Registered number
08246443

BUUK Infrastructure No 2 Limited
Annual Report & Financial Statements
for the year ended
31 December 2023

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, waste water and district energy 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 Appointment and Variations (NAV)

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 and district heating networks.

Financing

The Group has £2,085m of long-term Senior Notes issued in 2013, 2014, 2015, 2016, 2018, 2020 and 2023 which have an investment grade credit rating of Baa2 from Moody's Investor Services. In July 2022 the Group issued £350.0m of long-term Senior Notes, for which funding was received in April 2023. The Group issued a further £350m of long-term Senior Notes in November 2023, for which £250m of funding was received in November 2023 and the remaining £100m will be received in April 2024. The Group's existing long-term facilities totalling £350m expire on 28 November 2028.

Review of performance during the year to 31 December 2023

Key Performance Indicators

	Year ended 31/12/23	Year ended 31/12/22
Revenue (GBP '000)	510,777	465,470
Adjusted EBITDA[1] (GBP '000)	294,538	269,250
FFO[2] (GBP '000)	217,165	207,139
AFFO[3] (GBP '000)	203,784	189,248
PBT (GBP '000)	106,605	105,783
Cumulative Connections (No. of connections)	2,955,141	2,742,157

[1] Adjusted 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 or subsidiaries and share-based pay expense.
[2] FFO (Funds from Operations) is calculated as Adjusted 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 driven by a greater number of connections in place throughout the year, transportation price and volume increases and increased construction activity over 2022. Revenue in 2023 includes £12,472,000 (2022: £19,472,000) of non-recurring electricity billing in relation to the 'Supplier of Last Resort' process, which BUUK have been required to collect on behalf of Electricity Distribution Network Operators ('DNO's). This revenue is passed through to DNOs and is fully offset by an equivalent amount in direct costs, slightly reducing gross profit as a percentage of revenue.

The key financial metrics of EBITDA, FFO and AFFO show an improvement in performance of the Group compared to both the prior year and the detailed budget for the year, driven by the increased Revenue. PBT increased during the year, with revenue increases having been partially offset by increased operating costs due to business growth, and increased finance costs, as a result of increased borrowing and a higher interest-rate environment.

At the year-end the Group had net assets of £1,379,135,000 (2022: £1,266,558,000).

Future Prospects
At the end of 2023, the Group had a total contracted forward order book to complete 1,522,000 connections across all of its services over the next 5-10 years, up from 1,520,000 connections as at the end of 2022.

As noted throughout this report, the UK Government plans to decarbonise existing homes as part of the path to achieve net zero by 2050. The Group anticipates this will present future opportunities to expand its operations in emerging solutions. This can already be seen through the Group's investment into networked air source heat pumps as well as innovative technologies to develop smart controls for heat pumps and energy aggregation.

Alongside these newly developed products, the Group also expects the continued expansion in the number of water and electricity infrastructure networks to be a key driver in the future growth of the Group.

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. In 2023, the UK government introduced the Energy Act 2023, naming OFGEM the future regulator for heat networks across England, Scotland and Wales, as part of the plan to expand Great Britain's network of low carbon heating. When heat networks regulations came into force, all heat networks will need to be authorised to be able to supply heat to their network. It has been determined that the new regulations will have no negative impact on the Group's future business prospects.

The Group is not aware of any other undisclosed 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 continually improve its performance in this area.

Climate Change
The Group has considered the principal risks associated with climate change, which have been set out alongside the Group's response within the 'Climate related Financial Disclosure' section of the Strategic Report.

Financial Risk is managed by:

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, as described in note 17, 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.

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. Further information in relation to measures taken to address this are included in note 19.

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, interacting with and complying with policies of the relevant regulators and engaging 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.

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 employees can post ideas or questions for the attention of the business
- Conduct annual face to face Directors presentations to encourage two-way communication
- Continued use of E-cards to celebrate colleagues' successes, based on living our company values.

Our ongoing commitment to the Great Place to Work® scheme also ensures we remain focused on the business benefits of high employee engagement, resulting in our business being an employer of choice for both existing and new colleagues.

Engagement is measured by a yearly employee survey and Culture Audit. The feedback we receive from employees is where we focus our attention to improve working practices for our colleagues. BUUK have ranked as one of the UK's Best Workplaces™ for six consecutive years, in three consecutive years have ranked in the UK's Best Workplaces™ for Women, and in two consecutive years have ranked in the UK's Best Workplaces™ top 10 Super Large organisations for Wellbeing.

As a result of listening to our employees we have implemented the following initiatives:

- Enhanced Maternity, Paternity and Adoption Leave
- Dedicated Wellbeing Programme
- Volunteering Programme - providing leave for colleagues to help with the local community or charities
- Science, Technology, Engineering & Maths (STEM) Programme -building bridges between education & employment
- Increased employee recognition for outstanding work linked to our company values
- Discounted FitBits to encourage colleagues to be more active
- Aspiring Managers Programme
- Leadership & Management Programme
- Health MOTs
- Armed Forces Community Network
- Refreshed company values, focusing on wellbeing and key areas for our employees and stakeholders

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

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
- Offer an Apprenticeship Scheme for IT, Design and Fibre
- Continual conversations encouraged between managers and team members
- 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 environment for our staff, those we work for and the general public
- Work Safe, Home Safe platform for staff to build a positive safety culture irrespective of role or responsibility
- Opportunities to work with the onHand charity partner to undertake volunteering opportunities during work time.

