr. Schramm and Mr. Denny. The total combined amount outstanding under this award amounted to £527,114 at 31 December 2016. The award for Mr. Ball and Mr. Schramm was measured by reference to a threshold hurdle of a TSR of 16.50% achieved over the three-year return period, starting from the date of each individual annual award letter, with the maximum amount payable for achieving a 25% or greater TSR over the same return period.

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.

The award granted to Mr. Denny in May 2014 has a return period that commenced in December 2013. A TSR of 16.50%, the threshold, will pay €50,000; achieving a TSR of approximately 22.50% will earn the maximum amount of €100,000. Interim achievements will be interpolated. Payment of Mr. Denny's award is scheduled for May 2017.

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 as was the case with all previous awards granted.

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 has engaged 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 106 in the Consolidated Financial Statements for further detail on share-based payments.

2014 AWARD

The granting of the 2014 award was put on hold in order to await the result of the resolution put to shareholders at the April 2015 AGM. The LTIP awards were subsequently granted to the members of the Management Board in August 2015, noting however that the return period would commence from December 2014.

Half of the LTIP target award will be measured by reference to TSR. The other half will be measured by reference to the percentage increase in the Company's NAV per share.

As regards Mr. Ball and Mr. Schramm, the maximum award that may be made under the LTIP is 150% of the relevant executive's base salary in that financial year, with a target award of 100% and a minimum threshold of 50%.

With respect to Mr. Denny, the maximum award that may be made under the LTIP is €100,000 with a threshold award of €50,000. Interim achievements will be interpolated.

During the year ended 31 December 2016, an expense of £98,000 (2015: £98,000) was accrued in respect of the 2014 awards.

2015 AWARD

In December 2015, the Management Board members were each granted an LTIP award. Other than the return period, which runs from December 2015 to December 2018, all the other features remain identical to those in the 2014 award as outlined above.

During the year ended 31 December 2016, an expense of £108,000 was accrued in respect of the 2015 award.

2016 AWARD

In December 2016, the Management Board members were each granted an LTIP award. Other than the return period, which runs from December 2016 to December 2019, all the other features remain identical to those in the 2014 award as outlined above.

No expense was accrued during the year ended 31 December 2016 under this award.

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.

Royal Women's Hospital, Australia

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.

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 under review was £1.77 million (2015: £1.42 million). The total variable remuneration accrued for all members of staff for the financial year ending 31 December 2016 was £1.21 million. The total variable remuneration paid to all members of staff for the financial year ending 31 December 2015 was £1.12 million.

THE BOARDS OF DIRECTORS

NAME	FUNCTION	INDEPENDENCE	AGE	ORIGINAL APPOINTMENT	NEXT RENEWAL DATE
SUPERVISORY BOARD					
David Richardson	CHAIRMAN OF THE SUPERVISORY BOARD	independent	65	3 October 2011	30 April 2017
Colin Maltby	SENIOR INDEPENDENT DIRECTOR	independent	66	3 October 2011	30 April 2017
Howard Myles	DIRECTOR AND CHAIRMAN OF AUDIT COMMITTEE	independent	67	3 October 2011	30 April 2017
MANAGEMENT BOARD					
Duncan Ball	MEMBER OF THE MANAGEMENT BOARD	not independent	51	5 October 2011	5 October 2017
Frank Schramm	MEMBER OF THE MANAGEMENT BOARD	not independent	48	5 October 2011	5 October 2017
Michael Denny	MEMBER OF THE MANAGEMENT BOARD	not independent	39	30 April 2013	30 April 2017

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.

BOARD MEMBERS AND OTHER INTERESTS

Duncan Ball, Michael Denny and Frank 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. David Richardson, Colin Maltby and Howard Myles are all considered to be independent Board members as: (i) they 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 2016	% OF ISSUED SHARE CAPITAL	31 DECEMBER 2015
David Richardson	166	0.04	160
Colin Maltby	112	0.03	107
Frank Schramm	193	0.04	185
Duncan Ball	193	0.04	185
Michael Denny	39	0.01	38
	703	**0.16**	**675**

BOARD DIVERSITY AND TENURE

The Boards have considered their diversity, as recommended by the AIC Code, along with the Davies Review "Women on Boards" Five Year Summary of October 2015. 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 is currently 5 years old, with no new appointments made to the Supervisory Board 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. As stated later in this Governance section under "Committees of the Supervisory Board - Nominations Committee", the Supervisory Board, acting as the Nominations Committee, together with the Management Board reviewed the succession plans of the Company and concluded that their present composition embodies an appropriate diversity of perspectives and relevant skills, qualifications and experience. Accordingly, they agreed that at the current time no new appointments were required, and there continued to be no necessity for the formalisation of a policy on tenure.

As the Company matures, however, it will become necessary to agree such a policy, and may become relevant to seek greater diversity by length of service, gender, ethnicity, nationality or other criteria. However, the Boards remain committed to conducting any evaluation of prospective candidates, as of their own members, without discrimination on grounds of gender, age, nationality, ethnicity, faith or sexual orientation. Their overriding objective is to select 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 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 are 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 2015 and latterly in 2016, resolved to renew Mr. Denny's appointment for a further term of one year with effect from 30 April 2016, and those of Mr. Ball and Mr. Schramm for a further term of one year with effect from 5 October 2016.

ATTENDANCE AT MANAGEMENT BOARD MEETINGS DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

NAME	SCHEDULED MEETINGS AND ATTENDANCE	UNSCHEDULED MEETINGS AND ATTENDANCE*	TOTAL MEETINGS AND ATTENDANCE
Management Board	**10**	**4**	**14**
Frank Schramm	10	4	14
Duncan Ball	10	4	14
Michael Denny	10	4	14

* 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 to be 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 five times. Attendance of individual Supervisory Board members can be found 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 2016, this process has now 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 2016

NAME	SCHEDULED MEETINGS AND ATTENDANCE
Supervisory Board	**5**
David Richardson	5
Colin Maltby	5
Howard Myles	5

From time to time there are unscheduled meetings of the Supervisory Board, most of which are called at short notice to approve documents previously discussed or of a technical nature. Due to the generally short notice given, not all members are always able to attend. However, no unscheduled meetings were called during 2016.

OTHER LISTED COMPANY DIRECTORSHIPS

David Richardson

- Assura plc

Colin Maltby

- BACIT Limited (resigned 31 July 2016)
- 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

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. Each member of the Supervisory Board has decided to offer himself 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 member. The supporting biography of each member can be found immediately following the Chairman's Statement of this annual report.

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 investment strategy, as set out in the Company's prospectuses and this annual report, 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.

There are no other 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 four times during the financial year to review the levels and structure of the remuneration, compensation, and other benefits and entitlements for the directors, officers and employees 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.

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 immediately following the Chairman's Statement.

The Committee's responsibilities are as follows:

- Where requested, providing advice to the Supervisory Board on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides 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.

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.

MEETINGS

The 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.

ATTENDANCE AT AUDIT COMMITTEE MEETINGS DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 2016.

AGM

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

RISK AND RISK MANAGEMENT

The Board, with the support of the appointed Risk Manager, considers the process of identifying, evaluating and managing the significant 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 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.

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. General areas of risk and the processes are set out below within the relevant area of risk.

AREAS OF RISK	RISK FACTOR
ECONOMIC, EXTERNAL AND FINANCIAL	1. Currency fluctuation 2. Political and regulatory — changes in law, policies, regulations, directives and practice 3. Tax and accounting — changes in law, policies and practice 4. Interest rate, deposit rate and inflation rate movement, and general economic impact 5. Liquidity and finance — no or limited access to debt or equity financing
OPERATIONAL/ASSET RELATED	1. Re-financing risk 2. Construction: delays, defects, insolvency 3. Counterparty risk 4. Termination of projects 5. Underperformance or performance failures of project entities, subcontractors or service providers 6. Lifecycle risk: timing and costs of project refurbishments where the risk is retained 7. Budgeting, control failings, financial modelling and reporting errors 8. IT systems failing/cyber attack 9. Bribery, fraud, corruption, conflicts of interests
STRATEGIC AND MANAGEMENT	1. Share price discount or premium to NAV 2. Poor project selection: overpaying for assets 3. Inadequate due diligence resulting in inaccurate risk assessment 4. Underperformance of Management Board, key man risk 5. Counterparty risk: counterparty's ability to pay 6. Bribery, fraud, corruption, conflicts of interest 7. Contractual imperfections 8. Breach of investment policy 9. Concentration risk: over-reliance on one jurisdiction, public client, credit institution or service provider

ECONOMIC, EXTERNAL AND FINANCIAL RISKS

- A significant proportion of the Company's underlying investments, 61% of portfolio value at 31 December 2016, are denominated in currencies other than Sterling. The Company maintains its financial statements, prepares the valuation and pays distributions in Sterling. Accordingly, fluctuations in exchange rates between Sterling and the relevant local currencies will directly affect the value of the Company's underlying investments, the distributions and the ultimate rate of return realised by investors. The Company has implemented currency hedging arrangements in respect of the non-Sterling investments denominated in AUD, CAD, NOK and USD for a period of four years in order to mitigate some of this risk.
- The Company has investments in project entities and business activities in different jurisdictions, and external, economic and financial factors have the capacity to affect these. In particular, the performance of the investments can be affected by changes in macroeconomic factors such as foreign exchange, inflation rates, interest rates and deposit rates.
- Different laws and regulations apply within the jurisdictions where the Company and the project entities are located, and the Company and investments in such countries may be affected by changes in law, tax and accounting regimes, directives, political climate, and other changes that cannot be easily foreseen. The underlying financial models of project entities and the business model of the Company are based on assumptions regarding the prevailing tax, accounting and legal frameworks. Any change in those assumptions could affect the Company's ability to meet targets and its investment objectives. Where possible, this will be mitigated, but there may be instances where this will not be possible. The Company and the service providers for the underlying project entities continually monitor any potential or actual changes.
- The project entities typically have some cash reserves and deposits. From a financial modelling perspective, an assumption is usually made that the deposits can be placed at a forecast rate that varies depending on country and historical long-term averages. The effect on investment returns if deposit rates exceed or fall below the projections for this long-term rate is dependent on the amount of deposits.
- The revenues and expenditure of project entities 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 a long-term rate (which may vary depending on country and prevailing inflation forecasts). The effect on investment returns if inflation exceeds or falls below the projections for this long-term rate is dependent on the nature of the underlying project earnings, the extent to which the project entity's costs are affected by inflation and any unitary charge indexation provisions agreed with the client on any project. 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. This may be due to, *inter alia*, inflation. Project entities typically mitigate that risk to some extent by seeking to match the indexation of the revenues to the indexation of the operational cost.
- The Company's debt facility has a floating rate that is not hedged. The Company's performance may be affected by changes in interest rates. The underlying project entities have sought to hedge substantially all their floating rate interest liabilities against changes in underlying interest rates.
- 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 refinanced in January 2015), 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.

