Registered number
08246443

BUUK Infrastructure No 2 Limited
Annual Report & Financial Statements
for the year ended
31 December 2020

BUUK Infrastructure No 2 Limited
Annual Report and Financial Statements

Contents

BUUK Infrastructure No 2 Limited

Strategic Report

Principal Activity

The BUUK Infrastructure No 2 Limited Group ("the Group") owns and operates "last mile" utility distribution systems in locations throughout mainland UK, providing essential services to both residential and commercial premises. The business operates in gas, electricity, fibre, water and waste water, district energy, and domestic smart metering sectors, which are regulated by Ofgem (gas and electricity), Ofcom (fibre) and Ofwat (water and waste water).

Business Model

The Group competes against other infrastructure providers, including regional utility incumbents, to provide "last mile" utility network solutions to all types of new build developments. Once completed, the Group expects to own and operate these networks in perpetuity. The regulated entities owning and operating the utility assets are known as:

- Gas – Independent Gas Transporter (IGT)
- Electricity – Independent Distribution Network Operator (IDNO)
- Water – New Appointee (formerly known as Inset License)

For the provision of its distribution networks and infrastructure, the Group charges the gas, electricity and water suppliers a regulated use-of-system tariff.

The Group has also developed similar business models in the provision of fibre optic communications networks, district heating networks, and domestic smart metering.

Financing

The Group has £1,711.1m of long-term Senior Notes issued in 2013, 2014, 2015, 2016, 2018 and 2020 which have an investment grade credit rating of Baa2 from Moody's Investor Services. The Group's existing short-term facilities totalling £350m expire on 18 September 2024.

Review of performance during the year to 31 December 2020

Key Performance Indicators

	Year ended 31/12/20	Year ended 31/12/19
Revenue (GBP '000)	379,780	366,733
EBITDA[1] (GBP '000)	261,752	272,035
FFO[2] (GBP '000)	201,524	217,138
AFFO[3] (GBP '000)	195,979	206,366
Cumulative Connections (No. of connections)	2,361,294	2,204,790

[1] EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) is calculated as Operating Profit adding back depreciation, amortisation, bad debt expense, gains or losses on disposal of fixed assets and share-based pay expense.
[2] FFO (Funds from Operations) is calculated as EBITDA less interest expense and tax paid or received.
[3] AFFO (Adjusted Funds from Operations) is calculated as FFO less maintenance capital expenditure.
Note – EBITDA, FFO and AFFO are not defined under IFRS and may not be comparable to other organisations.

Revenue has increased in the year, as a result of higher transportation revenues due to a greater number of connections in place throughout the year. However, on the key financial KPIs of EBITDA, FFO and AFFO, the Group had a reduction in performance compared to both the prior year and the detailed budget for the year. Despite higher revenues, EBITDA is lower due to the disposal of Independent Fibre Retail Limited in 2019 as well as a change in the sales mix, with a higher proportion of revenues attracting a lower margin. Additionally, construction activity has been suppressed in 2020 due to the impact of COVID 19. Completed connections have increased, however this has been at a slower rate than previously anticipated.

At the year-end the Group had net assets of £1,363,827,000 (2019: £1,225,662,000).

Future Prospects

A key driver for the future growth of the Group is the general health of the UK residential housing market. As at the end of 2020, the Group had a contracted forward order book to complete approximately 1,241,000 connections across all of its services over the next 5-10 years, up from approximately 1,147,000 connections as at the end of 2019. Furthermore, any favourable improvement in general economic conditions in the UK that improves the level of enquiries from house builders is generally positive for the Group's businesses.

Principal Risks and Uncertainties

The principal risks facing the group are:

Regulatory

The Group operates in stable and transparent regulated utility markets in the UK. The Group is not aware of any significant proposed changes impacting the existing regulatory frameworks in which it operates. Any such change could have either a positive or negative impact on our future business prospects. The Group has carried on investing in both regulated and non-regulated markets, diversifying its regulatory risk.

Health, Safety and Environmental

The Group operates a comprehensive Health, Safety and Environmental framework to ensure that, as far as possible, it eliminates risk to its employees, customers, members of the public and the environment. The Group has an excellent track record in this regard and has culturally aligned itself to improve continually its performance in this area.

Liquidity and Interest Rates

The Group has a policy of seeking to have a number of sources of funds and financial instruments at any given time to meet its liquidity needs, as well as maintaining a balanced maturity profile to minimise, as far as possible, peaked repayments and refinancing risk. Debt facilities are arranged with appropriate financial and operating covenants, ensuring that management has the necessary flexibility in the operation of its business.

The majority of the Group's existing debt has an unexpired term exceeding 10 years and is subject to a fixed interest rate.

Cash flow risk

The Group uses derivative financial instruments to manage certain exposures to fluctuations in interest rates, inflation rates and exchange rates. The Group does not hold any speculative financial instruments.

Credit risk

Whilst the Group is dependent on a number of large customers, the credit risk from the failure of those customers is limited by regulatory regimes. The Group takes appropriate measures to reduce credit risk to a manageable level and has strict procedures to manage credit risk relating to trade receivables.

COVID-19

The Directors have considered the expected impact of COVID-19 on future periods. As at the date of the approval of this report the Group had £236.8m of undrawn committed facilities, of which £109.1m is available for general corporate purposes and £127.7m is linked to future capital expenditure. This availability of facilities, and the performance of the Group in 2020, combined with the nature of the Group's activities, as discussed below, has led the Directors to the conclusion that it is unlikely the Group would be unable to meet its obligations as they fall due. The Group's business model and financing structure are resilient and there is a strong order book in place for the provision of new connections in the future.

The Group's core business activity is the ownership and operation of infrastructure assets, supplying essential services of gas, electricity, water, fibre, waste water and heat. The transportation revenues from this activity are highly stable and predictable and are currently underpinned by a supportive regulatory framework. These revenues are expected to remain stable and continue to generate positive cash flows. This has been demonstrated by the Group's performance during 2020, which has seen the Group maintain a strong EBITDA position and remain cash generative despite the impact of the COVID-19 pandemic.

Additionally, BUUK undertakes the construction of new infrastructure assets to be owned and operated by the Group. Construction activity levels were reduced in the early stages of the year due to the suspension of works by some housebuilders on some new housing sites, however this has steadily recovered throughout the year, with new connections now close to pre-COVID levels. The Directors remain committed to ensuring BUUK retains the resources necessary to meet future recovery to pre-COVID activity levels, and have implemented policies and procedures to ensure these demands can be met in a practical and safe manner.

The Directors have also undertaken a series of stress test financial models over the impact of COVID-19. The key uncertainty and area of judgement in this modelling is construction activity levels. BUUK has based its assumptions on a reference scenario published by the UK Government's independent forecaster, the Office for Budget Responsibility ("OBR") on 25 November 2020, evidence from operations undertaken by the Group and detailed understanding of the industry. Under the OBR scenario and all other reasonably possible scenarios, the Group can continue to meet its obligations as they fall due. Further details of this can be found in the Going Concern section of note 2.

Brexit

The Directors have considered whether Brexit has had any significant impact on the current year's performance and the likely effect on future periods. In the Directors' opinion, there has been no substantial impact in the current year and, given the Government's commitment to deliver 300,000 homes a year by 2023, it is not felt to be likely that there is a significant risk to future periods. The only risk the Directors foresee is a potential short-term impact on supply chains, for which sufficient contingency plans have been put in place.

Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The Board of Directors are presented with and review a wide range of papers relating to different stakeholders. The papers are discussed at Board meetings and form the basis by which policies and actions of the business are developed and, through this process, the Board have identified the key stakeholders. The Board consider that, both individually and together, they have acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole in the decisions taken during the year and, in doing so, have had regard to the stakeholders and matters set out in s172(1) (a-f) of the Companies Act 2006.

The Board of Directors' intention is to behave responsibly and to ensure that management operate the business in a responsible manner to maintain a reputation for high standards of business conduct. The Board of Directors also recognise the importance of behaving fairly between the members of the company.

The Board of Directors' aim to create a balance between the development of opportunities with our customers, stimulating and rewarding our staff, working with and supporting our local communities, sustaining the environment in which we operate, interact with and comply with policies of the relevant regulators and engage in positive relationships with lenders. The following disclosures describe how the Board of Directors has had regard to the matters set out in section 172(1) (a-f) in respect of the Group's stakeholders and forms the Directors' Statement required under Section 414CZA of The Companies Act 2006.

COVID-19

The Board of directors have considered the needs of the different stakeholders of the Group and have balanced these in their actions to mitigate the impact of COVID-19:

- The Coronavirus Job Retention Scheme has been utilised to help secure the jobs of employees. In taking advantage of this scheme the Group has also considered the needs of the Government as a stakeholder, trying to reduce the level of support taken to a minimum. This has been achieved, in part, by senior members of staff taking voluntary pay cuts during the year
- A range of temporary measures have been implemented to support employees in continuing to work in a safe and effective manner. This includes greater support for remote working but also investment in safety equipment in office locations and the implementation of social distancing measures to allow employees to work safely in the office environment and continue to offer high quality support to customers
- Continued to support the mental health of employees through the provision of an employee assistance programme
- The Group has supported the local community and worked with the local surgery to provide a location to be used for flu vaccinations

COVID-19 has presented a unique challenge to many businesses and the Group has carefully considered whether the following policies remain appropriate. Where they have not, due to social distancing measures and safety concerns, they have been temporarily suspended or alternatives found if possible. As the Group intends to continue with these policies once it is appropriate to do so, the policies continue to be disclosed below.

Further information on the risks presented by COVID-19 and the considerations on going concern can be seen in the Principal Risks and Uncertainties section of the Strategic Report and the Going Concern section of Note 2.

Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006 (continued)

Engagement with Employees

We aim to create, develop and retain highly motivated people and teams who are equipped with the necessary competencies and skills to perform highly and who demonstrate our core values.

We support and engage with our people in a range of ways:

Stimulating positive and responsive communication

- Company news is always available to employees through the Company's intranet
- Conduct quarterly cascade team briefings to keep employees appraised of business performance and industry changes followed by Q&A opportunities
- Regularly circulate internal magazines and articles
- Provide a platform where the business can pose challenges to employees for ideas and where employees can also post other ideas or questions
- Engage in the "Great Place to Work" Programme to understand what improvements we can make to improve the working lives of employees
- Conduct annual face to face Directors presentations to encourage two-way communication

The feedback loop created by the communication has led to the development and enhancement of policies which enhance the working environment and benefits employees receive.

Supporting appropriate learning and development opportunities

- Offer a dual utility engineering apprenticeship scheme
- Offer a Graduate Development Programme
- Annual process to identify training needs backed by investment in development for staff

Supporting our staff to realise their full potential

- Offer a flexible employee benefits scheme
- Employee assistance programmes including stress counselling and medical information services
- Dedicated Health and Wellbeing Committee established
- Offer regular employee social events
- Maintaining a safe, healthy and sustainable working environment for our staff, those we work for and for the general public
- Provide a platform for staff to commit to building a positive safety culture irrespective of role or responsibility
- In April 2020 the Group was recognised as a 'Best Super Large Workplace' by Great Places to Work which reflects the Group's commitment to the importance of its employees

Equal opportunities

A fair and equal opportunities culture is operated throughout the Group. Employment opportunities, whether in the recruitment, training or promotion of employees, are granted on merit irrespective of race, colour, religion, national origin, age, gender, disability or sexual orientation.

Full consideration and equal opportunities are given to employment applications from disabled persons with due regard to the requirements of the job. Where existing employees become disabled every effort is made to provide opportunities for continued employment within the Group supported with training and development as appropriate.

Business Relationships

We recognise the importance of engaging with the Group's suppliers and customers and the need to foster relationships with them.

Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006 (continued)

Customers

- Customer satisfaction is closely monitored via both the Net Promoter Score and Customer Effort Score frameworks and results are used to drive process and performance improvements
- Customer feedback is reviewed by Senior Management regularly and is used to continuously improve the business, an example being developing the way in which work is requested by our developer customers to ensure site visits are not aborted

Suppliers

- Corporate social responsibility is a key selection and approval criteria for suppliers
- Group corporate social responsibility requirements are communicated to all suppliers and are accessible on our websites
- Collaborative working with suppliers is critical to the business, an example being the way a key supplier delivers stock to sites has been enhanced and automated to ensure stock is available at critical times.