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 fostering relationships with them.

Customers

Customer Experience and our core value of Being a Customer Champion is at the centre of everything that BUUK does. In 2023, customer journey focus groups were set up to monitor, review and seek to improve customer journeys where necessary. There are two key metrics that are monitored across the Group: Customer Effort Score (CES) and Net Promoter Score (NPS). Surveys target customer touch points across all customer journeys, enabling us to identify specific areas where there is increased effort for customers, so that targeted improvement can be made.

Customer feedback is reviewed by Senior Management continuously and disseminated to all journey owners in various formats. Key effort areas for our customers that have been identified during 2023 have been: material delivery, collection of excess materials and retail billing. Improvement plans are in place and the success of these will be monitored back through our surveys, as a continuous cycle of improving customer journeys.

Suppliers

- Positive relationships with key suppliers have been integral to the ever-improving performance of our supply chains, with stock availability and replenishment rates optimised to support delivery to our customers.
- Environmental, Social and Governance (ESG) factors are foremost in the decision-making processes relating to both the onboarding of new suppliers, and to the selection for works under tender.
- Our commitment to the highest ESG standards are communicated to all suppliers, and accessible on our website.

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

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

In the Global Real Estate Sustainability Benchmarking (GRESB) survey undertaken in 2023 BUUK achieved its highest ever score of 97% and was awarded five stars. BUUK were also recognised as sector leaders. The GRESB is the leading environmental, social and governance benchmark for retail and infrastructure investments across the world with this year's survey including 687 companies from 72 countries.

BUUK recognises the impacts that it has on the community and the environment and seeks to make a positive difference in the places where it operates. In 2023:

- 400 employees were actively involved in volunteering activities, undertaking 2,058 community and environmental 'missions' including planting 363 trees.
- BUUK ambassadors promoted STEM subjects and opportunities at 10 schools and university events in 2023, with almost 6,000 students attending between the ages of 14-24 years old.
- BUUK gave work experience opportunities to six students from local schools. Two employees completed their apprenticeships and moved into permanent roles, with a further two people joining on new apprenticeships.
- Continued implementation of our major Work Safe Home Safe cultural change initiative with an increased focus on Wellbeing.
- Further development on a decarbonisation plan for BUUK Energy Centres, a major source of Scope 1 emissions.
- Creation of a high-level steering group to drive and monitor progress towards the implementation of BUUK's objective to reach net-zero directly controlled carbon emissions by 2040.
- Completion of a consultancy study on the decarbonisation of BUUK's major fleet.
- There has been a significant increase in the number of electric vehicles and hybrid vehicles in BUUK's fleet.
- Implementation of major plastic packaging initiatives, leading to reductrions of a further 28 tonnes of waste per annun. BUUK received a packing industry innovation award for a box that we co-designed and developed to replace plastic resin boxes.
- Improvement in waste landfill avoidance rates from 61% in 2022 to 95% in 2023.

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

Communities and Environment (continued)

- Continued partnership with an IT provider to collect end of life IT assets. In 2023 451 computers, laptops, and tablets were restored and reused, including some by charities, and 276 were recycled.
- Creation of a high-level Climate Change steering group to ensure all climate change risks are reviewed and appropriate mitigating actions are put in place across the Group.
- Development of BUUK's first annual Sustainability Report, outlining our Environmental, Social and Governance commitments. This report was made available to all stakeholders via the BUUK website.
- Maintained ISO 14001 environmental accreditation, with only minor areas for corrective or improvement action identified.
- BUUK became partners with the Supply Chain Sustainability School, a training platform allowing access to training in areas such as; Sustainability, Digital, FIR, Lean Construction, Management, Offsite, People and Procurement.

Climate Related Financial Disclosure

Climate Governance

As the UK's leading independent provider of last-mile utility networks, BUUK, has been a major force for change and innovation for 30 years – championing competitive markets, improving efficiencies, creating customer choice, and rising to the challenges of the Future Homes Standard and Net Zero.

We recognise that the utilities sector has a critical role to play in shaping a greener future and that our sustainability and environmental priorities are fundamental to being a responsible business. We have therefore made a commitment to be Net Zero Carbon in respect of the emissions sources under our direct control by 2040 and continue to develop our smart-energy technology businesses, leading the way in smart controls for heat pumps and energy aggregation solutions, to optimise energy storage and decarbonise homes.

BUUK's ESG strategy and management of climate-related risks and opportunities is underpinned by our company values and Vision – to "Be the leading utility partner to accelerate the UK towards net zero for all our customers".