OPERATIONAL/ASSET RELATED RISKS

- In some projects, a refinancing may be required to repay the project entity's obligations as they fall due. For the existing portfolio, in relation to senior debt financing, this applies to the Northern Territory Secure Facilities project, Royal Women's Hospital project (and only with respect to one of two tranches of bonds), and the Women's College Hospital project where the bond expires in 2019 and, in the event that no refinancing can be arranged, a cash sweep applies where all net operational cash will be used to repay the bond. 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 entity. The Company believes that the current refinancing assumptions in the models are adequate.
- Although it is intended that the main construction and operational risks will be passed on by the project entities contractually to the relevant subcontractor or service providers (including any penalty payments or deductions to the client), or covered by insurance, there continues to be some risk that the anticipated returns of the project entities will be adversely affected by underperformance or performance failures.

- To the extent that the actual costs incurred by a project entity differ from the forecast costs, and cannot be passed on to subcontractors, e.g. insurance costs, the expected investment returns may be adversely affected.
- If there is a subcontractor service failure or subcontractor insolvency which is sufficiently serious to cause a project entity to terminate or to be required by the client to terminate a subcontract, or the relevant subcontract expires prior to the end of the concession period (which is the case on some road projects), there may be a loss of revenue during the time taken to find a replacement subcontractor. In addition, the replacement subcontractor may levy a surcharge to assume the subcontract or charge more to provide the services. Despite available securities such as parent company guarantees and letters of credit, these losses and costs may not be recoverable from the defaulting subcontractor.
- The client is generally given rights of termination under PPP/PFI contractual agreements. The compensation (if any) which the project entity is entitled to receive on termination will depend on the reason for termination and the terms of the project agreement. In some instances, the compensation will not include amounts designed specifically to repay the equity investment. Where termination is for client default, or the client voluntarily terminates the project agreement without fault on either side, the compensation is likely to extend to some of the lost equity returns, although this cannot be guaranteed. The Company has currently no indication that any of the clients intend to voluntarily terminate the agreement or of any potential client default.
- During the life of an investment, components of the project assets (such as asphalt 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. The timing and costs of such replacements or refurbishments is forecast, modelled and provided for by each project entity based upon manufacturers' data and warranties, and specialist advisers are usually retained by the project entities to assist in such forecasting of lifecycle timings, scope of work and costs. However, various factors such as shorter than anticipated asset lifespans, vandalism, or underestimated costs and/or inflation higher than forecast may result in lifecycle costs being higher than the financial model projections or occurring earlier than projected. The contractual matrix for the current portfolio is intended to pass this risk down to subcontractors (in particular for the social infrastructure projects), but where this risk is retained (generally on transport projects) or where it is not otherwise effectively passed down to subcontractors, any cost implication will generally be borne by the affected project entities.
- Typically, the client will have the right to terminate the project agreement where the project entity or a shareholder or subcontractor (or one of their employees) has committed bribery, corruption or another fraudulent act. In these circumstances, it is likely that the majority, if not all, of the investment will be lost. The Company has a compliance system in place and is currently not aware of any such acts that could trigger that risk.
- The costing of, and pricing for, infrastructure projects relies on large and detailed financial models. There is a risk that errors may be made in the assumptions, calculations or methodology used in a financial model. In such circumstances, the figures and/or the returns generated by the project entity may be different to those estimated or projected. The risk is mitigated for project entities where the models have been updated a number of times and/or operational model audits have been undertaken. The Company typically engages a third party advisor to carry out a model review as part of its acquisition due diligence process.

STRATEGIC AND MANAGEMENT RISKS

- 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. 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 28 April 2017.
- The Company seeks to provide its shareholders with a minimum 6.25 pence per share per annum target dividend and a 7% to 8% IRR on the £1 IPO issue price, based on long-term stable and contracted government-backed revenue streams that are partly inflation linked. The Company's portfolio value is prepared semi-annually by the Management Board in good faith; it is then independently reviewed by a professional valuer, and finally reviewed/audited by KPMG. However, there is a risk that the Company may fail to reach the return objectives. The ultimate realisation of the market value of an asset depends largely on judgements, economic conditions and other conditions beyond the control of the Company. Valuations do not necessarily represent the price at which an investment can be sold.
- Further investments intended to be made by the Company comprise interests in project entities that are not publicly traded or freely marketable and often subject to restrictions on transfer; such investments may, therefore, be difficult to value. This could lead to an overpayment for investments during an acquisition. The Company has internal processes in place that seek to minimise these risks through regular review of the peer group, discussions with advisors, regular external confirmation of the portfolio value, and the annual audit process.

- The due diligence process undertaken during an acquisition may not reveal all facts and circumstances relevant to a particular investment. The Company seeks to mitigate this risk where possible by a structured due diligence process, typically with the support of external advisors, market knowledge, site visits and contractual protections in the acquisition agreements.
- The success of the Company will depend, *inter alia*, upon the skill and expertise of the Management Board and the individuals employed within the Group in identifying, selecting, acquiring and managing the investments. There is also no certainty that key investment professionals will continue to work for the Group in the long term.
- The concessions granted to project entities are predominantly granted by a variety of public sector clients in the UK, Canada, Australia, Germany, Norway and the US. 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. The Company has a wide range of public clients.
- The Company and its business may be impacted by bribery, fraud and corruption. The Company has a compliance system in place and is not aware of any such acts that could trigger that risk.
- A single subcontractor may be responsible for providing services to various project entities in which the Company will invest, and the Company has set no limit as to the number of project entities to which a single subcontractor may provide services. In such instances, the default or insolvency of such single subcontractor could adversely affect a number of the Company's investments. A similar situation may apply with respect to default, impairment or insolvency relating to financial counterparties, such as banks and insurance companies. Any credit support provided in respect of the performance of the relevant obligation may not be sufficient and may not respond at all. This could have a material adverse effect on the project entity concerned and might not only reduce financial returns but could adversely affect the Company's reputation. Apleona (previously called Bilfinger Real Estate Asset Management or "BREAM") is the day-to-day management service provider for a substantial number of these project entities and as such there is some concentration risk from this relationship.
- Where the project entities have made deposits with financial institutions, these are typically short or medium term. By monitoring the exposure across the portfolio, the Company seeks to mitigate any over-reliance on any single counterparty and ensure that these institutions have an acceptable credit rating.

INSURANCE

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

As companies' influence on global economic activity increases, the resultant effect on the environment and society in general is much greater than before. Corporate Governance 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 mitigated to the greatest extent possible. Adopting such good practices should also have the effect of reducing the possibility of more onerous legal/ regulatory changes being imposed that could seriously affect relevant business activities.

As part of their corporate social responsibility, the Boards recognise the importance of ensuring that the Company develops appropriate environmental, social and ethical policies. The Company has implemented its ESG policies, which have been designed to ensure that the Company follows best practices in relation to corporate responsibility. The policies are monitored and updated on an ongoing basis. Furthermore, and allied to this ESG Policy, the Company strives to ensure that all the project companies within its portfolio have implemented effective ESG policies and processes.

In terms of employment, the Company is an Equal Opportunities Employer, committed to the principles of respect, fairness and 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 its entire 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.

Liverpool & Sefton Clinics (LIFT), United Kingdom

Once the Company has acquired an investment in a project entity, through its representatives on the Board of the project company it then undertakes regular reviews of the environmental, social governance and ethical policies that the project entity has in place and its adherence to these policies in the delivery of its services. 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 these to the Supervisory Board.

An infrastructure project can have an immense impact on the local communities and the environment. Accordingly, the Company requires that its representatives within the various project companies strive to ensure that, firstly, said companies develop and maintain positive relationships with the communities affected by their particular project and secondly, that all necessary steps/mitigating actions (to the extent practical) are taken to lessen or, if at all possible, to nullify the impact on 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.

The Mersey Gateway Bridge project in the UK is an example of such an initiative, further details of which can be found through the following link:

http://www.merseygateway.co.uk/mersey-gateway-environmental-trust

DONATIONS

The Company made no political donations during the year. Total charitable donations for the year did not exceed £500.

AUDIT COMMITTEE REPORT

INTRODUCTION

I am pleased to present the Audit Committee's formal report to shareholders on how it has conducted its responsibilities for the year ended 31 December 2016.

RESPONSIBILITIES AND COMPOSITION

The main responsibilities of the Audit Committee can be found within the Governance section of this Annual Report, under the heading "Committees of the Supervisory Board".

Each of the three Non-Executive Directors is a member of the Committee, which is chaired by me, and our biographies can be found immediately after the Chairman's Statement. 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 enables him to not only bring his extensive accounting knowledge to the table but also keeps him fully informed of any issues that may arise.

2016: THE YEAR UNDER REVIEW

The Audit Committee met twice in the year to 31 December 2016 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 2015 Annual and 2016 Interim reports and financial statements;
- the Reports of the external Auditor;
- the implications of the 2016 Audit Reform Law [20] on the governance of the Company and the responsibilities of the Audit Committee;
- 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 Company's accounting policies;
- the risk register of the Company;
- the adequacy of the internal control systems and standards; and
- the Internal Auditor's Annual Report of the year under review.

[20] The Luxembourg Law implementing the Audit Market Reform published in Mémorial A on 28 July 2016. The new requirements will impact Public Interest Entities (PIEs), their parent undertakings and controlled undertakings within the European Union.