Regulators

We have a positive relationship with our regulators and are focused on maintaining this and ensuring we act in a way which is open and transparent. We regularly liaise with our regulators at different levels and through a variety of "touch points" with regulatory and government departments to ensure the business evolves alongside any regulatory changes. Our engagement includes:

- Actively participating in strategic regulatory reviews through industry working groups, consultation responses and one to one meetings;
- Engaging with government departments and regulators on a one to one basis and through broader industry groups to promote industry change;
- Responding to regulatory consultations and requests for information;
- Meeting with regulators to promote industry change or to develop solutions to potential concerns;
- Hosting visits to our offices or to sites where we operate to demonstrate how our business model of operating in a multi utility world brings value to customers.

The Board receive regular updates on regulatory interaction and are committed to complying with all relevant regulatory requirements and continue to closely monitor the status of our regulatory relationships, enhancing engagement across key regulatory changes.

Lenders

We actively engage with banks and other lenders to foster a strong relationship. The Board proactively ensures compliance with all borrowing covenants and has an open dialogue with lenders to manage the financing needs of the business.

- Proposals are prepared and reviewed with our lenders for all significant decisions pertinent to those lenders
- Lenders are kept up to date by sharing quarterly accounts and budget information

Communities and Environment

BUUK has been recognised as the overall asset sector leader for its superclass in the 2020 GRESB Infrastructure Assessment, achieving a score of 84% and a 5 star rating. The GRESB is the leading environmental, social and governance benchmark for retail and infrastructure investments across the world.

Strategic Report (continued)

Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006 (continued)

BUUK recognises the impacts that it has on the community and the environment and seeks to make a positive difference in the places where we operate.

- Engage in community projects which involve employees working in and amongst the local community
- Actively make available work experience opportunities for 16 to 18 year old students
- Provision of volunteering leave to support local community projects
- Integration of Climate Change Adaptation
- Increasing awareness of environmental issues
- Drive to eliminate single use plastics in our supply chain
- Waste elimination programmes at all sites
- Solar panels installed at head office
- Maintained registration of ISO 14001 environmental accreditation
- The Group expects all employees and its suppliers to work to the Group's own policies and procedures, which as a minimum standard requires compliance with any relevant international and national legal or regulatory framework

Streamlined Energy and Carbon Reporting (SECR)

BUUK has appointed Carbon Footprint Ltd, a leading carbon and energy management company, to independently assess its Greenhouse Gas (GHG) emissions in accordance with the UK Government's 'Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance'.

The GHG emissions have been assessed following the ISO 14064-1:2018 standard and has used the 2020 emission conversion factors published by Department for Environment, Food and Rural Affairs (Defra) and the Department for Business, Energy & Industrial Strategy (BEIS). The assessment follows the location-based approach for assessing Scope 2 emissions from electricity usage. The financial control approach has been used.

The table below summarises the GHG emissions for reporting year: 1 January 2020 to 31 December 2020. This is the first year BUUK has assessed its emissions, and this will set the baseline for future assessments.

Element	**2020 (tCO2e)**
Direct emissions (Scope 1) – natural gas and company cars	5,229.27
Indirect emissions from purchased electricity (Scope 2)	262.85
Total tCO2e (Scope 1 and 2)	5,492.12
Other indirect emissions (Scope 3) – grey fleet travel	224.79
Overall Gross Total	5,716.91
Intensity metric: Tonnes of CO2e per employee	6.53
Intensity metric: Tonnes of CO2e per £M turnover	15.12
Total energy consumption (kWh)	23,923,914

As this is the first year that BUUK is complying with SECR, no energy efficiency actions have been taken to date. Carbon Footprint Ltd's report on BUUK's GHG emissions has provided suggestions of actions that can be taken in the coming year to reduce overall energy usage. These suggestions include measures such as:

- Evaluate the effectiveness of using remote meetings and limited travel during the COVID-19 pandemic, and re-define what the business classifies as "essential" travel going forwards, encouraging the use of sustainable alternatives.
- When leasing/purchasing new vehicles, consider transitioning to electric vehicles (EV) or plug-in hybrid electric vehicles (PHEV) and installing charging points on-site.
- Educate staff on energy-efficient driving behaviours.

BUUK Infrastructure No 2 Limited

Strategic Report (continued)

The Future of Heat

The UK Government's Committee for Climate Change has proposed that an approach deploying hybrid heat pumps in homes connected to the gas grid will enable greater reductions in near-term emissions from buildings and provide a route, with hydrogen, to reach very low emissions by 2050. They identify this route as a low regrets step and they say that whilst early deployment of hybrid heat pumps would predominantly be expected to be in combination with natural gas boilers, in the longer-term hydrogen could displace this fossil fuel use. While not without challenges, this would enable the energy system to reach very low emissions. BUUK therefore expect its existing gas infrastructure assets will continue to be an essential part of the supply of heat for decades to come.

This report was approved by the Board on 23 March 2021 and signed on its behalf.

D Corney
Director

Registered number: 08246443
Directors' Report

The Directors present their annual report and audited financial statements for the Group and Company for the year ended 31 December 2020.

Information
BUUK Infrastructure No 2 Limited is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales, registration number 08246443. The Company's registered address is Synergy House, Woolpit Business Park, Woolpit, Bury St Edmunds, Suffolk, IP30 9UP.

Details of the Group's future developments, equal opportunities, employee engagement, business relationships and Streamlined Energy and Carbon Reporting (SECR) can be found in the Strategic Report.

Results and dividends
The results for the year are shown in the Consolidated Income Statement on page 14. The profit for the year, after taxation, amounted to £44.1m (2019: £96.0m).

During the year interim dividends were approved and paid of £20.0m (2019: £94.8m). The Directors do not propose the payment of a final dividend (2019: £nil).

Directors

The Directors who served during the year and to the date of this report, unless otherwise stated, are as follows:

D Corney	
J Kelly	(resigned 10 January 2020)
C Linsdell	
G Montesi	
P Sim	
C Teskey	(appointed 25 March 2020)

Directors' responsibilities statement
The Directors are responsible for preparing the Annual 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 the directors have elected to prepare the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue to adopt the going concern basis in preparing the annual report and financial statements. Further details regarding the adoption of the going concern basis can be found in Note 2 of the financial statements.

On the basis of the financing facilities available together with the business plans which confirm the adequacy of the current facilities for a period of at least the next 12 months, and which support the proposed funding strategy in the longer term, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Directors' indemnities

Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the year for the benefit of the then Directors and, as at the date of this report, remain in force for the benefit of the current Directors in relation to certain losses and liabilities which they may incur in connection with their duties, powers or office.

Directors' statement as to disclosure of information to auditor

The Directors confirm that, so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Auditor

Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Financial risk management

Details of the Group's financial risk management objectives and policies can be found in note 19 of the financial statements.

This report was approved by the Board on 23 March 2021 and signed on its behalf.

Darryl Corney

D Corney
Director

Independent Auditor's Report to the member of BUUK Infrastructure No 2 Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of BUUK Infrastructure No 2 Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company cash flow statements; and
- the related notes 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity 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 under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the member of BUUK Infrastructure No 2 Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, the board of directors and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included regulatory authorities for parts of the Group's business including Ofgem, Ofcom and Ofwat.

We discussed among the audit engagement team including relevant internal specialists such as valuations, tax, financial instruments, and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the presumed significant risk of fraud in revenue recognition, focusing specifically on connections revenue being incorrectly recorded due to management manipulation by adding fictitious customers, or adjusting total contributions. Our specific procedures performed to address this risk included testing the design, implementation and operating effectiveness of the controls around connections revenue. Sampling of, and agreeing projects, to a signed acceptance of quote and (if applicable) variation, recalculation of the revenue to be recognised based on the audited costs incurred and audited developer contribution.

Independent Auditor's Report to the member of BUUK Infrastructure No 2 Limited (continued)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.
In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and external] legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports, reviewing correspondence with HMRC and relevant regulatory authorities.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 respect of these matters.

Use of our report
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.

Lee Welham FCA (Senior Statutory Auditor)
for and on behalf of
Deloitte LLP
Statutory Auditor
Cambridge, United Kingdom
24 March 2021

BUUK Infrastructure No 2 Limited
Consolidated Income Statement
for the year ended 31 December 2020

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
		£'000	£'000
Continuing operations			
Revenue	4	379,780	366,733
Cost of sales		(91,499)	(74,194)
Gross profit		288,281	292,539
Administrative (expense)/income			
Amortisation and depreciation		(107,658)	(93,431)
Other operating expenses		(42,111)	(40,241)
Gain on disposal of a subsidiary	29	-	7,430
Operating profit		138,512	166,297
Net finance costs	5	(57,950)	(51,694)
Profit before tax		80,562	114,603
Tax	8	(36,437)	(18,621)
Profit for the year attributable to the owners of the parent	6	44,125	95,982

BUUK Infrastructure No 2 Limited
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2020

	Notes	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Profit for the year		44,125	95,982
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on revaluation of Infrastructure assets	12	162,315	269,692
Income tax relating to items that will not be reclassified subsequently		(51,569)	(45,848)
		110,746	223,844
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges:			
Amounts reclassified to profit and loss in relation to exchange differences arising during the year		6,862	8,857
(Loss)/gain on hedging instruments designated as a cash flow hedge		(2,425)	(4,306)
Reclassification adjustments for amounts recognised in profit or loss		(624)	(623)
Income tax relating to items that may be reclassified subsequently		(708)	(657)
		3,105	3,271
Other comprehensive income for the year, net of income tax		113,851	227,115
Total Comprehensive Income for the year attributable to the owners of the parent		**157,976**	**323,097**

BUUK Infrastructure No 2 Limited
Consolidated Statement of Financial Position
as at 31 December 2020

	Notes	31 December 2020 £'000	31 December 2019 £'000
Non-current assets			
Goodwill	9	27,608	25,969
Other intangible assets	10	33,298	38,611
Property, plant and equipment	12	3,727,558	3,392,191
Derivative financial instruments	19	19,664	22,089
Deferred tax assets	15	31,555	31,047
		3,839,683	3,509,907
Current assets			
Inventories	14	1,509	1,207
Trade and other receivables	15	120,640	111,542
Cash and bank balances		5,359	4,197
		127,508	116,946
Total assets		3,967,191	3,626,853
Current liabilities			
Trade and other payables	16	(142,987)	(136,012)
Lease liabilities	30	(912)	(708)
Deferred income	18	(87,027)	(82,384)
		(230,926)	(219,104)
Non-current liabilities			
Borrowings	17	(1,802,717)	(1,686,118)
Lease liabilities	30	(1,279)	(1,548)
Deferred income	18	(40,767)	(49,097)
Derivative financial instruments	19	(50,754)	(57,773)
Deferred tax liabilities	16	(476,921)	(387,551)
		(2,372,438)	(2,182,087)
Total liabilities		(2,603,364)	(2,401,191)
Net assets		**1,363,827**	**1,225,662**
Equity			
Share capital	21	235,273	235,273
Merger reserve	21	(46,940)	(46,940)
Convertible loan notes	17	158,539	158,539
Revaluation reserve	21	941,279	830,533
Cash flow hedge reserve	21	3,244	139
Retained earnings		72,432	48,118
Total equity attributable to owners of the parent		**1,363,827**	**1,225,662**

The financial statements of BUUK Infrastructure No 2 Limited (registered number 08246443) were approved by the board on 23 March 2021

D Corney
Director

BUUK Infrastructure No 2 Limited
Company Statement of Financial Position
as at 31 December 2020

	Notes	31 December 2020 £'000	31 December 2019 £'000
Non-current assets			
Investments	11	1,854,024	1,854,024
Amounts receivable from group undertakings	15	-	37,994
Deferred tax assets	15	6,569	7,381
		1,860,593	1,899,399
Current assets			
Trade and other receivables	15	5,954	485
Amounts receivable from group undertakings	15	430,681	294,400
Cash and bank balances		3	4
		436,638	294,889
Total assets		2,297,231	2,194,288
Current liabilities			
Trade and other payables	16	(1,371)	(2,306)
Amounts payable to group undertakings	16	-	-
		(1,371)	(2,306)
Non-current liabilities			
Derivative financial instruments	19	(50,754)	(57,773)
Deferred tax liabilities	16	(479)	(546)
Amounts payable to group undertakings	16	(1,711,140)	(1,415,942)
Borrowings	17	(78,756)	(279,792)
		(1,841,129)	(1,754,053)
Total liabilities		(1,842,500)	(1,756,359)
Net assets		454,731	437,929
Equity			
Share capital	21	235,273	235,273
Convertible loan notes	17	158,539	158,539
Retained earnings		60,919	44,117
Total equity attributable to owners of the Company		454,731	437,929

The company reported a profit for the year ended 31 December 2020 of £36,802,000 (2019: £15,733,000). The Company has no items of comprehensive income other than the profit for the financial year.
The financial statements of BUUK Infrastructure No 2 Limited (registered number 08246443) were approved by the board on 23 March 2021.

