

Registration number: 00457719

# Balfour Beatty Infrastructure Investments Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2018

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## **Balfour Beatty Infrastructure Investments Limited**

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## **Balfour Beatty Infrastructure Investments Limited**

### **Company Information**

<b>Directors</b>	I F Appuhamy
	G Russell
	I K Rylatt
	A P Walker
<b>Company secretary</b>	Bnoms Limited
<b>Registered office</b>	6th Floor, 350 Euston Road Regent's Place London NW1 3AX
<b>Auditor</b>	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL

## **Balfour Beatty Infrastructure Investments Limited**

### **Strategic Report for the Year Ended 31 December 2018**

The Directors present their strategic report for Balfour Beatty Infrastructure Investments Limited ("the Company") for the year ended 31 December 2018.

#### **Principal activity**

The principal activity of the Company is that of an investment holding company within the Balfour Beatty Group. The Company holds directly and indirectly most of the Group's UK PPP and infrastructure investments. The principal activity of the Company's subsidiaries and joint ventures is the management of construction, maintenance and operations of infrastructure investments in home markets and abroad. These special purpose companies, or concessions, have contracts with clients covering periods of up to 40 years from the dates of financial close.

The strategy, objectives and activities of the Balfour Beatty Group are set out in more detail in the Parent Company's annual report and accounts.

The Directors expect the activities of the Company to continue on a similar basis.

#### **Principal risks and uncertainties**

The key business risks and uncertainties affecting the Company are considered to relate to the deterioration of the underlying businesses that support the investments held. Additional risks that this Company and the Balfour Beatty Group are subject to, and how they are managed, in the context of the Balfour Beatty Group as a whole is provided in the Balfour Beatty plc published annual report for the year ended 31 December 2018.

#### **Risk management**

Effective risk management is fundamental to how the Company runs its business and underpins the delivery of Balfour Beatty Plc's ("The Group") objectives. It is essential in helping to achieve sustainable shareholder value and in protecting the Group's reputation. The Company's approach to risk management is to identify at an early stage key risks and then to develop actions to eliminate or mitigate, to an acceptable level, the impact and likelihood of those risks.

The Group's risk management policy requires all divisions and the operating companies within them to identify and assess the risks to which they are exposed and which could impact their ability to deliver their and the Group's objectives. Risk registers are used to record risk events identified, their causes and potential consequences. Risks are then analysed as to the likelihood of occurrence and also the potential impact on the business. Actions are then developed and put in place to mitigate or eliminate unwanted exposures. Individuals are allocated responsibility for evaluating and managing risks identified to an agreed timescale. Risk registers and relevant action plans are regularly reviewed, at various levels throughout the business, to identify new risks as they arise, update mitigation plans, and to remove risks that are no longer relevant.

#### **Business review**

The Company's investments continued to perform well during the financial year.

On 23 February 2018 the Company sold 12.5% of BBDE Orbital Holdings LLP for a consideration of £43m resulting in a gain on disposal of £0.2m. The receipt of qualifying consideration resulted in £31m of unrealised profits recognised in 2017 on the disposal of Connect Plus (M25) Holding Ltd to BBDE Orbital Holdings LLP becoming realised for distributable profit purposes.

## Balfour Beatty Infrastructure Investments Limited

### Strategic Report for the Year Ended 31 December 2018 (continued)

#### Business Review (continued)

On 15 November 2018 the Company disposed of its remaining 37.5% interest in BBDE Orbital Holdings LLP to a fellow group undertaking for a consideration of £124m. This resulted in a gain of £0.6m in the income statement of the Company, which was not considered realised for distributable profits purposes as the Company did not receive qualifying consideration at this date.

In February 2018 the Company received further consideration of £3m relating to its previously disposed interest in Balfour Beatty Infrastructure Partners in 2016. The additional consideration relates to the earn-out agreement that was entered into with the buyer as part of the disposal. At the time of disposal, the Company did not include an estimate of the potential earn-out within its assessment of the gain on disposal as there was significant uncertainty as to whether the earn-out hurdles would be met.

The results and key performance indicators of the Company are as follows:

	2018	2017
	£ 000	£ 000
Profit	94,665	251,128

The financial statements of the Company appear on pages 9 to 27. The profit for the year decreased to £94,665k (2017: £251,128k) as a result of a reduction in disposal gains.