SIGNIFICANT RISKS CONSIDERED

During the year under review, the Audit Committee held discussions with both the Management Board, the external Auditor and the Company's 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, and in particular the discount rates applied and the key macroeconomic assumptions used when valuing these investments. This risk of material misstatement is considered carefully when the Committee reviews the Company's annual and interim financial statements. The fair market valuation of the investments (which is carried out by the Management Board) is conducted every six months at 30 June and 31 December respectively; this is then reviewed by an independent third-party valuer, after which it is presented to the Supervisory Board. As outlined in Note 10 to the financial statements the total fair value of the investment portfolio at 31 December 2016 was £569.9 million.

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 2016 had been properly carried out and the investments fairly valued.

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.

NON-AUDIT SERVICES ("NAS")

Under the new Audit Reform Law, fees for permissible NAS provided by the external auditor to the Company or its controlled undertakings, where performed for three consecutive financial years, must not in any year exceed 70% of the average annual fees charged by the external auditor in the last three consecutive financial years for statutory audits of the Company and its controlled EU undertakings. These provisions are enforceable for periods beginning after 17 June 2019. During the year under review, the Company has put in place certain procedures to ensure continued compliance with these new provisions, amongst which is that, with immediate effect, the Audit Committee will approve all NAS to be performed by the external auditor that are not prohibited before such NAS are carried out.

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 therefore that KPMG Luxembourg, Société coopérative be re-appointed as the Company'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 and understandable, and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

APPROVAL

On behalf of the Audit Committee

Howard Myles
Chairman of the Audit Committee
BBGI SICAV S.A.
28 March 2017

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 is in compliance with applicable company law and other UK or Luxembourg applicable laws and regulations, providing a description of the risks and uncertainties the Group may encounter, and putting in place an appropriate control framework designed to meet the Group's particular needs and the risks to which it is exposed.

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.

SIGNATURES

Luxembourg,
28 March 2017

Duncan Ball
Co-CEO
BBGI SICAV S.A.

Frank Schramm
Co-CEO
BBGI SICAV S.A.

Michael Denny
CFO
BBGI SICAV S.A.

TO THE SHAREHOLDERS OF

BBGI SICAV S.A.
6E, route de Trèves
L-2633 Sennigerberg

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE FINANCIAL STATEMENTS

Following our appointment by the Annual General Meeting of the Shareholders dated 29 April 2016, we have audited the accompanying consolidated financial statements of BBGI SICAV S.A. (the 'Company') and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2016, 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, comprising a summary of significant accounting policies and other explanatory information.

We have also audited the accompanying separate financial statements of the Company, which comprise the statement of financial position as at 31 December 2016 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes.

Management Board's responsibility for the consolidated financial statements and separate financial statements

The Management Board is responsible for the preparation and fair presentation of these consolidated financial statements and separate financial statements in accordance with International Financial Reporting Standards 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 and separate financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements and separate financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and separate financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated financial statements and separate financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements and separate financial statements 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 entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board, as well as evaluating the overall presentation of the consolidated financial statements and separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of BBGI SICAV S.A. as of 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

In our opinion, the separate financial statements give a true and fair view of the financial position of BBGI SICAV S.A. as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

OTHER INFORMATION

The Management Board is responsible for the other information. The other information comprises the information included in the management report and the Corporate Governance Statement but does not include the consolidated financial statements, the separate financial statements and our report of réviseur d'entreprises agréé thereon.

Our opinion on the consolidated financial statements and the separate 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 and the separate 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 and the separate 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.

OTHER MATTER

The Corporate Governance Statement includes information required by Article 68bis paragraph (1) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The management report, is consistent with the consolidated financial statements and the separate financial statements and has been prepared in accordance with the applicable legal requirements.

The information required by Article 68bis paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended and included in the Corporate Governance Statement is consistent with the consolidated financial statements and the separate financial statements and has been prepared in accordance with applicable legal requirements.

Luxembourg, 28 March 2017

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Frauke Oddone
Partner

CONSOLIDATED INCOME STATEMENT

IN THOUSANDS OF POUNDS STERLING	NOTE	YEAR ENDED 31 DECEMBER 2016	YEAR ENDED 31 DECEMBER 2015
Continuing operations			
Income from investments at fair value through profit or loss	10	99,523	42,014
Other operating income	9	1,735	1,796
Operating income		101,258	43,810
Administration expenses	5	(5,508)	(4,682)
Other operating expenses	6	(11,053)	(1,107)
Operating expenses		(16,561)	(5,789)
Results from operating activities		84,697	38,021
Finance cost	7	(2,252)	(1,852)
Finance income	8	11	23
Net finance result		(2,241)	(1,829)
Profit before tax		82,456	36,192
Tax expense	12	(2,254)	(583)
Profit from continuing operations		80,202	35,609
Profit from continuing operations attributable to owners of the Company		80,202	35,609
Earnings per share			
Basic earnings per share (pence)	14	18.56	8.27
Diluted earnings per share (pence)	14	18.56	8.27

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

IN THOUSANDS OF POUNDS STERLING	NOTE	YEAR ENDED 31 DECEMBER 2016	YEAR ENDED 31 DECEMBER 2015
Profit for the year		80,202	35,609
Other comprehensive income for the year		--	--
Total comprehensive income for the year attributable to the owners of the Company		80,202	35,609

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 2016	31 DECEMBER 2015
Assets			
Property plant and equipment		68	62
Investments at fair value through profit or loss	10	569,926	504,776
Derivative financial asset	18	--	1,688
Non-current assets		569,994	506,526
Trade and other receivables	20	1,897	391
Other current assets		62	41
Cash and cash equivalents	11	22,113	23,243
Current assets		24,072	23,675
Total assets		594,066	530,201
Equity			
Share capital	13	442,680	440,259
Additional paid-in capital	20	304	98
Translation reserves	13	(597)	(597)
Retained earnings	13	96,397	42,610
Equity attributable to owners of the Company		538,784	482,370
Liabilities			
Loans and borrowings	15	44,755	44,504
Derivative financial liability	18	4,327	--
Non-current liabilities		49,082	44,504
Loans and borrowings	15	45	57
Trade payables		145	97
Derivative financial liability	18	2,868	--
Other payables	16	2,956	2,884
Tax liabilities	12	186	289
Current liabilities		6,200	3,327
Total liabilities		55,282	47,831
Total equity and liabilities		594,066	530,201
Net asset value attributable to the owners of the Company		538,784	482,370
Net asset value per ordinary share (pence)	13	124.66	112.08

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 2015		434,818	--	(597)	32,115	466,336
Total comprehensive income for the year ended 31 December 2015						
Profit for the year		--	--	--	35,609	35,609
Total comprehensive income for the year		--	--	--	35,609	35,609
Transactions with owners of the Company, recognised directly in equity						
Cash dividends	13	--	--	--	(19,673)	(19,673)
Scrip dividends	13	5,441	--	--	(5,441)	--
Share-based payment	20	--	98	--	--	98
Balance at 31 December 2015		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 dividends	13	--	--	--	(23,994)	(23,994)
Scrip dividends	13	2,421	--	--	(2,421)	--
Share-based payment	20	--	206	--	--	206
Balance at 31 December 2016		442,680	304	(597)	96,397	538,784

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 2016	YEAR ENDED 31 DECEMBER 2015
Cash flows from operating activities			
Profit for the year		80,202	35,609
Adjustments for:			
- Depreciation expense	5	25	21
- Net finance cost	7,8	2,241	1,829
- Income from investments at fair value through profit or loss	10	(99,523)	(42,014)
- Change in fair value of derivative financial instrument	6	10,870	(1,549)
- Foreign exchange loss (gain)	9	(1,391)	616
- Share-based compensation	20	206	98
- Income tax expense	12	2,254	583
		(5,116)	(4,807)
Changes in:			
- Trade and other receivables		(122)	183
- Other assets		(21)	(108)
- Trade and other payables		(257)	161
Cash generated from operating activities		(5,516)	(4,571)
Interest paid		(1,832)	(1,202)
Interest received		11	23
Realised gain (loss) on derivative financial instruments	18	(1,987)	993
Taxes paid		(2,357)	(662)
Net cash flows from operating activities		(11,681)	(5,419)
Cash flows from investing activities			
Acquisition of/additional investments at fair value through profit or loss	10	(9,525)	(41,610)
Distributions received from investments at fair value through profit or loss		42,514	33,788
Acquisition of other equipment		(31)	(17)
Net cash flows from investing activities		32,958	(7,839)
Cash flows from financing activities			
Proceeds from issuance of loans and borrowings	15	--	32,563
Dividends paid	13	(23,994)	(19,673)
Debt issue cost	13	(180)	(1,178)
Net cash flows from financing activities		(24,174)	11,712
Net increase (decrease) in cash and cash equivalents		(2,897)	(1,546)
Impact of foreign exchange gain/(loss) on cash and cash equivalents		1,767	(475)
Cash and cash equivalents at 1 January	11	23,243	25,264
Cash and cash equivalents at 31 December	11	22,113	23,243

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

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 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 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 2016, the Group employed 18 staff (31 December 2015: 14 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 2015.

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 2017.

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 2015.

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 a dividend of 6.25 pence per share per annum. The Company will 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.

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 2016, the Company has 39 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 ("SPC" or "Project Entities") 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.

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.

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.

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.

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 if revised. 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.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

- In November 2009, the IASB issued IFRS 9 (Financial Instruments), containing rules for the classification and measurement of financial assets. In October 2010, it issued new requirements for the classification and measurement of financial liabilities, incorporating them into IFRS 9. The new standard defines two instead of four measurement categories for financial assets, with classification to be based partly on the company's business model and partly on the characteristics of the contractual cash flows from the respective financial asset. In the case of equity investments that are not held for trading, an entity may irrevocably opt at initial recognition to recognise future changes in their fair value outside profit or loss in the statement of comprehensive income. In November 2013, the IASB issued further amendments under the title "Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39". The focus of the amendments is on a thorough revision of hedge accounting rules with the aim of more appropriately reflecting risk management activities in the financial statements. This involves additional disclosures in the notes. In July 2014, the IASB published the new rules for the disclosure of financial instrument impairments. This new impairment model is based on the principle of accounting for expected losses. It also introduces a third measurement category "fair value through other comprehensive income" for certain debt instruments. IFRS 9 is to be applied for annual periods beginning on or after 1 January 2018. The Group is currently evaluating the impact the standard will have on the presentation of the Group's financial position and results of operations.