Daryl Corney

D Corney
Director

BUUK Infrastructure No 2 Limited
Consolidated Statement of Changes in Equity
For the year ended 31 December 2020

	Share capital	Merger reserve	Convertible loan notes	Revaluation reserve	Cash flow hedge reserve	Retained earnings / (deficit)	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2019	235,273	(46,940)	158,539	606,689	(3,132)	46,813	997,242
Profit for the year	-	-	-	-	-	95,982	95,982
Other comprehensive income for the year, net of income tax	-	-	-	223,844	3,894	-	227,738
Reclassification adjustments for amounts recognised in profit or loss	-	-	-	-	(623)	-	(623)
Total comprehensive income for the year	-	-	-	223,844	3,271	95,982	323,097
Payment of dividends (note 20)	-	-	-	-	-	(94,773)	(94,773)
Movement in Share-based payments reserve	-	-	-	-	-	96	96
Balance at 31 December 2019	235,273	(46,940)	158,539	830,533	139	48,118	1,225,662
Profit for the year	-	-	-	-	-	44,125	44,125
Other comprehensive income for the year, net of income tax	-	-	-	110,746	3,729	-	114,475
Reclassification adjustments for amounts recognised in profit or loss	-	-	-	-	(624)	-	(624)
Total comprehensive income for the year	-	-	-	110,746	3,105	44,125	157,976
Payment of dividends (note 20)	-	-	-	-	-	(20,000)	(20,000)
Movement in Share-based payments reserve	-	-	-	-	-	189	189
Balance at 31 December 2020	235,273	(46,940)	158,539	941,279	3,244	72,432	1,363,827

BUUK Infrastructure No 2 Limited
Company Statement of Changes in Equity
For the year ended 31 December 2020

	Share capital	Convertible loan notes	Retained earnings	Total Equity
	£'000	£'000	£'000	£'000
Balance at 1 January 2019	235,273	158,539	123,157	516,969
Profit for the year	-	-	15,733	15,733
Total Comprehensive Income for the year	-	-	15,733	15,733
Payment of dividends (note 20)	-	-	(94,773)	(94,773)
Balance at 31 December 2019	235,273	158,539	44,117	437,929
Profit for the year	-	-	36,802	36,802
Total Comprehensive Income for the year	-	-	36,802	36,802
Payment of dividends (note 20)	-	-	(20,000)	(20,000)
Balance at 31 December 2020	235,273	158,539	60,919	454,731

The Company has taken advantage of the exemption available under Section 408 of the Companies Act 2006 and has not presented its own Income Statement in these financial statements.

BUUK Infrastructure No 2 Limited
Consolidated Cash Flow Statement
for the year ended 31 December 2020

	Notes	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Cash flows from operating activities			
Profit for the year		44,125	95,982
Adjustments for:			
Income tax expense recognised in profit or loss		36,437	18,621
Finance costs recognised in profit or loss		60,572	55,104
Gain on disposal of subsidiary		-	(7,430)
Loss on disposal of property, plant and equipment		11,328	5,570
Net (gains)/losses arising on financial instruments designated as fair value through profit and loss		(2,622)	(3,410)
Depreciation and amortisation of non-current assets		107,658	93,431
Operating cash flows before movements in working capital		257,498	257,868
Increase in trade and other receivables		(7,842)	(13,767)
Decrease/(increase) in inventories		706	(1,017)
(Decrease)/increase in deferred revenue		(3,687)	18,072
Increase in other liabilities		5,769	6,454
Cash generated from operations		252,444	267,610
Interest paid for derivative financial instruments		(4,397)	(4,260)
Interest paid on borrowings		(60,232)	(54,893)
Interest paid on lease liabilities		(106)	(97)
Net cash generated by operating activities		187,709	208,360
Investing activities			
Payments for property, plant and equipment		(285,190)	(323,647)
Proceeds on disposal of property, plant and equipment		(792)	3,242
Net cash outflow on acquisition of subsidiaries	31	(2,122)	-
Net cash inflow on disposal of subsidiaries	29	-	4,841
Net cash used in investing activities		(288,104)	(315,564)
Financing activities			
Payment for debt issue costs		(1,003)	(2,248)
Payment of lease liabilities		(948)	(633)
Proceeds from borrowings		420,035	247,076
Repayment of borrowings		(296,527)	(42,000)
Dividends paid		(20,000)	(94,773)
Net cash from financing activities		101,557	107,422
Net increase/(decrease) in cash and cash equivalents		1,162	218
Cash and cash equivalents at the beginning of the year		4,197	3,979
Cash and cash equivalents at the end of the year		5,359	4,197

BUUK Infrastructure No 2 Limited
Company Cash Flow Statement
for the year ended 31 December 2020

	Year ended 31 December 2020	Year ended 31 December 2019
	£'000	£'000
Cash flows from operating activities		
Profit for the year	36,802	15,733
Adjustments for:		
Income tax credit recognised in profit or loss	(11,357)	(8,113)
Finance gains recognised in profit or loss	(24,681)	(6,372)
Amortisation recognised in profit or loss	546	503
Net (gain)/loss arising on financial instruments designated as at fair value through profit or loss	(2,622)	(3,410)
Operating cash flows before movements in working capital	(1,312)	(1,659)
Net movement in receivables and payables	(5,272)	3,135
Cash (used in)/from operations	(6,584)	1,476
Interest paid for derivative financial instruments	(4,397)	(4,260)
Interest paid on borrowings	(4,658)	(4,312)
Net cash used in operating activities	(15,639)	(7,096)
Investing activities		
Amounts received from/(advanced to) group undertakings	158,721	(155,406)
Dividends received	78,500	50,887
Net cash generated by/(used in) investing activities	237,221	(104,519)
Financing activities		
Proceeds from borrowings	95,035	247,076
Repayment of borrowings	(296,527)	(42,000)
Repayment of derivative financial instruments	-	-
Payment for debt issue costs	(91)	(925)
Dividends paid to owners of the Company	(20,000)	(94,773)
Net cash (used in)/generated by financing activities	(221,583)	109,378
Net (decrease)/increase in cash and cash equivalents	(1)	(2,237)
Cash and cash equivalents at the beginning of the year	4	2,241
Cash and cash equivalents at the end of the year	3	4

1 General information

The financial information is presented in pounds sterling, rounded to the nearest thousand, because that is the currency of the primary economic environment in which the Group operates.

2 Basis of preparation

Basis of accounting

The consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the United Kingdom.

The consolidated and Company financial information has been prepared under the historical cost convention, except for the revaluation of financial instruments and certain properties, plant and equipment that are measured at revalued amounts or fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below and on the following pages.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The financial statements present results for the Group, and the Company, for the two 12 month periods ending 31 December 2019 and 2020, incorporating the results of the Company for the two 12 month periods ending 31 December 2019 and 2020.

Going concern

The Group is cash generative and holds a Baa2 (investment grade) rating from Moody's. The rating was reconfirmed by Moody's in May 2020. At the date of approval of the financial statements the Group has undrawn committed facilities of £236.8m, with a syndicate of banks, of which £109.1m is available for general corporate purposes and £127.7m is linked to future capital expenditure. These facilities were renewed in 2019 and are due to expire on 18 September 2024.

The Group has Senior Secured Loan notes denominated in GBP (£1,510m) and US$ ($300m). The loan notes incur a fixed rate of interest and cross currency interest rate swaps have been taken out to fix the US$ denominated interest and capital repayments. The Group's borrowings have an average remaining maturity of c.10.8 years with maturity dates ranging from 2023 to 2048.

In light of the Covid-19 pandemic the Group has undertaken a series of stress test financial models to assess the Group's ability to meet obligations as they fall due for a period of at least 12 months from the date of this report. Based on existing financing facilities, the Group has sufficient cash available to meets its obligations under all reasonably possible scenarios modelled.

The most likely scenario modelled by the Group is in line with a reference scenario published by the UK Government's independent forecaster, the Office for Budget Responsibility ("OBR") on 25 November 2020 and supported by the activity levels of the Group in the year. Under this scenario, and other reasonable downside scenarios, the Group remains compliant with all borrowing covenants in existence and has sufficient cash to meet its obligations for a period of 12 months.

Accordingly, the directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future and continue to adopt the going concern basis in preparing the financial statements.

Further details of the Covid-19 measures undertaken by the Group can be found in the Strategic Report.

2 Basis of preparation (continued)

The Company is partially financed by intercompany debt, the majority of which has long-term agreements. Debt with no specific agreement is held as under 1 year. The directors have received assurances that the company will have access to the BUUK Group's financial resources for a period of at least one year from the date of signing of the financial statements, that companies in the BUUK Group will not demand repayment of any inter-company debt where the company does not have the financial resources to effect such payment, and that this financial support will be sufficient for the company to continue to trade and meet its obligations as they fall due.

Adoption of new and revised standards

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16 (amendments) COVID 19 Related Rent Concessions
IFRS 9, IAS 39, IFRS 7 IFRS 4 and IFRS 16 (amendments) Interest Rate Benchmark Reform – Phase 2
IAS 16 (amendments) Property, Plant and Equipment – Proceeds before Intended Use
Annual Improvements to IFRS Standards 2018–2020
IFRS 3 (amendments) Reference to the Conceptual Framework
IAS 37 (amendments) Onerous Contracts – Cost of Fulfilling a Contract
IFRS 17 Insurance Contracts
IFRS 17 (amendments)
IAS 1 (amendments) Classification of Liabilities as Current or Non-current
IAS 1 (amendments) Classification of Liabilities as Current or Non-current – Deferral of Effective Date
IFRS 4 (amendments) Extension of the Temporary Exemption from Applying IFRS 9
IAS 1 and IFRS Practice Statement 2 (amendments) Disclosure of Accounting Policies
IAS 8 (amendments) Definition of Accounting Estimates

The Directors anticipate that the adoption of the above Standards and Interpretations in future periods will not have a significant impact on these financial statements, except for additional disclosures, when the relevant standards come into effect.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying the Group's accounting policies

The following are the critical judgments, apart from those involving estimates (which are dealt with separately below), that the Directors have made in applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- *Revenue and asset recognition associated with developer contributions:*

  Revenue and property, plant and equipment are recognised on developer contributions in accordance with IFRS 15 (Revenue from Contracts with Customers). The Group recognition is based on the stage of completion of the infrastructure construction contract, which is measured by the proportion of costs incurred to estimated whole-life contract costs. Judgment is applied in determining the costs to complete existing networks and, therefore, the percentage of completion.

2 Basis of preparation (continued)

- Discount rate and long-term terminal growth rate used to determine the carrying amount of the Group's Infrastructure Assets:

  Infrastructure Assets are stated in the statement of financial position at their re-valued amounts (with the exception of assets in the course of construction which are measured at cost), being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by the Directors at each statement of financial position date. In determining the fair value at the statement of financial position date, the Directors use the income approach. The income approach requires the Directors to estimate the future cash flows expected to arise from the Infrastructure Assets and to discount those cash flows using a suitable discount rate in order to determine present value.

  The discount rate applied by the Directors is an equity discount rate determined using various market based assumptions. Significant judgment is required when determining the risk premium to be applied in determining a suitable equity discount rate. The long-term terminal growth rate has been determined based on a combination of past experience, current order-book and management's expectations of future growth rates in the industry.