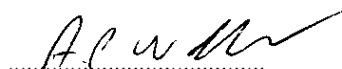
#### Going concern

The Directors have considered the Company's investments in PPP concessions and infrastructure investments, and believe their underlying results support their carrying value. Having made appropriate enquiries, the Directors consider it reasonable to assume that the Company has adequate resources to continue for the foreseeable future and, for this reason, have continued to adopt the going concern basis in preparing the accounts.

#### Financial instruments

Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet the only financial risks the Directors consider relevant to the Company are credit risk, liquidity risk and interest rate risk. The Directors do not consider there to be any significant credit risks on the loans to PPP concession companies as these have stable long-term cash flows. The Directors do not consider there to be any significant liquidity risk as the only creditors are wholly-owned subsidiaries. The Company does not hedge the interest risk arising on the loans to PPP concession companies that bear interest at a margin over LIBOR as detailed in note 12.

Approved by the Board on 11 June 2019 and signed on its behalf by:



A P Walker  
Director

## **Balfour Beatty Infrastructure Investments Limited**

### **Directors' Report for the Year Ended 31 December 2018**

The Directors present the Financial Statements and Auditor's report for the year ended 31 December 2018.

#### **Financial statements and dividends**

The audited financial statements of the Company appear on pages 9 to 27. The profit for the year after tax was £94,665k (2017: £251,128k). The Company paid a dividend of £250,015k (2017: £Nil).

#### **Directors of the company**

The directors, who held office during the year, were as follows:

I F Appuhamy

G Russell

I K Rylatt

A P Walker

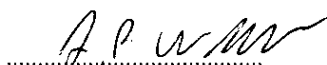
#### **Disclosure of information to the auditor**

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

#### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board on *11 June* and signed on its behalf by:



A P Walker  
Director

## **Balfour Beatty Infrastructure Investments Limited**

### **Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **Balfour Beatty Infrastructure Investments Limited**

### **Independent Auditor's Report to the Members of Balfour Beatty Infrastructure Investments Limited**

#### **Opinion**

We have audited the financial statements of Balfour Beatty Infrastructure Investments Limited ("the company") for the year ended 31 December 2018, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework* and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### **The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

#### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.



## **Balfour Beatty Infrastructure Investments Limited**

### **Independent Auditor's Report to the Members of Balfour Beatty Infrastructure Investments Limited (continued)**

#### **Strategic Report and Directors' Report**

The directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

#### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

#### **Directors' responsibilities**

As explained more fully in their statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**Balfour Beatty Infrastructure Investments Limited**

**Independent Auditor's Report to the Members of Balfour Beatty Infrastructure  
Investments Limited (continued)**

**The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



.....  
William Meredith (Senior Statutory Auditor)  
For and on behalf of KPMG LLP, Statutory Auditor

15 Canada Square  
Canary Wharf  
London  
E14 5GL

Date: 12<sup>th</sup> June 2019

## Balfour Beatty Infrastructure Investments Limited

### Profit and Loss Account for the Year Ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Profit on disposal of fixed asset investment	5, 16	3,473	238,605
Profit on disposal of investment property	5	559	-
Operating expenses	5	-	(1,874)
Operating income	5	<u>4</u>	<u>-</u>
Operating profit		<u>4,036</u>	<u>236,731</u>
Income from investments	6	85,157	1,193
Interest income	7	5,495	13,465
Finance expense	8	<u>(23)</u>	<u>(93)</u>
Income from investments and interest		<u>90,629</u>	<u>14,565</u>
Profit before tax		94,665	251,296
Tax on profit on ordinary activities	9	<u>-</u>	<u>(168)</u>
Profit for the year		<u><u>94,665</u></u>	<u><u>251,128</u></u>

There were no recognised gains or losses in the year other than those disclosed above. Accordingly no statement of comprehensive income is presented.

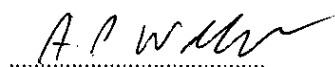
The above results were derived from continuing operations in the United Kingdom.