- 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 2017 but has not yet been endorsed by the European Union. The changes are not expected to have a material 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 material impact on the Group's financial position or results of operations.

- In September 2014, the IASB published the seventh set of "Annual Improvements to IFRSs". The amendments address details of the recognition, measurement and disclosure of business transactions and serve to standardise terminology. They consist mainly of editorial changes to existing standards. They are applicable for annual periods beginning on or after 1 July 2016. The changes are not expected to have a material impact on the presentation of the Group's financial position or results of operations.

- 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. They have not yet been endorsed by the European Union. The Group is currently evaluating the impact the changes will have on the presentation of its financial position and results of operations.

- In January 2016, the IASB published amendments to IAS 7 (Statement of Cash Flows) under its Disclosure Initiative. 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. They have not yet been endorsed by the European Union. The Group is currently evaluating the impact the changes will have on the presentation of its financial position and results of operations.

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) Mainland 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 2016 is presented below:

IN THOUSANDS OF POUNDS STERLING	UK	NORTH AMERICA	AUSTRALIA	MAINLAND 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 expense - (net)	--	--	--	--	(9,318)	(9,318)
Results from operating activities	19,783	52,412	16,047	11,281	(14,826)	84,687
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

Segment information for the year ended 31 December 2015 is presented below:

IN THOUSANDS OF POUNDS STERLING	UK	NORTH AMERICA	AUSTRALIA	MAINLAND EUROPE	HOLDING ACTIVITIES	TOTAL GROUP
Income from FVPL investments	28,914	5,598	7,988	(486)	--	42,014
Administration expenses	--	--	--	--	(4,682)	(4,682)
Other operating expense — (net)	--	--	--	--	689	689
Results from operating activities	28,914	5,598	7,988	(486)	(3,993)	38,021
Finance cost	--	--	--	--	(1,852)	(1,852)
Finance income	--	--	--	--	23	23
Tax expense	--	--	--	--	(583)	(583)
Profit or loss from continuing operations	28,914	5,598	7,988	(486)	(6,405)	35,609

Segment information as at 31 December 2016 is presented below:

IN THOUSANDS OF POUNDS STERLING	UK	NORTH AMERICA	AUSTRALIA	MAINLAND 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	--	--	--	--	49,746	49,746
Current	--	--	--	--	5,536	5,536
Total liabilities	--	--	--	--	55,282	55,282

Segment information as at 31 December 2015 is presented below:

IN THOUSANDS OF POUNDS STERLING	UK	NORTH AMERICA	AUSTRALIA	MAINLAND EUROPE	HOLDING ACTIVITIES	TOTAL GROUP
Assets						
FVPL investments	207,272	149,463	103,349	44,692	--	504,776
Other non-current assets	--	--	--	--	1,750	1,750
Current assets	--	--	--	--	23,675	23,675
Total assets	207,272	149,463	103,349	44,692	25,425	530,201
Liabilities						
Non-current	--	--	--	--	44,504	44,504
Current	--	--	--	--	3,327	3,327
Total liabilities	--	--	--	--	47,831	47,831

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

NOTE 05. ADMINISTRATION EXPENSES

IN THOUSANDS OF POUNDS STERLING	YEAR ENDED 31 DECEMBER 2016	YEAR ENDED 31 DECEMBER 2015
Personnel expenses	3,214	2,662
Office and other expenses	1,360	1,283
Legal and professional fees	909	716
Depreciation expense	25	21
	5,508	4,682

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 £18,000 (2015: £15,000).

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 2016	YEAR ENDED 31 DECEMBER 2015
Audit fees	191	178
Audit related fees	--	--
Non-audit related fees	--	--
	191	178

NOTE 06. OTHER OPERATING EXPENSES

IN THOUSANDS OF POUNDS STERLING	YEAR ENDED 31 DECEMBER 2016	YEAR ENDED 31 DECEMBER 2015
Loss on derivative financial instruments (see Note 18)	10,870	--
Acquisition-related costs	183	491
Foreign currency exchange loss	--	616
	11,053	1,107

NOTE 07. FINANCE COST

IN THOUSANDS OF POUNDS STERLING	YEAR ENDED 31 DECEMBER 2016	YEAR ENDED 31 DECEMBER 2015
Finance cost on loans and borrowings (see Note 15)	2,252	1,852
	2,252	1,852

NOTE 08. FINANCE INCOME

IN THOUSANDS OF POUNDS STERLING	YEAR ENDED 31 DECEMBER 2016	YEAR ENDED 31 DECEMBER 2015
Interest income from bank deposits	11	23
	11	23

NOTE 09. OTHER OPERATING INCOME

IN THOUSANDS OF POUNDS STERLING	YEAR ENDED 31 DECEMBER 2016	YEAR ENDED 31 DECEMBER 2015
Foreign currency exchange gain	1,391	--
Gain on derivative financial instruments (see Note 18)	--	1,549
Other income	344	247
	1,735	1,796

NOTE 10. FVPL INVESTMENTS

The movements of FVPL investments are as follows:

IN THOUSANDS OF POUNDS STERLING	31 DECEMBER 2016	31 DECEMBER 2015
Balance at 1 January	504,776	454,940
Acquisitions of/additional investment in FVPL investments	9,525	41,610
Income from FVPL investments	99,523	42,014
Distributions received from FVPL investments	(42,514)	(33,788)
Reclassification to other receivables/payables	(1,384)	--
	569,926	504,776

The impact of unrealised foreign exchange gains or losses on the income from FVPL investments for the year ended 31 December 2016 amounted to £51.2 million gain (year ended 31 December 2015: £24.1 million loss).

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 2016 and 2015, 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 2016, amounted to £44,942,000 (31 December 2015: £33,228,000). The associated cash flows from these items were taken into account when fair valuing the projects.

In March 2016, BBGI completed the previously announced acquisition of 100% of the equity and subordinated debt interests in the Belfast Metropolitan College project in Northern Ireland.

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

SPCs	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 & 2015
Golden Crossing Holdings Inc.*	Golden Ears Bridge	Canada	100.0%	2012 & 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
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 Vegselskap AS	E18	Norway	100.0%	2013 & 2014
Kent Education Partnership Holdings Ltd.*	Kent Schools	UK	50.0%	2012
Healthcare Providers (Gloucestershire) Ltd.*	Gloucestershire 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

SPCs	PROJECT NAME	COUNTRY OF INCORPORATION	EFFECTIVE OWNERSHIP INTEREST ON THE PROJECT	YEAR ACQUIRED
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	53.3% (both)	2012 & 2014
Mersey Care Development Company 1 Limited*	Mersey Care Hospitals	UK	76.2%	2013 & 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*, Blue Light Partnership (ASP) NewCo 2 Limited*	Avon and Somerset Police Headquarters	UK	100.0%	2014, 2015 & 2016
Northwin Limited	North West Regional Collegel	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

NOTE 11. CASH AND CASH EQUIVALENTS

IN THOUSANDS OF POUNDS STERLING	31 DECEMBER 2016	31 DECEMBER 2015
Bank deposits/balances	22,113	23,243
	22,113	23,243

NOTE 12. TAXES

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

IN THOUSANDS OF POUNDS STERLING	YEAR ENDED 31 DECEMBER 2016	YEAR ENDED 31 DECEMBER 2015
Current tax expense	2,254	583
Total tax expense	2,254	583

The Company pays an annual subscription tax of 0.05% of its total net assets. For the year ended 31 December 2016 BBGI SICAV S.A. incurred a subscription tax expense of £248,000 (31 December 2015: £236,000). 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 2016	31 DECEMBER 2015
Current tax		
Corporation tax - current year	115	186
Corporation tax - previous year	71	103
Total current tax liability	186	289

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 2016	YEAR ENDED 31 DECEMBER 2015
Profit before tax	82,456	36,192
Income tax using the Luxembourg domestic tax rate (29.22%)	24,094	10,575
Difference between domestic tax rate and applicable tax rate	248	236
Reconciling difference mainly due to fair valuation of projects net of loss on derivatives (unrealised)	(22,088)	(10,228)
Total current tax liability	2,254	583

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 £3,766,000. 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 2016	31 DECEMBER 2015
Share capital as at 1 January	440,259	434,818
Share capital issued through scrip dividends	2,421	5,441
	442,680	440,259

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 2016	31 DECEMBER 2015
In issue at beginning of the year	430,393	425,917
Shares issued through scrip dividends	1,823	4,476
	432,216	430,393

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.

DIVIDENDS

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.

The following final and interim dividends were declared and paid by the Company during the year ended 31 December 2015:

IN THOUSANDS OF POUNDS STERLING EXCEPT AS OTHERWISE STATED	31 DECEMBER 2015
Final dividend of 2.88 pence per qualifying ordinary share — for the year ended 31 December 2014	12,266
Interim dividend of 3.00 pence per qualifying ordinary share — for period ended 30 June 2015	12,848
	25,114

The 31 December 2014 final dividend was paid in July 2015. The value of the scrip election was £2,790,000 with the remaining amount of £9,476,000 paid in cash to those investors that did not elect for the scrip.