Details of the fair value calculation are set out in Note 12. As outlined in that note, a change in the discount rate or long-term terminal growth rate could have a significant impact on the calculated fair value.

Key sources of estimation uncertainty

There are no key assumptions to disclose concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3 Significant accounting policies

Fair value of derivatives and other financial instruments

As described in Note 19, the Directors use their judgment in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

Goodwill

Goodwill arising on the acquisition of a business, representing the difference between the cost of acquisition and the fair value of the identifiable net assets acquired, is capitalised and is tested annually for impairment. Goodwill is not amortised, and any impairment losses are not subsequently reversed. On the subsequent disposal or discontinuance of a previously acquired business, the relevant goodwill is dealt with in the income statement except for the goodwill already charged to reserves.

Impairment of goodwill

The Group determines whether goodwill is impaired on at least an annual basis or more frequently when there are indicators of possible impairment. The impairment review requires an enterprise value calculation of the Group. In estimating the enterprise value, management is required to make an estimate of the expected future cash flows attributable to the Group and to choose an appropriate discount rate to calculate the present value of those cash flows. Further details are given in Note 9.

3 Significant accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Connections revenue
Revenue is recognised on developer contributions in accordance with IFRS 15 (Revenue from Contracts with Customers). The Group recognition is based on the stage of completion of the infrastructure construction contract, which is measured by the proportion of costs incurred to estimated whole-life contract costs.

Transportation revenue
Revenue is recognised when services are provided and are rendered based upon usage during the period.

Construction revenue
Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the statement of financial position date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income 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.

Government Grants

Amounts relating to government grants are recognised in the Income Statement over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants have been presented as a deduction against wages and salaries within cost of sales and other operating expenses in the Income Statement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Arrangement fees which are incurred in relation to long-term financing are amortised over the life of the associated finance using the effective interest rate method.

3 Significant accounting policies (continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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 at the statement of financial position date.

Current tax and deferred tax for the year
Current and deferred tax are recognised in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity as appropriate. Where current or deferred tax arises from initial accounting for a business combination, the tax effect is included in accounting for the business combination.

Property, plant and equipment

Initial measurement
Plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of a tangible fixed asset comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Buildings held for use in the production or supply of goods or services or for administrative purposes are stated in the statement of financial position at cost less accumulated depreciation and impairment losses.

As stated in Note 2, completed Infrastructure Assets are stated in the statement of financial position at their re-valued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impaired losses.

Any revaluation increase arising on the revaluation of Infrastructure Assets is credited to a revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such Infrastructure Assets is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

3 Significant accounting policies (continued)

Infrastructure assets in the course of construction are carried at cost, less any recognised impairment loss.

Depreciation
The cost of each item of property, plant and equipment is depreciated over its useful life. Depreciation is charged to the income statement so as to write-off the cost less estimated residual value on a straight line basis over the estimated useful life of the asset. Depreciation commences on the date the assets are available for use and the asset carrying values are reviewed for impairment when there is an indication that they may be impaired. Freehold land and assets in the course of construction are not depreciated.

Infrastructure assets (infrastructure, mains, meters, inverters)	1.25% to 10%
Plant and machinery	20% to 33%
Buildings	2%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cash and cash equivalents

For the purposes of the consolidated and Company statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of any outstanding bank overdrafts.

Financial instruments

Recognition
The Group recognises financial assets and liabilities in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Measurement
When financial assets and liabilities are initially recognised, they are measured at fair value being the consideration given or received plus directly attributable transaction costs. In determining estimated fair value, investments are valued at quoted bid prices on the trade date. When quoted prices on an active market are not available, fair value is determined by reference to price quotations for similar instruments traded.

Loans and receivables comprise loans and advances other than purchased loans. Loans and receivables are initially recognised in accordance with the policy stated above and subsequently re-measured at amortised cost using the effective interest method less any impairment. Allowance for impairment is estimated on a case-by-case basis.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial derivative liabilities that are not classed as hedges are initially and subsequently held at fair value through profit or loss. Fair value is determined as being the discounted value of the expected future cash flows expected to arise from the transactions.

3 Significant accounting policies (continued)

Financial instruments (continued)

The Group use interest rate and cross currency swaps as derivative financial instruments to hedge risks associated with interest rate and exchange rate fluctuations. The cross currency swaps are designated as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item. Note 19 sets out details of the fair values of the derivative instruments used for hedging purposes.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement and is included in the 'other gains and losses' line item.

Amounts deferred in equity are recycled in the income statement in the periods when the hedged item is recognised in the income statement, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the income statement.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Derecognition
A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished. Originated loans and receivables are derecognised on the date they are transferred by the Group.

Impairment of financial assets
The Group assesses at each statement of financial position date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group recognises loss allowances in the Income Statement for the expected lifetime credit losses on financial assets.

Retirement benefits

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered the service entitling them to the contribution.

3 Significant accounting policies (continued)

Share-Based Payments

Equity settled share-based payments are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based payment transactions are set out in Note 22.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each statement of financial position date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Intangibles

Intangible assets acquired as part of a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired as part of a business combination are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful life of the asset. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Restructuring and integration costs

Restructuring and integration costs are charged to the Income Statement in the period in which they are incurred. They are disclosed separately on the face of the Income Statement as the Directors consider them to be one-off and non-recurring in nature, and so not reflective of the ongoing operations of the Group.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee
The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the-right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

3 Significant accounting policies (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method except for acquisitions of subsidiaries already under common control. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. These provisional amounts are adjusted during the measurement period, or additional assets and/or liabilities recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised as of that date.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as permitted by applicable IFRSs).

4 Revenue

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Continuing operations in the UK		
Gas	127,668	121,150
Electricity	71,277	58,445
Fibre	14,890	14,308
Water & Waste	5,957	5,368
District Energy	1,254	1,051
Smart Metering	48,860	38,827
Transportation Revenue	269,906	239,149
Connections Revenue	92,151	114,900
Construction Revenue	4,761	79
Other Revenue	12,962	12,605
Total Revenue	379,780	366,733

5 Investment revenues and finance costs

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Interest income on bank deposits	91	104
Investment income recognised on derivative financial instruments	624	623
Net change in fair value of inflation rate swaps	2,624	3,410
Total interest income	3,339	4,137
Interest on bank overdrafts and loans	(59,962)	(55,830)
Amortisation of arrangement fees	(964)	(834)
Commitment fees	(1,891)	(1,155)
Interest on lease liabilities	(106)	(98)
Total interest expense	(62,923)	(57,917)
Less: amounts included in the cost of qualifying assets	1,634	2,086
Net finance costs recognised in profit or loss	(57,950)	(51,694)

All interest and investment income was earned from loans and receivables (including cash and bank balances) and derivatives.
The weighted average capitalisation rate on funds borrowed generally is 3.4% per annum (2019: 3.6%).

6 Profit for the year

Profit for the year has been arrived at after charging:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Depreciation of property, plant and equipment (see note 12)	102,120	87,915
Amortisation of intangible assets (see note 10)	5,538	5,516
Staff costs (see note 7)	71,346	72,235
(Impairment reversal)/Impairment charge	(1,732)	3,060

6 Profit for the year (continued)

	Year ended 31 December 2020 £'000	Restated Year ended 31 December 2019 £'000
Fees payable to the Company's auditor and their associates for the audit of the Company's annual financial statements	98	85
Fees payable to the company's auditor and their associates for other services to the group:		
- the audit of the Company's subsidiaries and other services	652	565
Total audit fees	750	650
Total non-audit fees	-	-
Total fees payable to the Company's auditor and their associates	750	650

7 Staff costs

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Wages and salaries	59,575	61,298
Social security costs	6,887	6,432
Other pension costs	4,884	4,505
	71,346	72,235

The average monthly number of employees (including directors) was:

	Year ended 31 December 2020 No	Year ended 31 December 2019 No
Construction and asset management	1,173	1,060
Administrative staff	292	312
	1,465	1,372

Directors' Remuneration

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Emoluments	2,176	3,201
Company contributions to money purchase pension schemes	8	10
Total	2,184	3,211

The number of directors who:	No	No
Are members of a money purchase pension scheme	1	1

7 Staff Costs (continued)

Remuneration of the highest paid director	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Emoluments	1,388	1,959
Company contribution to money purchase schemes	-	-
	1,388	1,959

As at 31 December 2020 there were 5 (2019: 5) serving Directors of the Company. Three of these Directors are remunerated for their services by other members of the Brookfield Asset Management Inc Group and so are not reflected in the remuneration disclosed above. The remaining Directors' remuneration disclosed above reflects amounts paid to them for their services to the Group.

8 Tax

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
(a) Tax charge		
The tax charge is made up as follows		
Current tax:		
Adjustment to prior year	(14)	15
Current year group relief	4	-
Total current tax (credit)/charge	(10)	15
Deferred tax:		
Adjustment to prior year	(164)	144
Origination and reversal of timing differences	15,410	18,462
Change in recognition of unused tax losses	(15)	-
Effect of increased tax rate on opening asset and liability	21,216	-
Total deferred tax charge	36,447	18,606
Tax charge (Note 8(b))	36,437	18,621

(b) Factors affecting tax charge
The tax assessed on the profit on ordinary activities for the year is lower than the blended standard rate of corporation tax in the UK applicable to the Group in the year of 19.00% (2019 – 19.00%). The differences are reconciled below:

Profit on ordinary activities before tax	80,562	114,603
Standard rate of corporation tax in the UK	19.00%	19.00%
Profit on ordinary activities multiplied by effective rate of corporation tax in the UK	15,307	21,775
Effects of:		
Adjustments to prior year	(178)	159
Expenses not deductible/(Income not taxable) for tax purposes	107	(1,141)
Effect of difference between current and future tax rates	-	(2,172)
Change in recognition of unused tax losses	(15)	-
Change in corporation tax rate	21,216	-
Total tax charge for year	36,437	18,621

(c) Factors that may affect future tax charges
The Finance Act 2016, substantively enacted in September 2016, provided for a reduction in the main rate of corporation tax to 17% from 1 April 2020. Accordingly deferred tax for the year ended 31 December 2019 was calculated using a tax rate of 17%. The Finance Act 2020, substantively enacted in March 2020, provided for the main rate of corporation tax rate to remain at 19%. Accordingly, deferred tax for the year ended 31 December 2020 has been calculated using a tax rate of 19%.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date and, as a non-adjusting post-balance sheet event, this does not impact the deferred tax position as at 31 December 2020; however in future periods deferred tax will be remeasured based on a tax rate of 25%.

8 Tax (continued)

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Deferred tax		
Items that will not be reclassified subsequently to profit or loss:		
Gains on infrastructure asset revaluations	(30,840)	(45,848)
Change in deferred tax rate	(20,729)	-
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges:		
Gains arising during the year	(712)	(657)
Change in deferred tax rate	4	-
Total income tax credit recognised in other comprehensive income	(52,277)	(46,505)

9 Goodwill

	2020 Group £'000	2019 Group £'000
Cost and carrying value		
At 1 January	25,969	25,969
Additions	1,639	-
At 31 December	27,608	25,969

Goodwill relates to £19,058,000 arising on acquisition of Inexus Group Limited in November 2012, £6,911,000 arising on acquisition of Smart Meter Assets 1 Limited in February 2016 and £1,639,000 on acquisition of EPLR Holdings Limited in February 2020 (see note 31). Goodwill has been allocated to the Group as a whole following integration of the relevant businesses.

During the year goodwill was tested for impairment in accordance with IAS 36. In assessing whether an impairment of goodwill is required, the carrying value of the Group's net assets is compared to the fair value of the Group.

The Group calculates fair value using a discounted cash flow model, which estimates the future cash flows and discounts them using a discount rate of 6.5% (2019: 6.5%).