# Balfour Beatty Infrastructure Investments Limited

(Registration number: 00457719)  
Balance Sheet as at 31 December 2018

	Note	2018 £ 000	2017 £ 000
<b>Fixed assets</b>			
Investments in subsidiaries	10	10,860	10,860
Investments in joint ventures and associates	10	384	123,536
Investment properties	11	-	5,951
		<u>11,244</u>	<u>140,347</u>
<b>Current assets</b>			
Debtors: Amounts falling due within one year	12	522,274	455,153
Debtors: Amounts falling due after more than one year	12	25,489	64,213
Cash at bank and in hand	13	316,445	149,971
		<u>864,208</u>	<u>669,337</u>
<b>Creditors: Amounts falling due within one year</b>	14	<u>(477,352)</u>	<u>(258,182)</u>
<b>Net current assets</b>		<u>386,856</u>	<u>411,155</u>
<b>Total assets less current liabilities</b>		398,100	551,502
<b>Creditors: Amounts falling due after more than one year</b>		<u>(1,948)</u>	<u>-</u>
<b>Net assets</b>		<u>396,152</u>	<u>551,502</u>
<b>Capital and reserves</b>			
Called up share capital	15	57,166	57,166
Share premium		8,716	8,716
Profit and loss account		<u>330,270</u>	<u>485,620</u>
<b>Shareholders' funds</b>		<u>396,152</u>	<u>551,502</u>

These financial statements were approved by the Board on 11 June and signed on its behalf by:



A P Walker

Director

The notes on pages 12 to 27 form an integral part of these financial statements.

# **Balfour Beatty Infrastructure Investments Limited**

## **Statement of Changes in Equity for the Year Ended 31 December 2018**

	<b>Called up share capital £ 000</b>	<b>Share premium account £ 000</b>	<b>Profit and loss account £ 000</b>	<b>Total equity £ 000</b>
At 1 January 2017	57,166	8,716	234,492	300,374
Profit for the year	-	-	251,128	251,128
At 31 December 2017	<u>57,166</u>	<u>8,716</u>	<u>485,620</u>	<u>551,502</u>

	<b>Called up share capital £ 000</b>	<b>Share premium account £ 000</b>	<b>Profit and loss account £ 000</b>	<b>Total equity £ 000</b>
At 1 January 2018	57,166	8,716	485,620	551,502
Profit for the year	-	-	94,665	94,665
Dividends	-	-	(250,015)	(250,015)
At 31 December 2018	<u>57,166</u>	<u>8,716</u>	<u>330,270</u>	<u>396,152</u>

The notes on pages 12 to 27 form an integral part of these financial statements.

## **Balfour Beatty Infrastructure Investments Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018**

#### **1 Accounting policies**

Balfour Beatty Infrastructure Investments Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 00457719 and the registered address is 6th Floor, 350 Euston Road, Regent's Place, London, NW1 3AX.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Balfour Beatty plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Balfour Beatty plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 5 Churchill Place, Canary Wharf, London, E14 5HU and on the Balfour Beatty website: [www.balfourbeatty.com](http://www.balfourbeatty.com)

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRS's;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Balfour Beatty plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.

## **Balfour Beatty Infrastructure Investments Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

#### **1 Accounting policies (continued)**

##### **Basis of preparation**

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

The financial statements are prepared on the historical cost basis.

The financial statements present information about the Company as an individual undertaking and not about its group. As permitted by section 400 of the Companies Act 2006, no consolidated accounts have been prepared as the Company is a wholly owned subsidiary of Balfour Beatty plc.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

##### **Change in significant accounting policies**

###### IFRS 9 Financial Instruments

The Company has adopted IFRS 9 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement.

The Company has assessed that comparative periods do not require restatement. An assessment has been performed of the differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 and this assessment concluded that there was no impact apart from classification of financial instruments.

##### **Tax**

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

##### **Investments**

Investments comprise holdings in subsidiary undertakings and joint ventures. The Company's investments are stated at cost less amounts provided to reflect impairments in value.

Loans due from subsidiary and joint venture and associate undertakings are initially recorded at fair value and subsequently accounted for at amortised cost.

##### **Investment property**

Investment property is stated at cost net of any provision for impairment.

## **Balfour Beatty Infrastructure Investments Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

#### **1 Accounting policies (continued)**

##### **Dividend and interest income**

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

##### **Operating income and operating expenses**

Operating income and expenses are in line with contractual arrangements.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

##### **Key accounting judgements**

The following are the key accounting judgements that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

##### **Carrying value of investments**

The Company reviews the recoverability of its investments annually. If the recoverable amount is less than the carrying value a provision is recognised. Determining the recoverable amount requires an estimate of fair value which is calculated by discounting future cash flows.