The 30 June 2015 interim dividend was paid in October 2015. The value of the scrip election was £2,651,000 with the remaining amount of £10,197,000 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 2016, 31 December 2015 and 31 December 2014 are as follows:

IN THOUSANDS OF POUNDS STERLING/PENCE	31 DECEMBER 2016	31 DECEMBER 2015	31 DECEMBER 2014
Net asset value attributable to the owners of the Company	538,784	482,370	466,336
Net asset value per ordinary share (pence)	124.66	112.08	109.49

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 2016	YEAR ENDED 31 DECEMBER 2015
Profit attributable to owners of the Company	80,202	35,609
Weighted average number of ordinary shares in issue	432,216	430,393
Basic and diluted earnings per share (in pence)	18.56	8.27

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 2016	YEAR ENDED 31 DECEMBER 2015
Shares outstanding as at 1 January	430,393	425,917
Effect of scrip dividends issued	1,823	4,476
Weighted average — outstanding shares	432,216	430,393

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 Company has a three-year revolving credit facility from ING Bank and KfW IPEX-Bank ("RCF"). In April 2016, the Company utilised the accordion tranche provision, a commitment increase mechanism within the RCF, to increase the total commitment from £80 million to £110 million with effect from May 2016. The Company retains the ability, by utilising the accordion provision, to increase further the total commitment under the facility to £180 million. No commitment fees are paid on the unutilised segment of the accordion tranche. 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 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.

As at 31 December 2015, the Company had utilised £69.6 million of the £80 million Revolving Credit Facility, of which £24.3 million was being used to cover letters of credit.

The interest payable under the credit facility as at 31 December 2016 amounted to £45,000 (31 December 2015: £57,000).

The unamortised debt issuance cost related to the above-mentioned credit facilities amounted to £466,000 as at 31 December 2016 (31 December 2015: £718,000). The unamortised debt issuance cost is netted against the amount withdrawn from the credit facility.

The finance cost incurred in relation to the above-mentioned loan(s) for the year ended 31 December 2016 amounted to £2,252,000 (31 December 2015: £1,852,000). The total finance cost for the year ended 31 December 2016 includes the amortisation of the debt issue cost of £432,000 (31 December 2015: 460,000).

PLEDGES AND COLLATERALS

As of 31 December 2016, and 31 December 2015, and as a result of the refinancing described above, the Group has pledged all the current and future assets held within the consolidated subsidiaries (see Note 19).

NOTE 16. OTHER PAYABLES

Other payables are composed of the following:

IN THOUSANDS OF POUNDS STERLING	31 DECEMBER 2016	31 DECEMBER 2015
Accruals	2,823	2,822
Others	133	62
	2,956	2,884

The 31 December 2016 accruals include additional project acquisition costs of £419,000 (31 December 2015: £677,000).

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.

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 2016	31 DECEMBER 2015
Cash and cash equivalents	22,113	23,243
Trade and other receivables	1,897	391
Derivative financial instruments (asset)	--	1,688
	24,010	25,322

The maximum exposures to credit risk on receivables that are neither overdue nor impaired as of 31 December 2016, amounts to £1,897,000 (31 December 2015: £391,000).

As of 31 December 2016, 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 £194,309,000 (2015: £171,994,000).

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.

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

	31 DECEMBER 2016				31 DECEMBER 2015			
IN THOUSANDS OF POUNDS STERLING	Carrying amount	Contractual cash flows	Within one year	More than 1 year but less than 5 years	Carrying amount	Contractual cash flows	Within one year	More than 1 year but less than 5 years
Financial liabilities								
Loans and borrowings (see Note 15)	44,800	45,266	45	45,221	44,561	45,279	57	45,222
Trade payables	145	145	145	--	97	97	97	--
Derivative financial liability	7,195	7,195	2,868	4,327	--	--	--	--
Other payables	2,956	2,956	2,956	--	2,884	2,884	2,884	--
	55,096	55,562	6,014	49,548	47,542	48,260	3,038	45,222

At 31 December 2016 and 2015, the Company was not in breach of any of the covenants under the credit facility. The Company has operated and continues to operate comfortably within covenant limits.

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.

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 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.

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. Overall, the Management Board believes that with the current hedging program in place, the global nature of the portfolio produces benefits (geographic diversification, no undue reliance on one market, increased counterparty diversification, etc.) which are greater than the potential downsides.

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

	31 DECEMBER 2016				
IN THOUSANDS OF POUNDS STERLING	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

	31 DECEMBER 2015				
IN THOUSANDS OF POUNDS STERLING	AUD	CAD	EUR	NOK	USD
Investments at fair value through profit or loss	103,349	129,927	17,531	27,161	19,536
Trade and other receivables	--	--	87	--	--
Cash and cash equivalents	157	910	1,761	6	150
Trades payables	--	(2)	(42)	--	--
Other payables	--	(18)	(2,344)	--	--
	103,506	130,817	16,993	27,167	19,686

The significant exchange rates applied during the year ended 31 December 2016 and 31 December 2015 are as follows:

	31 DECEMBER 2016		31 DECEMBER 2015	
	AVERAGE GBP	SPOT RATE GBP	AVERAGE GBP	SPOT RATE GBP
AUD 1	0.551	0.584	0.492	0.493
CAD 1	0.559	0.603	0.513	0.487
EUR 1	0.819	0.853	0.726	0.737
NOK 1	0.088	0.094	0.081	0.077
USD 1	0.741	0.810	0.654	0.676

The impact of a strengthening or weakening of Pounds Sterling against the AUD, CAD, EUR, NOK and USD by 10% at 31 December 2016 and 2015 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 2016 and 2015, 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 in the value of such and a corresponding impact on the Group's FVPL investments and in the consolidated profit or loss during the year.

Investment risk

The valuation of FVPL investments depends on the ability of the Group to realise cash distributions from SPCs. The distributions to be received from the SPCs are dependent on cash received by a particular SPC from the service concession agreements. The service concession agreements are predominantly granted to the SPC 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 SPC 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 SPCs.

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 Company currently has targeted a minimum 6.25 pence dividend per share per annum. However, it is important to note that this is only a target and not a profit forecast. There can be no assurance that this target will be met.

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.

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 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

31 DECEMBER 2015

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	504,776	--	--	504,776	504,776
Trade and other receivables	--	391	--	391	391
Cash and cash equivalents	23,243	--	--	23,243	23,243
Derivative financial instruments	1,688	--	--	1,688	1,688
	529,707	391	--	530,098	530,098
Liabilities					
Loans and borrowings	--	--	44,561	44,561	45,279
Trade payables	--	--	97	97	97
Other payables	--	--	2,884	2,884	2,884
	--	--	47,542	47,542	48,260

FVPL INVESTMENTS

The valuation of FVPL investments is carried out on a six-monthly basis as at 30 June and 31 December each year. An independent third-party valuer reviews the portfolio valuation.

During the valuation process, the Group uses certain macroeconomic assumptions for the cash flows as shown below:

MACROECONOMIC ASSUMPTIONS

END OF PERIOD	2017	2018–2020	2021–ONWARDS
UNITED KINGDOM			
Indexation (%) [1]	1.75	2.75	2.75
Deposit Interest Rate (%) [1]	1.0	1.0	2.5
SPC Corporate Tax (%) [9]	19.0	19.0	17.0
CANADA			
Indexation (%) [1,2]	1.00/1.35	2.00/2.35	2.00/2.35
Deposit Interest Rate (%) [1]	1.0	1.0	2.5
SPC Corporate Tax (%) [3]	27.0/26.0/26.5	27.0/26.0/26.5	27.0/26.0/26.5
GBP/CAD as at 31 December 2016 [4]	1.659	1.659	1.659
AUSTRALIA			
Indexation (%) [1,5]	1.50	2.50	2.50
Deposit Interest Rate (%) [1,6]	3.50/4.50	3.50/4.50	3.50/4.50
SPC Corporate Tax (%)	30.0	30.0	30.0
GBP/AUD as at 31 December 2016 [4]	1.714	1.714	1.714
GERMANY			
Indexation (%) [1]	1.00	2.00	2.00
Deposit Interest Rate (%) [1]	1.0	1.0	2.5
SPC Corporate Tax (%) [7]	15.8	15.8	15.8
GBP/EUR as at 31 December 2016 [4]	1.173	1.173	1.173
NORWAY			
Indexation (%) [1,8]	1.94	2.94	2.94
Deposit Interest Rate (%) [1]	1.8	1.8	3.5
SPC Corporate Tax (%)	25.0	25.0	25.0
GBP/NOK as at 31 December 2016 [4]	10.665	10.665	10.665
UNITED STATES OF AMERICA			
Indexation (%) [1,10]	1.50	2.50	2.50
Deposit Interest Rate (%) [1]	1.0	1.0	2.5
SPC Federal Tax (%)	35.0	35.0	35.0
GBP/USD as at 31 December 2016 [4]	1.234	1.234	1.234

[1] A lower inflation rate for 2017 is used in the project entities' financial models when compared to the previous valuation. This is applicable for projects for which the documentation does not prescribe the actual published rate, if available, to be used for the next 12 months from the date of the indexed being published. The short-term 1% transition deposit rate period has been extended by one additional year.

[2] All Canadian projects have a long-term 2.0% indexation factor with the exceptions of Northeast Stoney Trail and Northwest Anthony Henday Drive, which have a slightly different indexation factor derived from a basket of regional labour, CPI and commodity indices.

[3] Tax rate is 27% in Alberta and Saskatchewan, 26% in British Columbia and 26.5% in Ontario.

[4] As published on www.oanda.com.

[5] Long-term Consumer Price Index 2.50%/long-term Labour Price Index 3.50%.

[6] Cash on Debt Service Reserve Accounts and Maintenance Service Reserve Accounts can be invested on a six-month basis. Other funds are deposited on a shorter term.

[7] Including Solidarity charge, excluding Trade tax which varies between communities.

[8] Indexation of revenue based on basket of four specific indices.

[9] UK Corporate tax decreases from 19% to 17% in 2020.

[10] 80% of ORB indexation factor for revenue is contractual and is not tied to CPI.

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 7.30% and 10.20%. The value weighted average rate is approximately 7.56% (7.86% at 31 December 2015). 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 entities are based on the Company's knowledge of the market, discussions with advisors and publicly available information on relevant transactions.

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

	+1% TO 8.56% IN 2016*		−1% TO 6.56% IN 2016*	
EFFECTS IN THOUSANDS OF POUNDS STERLING	EQUITY	PROFIT OR LOSS	EQUITY	PROFIT OR LOSS
31 December 2016	(52,649)	(52,649)	61,377	61,377
31 December 2015	(45,547)	(45,547)	53,244	53,244

* Based on the average discount rate of 7.56%.