The key assumptions used in estimating the future cash flows are revenue growth, order-book build out rates, margins, capital expenditure growth and finance costs. These assumptions have been based on a combination of past experience, current order-book and management's expectations of future growth rates in the industry. The estimate is based on a 10 year valuation model using internally-approved budgets which are built on detailed RPI-based revenue growth models. A perpetuity calculation is then applied using a long-term growth rate of 2.0% (2019: 1.5%) and based on the final year of the 10 year model, normalised for any known one-off items reflected in year 10. The Directors consider this to be a Level 3 fair value in the hierarchy set out in the Accounting Policies.

On the basis of this assessment, the Directors consider that there is no requirement for impairment of goodwill in the year.

The estimated fair value was only materially sensitive to two input assumptions made in deriving the model – the discount rate and the long-term terminal growth rate. A 100 basis point increase in the discount rate would result in a decrease in the fair value of approximately £402m and a 100 basis point decrease in the long-term terminal growth rate would result in a decrease in the fair value of approximately £266m. Neither would indicate impairment.

10 Other intangible fixed assets

Customer Order book	2020 Group £'000	2019 Group £'000
Cost		
At 1 January	60,782	60,782
Additions	225	-
At 31 December	61,007	60,782
Amortisation		
At 1 January	22,171	16,655
Charge for the year	5,538	5,516
At 31 December	27,709	22,171
Carrying amount		
At 31 December	33,298	38,611

Amortisation is charged on a straight line basis over 15 years representing the estimated useful life. Amortisation is included in the Income Statement within Depreciation and Amortisation. The remaining amortisation period for the order book is 7 years.

During the year the customer order book was tested for impairment in accordance with IAS 36. In assessing whether an impairment of the customer order book is required, the same test as described in Note 9 was applied and on that basis the Directors consider that there is no requirement for impairment of the customer order book in the year.

The Company does not hold any intangible assets.

11 Investments

Company

	2020 £'000	2019 £'000
Cost		
At 1 January	1,854,024	1,654,024
Additions	-	200,000
Realisation of investment	-	-
At 31 December	1,854,024	1,854,024

Details of the Company's direct and indirect subsidiaries at the end of the reporting year are as follows:

Name of Subsidiary	Principal Activity	Place of incorporation and operations	Proportion of ownership at 31 December 2020	Proportion of ownership at 31 December 2019
GTC Pipelines Limited	Ownership of gas infrastructure	UK	100%	100%
Utility Grid Installations Limited	Dormant	UK	0%	100%
The Electricity Network Company Limited	Ownership of electricity infrastructure	UK	100%	100%
Power On Investments Limited	Holding company	UK	100%	100%

11 Investments (continued)

Name of Subsidiary	Principal Activity	Place of incorporation and operations	Proportion of ownership at 31 December 2020	Proportion of ownership at 31 December 2019
Power On Connections Limited	Construction of electric infrastructure	UK	100%	100%
GTC Utility Construction Limited	Construction of infrastructure	UK	100%	100%
GPL Investments Limited	Dormant	UK	100%	100%
GTC Infrastructure Limited	Provider of services to the Group	Guernsey	100%	100%
The Gas Supply Company Limited	Dormant	Guernsey	0%	100%
BUUK Infrastructure Issuer Plc	Debt issuer	UK	100%	100%
Inexus Connections Limited	Holding company	UK	100%	100%
Inexus Group (Holdings) Limited	Holding company	UK	100%	100%
Independent Pipelines Limited	Ownership of gas infrastructure	UK	100%	100%
Quadrant Pipelines Limited	Ownership of gas infrastructure	UK	100%	100%
Independent Meters Limited	Ownership and operation of utility meters in the UK	UK	100%	100%
Independent Power Networks Limited	Ownership of electricity infrastructure	UK	100%	100%
Inexus (Services) Limited	Dormant	UK	0%	100%
Connect Utilities Limited	Procurement, design and management of utility infrastructure projects	UK	100%	100%
Envoy Asset Management Limited	Dormant	UK	0%	100%
Metropolitan Infrastructure Limited	Procurement, design and management of utility infrastructure projects	UK	100%	100%
Independent Community Heating Limited	Ownership and operation of district heating infrastructure	UK	100%	100%
Open Fibre Networks Limited	Ownership and operation of telecommunications infrastructure	UK	100%	100%
Independent Service Provider Limited	Provider of telecommunication services	UK	100%	100%
Independent Water Networks Limited	Ownership and operation of water infrastructure	UK	100%	100%
Farriss Holdings Limited	Holding company	UK	0%	100%
Farriss Limited	Dormant	UK	0%	100%
Reactive Flow Controls Limited	Dormant	UK	0%	100%
Gas Engineering Services Limited	Dormant	UK	0%	100%
Open Fibre Networks (Wholesale) Limited	Provision of wholesale fibre services	UK	100%	100%
Smart Meter Assets 1 Ltd	Ownership and operation of smart utility meters	UK	100%	100%
EPLR Holdings Limited	Dormant	UK	100%	0%
EPL&R Utilities Limited	Dormant	UK	100%	0%
Express Utilities Limited (formerly Express Pipelaying & Repairs Limited)	Construction of infrastructure	UK	100%	0%
Ultrastream Business Services Limited	Dormant	UK	100%	0%

The registered office of each of the above subsidiary undertakings is the same as that of the Company, except for GTC Infrastructure Limited whose registered office is Martello Court, Admiral Park, St Peter Port, Guernsey, GY1 3HB.

All shares held in subsidiary undertakings are ordinary shares.

12 Property, Plant and Equipment

2020 Group

	Land and buildings	Plant & Machinery	Infrastructure assets	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 January 2020	11,680	41,999	3,495,134	188,269	3,737,082
Additions	1,113	4,645	74,702	206,874	287,334
On acquisition	-	744	-	-	744
Surplus on revaluation	-	-	162,315	-	162,315
Transferred between asset classes	-	-	170,521	(170,521)	-
Eliminated on disposal of assets	-	(2,188)	(15,745)	-	(17,933)
At 31 December 2020	12,793	45,200	3,886,927	224,622	4,169,542
Depreciation					
At 1 January 2020	1,142	24,200	319,549	-	344,891
Charge for the year	1,192	5,090	95,838	-	102,120
Capitalised into assets in the course of construction	-	2,370	-	-	2,370
Eliminated on disposal of assets	-	(1,920)	(5,477)	-	(7,397)
At 31 December 2020	2,334	29,740	409,910	-	441,984
Carrying amount					
At 31 December 2020	10,459	15,460	3,477,017	224,622	3,727,558
Comprising:					
At cost	10,459	15,460	-	224,622	250,541
At valuation	-	-	3,477,017	-	3,477,017

2019 Group

	Land and buildings	Plant & Machinery	Infrastructure assets	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 31 December 2018 as previously stated	2,346	34,832	2,958,815	142,372	3,138,365
IFRS 16 transitional adjustment	2,059	-	-	-	2,059
Restated at 1 January 2019	4,405	34,832	2,958,815	142,372	3,140,424
Additions	228	8,689	65,279	263,695	337,891
Surplus on revaluation	-	-	269,692	-	269,692
Transferred between asset classes	7,047	-	210,751	(217,798)	-
Eliminated on disposal of assets	-	(1,522)	(9,403)	-	(10,925)
At 31 December 2019	11,680	41,999	3,495,134	188,269	3,737,082
Depreciation					
At 1 January 2019	274	18,934	237,866	-	257,074
Charge for the year	868	4,765	82,282	-	87,915
Capitalised into assets in the course of construction	-	2,015	-	-	2,015
Eliminated on disposal of assets	-	(1,514)	(599)	-	(2,113)
At 31 December 2019	1,142	24,200	319,549	-	344,891
Carrying amount					
At 31 December 2019	10,538	17,799	3,175,585	188,269	3,392,191
Comprising:					
At cost	10,538	17,799	-	188,269	216,606
At valuation	-	-	3,175,585	-	3,175,585

12 Property, Plant and Equipment (continued)

Included within land and buildings above are right of use assets with a carrying amount of £1,959,663 (2019: £1,970,107). At the date of initial application, 1 January 2019, right of use assets with a value of £2,058,775 were recognised as part of a transitional adjustment. During the year ended 31 December 2020, additions of £883,053 (2019: £502,949) and depreciation of £893,497 (2019: £591,617) have been recognised in respect of right of use assets.

Infrastructure assets were revalued at the statement of financial position date by the Directors of the Group. The valuation was based on a fair value model which applied an RPI-based revenue growth methodology to a zero-connections growth scenario over a 10 year period using internally-approved budgets which are built on detailed RPI-based revenue growth models. A perpetuity calculation is then used and based on the final year of the 10 year model, normalised for any known one-off items reflected in year 10. The fair value model assumes an annual level of operating costs and maintenance expenditure sufficient only to support the continued operation of the infrastructure assets in existence at the statement of financial position date. The rate used to discount the estimated cash flows was 6.5% (2019: 6.5%). The Directors consider this to be a Level 3 fair value in the hierarchy set out in the Accounting Policies.

The estimated fair value was materially sensitive to two input assumption made in deriving the model – the discount rate and the long-term terminal growth rate of 2% (2019: 1.5%). A 100 basis point increase in the discount rate would result in a decrease in the fair value of approximately £215m and a 100 basis point decrease in the long-term terminal growth rate would result in a decrease in the fair value of approximately £134m.

The UK Government has set out its emissions target to reach net zero by 2050. The role of gas networks in achieving greenhouse gas emissions reductions targets is currently uncertain. However, BUUK's belief is that the gas assets we own and operate will continue to be in use beyond 2050 and therefore their useful lives remain appropriate.

At 31 December 2020, had infrastructure assets of the Group been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been approximately £2,359m (2019: £2,199m).

The Company holds no Property, Plant and Equipment.

13 Construction contracts in progress at the statement of financial position date:

Group	31 December 2020 Group £'000	31 December 2019 Group £'000
Amounts due from contract customers included in trade and other receivables	33,571	31,229
Amounts due to contract customers included in trade and other payables	(24,596)	(22,738)
	8,975	8,491
Contract costs incurred plus recognised profits less recognised losses to date	525,982	473,250
Less: progress billings	(668,432)	(604,731)
	(142,450)	(131,481)

The Company holds no construction contracts.
The Group holds no retentions.

14 Inventories

	31 December 2020 Group £'000	31 December 2019 Group £'000
Raw materials and consumables	1,509	1,207

Raw materials and consumables correspond to materials for construction held on construction site, warehouse and vans.
The Company holds no inventories.

15 Trade and other receivables

	31 December 2020 Group £'000	31 December 2020 Company £'000	31 December 2019 Group £'000	31 December 2019 Company £'000
Amounts due within one year:				
Amounts receivable for the sale of goods and provision of services	11,483	-	9,881	-
Amounts due from construction contract customers	33,571	-	31,229	-
Amounts due from fellow Brookfield Infrastructure Partners Group undertakings	5,928	5,000	-	-
Other receivables	7,346	954	8,298	431
Prepayments	4,583	-	4,272	54
Accrued income	57,729	-	57,862	-
	120,640	5,954	111,542	485
Amounts due from fellow Group undertakings	-	430,681	-	294,400
	120,640	436,635	111,542	294,885
Amounts due in more than one year:				
Amounts due from fellow Group undertakings	-	-	-	37,994
Deferred tax	31,555	6,569	31,047	7,381
	31,555	6,569	31,047	45,375

Excluding prepayments, deferred tax and accrued income, trade receivables disclosed above are measured at amortised cost.
The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 19.

The Group and Company deferred tax asset included in the statement of financial position is as follows:

	31 December 2020 Group £'000	31 December 2020 Company £'000	31 December 2019 Group £'000	31 December 2019 Company £'000
Short-term timing differences	571	-	82	-
Financial instruments	6,090	6,569	7,891	7,381
Tax losses carried forward	24,894	-	23,074	-
Deferred tax asset	31,555	6,569	31,047	7,381

Deferred tax assets recognised of the Group and Company do not expire. The Group had unrecognised deferred tax assets of £386,596 as at 31 December 2020 (2019: £394,893) in respect of unutilised tax losses.