#### **2 Staff costs**

The Company has no employees and therefore has incurred no employment or pension costs for the year end or the preceding year.



## Balfour Beatty Infrastructure Investments Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 3 Directors' remuneration

	2018 £ 000	2017 £ 000
Directors' remuneration	445	436
Company contributions to money purchase pension plans	7	7
	<u>452</u>	<u>443</u>

The remuneration of the highest paid director was £212,479 (2017: £208,313).

Retirement benefits are accruing to the following number of directors under:

	2018 Number	2017 Number
Money purchase schemes	<u>1</u>	<u>1</u>

From 1 February 2013, Directors' remuneration is paid by Balfour Beatty Group Employment Limited.

#### 4 Auditor's remuneration

In both periods, the audit fee payable for audit of the Company's annual accounts was borne by the parent.

#### 5 Operating profit

	Note	2018 £000	2017 £000
Investment and loan impairment		-	(1,761)
Profit on disposal of fixed asset investments	16	3,473	238,605
Operating income		4	-
Depreciation		-	(19)
Other operating expenses		-	(94)
Profit on disposal of investment property		559	-
		<u>4,036</u>	<u>236,731</u>

#### 6 Income from investments

	2018 £ 000	2017 £ 000
Dividends received from subsidiary undertakings	82,734	934
Dividends received from joint ventures and associated undertakings	2,423	259
	<u>85,157</u>	<u>1,193</u>

## Balfour Beatty Infrastructure Investments Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 7 Interest income

	2018 £ 000	2017 £ 000
Other interest receivable	429	-
Interest income on loans to subsidiary undertakings	881	777
Interest income on loans to joint ventures and associated undertakings	4,185	12,688
	<u>5,495</u>	<u>13,465</u>

#### 8 Finance expense

	2018 £ 000	2017 £ 000
Interest payable on loans from subsidiaries	23	93

#### 9 Income tax

Tax charged in the profit and loss account

	2018 £ 000	2017 £ 000
<b>Current taxation</b>		
UK corporation tax adjustment to prior periods	<u>-</u>	<u>168</u>

The tax charge for the year is lower than the standard rate of corporation tax in the UK (2017 - lower than the standard rate of corporation tax in the UK) of 19% (2017 - 19.25%).

The differences are reconciled below:

	2018 £ 000	2017 £ 000
Profit before tax	<u>94,665</u>	<u>251,296</u>
Corporation tax at standard rate	17,986	48,375
Increase (decrease) in current tax from adjustment for prior periods	-	168
Decrease (increase) from effect of revenues exempt from taxation	(766)	(45,931)
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	-	343
Increase (decrease) arising from group relief tax reconciliation	(1,040)	(2,557)
Increase (decrease) from effect of dividends from UK companies	<u>(16,180)</u>	<u>(230)</u>
Total tax charge	<u>-</u>	<u>168</u>

## Balfour Beatty Infrastructure Investments Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 9 Income tax (continued)

The Company earns its results primarily in the UK, therefore the tax rate used for tax on profit on ordinary activities is the current UK corporation tax rate of 19% (2017: 19.25%).

For the year end 31 December 2018, a corporation tax rate of 19% has been applied in line with rates enacted by the Finance Act 2016. The Finance Act 2016, which was substantively enacted on 6 September 2016, provides for a reduction in the main rate of UK corporation tax to 19% effective from 1 April 2017 and a further reduction to 17% from 1 April 2020.