FOREIGN EXCHANGE RATE SENSITIVITY

A significant proportion of the Company's underlying investments are denominated in currencies other than Pounds Sterling. The Company maintains its accounts, prepares the valuation and pays distributions in Pounds Sterling. Accordingly, fluctuations in exchange rates between Pounds Sterling and the relevant local currencies will affect the value of the Company's underlying investments.

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

	INCREASE BY 10%		DECREASE BY 10%	
EFFECTS IN THOUSANDS OF POUNDS STERLING	EQUITY	PROFIT OR LOSS	EQUITY	PROFIT OR LOSS
31 December 2016	(27,913)	(27,913)	34,116	34,116
31 December 2015	(23,144)	(23,144)	28,286	28,286

Sensitivity in comparison to the foreign exchange rates at 31 December 2016 and taking into account the 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 macroeconomic assumptions above:

	+1%		-1%	
EFFECTS IN THOUSANDS OF POUNDS STERLING	EQUITY	PROFIT OR LOSS	EQUITY	PROFIT OR LOSS
31 December 2016	31,535	31,535	(27,022)	(27,022)
31 December 2015	29,301	29,301	(25,077)	(25,077)

DEPOSIT RATE SENSITIVITY

The project cash flows are correlated with the deposit rates. The table below demonstrates the effect of a change in deposit rates compared to the macroeconomic assumptions above:

	+1%		-1%	
EFFECTS IN THOUSANDS OF POUNDS STERLING	EQUITY	PROFIT OR LOSS	EQUITY	PROFIT OR LOSS
31 December 2016	11,832	11,832	(11,749)	(11,749)
31 December 2015	11,779	11,779	(11,790)	(11,790)

LIFECYCLE COSTS SENSITIVITY

Of the Group's 39 PPP/PFI projects, 13 project companies retain the lifecycle obligations. For the remaining 26 projects, this obligation is passed down to the subcontractors. The table below demonstrates the impact of a change in lifecycle costs:

	INCREASE BY 10%		DECREASE BY 10%	
EFFECTS IN THOUSANDS OF POUNDS STERLING	EQUITY	PROFIT OR LOSS	EQUITY	PROFIT OR LOSS
31 December 2016	(13,445)	(13,445)	13,200	13,200
31 December 2015	(10,773)	(10,773)	10,464	10,464

Sensitivity applied to the 13 projects in the portfolio which retain the lifecycle obligation, i.e. the obligation is not passed down to the subcontractor. These projects represent 49% of the total portfolio value as at 31 December 2016.

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 counterparty banks. The fair value of derivative financial instruments as of 31 December 2016 amounted to a liability of £7,195,000 (31 December 2015: £1,688,000 – asset).

The loss on the valuation of foreign exchange forwards for the year ended 31 December 2016 amounted to £10,870,000 (31 December 2015: £1,549,000 – gain). For the year ended 31 December 2016, the realised loss from these derivative financial instruments amounted to £1,987,000 (31 December 2015: £993,000 – realised gain).

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 2016:

IN THOUSANDS OF POUNDS STERLING	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4
FVPL investment	--	--	569,747	569,747
Derivative financial asset/(liability)	--	(7,195)	--	(7,195)

The following table shows the grouping of assets/(liabilities) recognised at fair value in different levels as at 31 December 2015:

IN THOUSANDS OF POUNDS STERLING	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4
FVPL investment	--	--	504,776	504,776
Derivative financial asset/(liability)	--	1,688	--	1,688

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 2016	31 DECEMBER 2015
Balance at 1 January	504,776	454,940
Acquisitions of/additional investment in FVPL investments	9,525	41,610
Income from FVPL investments	99,523	42,014
Distributions received from FVPL investments	(42,514)	(33,788)
Reclassification to other receivables/payables	(1,384)	--
	569,926	504,776

The impact of unrealised foreign exchange gains or losses on the income from FVPL investments for the year ended 31 December 2016, amounted to £51.2 million gain (year ended 31 December 2015: £24.1 million loss).

NOTE 19. SUBSIDIARIES

During the year ended 31 December 2016, the Company had the following consolidated subsidiaries ("Holding Companies" if referred to individually) which are included in the consolidated financial statements:

SPCs	COUNTRY OF INCORPORATION	EFFECTIVE OWNERSHIP INTEREST	YEAR ACQUIRED OR 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 Guernsey Holding Limited	Guernsey	100.0%	2013

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

SPCs	PROJECT NAME	COUNTRY OF INCORPORATION	EFFECTIVE OWNERSHIP INTEREST	DATE ACQUIRED/ CONTROLLED
RW Health Partnership Holdings Pty Limited	Royal Women's Hospital	Australia	100.0%	2012
RWH Health Partnership Pty Limited	Royal Women's Hospital	Australia	100.0%	2012
RWH Finance Pty Limited	Royal Women's Hospital	Australia	100.0%	2012
Victorian Correctional Infrastructure Partnership Pty Ltd	Victoria Prisons	Australia	100.0%	2012
BBPI Sentinel Holdings Pty Ltd	Northern Territory Secure Facilities	Australia	100.0%	2014
BBPI Sentinel Holding Trust	Northern Territory Secure Facilities	Australia	100.0%	2014
BBPI Sentinel Pty Ltd	Northern Territory Secure Facilities	Australia	100.0%	2014
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 & 2015

SPCs	PROJECT NAME	COUNTRY OF INCORPORATION	EFFECTIVE OWNERSHIP INTEREST	DATE ACQUIRED/ CONTROLLED
Sentinel UJV	Northern Territory Secure Facilities	Australia	100.0%	2014 & 2015
Sentinel Financing Holdings Pty Ltd	Northern Territory Secure Facilities	Australia	100.0%	2014 & 2015
Sentinel Financing Pty Ltd	Northern Territory Secure Facilities	Australia	100.0%	2014 & 2015
Sentinel Finance Holding Trust	Northern Territory Secure Facilities	Australia	100.0%	2014 & 2015
Sentinel Finance Trust	Northern Territory Secure Facilities	Australia	100.0%	2014 & 2015
BBPI Member Trust	Northern Territory Secure Facilities	Australia	100.0%	2014
Golden Crossing Holdings Inc.	Golden Ears Bridge	Canada	100.0%	2012 & 2013
Golden Crossing Finance Inc.	Golden Ears Bridge	Canada	100.0%	2012 & 2013
Golden Crossing Investments Inc.	Golden Ears Bridge	Canada	100.0%	2012 & 2013
Golden Crossing Inc.	Golden Ears Bridge	Canada	100.0%	2012 & 2013
Global Infrastructure Limited Partnership	Golden Ears Bridge	Canada	100.0%	2012 & 2013
Golden Crossing General Partnership	Golden Ears Bridge	Canada	100.0%	2012 & 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
PJB Beteiligungs - GmbH	Burg Prison	Germany	100.0%	2012
Projektgesellschaft Justizvollzug Burg GmbH & Co. KG	Burg Prison	Germany	90.0%	2012
PJB Management GmbH	Burg Prison	Germany	100.0%	2012
Adger OPS Vegselskap AS	E18	Norway	100.0%	2013 & 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

SPCs	PROJECT NAME	COUNTRY OF INCORPORATION	EFFECTIVE OWNERSHIP INTEREST	DATE ACQUIRED/ CONTROLLED
Clackmannanshire Schools Education Partnership Limited	Clackmannanshire Schools	UK	100.0%	2012
Primaria (Barking & Havering) Limited	Barking Dagenham and Havering (LIFT)	UK	100.0%	2012
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 & 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 & 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 & 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

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 £140,000 in fees for the year ended 31 December 2016 (31 December 2015: £140,000). There are no outstanding amounts due as at 31 December 2016.

DIRECTORS' SHAREHOLDING IN THE COMPANY

IN THOUSANDS OF SHARES	31 DECEMBER 2016	31 DECEMBER 2015
David Richardson	166	160
Colin Maltby	112	107
Frank Schramm	193	185
Duncan Ball	193	185
Michael Denny	39	38
	703	**675**

REMUNERATION OF THE MANAGEMENT BOARD

Under the current remuneration program, all staff of BBGI Management HoldCo 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/annual bonus and a long-term incentive plan. Compensation under their service/ management 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 2016	31 DECEMBER 2015
Short-term benefits	1,550	1,347
Share-based payment	206	98
Other long-term benefits	55	212
	1,811	**1,657**

SHARE-BASED COMPENSATION

On 18 December 2015 and on 28 August 2015, each of the members of the Management Board received award letters ("2015 Award" and "2014 Award", respectively) under the Group's long-term incentive plan. The 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 (December 2015 to December 2018 for the 2015 Award, and December 2014 to December 2017 for the 2014 Award), and the remaining vests by reference to a performance measure based on the increase in the Company's Investment Basis Net Asset Value per share over the 36 months ending 31 December 2018 for the 2015 Award and 31 December 2017 for the 2014 Award, immediately following the Return Periods ("NAV condition").

The maximum number of shares, which will vest in case of full achievement of the performance conditions, are 696,998 shares for the 2015 Award and 725,498 shares for the 2014 Award.

The fair value of the equity instruments awarded to employees was determined using a Monte Carlo model. The key parameters of which are listed in the following table:

	2015 AWARD	2014 AWARD
Share price at grant date	£ 1.28	£ 1.21
Maturity	3.04 years	2.34 years
Target Dividends (2015 to 2018)	£0.06	--
Target Dividends (2015 to 2017)	--	£ 0.06
Volatility	10%	10%
Risk free rate	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.

At 31 December 2016, the fair value of the share-based payment amounted to £108,000 for the 2015 Award and £196,000 for the 2014 Award. The amount recognised as an expense in relation to the share-based payment during the year ended 31 December 2016 amounted to £206,000 (31 December 2015: £98,000). The amount recognised as additional paid-in capital in the Group's consolidated balance sheet as at 31 December 2016 amounted to £304,000 (31 December 2015: £98,000).

In December 2016, each of the members of the Management Board received an award letter ("2016 Award"). The terms of the 2016 Award are comparable to the 2014 and 2015 Awards.