15 Trade and other receivables (continued)

Group

The Group movements in deferred tax assets are as follows:

	Other short-term timing differences £'000	Revaluation of financial assets £'000	Tax losses £'000	Total £'000
At 1 January 2019	63	10,435	23,928	34,426
Credit/(charge) to profit or loss	19	(1,887)	(854)	(2,722)
Credit to other comprehensive income	-	(657)	-	(657)
At 31 December 2019	82	7,891	23,074	31,047
Credit/(charge) to profit or loss	423	(2,159)	(895)	(2,631)
Charge to other comprehensive income	-	(514)	-	(514)
Effect of change in tax rate:				
- Income Statement	66	868	2,715	3,649
- Other Comprehensive Income	-	4	-	4
At 31 December 2020	571	6,090	24,894	31,555

Company

The Company movements in the deferred tax asset are as follows:

	Financial instruments 2020 £'000	Financial instruments 2019 £'000
At 1 January	7,381	9,417
Charge to profit or loss	56	(2,036)
Effect of change in tax rate	(868)	-
At 31 December	6,569	7,381

16 Trade and other payables

	31 December 2020 Group £'000	31 December 2020 Company £'000	31 December 2019 Group £'000	31 December 2019 Company £'000
Amounts due within one year:				
Trade payables	7,253	-	8,212	-
Amounts due to contract customers (see note 13)	24,596	-	22,738	-
Other taxes and social security costs	129	-	80	-
Other payables	11,698	-	7,030	-
Amounts due to fellow Brookfield Infrastructure Partners Group undertakings	9,223	-	8,638	-
Capital payables	37,114	-	37,996	-
Accruals	52,974	1,371	51,318	2,306
	142,987	1,371	136,012	2,306
Amounts owed to fellow Group undertakings	-	-	-	-
	142,987	1,371	136,012	2,306
Amounts due in more than one year:				
Amounts owed to fellow Group undertakings	-	1,711,140	-	1,415,942
Deferred tax	476,921	479	387,551	546
	476,921	1,711,619	387,551	1,416,488

Trade payables and accrued expenses principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purposes is 30 days (2019 - 30 days). The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The Directors consider that the carrying amount of trade payables approximates to their fair values.

Amounts owed to fellow Group undertakings are unsecured and bear interest at between 2.36% and 4.55% (2019: between 2.90% and 4.55%).

Group

The Group and Company deferred tax liability included in the statement of financial position is as follows:

	31 December 2020 Group £'000	31 December 2020 Company £'000	31 December 2019 Group £'000	31 December 2019 Company £'000
Accelerated tax depreciation	257,714	-	214,312	-
Revaluation of Property, Plant & Equipment	212,721	-	166,676	-
Revaluation of financial assets	198	-	-	-
Intangibles	6,288	-	6,563	-
Financial instruments	-	479	-	546
Deferred tax liability	476,921	479	387,551	546

16 Trade and other payables (continued)

Group

The Group movements in deferred tax liability are as follows:

	Accelerated tax depreciation	Revaluation of Property, Plant & Equipment	Revaluation of financial assets	Intangibles	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2019	194,890	123,429	-	7,501	325,820
Charge/(credit) to profit or loss	19,422	(2,600)	-	(938)	15,884
Charge to other comprehensive income	-	45,847	-	-	45,847
At 31 December 2019	214,312	166,676	-	6,563	387,551
Charge/(credit) to profit or loss	18,001	(4,354)	-	(1,047)	12,600
Charge to other comprehensive income	-	30,840	198	-	31,038
Acquired in business combination	138				138
Effect of change in tax rate:					
- Income Statement	25,263	(1,170)	-	772	24,865
- Other Comprehensive Income	-	20,729	-	-	20,729
At 31 December 2020	257,714	212,721	198	6,288	476,921

Company

The Company movements in deferred tax liability are as follows:

	Financial instruments 2020	Financial instruments 2019
	£'000	£'000
At 1 January	546	663
Credit to profit or loss	(3)	(117)
Effect of change in tax rate	(64)	-
At 31 December	479	546

17 Loans and borrowings

	31 December 2020 Group £'000	31 December 2020 Company £'000	31 December 2019 Group £'000	31 December 2019 Company £'000
Secured borrowings	1,809,495	80,036	1,692,857	281,527
Finance fees	(6,778)	(1,280)	(6,739)	(1,735)
	1,802,717	78,756	1,686,118	279,792
Amounts due for settlement within 12 months	-	-	-	-
Amounts due for settlement after 12 months	1,809,495	80,036	1,692,857	281,527
Finance fees	(6,778)	(1,280)	(6,739)	(1,735)
Total secured borrowings	1,802,717	78,756	1,686,118	279,792
Total borrowings	1,802,717	78,756	1,686,118	279,792

The Company also has in issue £158,539,184 (2019: £158,539,184) of convertible loan notes which are non-interest bearing and which have been classified as equity (see Statement of Changes in Equity). The notes expire in 2044 and are redeemable in cash and/or convertible to equity at any time at the discretion of the Company.

Presented within accruals is £13,385,130 (2019: £10,642,853) of accrued but unpaid interest on the Group's borrowings.

Borrowings are secured by English law governed fixed and floating security over the assets of BUUK Infrastructure No 1 Limited, BUUK Infrastructure No 2 Limited, BUUK Infrastructure Issuer Plc, GTC Infrastructure Limited and certain other non-regulated group companies, and Guernsey law governed security over the shares and related rights in GTC Infrastructure Limited and The Gas Supply Company Limited.

Term Loans

The Group's debt consists of US Private Placement ("USPP") bonds of which £601.1m were issued in 2013, £100m was issued in 2014, £100m was issued in 2015, £285m was issued in 2016, £300m was issued in 2018 and £325m was issued in 2020. These bonds consist of $300m and £1,510m principal with original maturity dates of between 10 and 30 years and an average remaining maturity of 10.8 years (2019 - 11.1 years).

In addition, the Group utilises a capex facility (facility B), a working capital facility (facility C) and a liquidity facility.

Facility B has total available to draw down of £300m of which £67m was drawn down at 31 December 2020 (2019 – £257.5m). Interest is charged at LIBOR + 1.5%. The Facility is drawn in tranches up to 6 months in length and the Group has the ability to rollover each drawdown at its discretion until the maturity of the facility in 2024. It is the Group's current intention to continue to rollover each drawdown, therefore in accordance with IAS 1 the liability is presented as non- current.

Facility C has total available to draw down of £50m of which £13m was drawn down at 31 December 2020 (2019 – £24m). Interest is charged at LIBOR + 1.5%.

The Liquidity facility has total available to draw down of £75m of which £nil was drawn down at 31 December 2020 (2019 – £nil). Interest is charged at LIBOR + 1.5%.

17 Loans and borrowings (continued)

Group
2020

	Currency	Interest rate	Year of maturity	Weighted average interest rate for the period	31 December 2020 £'000 Nominal value	31 December 2020 £'000 Carrying amount
Secured bank loan - Facility B & C	GBP	LIBOR + 1.5%	2024	1.96%	80,036	80,036
Bonds $300m (USD)	USD	4.29%	2023	4.29%	201,139	219,459
Bonds £400m (GBP)	GBP	4.05%-4.63%	2023-2033	4.42%	400,000	400,000
Bonds £100m (GBP)	GBP	4.51%-4.61%	2029	4.55%	100,000	100,000
Bonds £100m (GBP)	GBP	3.72%-3.96%	2030-2035	3.79%	100,000	100,000
Bonds £285m (GBP)	GBP	2.62%-3.14%	2026-2036	2.90%	285,000	285,000
Bonds £300m (GBP)	GBP	2.62%-3.04%	2027-2048	2.92%	300,000	300,000
Bonds £325m (GBP)	GBP	2.20%-2.66%	2030-2045	2.36%	325,000	325,000
					1,791,175	1,809,495

Interest charged on the secured bank loans is fixed at LIBOR +1.5% for the period of each draw down as at the date of that draw down. All facilities are required to comply with the same financial covenants on a quarterly basis, being a Debt Service cover of greater than 1.4x and a Leverage ratio of less than 8.5x.

Company
2020

	Currency	Interest rate	Year of maturity	Weighted average interest rate for the period	31 December 2020 £'000 Nominal value	31 December 2020 £'000 Carrying amount
Secured bank loan - Facility B & C	GBP	LIBOR+1.5%	2024	1.96%	80,036	80,036
					80,036	80,036

Interest charged on the secured bank loans is fixed at LIBOR +1.5% for the period of each draw down as at the date of that draw down.

Group
2019

	Currency	Interest rate	Year of maturity	Weighted average interest rate for the period	31 December 2019 £'000 Nominal value	31 December 2019 £'000 Carrying amount
Secured bank loan - Facility B & C	GBP	LIBOR + 1.5%	2024	2.43%	281,527	281,527
Bonds $300m (USD)	USD	4.29%	2023	4.29%	201,139	226,330
Bonds £400m (GBP)	GBP	4.05%-4.63%	2023-2033	4.42%	400,000	400,000
Bonds £100m (GBP)	GBP	4.51%-4.61%	2029	4.55%	100,000	100,000
Bonds £100m (GBP)	GBP	3.72%-3.96%	2030-2035	3.79%	100,000	100,000
Bonds £285m (GBP)	GBP	2.62%-3.14%	2026-2036	2.90%	285,000	285,000
Bonds £300m (GBP)	GBP	2.62%-3.04%	2027-2048	2.92%	300,000	300,000
					1,667,666	1,692,857

Interest charged on the secure bank loans is fixed at LIBOR +1.5% for the period of each draw down as at the date of that draw down. All facilities are required to comply with the same financial covenants on a quarterly basis, being a Debt Service cover of greater than 1.4x and a Leverage ratio of less than 8.5x.

Company
2019

	Currency	Interest rate	Year of maturity	Weighted average interest rate for the period	31 December 2019 £'000 Nominal value	31 December 2019 £'000 Carrying amount
Secured bank loan - Facility B & C	GBP	LIBOR+1.5%	2024	2.43%	281,527	281,527
					281,527	281,527

Interest charged on the secured bank loans is fixed at LIBOR +1.5% for the period of each draw down as at the date of that draw down.

18 Deferred income

	31 December 2020 Group £'000	31 December 2019 Group £'000
Billing in advance of work completed	127,794	131,481
Current	87,027	82,384
Non-current	40,767	49,097
	127,794	131,481

The Group's standard terms of trade require the developer to make their contribution within 14 days of acceptance of the quote for new infrastructure. Upfront payments are held in deferred revenue in the statement of financial position and recognised as revenue in accordance with the percentage completion of the new infrastructure by reference to incurred and anticipated construction spend, in line with the Accounting Policy set out in Note 3. The Company holds no deferred income.

19 Financial instruments and risk management

The Group's capital structure consists of a mixture of long-term fixed rate borrowing, short-term variable rate borrowings, long-term derivative financial instruments, convertible loan notes and ordinary shares. The long-term and short-term borrowings provide, in the opinion of the Directors, an appropriate combination of secured fixed instruments and more flexible, available-on-demand liquidity facilities and working capital, with the Group's capital management objective being to safeguard and support the business as a going concern through the business cycle. The derivative financial instruments exist to hedge risks arising from this capital structure, the main risks being interest rate risk, credit risk, currency risk and liquidity risk. These risks arise from exposures that occur in the normal course of business and are managed by the Group's finance department as well as BIP regional management. The responsibilities of the Group's finance department include, among others, the monitoring of financial risks, management of cash resources, debt and capital structure management, approval of counterparties and relevant transaction limits, and oversight of all significant treasury activities undertaken by the Group.

The Group's principal financial instruments comprise borrowings, cash and cash equivalents and derivatives used for risk management purposes. The Group's accounting policies with regard to financial instruments are detailed in note 3.

a) Derivatives, financial instruments and risk management

The Group uses derivative financial instruments to manage certain exposures to fluctuations in interest rates, inflation rates and exchange rates. The Group does not hold any speculative financial instruments.

As part of the issue of the fixed rate corporate bonds, the Group has entered into cross currency swaps with notional value $300m to hedge the potential movement in the USD:GBP exchange rate. The fair value at 31 December 2020 of this instrument is a £19.7m asset (2019 - £22.1m asset) (including IFRS 13 CVA adjustments). The Directors consider this to be a Level 2 valuation in the hierarchy set out in the Accounting Policies in Note 3, with the valuation being calculated by third party experts, Chatham Financial, and based on the discounted value of expected future cash flows arising from the instrument. The Directors have credit-risk adjusted the third party valuations taking into account the creditworthiness of the group. The cross currency swap has been designated as a cash flow hedge. During the year costs of £2.4m (2019: costs of £4.3m) have been recognised in other comprehensive income and £6.9m (2019: £8.9m) has been reclassified to profit and loss.