#### 10 Investments

<b>Subsidiaries</b>	<b>£ 000</b>
<b>Cost or valuation</b>	
At 1 January 2018	10,860
<b>Carrying amount</b>	
At 31 December 2018	10,860
At 31 December 2017	10,860

Details of the subsidiaries as at 31 December 2018 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2018	2017
Connect Roads Derby Holdings Limited* (1)	PPP concession company	England and Wales	100%	100%
Connect Roads Derby Limited (1)	PPP concession company	England and Wales	100%	100%
Balfour Beatty Fire and Rescue NW Holdings Limited* (1)	PPP concession company	England and Wales	100%	100%
Balfour Beatty Fire and Rescue NW Limited (1)	PPP concession company	England and Wales	100%	100%
Balfour Beatty Fire and Rescue NW Intermediate Limited (1)	PPP concession company	England and Wales	100%	100%
Consort Healthcare Infrastructure Investments Limited* (1)	Investment company	England and Wales	100%	100%

## Balfour Beatty Infrastructure Investments Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 10 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2018	2017
Education Investments Holdings Limited (formerly Balfour Beatty Education Limited)* (1)	Investment company	England and Wales	100%	100%
Connect Roads Infrastructure Investments Limited* (1)	Investment company	England and Wales	100%	100%
Balfour Beatty Infrastructure Projects Investments Limited* (1)	Investment company	England and Wales	100%	100%
Aberystwyth Student Accommodation Limited (1)	PPP concession company	England and Wales	100%	100%
Balfour Beatty OFTO Holdings Limited* (1)	Investment company	England and Wales	100%	100%
BBi Holdings Australia Limited* (1)	Investment company	England and Wales	100%	100%
East Slope Residences Holdings Limited (1)	Investment holding Company	England and Wales	100%	100%
East Slope Residences Facilities Management Limited (1)	Facility management company	England and Wales	100%	100%
East Slope Residences Partner Limited (1)	Investment holding Company	England and Wales	100%	100%
East Slope Residences Student Accommodation LLP (1)	Development company	England and Wales	80%	80%
East Slope Residences PLC (1)	Investment holding company	England and Wales	80%	80%
Glasgow Residences (Kennedy Street) Holdings Limited (2)	Investment holding company	Scotland	100%	100%
Glasgow Residences (Kennedy Street) LLP (2)	Development company	Scotland	100%	100%

## Balfour Beatty Infrastructure Investments Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 10 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2018	2017
Glasgow Residences (Kennedy Street) SPV Limited (2)	Development company	Scotland	100%	100%
Woodland View Holdings Co Limited (2)	PPP concession company	Scotland	100%	100%
Woodland View Intermediate Co Limited (2)	PPP concession company	Scotland	100%	100%
Woodland View Project Co Limited (2)	PPP concession company	Scotland	98%	98%
West Stratford Developments Limited (1)	Investment holding company	England and Wales	100%	100%
Manchester Residences (New Cross) Limited* (1)	Development company	England and Wales	100%	0%

\* held directly by Balfour Beatty Infrastructure Investments Limited

(1) Registered office: 350 Euston road, London NW1 3AX United Kingdom

(2) Registered office: Maxim 7, Maxim Office Park Parklands Avenue, Eurocentral, Holytown, Scotland. ML1 4WQ, United Kingdom

## Balfour Beatty Infrastructure Investments Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 10 Investments (continued)

##### Joint ventures

	Note	£ 000
<b>Cost or valuation</b>		
At 1 January 2018		123,536
Disposals	16	(123,152)
At 31 December 2018		<u>384</u>
<b>Carrying amount</b>		
At 31 December 2018		<u>384</u>
At 31 December 2017		<u>123,536</u>

Details of the joint ventures as at 31 December 2018 are as follows:

Name of Joint-venture	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held 2018	2017
Connect CNDR Holdings Limited* (1)	PPP concession company	England and Wales	25%	25%
Connect CNDR Limited (1)	PPP concession company	England and Wales	25%	25%
Connect CNDR Intermediate Limited (1)	PPP concession company	England and Wales	25%	25%
Connect M77/GSO Holdings Limited* (1)	PPP concession company	Scotland	85%	85%
Connect M77/GSO plc (1)	PPP concession company	Scotland	85%	85%
Connect Plus (M25) Holdings Limited (4)	PPP concession company	England and Wales	0%	20%
Connect Plus (M25) Intermediate Limited (4)	PPP concession company	England and Wales	0%	20%
Connect Plus (M25) Limited (4)	PPP concession company	England and Wales	0%	20%
Connect Roads Limited (1)	PPP concession company	England and Wales	25%	25%
Connect A50 Limited (1)	PPP concession company	England and Wales	25%	25%
Connect A30/A35 Holdings Limited (1)	PPP concession company	England and Wales	20%	20%
Connect A30/A35 Limited (1)	PPP concession company	England and Wales	20%	20%