RECEIVABLE COMPONENT OF FVPL INVESTMENTS

As at 31 December 2016, the loan receivable and interest receivable component of FVPL investments, which is included in the FVPL investments, amounted to £194,309,000 (31 December 2015: £171,994,000). The fixed interest charged on the receivables ranges from 3.95% to 13.5% per annum. The receivables have expected repayment dates ranging from 2017 to 2045.

TRADE AND OTHER RECEIVABLES

As at 31 December 2016, trade and other receivables include a short-term receivable from a project amounting to £1,687,000 (31 December 2015: £304,000). 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).

The Group has equity and subordinated debt subscription obligations in Mersey Gateway Bridge ("MGB") and equity subscription obligations in North Commuter Parkway ("NCP"), collectively amounting to approximately £23.4 million at 31 December 2016 which are supported by letters of credit (see Note 15). The subscription obligations are due for payment upon the scheduled construction completion of the respective projects.

NOTE 22. SERVICE CONCESSION AGREEMENTS

As at 31 December 2016, the Group has a portfolio of 39 projects (see also Note 10), with a weighted average concession length of 22.6 years. The weighted average debt maturity is 19.2 years. The Group has a diverse asset mix from which the service concession receivables are derived and which is composed entirely of lower risk availability-based projects.

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

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

SECTOR	PROJECT NAME	% EQUITY OWNED	Short description of Concession Arrangement	PHASE	*Period of Concession (operational phase)* Start Date	End Date	INVESTMENT VOLUME
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

SECTOR	PROJECT NAME	% EQUITY OWNED	Short description of Concession Arrangement	PHASE	Period of Concession (operational phase) Start Date	End Date	INVESTMENT VOLUME
	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.	*in construction*	October 2017	March 2044	£650 million
	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
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

SECTOR	PROJECT NAME	% EQUITY OWNED	Short description of Concession Arrangement	PHASE	Period of Concession (operational phase) Start Date	End Date	INVESTMENT VOLUME
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
	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. 1,200 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 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 the Belfast Met educational campus in Milfield, Belfast, Northern Ireland	Operational	September 2002	August 2027	£20 million

SECTOR	PROJECT NAME	% EQUITY OWNED	Short description of Concession Arrangement	PHASE	Period of Concession (operational phase) Start Date	End Date	INVESTMENT VOLUME
Health	Gloucestershire Hospital	50%	Design, build, finance and operate a hospital scheme in Gloucestershire, 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	£91.5 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	£86 million
	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	£88 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	£24 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
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.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

IN THOUSANDS OF POUNDS STERLING	NOTE	YEAR ENDED 31 DECEMBER 2016	YEAR ENDED 31 DECEMBER 2015
Administration expenses	4	(4,858)	(4,424)
Other operating expenses	5	(244)	(310)
Other operating income		17	5
Results from operating activities		(5,085)	(4,729)
Finance income	6	57,076	23,151
Finance costs	11	(2,252)	(1,852)
Net finance income		54,824	21,299
Profit before tax		49,739	16,570
Tax expense	7	(248)	(236)
Profit from continuing operations attributable to:		49,491	16,334
Owners of the Company		49,491	16,334
Earnings per share			
Basic earnings per share	10	11.45	3.80
Diluted earnings per share	10	11.45	3.80

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 2016	31 DECEMBER 2015
Assets			
Loans receivable from subsidiary	13	465,150	456,237
Investment in subsidiary	14	2,000	2,000
Non-current assets		467,150	458,237
Other current assets		69	51
Cash and cash equivalents	8	18,720	13,854
Current assets		18,789	13,905
Total assets		485,939	472,142
Equity			
Share capital	9	442,680	440,259
Retained earnings		(3,573)	(26,649)
Equity attributable to owners of the Company		439,107	413,610
Total equity		439,107	413,610
Liabilities			
Loans and borrowings	11	44,755	44,504
Non-current liabilities		44,755	44,504
Loans and borrowings	11	45	57
Trade payables	13	1,193	13,280
Other payables		780	630
Current tax liabilities	7	59	61
Current liabilities		2,077	14,028
Total liabilities		46,832	58,532
Total equity and liabilities		485,939	472,142
Net asset value	9	439,107	413,610
Net asset value per ordinary share (pence)	9	101.59	96.10

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 2015				
Total comprehensive income for the year		434,818	(17,869)	416,949
Profit for the year		--	16,334	16,334
Transactions with owners of the Company, recognised directly in equity				
Cash dividends	9	--	(19,673)	(19,673)
Scrip dividends	9	5,441	(5,441)	--
Balance at 31 December 2015		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	9	--	(23,994)	(23,994)
Scrip dividends	9	2,421	(2,421)	--
Balance at 31 December 2016		442,680	(3,573)	439,107

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 2016	YEAR ENDED 31 DECEMBER 2015
Cash flows from operating activities			
Profit for the year Adjustments for:		49,491	16,334
- Net finance cost (income)	6,11	(54,824)	(21,299)
- Foreign exchange loss (gain)		9	40
- Tax expense	7	248	236
		(5,076)	(4,689)
Changes in:			
- Other current assets		(18)	8
- Trade payables		3,582	3,461
- Other payables		150	(16)
Cash generated from operating activities		(1,362)	(1,236)
Interest paid		(1,832)	(1,202)
Taxes paid		(250)	(232)
Net cash flows from operating activities		(3,444)	(2,670)
Cash flows from investing activities			
Interest received		42,018	23,151
Loans provided to subsidiary		(9,525)	(41,598)
Loan repayment from subsidiary		--	2,887
Net cash flows from operating activities		32,493	(15,560)
Cash flows from financing activities			
Proceeds from loans and borrowings	11	--	32,563
Payments of loans and borrowings	11	(180)	(1,178)
Dividends paid	9	(23,994)	(19,673)
Net cash flows from financing activities		(24,174)	11,712
Net increase (decrease) in cash and cash equivalents		4,875	(6,518)
Impact of foreign exchange gain (loss) on cash and cash equivalents		(9)	(40)
Cash and cash equivalents at 1 January	8	13,854	20,412
Cash and cash equivalents at 31 December	8	18,720	13,854

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 2016

NOTE 01. 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 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 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 2016 and 2015, 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 2015.

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 02. BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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 2017.

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 2015.

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 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 2016, 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 03. 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.

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 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.

Derivative financial instruments, including hedge accounting

The Company 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.

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 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 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 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 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 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 period of these financial statements. Management has set out below only those which may have an impact on the financial statements in future periods.

- In November 2009, the IASB issued IFRS 9 (Financial Instruments), containing rules for the classification and measurement of financial assets. In October 2010, it issued new requirements for the classification and measurement of financial liabilities, incorporating them into IFRS 9. The new standard defines two instead of four measurement categories for financial assets, with classification to be based partly on the company’s business model and partly on the characteristics of the contractual cash flows from the respective financial asset. In the case of equity investments that are not held for trading, an entity may irrevocably opt at initial recognition to recognise future changes in their fair value outside profit or loss in the statement of comprehensive income. In November 2013, the IASB issued further amendments under the title “Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39”. The focus of the amendments is on a thorough revision of hedge accounting rules with the aim of more appropriately reflecting risk management activities in the financial statements. This involves additional disclosures in the notes. In July 2014, the IASB published the new rules for the disclosure of financial instrument impairments. This new impairment model is based on the principle of accounting for expected losses. It also introduces a third measurement category “fair value through other comprehensive income” for certain debt instruments. IFRS 9 is to be applied for annual periods beginning on or after 1 January 2018. The Company is currently evaluating the impact the standard will have on the presentation of the Company’s financial position and results of operations.

- 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 on certain instance. IFRS 15 is applicable for annual periods beginning on or after 1 January 2017 but have not yet been endorsed by the European Union. The changes are not expected to have a material impact on the Company's financial position or results of operations.

- In September 2014, the IASB published the seventh set of "Annual Improvements to IFRSs". The amendments address details of the recognition, measurement and disclosure of business transactions and serve to standardise terminology. They consist mainly of editorial changes to existing standards. They are applicable for annual periods beginning on or after 1 July 2016. The changes are not expected to have a material impact on the presentation of the Company's financial position or results of operations.

- In January 2016, the IASB published amendments to IAS 7 (Statement of Cash Flows) under its Disclosure Initiative. 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. They have not yet been endorsed by the European Union. The Company is currently evaluating the impact the changes will have on the presentation of its financial position and results of operations.

NOTE 04. ADMINISTRATION EXPENSES

IN THOUSANDS OF POUNDS STERLING	YEAR ENDED 31 DECEMBER 2016	YEAR ENDED 31 DECEMBER 2015
Support agreement fees (see Note 13)	3,632	3,452
Legal and professional fees	591	466
Other administration expenses	635	506
	4,858	4,424

Depositary charges during the year amounted to £18,000 (2015: £15,000).

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 2016	YEAR ENDED 31 DECEMBER 2015
Audit fees	165	149
Audit related fees	--	--
Non-audit related fees	--	--
	165	149

NOTE 05. OTHER OPERATING EXPENSES

IN THOUSANDS OF POUNDS STERLING	YEAR ENDED 31 DECEMBER 2016	YEAR ENDED 31 DECEMBER 2015
Acquisition related costs	86	130
Foreign currency translation loss	9	40
Others	149	140
	244	310

NOTE 06. FINANCE INCOME

IN THOUSANDS OF POUNDS STERLING	YEAR ENDED 31 DECEMBER 2016	YEAR ENDED 31 DECEMBER 2015
Finance income from profit participating loans (see Note 13)	55,027	21,700
Finance income from projects	750	570
Finance income from shareholder loan (see Note 13)	1,294	870
Interest income from deposits	5	11
	57,076	23,151

NOTE 07. TAXES

The composition of the current tax payables are as follows:

IN THOUSANDS OF POUNDS STERLING	31 DECEMBER 2016	31 DECEMBER 2015
Current tax expense		
Subscription tax	59	61
	59	61

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 2016	YEAR ENDED 31 DECEMBER 2015
Profit before tax	49,739	16,570
Tax using the Company's domestic tax rate	--	--
Subscription tax expense	248	236
Tax charge for the year	248	236

The Company pays an annual subscription tax of 0.05% of its total net assets under investment basis. For the year ended 31 December 2016 BBGI SICAV S.A. incurred a subscription tax expense of £248,000 (31 December 2015: £236,000). All direct and indirect subsidiaries of the Company are subject to taxation at the applicable rate in their respective jurisdictions.