The Group also holds inflation-linked interest rate swaps with a notional principal of £125.6m and a fair value liability of £50.8m (2019 – notional principal of £125.6m and a fair value of £57.8m) (including IFRS 13 CVA adjustments). As the Directors do not consider these instruments to be an effective hedge against any of the identified risks in the existing capital structure, they have been designated fair value through profit and loss. The Directors consider this to be a Level 2 valuation in the hierarchy set out in the Accounting Policies in Note 3, with the valuation being calculated by third party experts, Chatham Financial, and based on the discounted value of expected future cash flows arising from the instrument. The Directors have credit-risk adjusted the third party valuations taking into account the creditworthiness of the Group.

b) Interest rate risk

The Group has financial assets and liabilities which are exposed to changes in market interest rates. Changes in interest rates primarily impact borrowings by changing their future cash flows.
The exposure of the Group's financial assets and liabilities to interest rate risk is as follows.

19 Financial instruments and risk management (continued)

	Floating rate £'000	Fixed rate £'000	Non-interest bearing £'000	Total £'000
Group				
31 December 2020				
Financial assets				
Measured at amortised cost:				
Other receivables	-	-	116,057	116,057
Cash and bank balances	5,359	-	-	5,359
Measured at fair value:				
Derivative instruments in effective hedging relationships	-	19,664	-	19,664
Total financial assets	5,359	19,664	116,057	141,080
Financial liabilities				
Measured at amortised cost:				
Borrowings	80,036	1,729,459	-	1,809,495
Trade and other payables (at amortised cost)	-	-	142,858	142,858
Lease liabilities	-	2,191	-	2,191
Measured at fair value through profit and loss:				
Fair value through profit and loss derivative instruments	-	50,754	-	50,754
Total financial liabilities	80,036	1,782,404	142,858	2,005,298

	Floating rate £'000	Fixed rate £'000	Non-interest bearing £'000	Total £'000
Company				
31 December 2020				
Financial assets				
Measured at amortised cost:				
Other receivables	-	-	5,954	5,954
Amounts due from Group undertakings	-	430,681	-	430,681
Cash and bank balances	3	-	-	3
Total financial assets	3	430,681	5,954	436,638
Financial liabilities				
Measured at amortised cost:				
Borrowings	80,036	-	-	80,036
Amounts payable to Group undertakings	-	1,711,140	-	1,711,140
Trade and other payables (at amortised cost)	-	-	1,371	1,371
Measured at fair value through profit and loss:				
Fair value through profit and loss derivative instruments	-	50,754	-	50,754
Total financial liabilities	80,036	1,761,894	1,371	1,843,301

	Floating rate £'000	Fixed rate £'000	Non-interest bearing £'000	Total £'000
Group				
31 December 2019				
Financial assets				
Measured at amortised cost:				
Other receivables	-	-	107,270	107,270
Cash and bank balances	4,197	-	-	4,197
Measured at fair value:				
Derivative instruments in effective hedging relationships	-	22,089	-	22,089
Total financial assets	4,197	22,089	107,270	133,556
Financial liabilities				
Measured at amortised cost:				
Borrowings	281,527	1,411,330	-	1,692,857
Trade and other payables (at amortised cost)	-	-	135,932	135,932
Lease liabilities	-	2,256	-	2,256
Measured at fair value through profit and loss:				
Fair value through profit and loss derivative instruments	-	57,773	-	57,773
Total financial liabilities	281,527	1,471,359	135,932	1,888,818

19 Financial instruments and risk management (continued)

	Floating rate	Fixed rate	Non-interest bearing	Total
Company	£'000	£'000	£'000	£'000
31 December 2019				
Financial assets				
Measured at amortised cost:				
Other receivables	-	-	431	431
Amounts due from Group undertakings	-	332,394	-	332,394
Cash and bank balances	4	-	-	4
Total financial assets	4	332,394	431	332,829
Financial liabilities				
Measured at amortised cost:				
Borrowings	281,527	-	-	281,527
Amounts payable to Group undertakings	-	1,415,942	-	1,415,942
Trade and other payables (at amortised cost)	-	-	2,306	2,306
Measured at fair value through profit and loss:				
Fair value through profit and loss derivative instruments	-	57,773	-	57,773
Total financial liabilities	281,527	1,473,715	2,306	1,757,548

Financial liabilities at Fair Value Through Profit and Loss	**31 December 2020**	**31 December 2019**
	Group	**Group**
	£'000	**£'000**
Changes in fair value attributable to changes in counterparty credit risk recognised during the year	(502)	(608)
Cumulative changes in fair value attributable to changes in counterparty credit risk	565	1,067

Amounts payable at maturity relating to the derivative instruments at fair value through profit and loss are dependent on future LIBOR and RPI trends and so cannot be predicted reliably as at the Statement of Financial Position date. The principal is payable in two tranches, due in 2021 and 2024, based on RPI 3 months prior to the settlement date. Current estimations of these payments total £26.8m (2019 - £31.9m).

At 31 December 2020, 4.3% (2019 – 16.1%) of total interest bearing debt was at a floating rate, all of which has charged interest based on the relevant benchmark rate (LIBOR).
The effect on profit after tax of a 1% movement in LIBOR, based on the year-end floating rate net debt and with all other variables held constant, is estimated to be £0.6m (2019 £2.3m). This sensitivity analysis is prepared by multiplying the floating rate debt by the variation in LIBOR.

c) Credit risk

Exposure to credit risk arises as a result of transactions in the Group's ordinary course of business and is applicable to all financial assets. Investments in cash and cash equivalents and derivative financial instruments are with approved counterparty banks and other financial institutions. Counterparties are assessed prior to, during, and after the conclusion of transactions to ensure exposure to credit risk is limited to an acceptable level. The maximum exposure with respect to credit risk is represented by the carrying amount of each financial asset on the Statement of Financial Position.

The Group is exposed to credit risk in respect of trade receivables. Whilst the Group is dependent on a number of large customers, the credit risk from the failure of those customers is limited by regulatory regimes therefore credit risk is believed to be limited. The Group is not reliant on any particular customer in the markets in which it operates and there is no significant concentration of credit risk. The Group regularly monitors its exposure to bad debts in order to minimise this exposure.

The Group has strict procedures in place to manage the credit risk on trade receivables. Credit evaluations are performed for all customers and credit limits are established based on internal or external rating criteria. The credit quality of the Group's significant customers is monitored on an on-going basis, and receivables that are neither past due nor impaired are considered of good credit quality.

The average credit period taken for trade receivables is 19 days (2019 - 19 days) for regulated transportation income, and 30 days (2019 - 30 days) for other income.

19 Financial instruments and risk management (continued)

There were no material impairments of trade receivables as at 31 December 2020. The solvency of the debtor and their ability to repay the receivables were considered in assessing the impairment of such assets.

Ageing

Ageing of past due but not yet impaired receivables:

	31 December 2020 Group £'000	31 December 2019 Group £'000
Less than 90 Days	42,237	35,364
Greater than 90 Days	13,843	12,934
	56,080	48,298
Bad debt provisions (Note 19 e)	(11,026)	(7,188)
	45,054	41,110

d) Credit risk related to other financial assets and cash deposits

Credit risk relating to the Group's other financial assets, principally comprising cash and cash equivalents and derivative financial instruments, arises from the potential default of counterparties. Credit risk arising from balances with banks and financial institutions is managed by the Group's finance department. Investment of cash and deposits are made only with approved counterparties of high creditworthiness and are reviewed on a regular basis to take account of developments in financial markets.

No material exposure is considered to exist by virtue of the possible non-performance of the counterparties to derivative financial instruments and other receivables.

The carrying amount of financial assets represents the maximum credit exposure.

The Group holds no collateral as security in relation to credit advanced to customers nor deposits held at banks.

e) Movement in the allowance for expected credit losses

	31 December 2020 Group £'000	31 December 2019 Group £'000
Balance at the beginning of the year	7,188	5,252
Impairment losses recognised	4,262	2,785
Amounts written off during the year as uncollectible	(424)	(849)
Balance at the end of the year	11,026	7,188

f) The value of trade receivables which are due or past due which are impaired:

	31 December 2020 Group £'000	31 December 2019 Group £'000
Between 90 and 120 days	1,416	1,512
Greater than 120 days	10,551	9,903
	11,967	11,415

g) Currency risk

The Group has financial liabilities which are exposed to changes in market currency exchange rates. Changes in exchange rates primarily impact borrowings by changing their future cash flows.

The Group uses derivative financial instruments to manage its exposure to fluctuations in exchange rates. The $300m bonds have been hedged using forward cross currency swap contracts, fixed until April 2023.

This contract is designated as a cash flow hedge to eliminate the Group's cash flow exposure resulting from variable rates of exchange. The contract settles on a half-yearly basis simultaneously with the interest settlement of the associated bonds. £nil (2019: £nil) was recognised in the Income Statement in respect of ineffectiveness of the cash flow hedge arrangements.

19 Financial instruments and risk management (continued)

h) Liquidity risk

The Group maintains a balance between availability of funding and maximising investment return on cash balances through the use of short-term cash deposits, credit facilities and longer term debt instruments. Management regularly reviews the funding requirements of the Group. The Group has an additional liquidity facility totalling £75m in order to minimise the liquidity risk of the Group to its stakeholders.

This facility is available on demand with interest charged at LIBOR-linked rates of interest fixed at the point of drawdown, and is unsecured.

Maturity of financial assets and liabilities

The table below analyses the Group's financial assets and liabilities, which will be settled on a gross basis, into relevant maturity groups based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

2020	Weighted average effective interest rate	0 to 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Loans and other receivables	Nil	116,057	-	-	-	116,057
Cash and cash equivalents	0.25%	5,359	-	-	-	5,359
Derivative instruments in designated hedge accounting relationships	Nil	-	-	-	19,664	19,664
		121,416	-	-	19,664	141,080
Trade and other payables	Nil	142,858	-	-	-	142,858
Borrowings	3.40%	-	-	439,495	1,370,000	1,809,495
Fair value through profit and loss derivative instruments	Nil	-	-	-	50,754	50,754
Lease liabilities	4.0%	263	717	1,111	1,025	3,116
		143,121	717	440,606	1,421,779	2,006,223

2019	Weighted average effective interest rate	0 to 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Loans and other receivables	Nil	107,270	-	-	-	107,270
Cash and cash equivalents	0.25%	4,197	-	-	-	4,197
Derivative instruments in designated hedge accounting relationships	Nil	-	-	-	22,089	22,089
		111,467	-	-	22,089	133,556
Trade and other payables	Nil	135,932	-	-	-	135,932
Borrowings	3.51%	-	-	532,857	1,160,000	1,692,857
Fair value through profit and loss derivative instruments	Nil	-	-		57,773	57,773
Lease liabilities	4.0%	198	585	1,359	1,076	3,218
		136,130	585	534,216	1,218,849	1,889,780

Committed borrowing facilities available

In addition to the £75m liquidity facility noted above the Group has undrawn committed borrowing facilities at 31 December 2020 of £270m (2019 - £68.5m) which expire in September 2024.

19 Financial instruments and risk management (continued)

i) Fair value of financial assets and liabilities

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the consolidated financial information.