## Balfour Beatty Infrastructure Investments Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 10 Investments (continued)

Name of Joint-venture	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2018	2017
Consort Healthcare (Fife) Holdings Limited (5)	PPP concession company	Scotland	0%	50%
Consort Healthcare (Fife) Intermediate Limited (5)	PPP concession company	Scotland	0%	50%
Consort Healthcare (Fife) Limited (5)	PPP concession company	Scotland	0%	50%
Gwynt y Mor OFTO Holdings Limited (1)	PPP concession company	England and Wales	60%	60%
Gwynt y Mor OFTO plc (1)	PPP concession company	England and Wales	60%	60%
Gwynt y Mor OFTO Intermediate Limited (1)	PPP concession company	England and Wales	60%	60%
Tyseley Bio Power Limited (6)	PPP concession company	England and Wales	37.5%	37.5%
Birmingham Bio Power Limited (6)	PPP concession company	England and Wales	37.5%	37.5%
Thanet OFTO Holdco Limited (1)	PPP concession company	England and Wales	20%	20%
Thanet OFTO Intermediate Limited (1)	PPP concession company	England and Wales	20%	20%
Thanet OFTO Limited (1)	PPP concession company	England and Wales	20%	20%
Connect Roads South Tyneside Holdings Limited* (1)	PPP concession company	England and Wales	20%	20%
Connect Roads South Tyneside Limited (1)	PPP concession company	England and Wales	20%	20%
Connect Roads Sunderland Holdings Limited* (1)	PPP concession company	England and Wales	20%	20%
Connect Roads Sunderland Limited (1)	PPP concession company	England and Wales	20%	20%
Connect Roads Coventry Holdings Limited (1)	PPP concession company	England and Wales	20%	20%
Connect Roads Coventry Intermediate Limited (1)	PPP concession company	England and Wales	20%	20%
Connect Roads Coventry Limited (1)	PPP concession company	England and Wales	20%	20%

## Balfour Beatty Infrastructure Investments Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 10 Investments (continued)

Name of Joint-venture	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2018	2017
Connect Roads Northamptonshire Holdings Limited (1)	PPP concession company	England and Wales	20%	20%
Connect Roads Northamptonshire Intermediate Limited (1)	PPP concession company	England and Wales	20%	20%
Connect Roads Northamptonshire Limited (1)	PPP concession company	England and Wales	20%	20%
Connect Roads Cambridgeshire Holdings Limited (1)	PPP concession company	England and Wales	20%	20%
Connect Roads Cambridgeshire Intermediate Limited (1)	PPP concession company	England and Wales	20%	20%
Connect Roads Cambridgeshire Limited (1)	PPP concession company	England and Wales	20%	20%
Pebblehall Bio Power Limited (6)	PPP concession company	England and Wales	25%	25%
Welland Bio Power Limited (6)	PPP concession company	England and Wales	25%	25%
Pevensey Coastal Defence Limited (7)	PPP concession company	England and Wales	25%	25%
East Wick and Sweetwater Projects (Holdings) Limited (1)	Investment holding company	England and Wales	50%	50%
East Wick and Sweetwater Projects (Phase 1) Limited (1)	Development company	England and Wales	50%	50%
East Wick and Sweetwater Projects (Phase 2) Limited (1)	Development company	England and Wales	50%	50%
East Wick and Sweetwater Projects (Phase 3) Limited (1)	Development Company	England and Wales	50%	50%
East Wick and Sweetwater Projects (Phase 4) Limited (1)	Development company	England and Wales	50%	50%
East Wick and Sweetwater Projects (Phase 5) Limited (1)	Development company	England and Wales	50%	50%
East Wick and Sweetwater Projects (Phase 6) Limited (1)	Development company	England and Wales	50%	50%
East Wick and Sweetwater Projects (Phase 7) Limited (1)	Development company	England and Wales	50%	50%
Humber Gateway OFTO Holdings Limited (1)	PPP concession company	England and Wales	20%	20%



## Balfour Beatty Infrastructure Investments Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 10 Investments (continued)