NOTE 08. CASH AND CASH EQUIVALENTS

IN THOUSANDS OF POUNDS STERLING	31 DECEMBER 2016	31 DECEMBER 2015
Bank balances/deposits	18,720	13,854
	18,720	13,854

NOTE 09. CAPITAL AND RESERVES

SHARE CAPITAL

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

IN THOUSANDS OF POUNDS STERLING	YEAR ENDED 31 DECEMBER 2016	YEAR ENDED 31 DECEMBER 2015
Share capital as at 1 January	440,259	434,818
Share capital issued through scrip dividends	2,421	5,441
	442,680	440,259

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

IN THOUSANDS OF SHARES	YEAR ENDED 31 DECEMBER 2016	YEAR ENDED 31 DECEMBER 2015
In issue at beginning of the year	430,393	425,917
Shares issued through scrip dividends	1,823	4,476
	432,216	430,393

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 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.

The following final and interim dividends were declared and paid by the Company during the year ended 31 December 2015:

IN THOUSANDS OF POUNDS STERLING EXCEPT AS OTHERWISE STATED	31 DECEMBER 2015
Final dividend of 2.88 pence per qualifying ordinary share — for the year ended 31 December 2014	12,266
Interim dividend of 3.00 pence per qualifying ordinary share — for period ended 30 June 2015	12,848
	25,114

The 31 December 2014 final dividend was paid in July 2015. The value of the scrip election was £2,790,000 with the remaining amount of £9,476,000 paid in cash to those investors that did not elect for the scrip.

The 30 June 2015 interim dividend was paid in October 2015. The value of the scrip election was £2,651,000 with the remaining amount of £10,197,000 paid in cash to those investors that did not elect for the scrip.

NET ASSET VALUE

The Company net asset value and net asset value per share as of 31 December 2016, 2015 and 2014 are as follows:

IN THOUSANDS OF POUNDS STERLING/PENCE	YEAR ENDED 31 DECEMBER 2016	YEAR ENDED 31 DECEMBER 2015	YEAR ENDED 31 DECEMBER 2014
Net asset value attributable to the owners of the Company	439,107	413,610	416,949
Net asset value per ordinary share (pence)	101.59	96.10	97.89

NOTE 10. EARNINGS PER SHARE

The basic and diluted earnings per share at 31 December 2016 and 2015 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 2016	YEAR ENDED 31 DECEMBER 2015
Profit attributable to ordinary shareholders	49,491	16,334
Weighted average number of ordinary shares in issue	432,216	430,393
Basic and diluted earnings per share (in pence)	11.45	3.80

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 2016	YEAR ENDED 31 DECEMBER 2015
Shares outstanding as at 1 January	430,393	425,917
Effect of scrip dividends issued	1,823	4,476
Weighted average — outstanding shares	432,216	430,393

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 11. LOANS AND BORROWINGS

The Company has a three-year revolving credit facility from ING Bank and KfW IPEX-Bank ("RCF"). In April 2016, the Company utilised the accordion tranche provision, a commitment increase mechanism within the RCF, to increase the total commitment from £80 million to £110 million with effect from May 2016. The Company retains the ability, by utilising the accordion provision, to increase further the total commitment under the facility to £180 million. No commitment fees are paid on the unutilised segment of the accordion tranche. 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 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.

As at 31 December 2015, the Company had utilised £69.6 million of the £80 million Revolving Credit Facility, of which £24.3 million was being used to cover letters of credit.

The interest payable under the credit facility as at 31 December 2016 amounted to £45,000 (31 December 2015: £57,000).

The unamortised debt issuance cost related to the above-mentioned credit facilities amounted to £466,000 as at 31 December 2016 (31 December 2015: £718,000). The unamortised debt issuance cost is netted against the amount withdrawn from the credit facility.

The finance cost incurred in relation to the above-mentioned loan(s) for the year ended 31 December 2016 amounted to £2,252,000 (31 December 2015: £1,852,000). The total finance cost for the year ended 31 December 2016 includes the amortisation of the debt issue cost of £432,000 (31 December 2015: 460,000).

PLEDGES AND COLLATERALS

The Company pledged all the current and future assets held in relation to the revolving credit facility.

NOTE 12. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital.

RISK MANAGEMENT FRAMEWORK

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

CREDIT RISK

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

1. impairment or reduction in the amounts recoverable from receivables and other current and non-current assets; and
2. non-recoverability, in part or in whole, of cash and cash equivalents deposited with banks.

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 2016	31 DECEMBER 2015
Loans receivable from subsidiary	465,150	456,237
Cash and cash equivalents	18,720	13,854
	483,870	470,091

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. 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. 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.

At 31 December 2016 and 2015, the Company was not in breach of any of the covenants under the credit facilities. The Company has operated and continues to operate comfortably within covenant limits.

Following its 2015 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.

All external financial liabilities of the Company have maturities of less than one year except for loans and borrowings with maturity of more than one year. 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.

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

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

	31 DECEMBER 2015				
IN THOUSANDS OF POUNDS STERLING	AUD	CAD	EUR	NOK	USD
Cash and cash equivalents	10	8	1,386	2	109

The significant exchange rates applied during the year ended 31 December 2016 and 31 December 2015 are as follows:

	31 DECEMBER 2016		31 DECEMBER 2015	
	AVERAGE GBP	SPOT RATE GBP	AVERAGE GBP	SPOT RATE GBP
AUD 1	0.551	0.584	0.492	0.493
CAD 1	0.559	0.603	0.513	0.487
EUR 1	0.819	0.853	0.726	0.737
NOK 1	0.088	0.094	0.081	0.077
USD 1	0.741	0.810	0.654	0.676

A strengthening (weakening) of Pounds Sterling against the AUD, CAD, EUR, NOK and USD, as applicable, by 10% at 31 December 2016 and 31 December 2015 would not have a significant impact on the Company's cash and cash equivalents and therefore in the profit and loss. 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).

The fair value of loans receivable from subsidiary and investment in subsidiary, with a total carrying value of £467,150,000 (2015: £458,237,000), amounts to £572,337,000 (2015: £504,650,536). 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 9) and the revolving credit facility (see Note 11) 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 Company currently targets a minimum 6.25 pence per share dividend per annum. However, it is important to note that this is only a target and not a profit forecast. There can be no assurance that this target will be met.

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 13. RELATED PARTIES AND KEY CONTRACTS

All transactions with related parties were undertaken on an arm's length basis.

SUPERVISORY BOARD FEES

The aggregate remuneration of the directors of the Supervisory Board in their capacity as such was £140,000 (2015: £140,000). There are no outstanding amounts due as of 31 December 2016.

The Chairman of the Supervisory Board currently receives a fee of £55,000 (2015: £55,000) per annum, and both the Chairman of the Audit Committee and the Senior Independent Director each receive a fee of £42,500 (2015: £42,500) per annum.

PROFIT PARTICIPATING LOAN

The Company as lender and BBGI Management Holdco S.à r.l. (MHC), its wholly owned subsidiary, as borrower have entered into a profit participating loan (PPL) agreement. 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. As at 31 December 2016, £421,285,000 (2015: £411,760,000) was outstanding under the PPL. During 2016, the Company provided additional PPL to MHC amounting to £9,525,000 (2015: £9,937,000) and received no repayment (2015: £2,887,000 repayment). The interest income related to such loan for the year ended 31 December 2016 amounted to £55,027,000 (2015: £21,700,000).

There was no outstanding interest receivable as of 31 December 2016 and 2015. The outstanding balance of the PPL was classified as loans receivable from subsidiary in the Company's statement of financial position.

The drawdowns under the PPL will mature in 2041.

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 and will continue to make available an interest bearing loan to MHC for the purposes of funding certain acquisitions. During the year, the amounts outstanding under the SHL amounted to £43,865,000 (2015: £44,477,000) after a principal repayment of £612,000 during the year (offset against trade payables to MHC). During 2016, the Company did not provide any additional SHL (2015: £31,818,000 additional SHL), and there was no conversion of interest receivable to principal (2015: £158,000 conversion to principal).

The interest income related to the SHL for the year ended 31 December 2016 amounted to £1,294,000 (2015: £870,000). There was no outstanding interest payable as of 31 December 2016 and 2015.

The outstanding balance of the SHL was classified as non-current loans receivable from subsidiary in the Company's statement of financial position.

SUPPORT AGREEMENT WITH MHC

The Company and MHC have entered into a support agreement (Support Agreement) whereby MHC will, under the agreement, provide assistance and support to the Company with respect to the day-to-day operations. As at 31 December 2016, the Company recorded Support Agreement expenses amounting to £3,632,000 (2015: £3,452,000).

As of 31 December 2016, the Company's liability to MHC in relation to the above amounted to £1,165,000 (2015: £13,259,000) and is included under trade payables in the Company's statement of financial position. During the year, the Company paid £15,670,000 of trade payable to MHC (non-cash movement) by offsetting interest receivable under the PPL above of £14,749,000, shareholder loan interest payable of 309,000 and shareholder loan principal of £612,000.

The remaining amount shown as trade payables in the Company's statement of financial position includes liabilities to third-party suppliers.

NOTE 14. SUBSIDIARY

MHC, the Company's sole direct subsidiary is a Luxembourg domiciled entity. The Company's total equity investment in MHC amounted to £2,000,000 as of 31 December 2016 and 2015.

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

NOTE 15. COMMITMENTS AND CONTINGENCIES

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).

The Company has equity and subordinated debt subscription obligations in two of its projects, collectively amounting to approximately £23.4 million at 31 December 2016, which are supported by letters of credit (see Note 11).

BOARD MEMBERS, AGENTS & ADVISERS

SUPERVISORY BOARD

David Richardson (Chairman)

Colin Maltby

Howard Myles

MANAGEMENT BOARD

Duncan Ball

Michael Denny

Frank Schramm

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