	31 December 2020 £'000 Carrying value	31 December 2020 £'000 Fair value	31 December 2019 £'000 Carrying value	31 December 2019 £'000 Fair value
Loans and other receivables	116,057	116,057	107,270	107,270
Cash and cash equivalents	5,359	5,359	4,197	4,197
Borrowings	(1,809,495)	(1,983,442)	(1,692,857)	(1,801,122)
Inflation Linked financial instruments	(50,754)	(50,754)	(57,773)	(57,773)
Cross currency financial instruments	19,664	19,664	22,089	22,089
Trade and other payables	(142,858)	(142,858)	(135,932)	(135,932)
Lease liabilities	(2,191)	(2,191)	(2,256)	(2,256)
	(1,864,218)	(2,038,165)	(1,755,262)	(1,863,527)

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- cash and cash equivalents, trade and other receivables, trade and other payables approximate to their carrying amounts largely due to the short-term maturities of these instruments;
- the fair value of the net derivative financial instrument liability of £31.1m (2019 - £35.7m) is estimated using risk-adjusted discounted future cash flow projections;
- provisions for cash payments are discounted back to their present value; and
- the fair value of derivatives are calculated using the method described in Note 19a. The Directors considered this and borrowings to be a Level 2 valuation in the hierarchy set out in the Accounting Policies in Note 3, with the valuation being based on the discounted value of expected future cash flows arising from the instrument.

20 Dividends

Company

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 31 December 2020 of 8.50p (2019: 40.28p) per share.	20,000	94,773
	20,000	94,773

21 Capital and reserves

Share capital	31 December 2020 Number of shares	31 December 2020 £'000	31 December 2019 Number of shares	31 December 2019 £'000
Ordinary shares of £1:				
Authorised	235,273,194	235,273	235,273,194	235,273
Allotted, called up and fully paid	235,273,194	235,273	235,273,194	235,273

Merger reserve

The merger reserve has been created to reflect the difference between the shares issued by the Company and the shares acquired as part of the acquisition of GTC Infrastructure Limited (and its subsidiaries) and The Gas Supply Company Limited via a share-for-share exchange in November 2012.

21 Capital and reserves (continued)

Revaluation reserve

The revaluation reserve relates to the revaluation of infrastructure assets in property, plant and equipment.

Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative amounts of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

22 Share-based payments

Equity settled LTIP share scheme

The Company operates a Long Term Incentive Plan ("LTIP") share scheme for certain employees of a subsidiary of the Company. The awards to employees are in the form of non-voting growth shares in BUUK Infrastructure No 1 Limited. Shares are subject to a hurdle based on a deemed market value of equity at the date of award plus other preferred equity. The vesting period for 1,784,994 of the outanding shares is 5 years, with 20% of the shares vesting each year on the anniversary of the grant date. The vesting period for 1,100,000 of the outanding shares is 4 years, with 50% of the shares vesting on each of the 3rd and 4th anniversary's of the grant date. There are no performance considerations attached to the shares. The shares are considered to be cash settled in the future as the participating employees have the right to sell the shares to the immediate parent company once vested. The equity value is computed by calculating an enterprise value of the BUUK Group and subtracting net debt and prior ranking securities. The equity value has been used as an input into a Black-Scholes option pricing model to arrive at the Fair Market Value of the shares.

	31 December 2020		31 December 2019	
	Number of shares	Weighted average exercise price (£)	Number of shares	Weighted average exercise price (£)
Outstanding at beginning of period	1,986,763	£0.25	2,319,353	£0.24
Awarded during period	1,100,000	£0.43	213,141	£0.33
Forfeited during the period	-		-	
Exercised during the period	(201,769)	£0.19	(545,731)	£0.23
Expired during the period	-		-	
Outstanding at end of period	**2,884,994**	**£0.32**	**1,986,763**	**£0.25**
Vested at end of period	1,108,600		1,310,369	

The shares outstanding as at 31 December 2020 have an average remaining contractual life of 2.2 years (2019: 1.6 years).
In 2020 1,100,000 shares were awarded on 26 March 2020. The fair market value of the shares awarded on that date was £0.43 per share.
In 2019, 213,141 shares were awarded on 10 April 2019. The fair market value of the shares awarded on that date was £0.33 per share.

The inputs into the Black-Scholes model are as follows:

	31 December 2020	31 December 2019
Weighted average share price	£0.32	£0.25
Expected volatility	32%	24%
Expected life	2.16 years	1.64 years
Risk-free rate	0.00%	0.57%

Expected volatility was determined by benchmarking comparable companies in the UK utilities sector over the historical period that matches the expected term of the shares. The expected life used in the model is based on management's best estimate. The group recognised total expenses of £189,280 and £96,161 related to equity settled share-based payment transactions in 2020 and 2019 respectively.

23 Capital commitments

At 31 December 2020, the Group had entered into contractual commitments for the construction of infrastructure assets amounting to £592,850,000 (2019 - £678,786,000). The contractual obligations are expected to be constructed over the following profile:

	Infrastructure assets 31 December 2020 £'000	Infrastructure assets 31 December 2019 £'000
< 1 year	185,850	205,880
1-5 years	256,099	320,326
> 5 years	150,901	152,580
	592,850	678,786

24 Contingencies

Borrowings are secured by English law governed fixed and floating security over the assets of BUUK Infrastructure No 1 Limited, BUUK Infrastructure No 2 Limited, BUUK Infrastructure Issuer Plc, GTC Infrastructure Limited and certain other non-regulated group companies, and Guernsey law governed security over the shares and related rights in GTC Infrastructure Limited.

25 Government grants

	31 December 2020 Group £'000	31 December 2019 Group £'000
Government grants recognised in the Income Statement	5,313	-

Government grants recognised relate to amounts received for the Coronavirus Job Retention Scheme and have been presented as a deduction against wages and salaries within cost of sales and other operating expenses in the Income Statement.

26 Related party transactions

Balances and transactions between companies within the Group which are related parties have been eliminated on consolidation and are not disclosed in this note.

Transactions with key management personnel

Key management includes directors and members of the management team of the Group. The compensation paid or payable to key management for employee services is shown below:

	31 December 2020 £'000	31 December 2019 £'000
Salaries and other short-term benefits	3,951	4,751
Post-employment benefits	100	96
Total	4,051	4,847

26 Related party transactions (continued)

Other related party transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	31 December 2020		31 December 2019	
	Sale of goods	Purchase of goods	Sale of goods	Purchase of goods
	£'000	£'000	£'000	£'000
Braeburn Estates Developments (Infrastructure) Ltd	(273)	-	599	-

The following amounts were outstanding at the statement of financial position date:

	31 December 2020	31 December 2019
	£'000	£'000
Payments made on behalf of - BUUK Infrastructure (Jersey) Limited	928	-
Receipts on behalf of - BUUK Infrastructure No 1 Limited	(9,223)	(8,638)
Amounts due from Braeburn Estates Developments (Infrastructure) Ltd	65	36
Loan receivable - Brookfield Infrastructure Partners Capital Management SRL	5,000	-

All of the above companies are related parties due to sharing a common ultimate parent company, being Brookfield Asset Management Inc, a company registered in Canada. Each related party transaction above has been undertaken on an arm's-length basis. Amounts outstanding are unsecured, and repayable on demand.

Unsecured non-interest bearing loans made to a director of £698,000 (2019: 225,000) were outstanding at the year-end. The loans are repayable in between 1 and 5 years with £nil (2019: £nil) being repaid during the year. Unsecured non-interest bearing loans made to another director of £111,000 (2019: £111,000) were outstanding at the year-end. The loans are repayable in between 1 and 5 years with £nil (2019: £nil) being repaid during the year. Total loans made to directors of £809,000 (2019: £336,000) were outstanding at the year-end with £nil (2019: £nil) being repaid during the year.

27 Retirement benefits

The Group operates a defined contribution retirement benefit scheme for all qualifying employees. The scheme is a stakeholder pension with the funds held within a discretionary trust by the scheme provider Scottish Widows. The only obligation of the Group with respect to the retirement benefit scheme is to remit the appropriate employer and employee contributions within time limits specified by the scheme.

The total cost charged to income of £4,884,146 (2019 - £4,505,478) represents contributions payable to the scheme by the Group at rates specified in the rules of the plan. As at 31 December 2020, contributions of £414,771 (2019 - £387,341) due in respect of the current reporting period had not been paid over to the scheme.

28 Parent Undertakings and Ultimate controlling party

The parent company of BUUK Infrastructure No 2 Limited is BUUK Infrastructure No 1 Limited, a Company registered in England and Wales. The ultimate controlling party is Brookfield Asset Management Inc, a company incorporated and registered in Canada quoted on the New York Stock Exchange and Toronto Stock Exchange.

The smallest Group the Company is a member of and for which Group financial statements are prepared is Brookfield Infrastructure Corporation. Copies of Brookfield Infrastructure Corporation's financial statements can be obtained from its registered office: Brookfield Infrastructure Corporation, Suite 300, Brookfield Place, 181 Bay Street, Toronto, Canada, ON M5J 2T3.

The largest Group the Company is a member of and for which Group financial statements are prepared is Brookfield Asset Management Inc. Copies of Brookfield Asset Management Inc's financial statements can be obtained from its registered office: Brookfield Asset Management Inc, Suite 300, Brookfield Place, 181 Bay Street, Toronto, Canada, ON M5J 2T3.

29 Disposal of a subsidiary

During 2019 the Group disposed of 100% of the shareholding of Independent Fibre Retail Limited.

Subsidiary disposed:

Company	Principal activity	Date of disposal	Proportion of voting equity interests disposed (%)	Consideration received £'000
Independent Fibre Retail Limited	Provision of retail broadband and voice services over fibre optic telecommunications in the UK.	18 September 2019	100	6,735
				6,735

Consideration received:

	Independent Fibre Retail Limited £'000
Cash consideration for shares	5,204
Deferred consideration	1,531
	6,735

Fair Value of assets and liabilities disposed at the date of disposal:

	Independent Fibre Retail Limited £'000
Current assets	
Cash and cash equivalents	185
Trade and other receivables	1,323
Inventories	144
Current liabilities	
Trade payables	(2,525)
Total identifiable net liabilities disposed of	(873)

Gain on disposal of a subsidiary:

	Independent Fibre Retail Limited £'000
Consideration received	6,735
Add: net liabilities disposed of	873
Less: costs to sell	(178)
	7,430

Net cash inflow on disposal of a subsidiary:

	Independent Fibre Retail Limited £'000
Cash consideration for shares	5,204
Less: cash and cash equivalent balances disposed	(185)
Less: costs to sell	(178)
	4,841

30 Leases

Maturity analysis – contractual undiscounted cash flows

	31 December 2020 £'000	31 December 2019 £'000
Less than one year	980	783
One to five years	1,111	1,359
More than five years	1,025	1,076
Total undiscounted lease liabilities	3,116	3,218

Lease liabilities included in the Statement of Financial Position

	31 December 2020 £'000	31 December 2019 £'000
Current	912	708
Non-current	1,279	1,548
Total lease liabilities	2,191	2,256

Amounts recognised in the Statement of Cash Flows

	31 December 2020 £'000	31 December 2019 £'000
Total cash outflows for leases	1,054	730
	1,054	730

Termination options

Some leases contain termination options exercisable by the Group. Where practicable, the Group seeks to include termination options to provide operational flexibility. The termination options held are exercisable by the Group and not the lessors. Details of the potential future lease payments in relation to termination options can be seen below:

	31 December 2020 £'000	31 December 2019 £'000
Potential future lease payments not included in lease liabilities (discounted)	2,596	2,134
	2,596	2,134

31 Business Combinations

During the year the Group acquired 100% of the shareholding of EPLR Holdings Limited, which is the parent company of EPL&R Utilties Limited and Express Utilities Limited (formerly Express Pipelaying & Repairs Limited).

Subsidiary acquired:

Company	Principal activity	Date of acquisition	Proportion of voting equity interests acquired (%)	Consideration transferred £'000
EPLR Holdings Limited	Holding company	18 February 2020	100	2,467
				2,467

Consideration transferred:

	EPLR Holdings Limited £'000
Cash consideration for shares	2,167
Deferred consideration	300
	2,467

Fair Value of assets acquired and liabilities recognised at the date of acquisition:

	EPLR Holdings Limited consolidated net assets £'000
Non-current assets	
Property, Plant and equipment	744
Current assets	
Inventory and WIP	1,008
Cash and cash equivalents	45
Trade and other receivables	1,255
Current liabilities	
Trade and other payables	(1,792)
Non-current liabilities	
Debt	(194)
Deferred tax liabilities	(238)
Total identifiable net assets	828

Goodwill arising on acquisition:

	EPLR Holdings Limited £'000
Consideration transferred	2,467
Less: fair value of identifiable net assets acquired	(828)
	1,639