Name of Joint-venture	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2018	2017
Humber Gateway OFTO Intermediate Limited (1)	PPP concession company	England and Wales	20%	20%
Humber Gateway OFTO Limited (1)	PPP concession company	England and Wales	20%	20%
Aberdeen Roads Holdings Limited (2)	PPP concession company	Scotland	33%	33%
BBDE Orbital Holdings LLP (1)	PPP concession company	England and Wales	0%	50%
Holyrood Holdings Limited (5)	PPP concession company	Scotland	20%	0%
Holyrood Student Accommodation Holdings Limited (5)	PPP concession company	Scotland	20%	0%
Holyrood Student Accommodation Intermediate Limited (5)	PPP concession company	Scotland	20%	0%
Holyrood Student Accommodation Plc (5)	PPP concession company	Scotland	20%	0%
Holyrood Student Accommodation SPV Limited (5)	PPP concession company	Scotland	20%	0%
East Wick & Sweetwater Finance (Holdings) Limited (1)	Infrastructure concession	England and Wales	50%	0%
East Wick & Sweetwater Projects (Finance) Limited (1)	Infrastructure concession	England and Wales	50%	0%

\* held directly by Balfour Beatty Infrastructure Investments Limited

(1) Registered office: 350 Euston road, London NW1 3AX United Kingdom

(4) Registered office: Connect Plus House St Albans Road, South Mimms, Hertfordshire, EN6 3NP

(5) Registered office: Maxim 7, Maxim Office Park Parklands Avenue, Eurocentral, Holytown, Scotland, ML1 4WQ

(6) Registered office: Blythe House, Blythe Park, Cresswell, Stoke on Trent, Staffordshire, England, ST11 9RD, United Kingdom

(7) Registered office: Westminster House, Crompton Way, Segensworth West, Fareham, Hampshire, PO15 5SS

## Balfour Beatty Infrastructure Investments Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 10 Investments (continued)

##### Associates

Details of the Associates as at 31 December 2018 are as follows:

Name of Associate	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2018	2017
UK Power Networks Services Powerlink Limited* (8)	PPP concession company	England and Wales	10%	10%
Power Asset Development Company Limited* (8)	PPP concession company	England and Wales	25%	25%
UBB Waste (Essex) Holdings Limited (9)	PPP concession company	England and Wales	30%	30%
UBB Waste (Essex) Limited (9)	PPP concession company	England and Wales	30%	30%
UBB Waste (Essex) Intermediate Limited (9)	PPP concession company	England and Wales	30%	30%
UBB Waste (Gloucestershire) Holdings Limited (9)	PPP concession company	England and Wales	49.5%	49.5%
UBB Waste (Gloucestershire) Limited (9)	PPP concession company	England and Wales	49.5%	49.5%
UBB Waste (Gloucestershire) Intermediate Limited (9)	PPP concession company	England and Wales	49.5%	49.5%

\* held directly by Balfour Beatty Infrastructure Investments Limited

(8) Registered office: Newington House, 237 Southwark Bridge Road, London, SE1 6NP

(9) Registered office: Ashford House, Grenadier Road, Exeter, Devon, EX1 3LH, United Kingdom

During the year Consort Healthcare Infrastructure Investments Limited disposed of its interest in the Fife concession and Balfour Beatty Infrastructure Projects Investments Limited acquired and subsequently partially disposed of the Holyrood concession. The Company partially disposed of its interest in the M25 concession, see note 16.

## Balfour Beatty Infrastructure Investments Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 11 Investment properties

	2018 £ 000
<b>Cost</b>	
At 1 January 2018	5,951
Disposals	(5,951)
At 31 December 2018	-
At 31 December 2018	-

The investment property was held at cost less accumulated depreciation and impairment losses. Land was not depreciated.

#### 12 Trade and other debtors

##### *Debtors - amounts falling due within one year:*

	2018 £ 000	2017 £ 000
Proceeds receivable on disposal	-	61,875
Loans due from subsidiary undertakings	201	126
Interest receivable from subsidiary undertakings	201	202
Loans due from joint ventures and associate undertakings	21	27
Interest receivable from joint ventures and associate undertakings	239	1,293
Amounts owed from group undertakings	521,612	190,357
Loan to Balfour Beatty plc	-	201,160
Other receivables	-	113
	<u>522,274</u>	<u>455,153</u>

Amounts owed by group undertakings are repayable on demand and are interest free.

##### *Debtors - amounts falling due after more than one year:*

	2018 £ 000	2017 £ 000
Loans due from subsidiary undertakings	7,227	7,302
Loans due from joint venture and associated undertakings	6,192	48,050
Other debtors	2,664	-
Interest receivable from joint venture and associated undertakings	9,406	8,861
	<u>25,489</u>	<u>64,213</u>

## Balfour Beatty Infrastructure Investments Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 12 Trade and other debtors (continued)

The loans to subsidiary, joint venture and associated undertakings are repayable subject to conditions detailed in the loan agreements and bear interest at a fixed or variable rate. The variable rate loans are based on RPI or LIBOR plus a margin, or a fixed percentage plus a RPI linked margin, with margin ranging from 1% to 10.48%. The fixed interest rates range from 10.5% to 12%.

#### 13 Cash - guarantees

The Company is party to bank facility agreements arranged by Balfour Beatty plc and entered into by various subsidiaries of Balfour Beatty plc under which the bank may apply cash balances in any of the participants' accounts with the bank towards any liability under that facility of any other participants. Guarantees are treated as contingent liabilities until such time as it becomes probable payment will be required under the terms of the guarantee.

#### 14 Trade and other creditors

	2018 £ 000	2017 £ 000
Amounts owed to group undertakings	477,352	257,782
Other creditors	-	400
	<u>477,352</u>	<u>258,182</u>

Amounts owed to group undertakings are repayable on demand and are interest free.

#### 15 Share capital

##### Allotted, called up and fully paid shares

	No. 000	2018 £ 000	No. 000	2017 £ 000
Ordinary shares of £1 each	<u>57,166</u>	<u>57,166</u>	<u>57,166</u>	<u>57,166</u>

## **Balfour Beatty Infrastructure Investments Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

#### **16 Disposals**

On 23 February 2018 the Company sold 12.5% of BBDE Orbital Holdings LLP for a consideration of £43m resulting in a gain on disposal of £0.2m. The receipt of qualifying consideration resulted in £31m of unrealised profits recognised in 2017 on the disposal of Connect Plus (M25) Holding Ltd to BBDE Orbital Holdings LLP becoming realised for distributable profit purposes.

On 15 November 2018 the Company disposed of its remaining 37.5% interest in BBDE Orbital Holdings LLP to a fellow group undertaking for a consideration of £124m. This resulted in a gain of £0.6m in the income statement of the Company, which was not considered realised for distributable profits purposes as the Company did not receive qualifying consideration at this date.

In 2017 £241m of non-distributable reserves were generated on the disposal of the M25 project to BBDE Orbital Holdings LLP. To date £151m of this profit is now realised for distributable profit purposes following partial disposals of 62.5% of the Company's interest in the LLP to third parties. The remaining unrealised profits for distribution amounts to £90m and will become realised in future if Balfour Beatty Group disposes of the LLP to a third party for qualifying consideration.

In February 2018 the Company received further consideration of £3m relating to its previously disposed interest in Balfour Beatty Infrastructure Partners in 2016. The additional consideration relates to the earn-out agreement that was entered into with the buyer as part of the disposal. At the time of disposal, the Company did not include an estimate of the potential earn-out within its assessment of the gain on disposal as there was significant uncertainty as to whether the earn-out hurdles would be met.

#### **17 Related party transactions**

As a wholly-owned subsidiary undertaking of Balfour Beatty plc, the Company has taken advantage of the exemptions in FRS 101 "Reduced Disclosure Framework" not to disclose transactions with other wholly-owned members of the group headed by Balfour Beatty plc.

The transactions with joint ventures and associates are disclosed in Notes 6 and 7. The amounts due from or to joint ventures and associates at the reporting date are disclosed in Note 12. These transactions occurred in the normal course of business at market rates and terms.

#### **18 Parent and ultimate parent undertaking**

The Company's immediate parent is Balfour Beatty plc.

The ultimate parent is Balfour Beatty plc.

The most senior parent entity producing publicly available financial statements is Balfour Beatty plc. These financial statements are available upon request from 5 Churchill Place, Canary Wharf, London, E14 5HU and on the Balfour Beatty website: [www.balfourbeatty.com](http://www.balfourbeatty.com)

#### **19 Subsequent events**

There were no post balance sheet events.