This report sets out our climate-related risk management processes as required by the Climate-related Financial Disclosure Regulations 2022.

Integration of climate risk management into our overall risk management framework

Assessment of climate-related risks and opportunities is integrated into BUUK's wider approach to risk management. Annually, the board reviews the principal risks to the business which could affect BUUK's solvency, liquidity, business model or reputation. Climate-related risks that are significant at this level are escalated to the principal risk register.

Climate-related risks and opportunities form part of BUUK's strategy and planning process. As part of the annual budget and strategic plan, BUUK's top ESG risks are presented to the Board and BUUK's ultimate parent entity, Brookfield, for review, as well as the strategic priorities of the ESG program and decarbonisation plan. As part of the review and approval of the business plan, the BUUK Board and Brookfield challenge that climate-related risks and opportunities have been adequately considered and built into BUUK's financial strategy.

Board of Directors

The Board of Directors is responsible for oversight of climate risks and opportunities impacting the Group and maintains overall responsibility for ESG policy, objectives, and performance. Effective management and decision making at this level is facilitated by the provision of information by the wider business, drawing on data and expertise of other functions and committees. As such, the Board delegates some responsibilities to the Environmental & Sustainability Steering Committee ('ESG Steering Committee').

Climate Related Financial Disclosure (continued)

Key activities of the Board include the below:

- Define BUUKs strategy and cascade it throughout the group.
- On an annual basis, are responsible for the review and approval of climate risk assessments
- Annually, the board receives an ESG risk management report prepared by the Group's ESG team which includes an assessment of relevant climate issues for BUUK. Risks and opportunities are discussed and prioritised, and the adequacy of mitigating actions are assessed.
- Monitor the operation of Environmental, Social and Governance teams who co-ordinate day-to-day activities in implementation of the climate strategy and report into the Group Managing Director
- Communicate key climate-related issues throughout the business.

Environmental & Sustainability Steering Committee

The ESG Steering Committee is chaired by the Group Managing Director, meeting 3 times a year. It is responsible for assessing the Group's environmental policies and strategies and driving objectives to achieve these. It is also responsible for identifying and assessing emerging climate risks and opportunities.

Sitting beneath this committee, a number of steering groups have been established:

A Climate Net Zero Steering Group has been set up in 2023, responsible for the development of a timed strategic roadmap, determining actions required to continue to meet the requirements and measuring progress.

A Climate Change Steering Group has been set up in 2023 with responsibility for defining and developing BUUK's Climate Change Strategy, including defining projections, documenting risks and opportunities and establishing legal requirements.

Wider business engagement

Although climate risks and opportunities are managed at a group level, individual business units are responsible for performing risk assessments for their areas on an annual basis, which are consolidated and reviewed.

Group finance are responsible for ensuring compliance with external legislation and reporting metrics, alongside providing support to the business in assessing the financial impact of strategic ESG decisions.

Safety, Health, Environment and Quality (SHEQ) department has an established ESG team, responsible for the collection and validation of ESG data and driving day-to-day implementation of our ESG Strategy.

All BUUK staff are responsible for supporting and promoting our ESG principles and working in line with the group's core values.

<u>Strategy and Risk Management</u>

The following risks and opportunities have been identified as the most significant to BUUK as a business. The climate-related risks and opportunities are assessed as short (0-3 years), medium (3-10 years), and long-term (10+ years). We have performed our analysis based on a time horizon to 2050. Short term represents a period over which we have a high level of visibility on current regulatory and legislative frameworks; medium term reflects the horizon of BUUK's detailed 10 year planning, and long term taking us beyond this towards future standards and the Government's net zero by 2050 target.

Risk/Opportunity type and description	Our Response
Transitional risk: (Policy & Legal, Market) Future legislative changes, implemented to facilitate the UK's transition to net zero, reduce the role of gas networks in meeting domestic energy and heat needs. **Timeframe:** Long term **Likelihood:** Probable	The role of existing gas networks in the path to achieving net zero carbon emissions by 2050 is currently uncertain. Any impact from this risk would not be expected to materialise until the longer term. Recent documentation released by Ofgem, in relation to their RIIO-GD3 methodology consultation, indicates that they do not anticipate large-scale systematic changes to the gas networks during the RIIO-3 price control period (2026 – 2031). Whilst a reduction in fossil fuel use will be necessary to reduce emissions, there is strong potential for gas networks to be converted to transport hydrogen or a blend of hydrogen and natural gas. In August 2023 the government published a "Hydrogen Strategy: Update to the market" which highlights its continued commitment to the UK Hydrogen Strategy (2021), stating that "that low carbon hydrogen has the potential to offer a strategic option for decarbonising heat in buildings alongside heat pumps and heat networks". A number of trials are underway to evaluate the potential for hydrogen as an alternative to natural gas for heating. The financial impact to the Group from the phasing out of gas could potentially be seen in reduced future transportation revenues as well as accelerated depreciation which should be reflected in tariffs to ensure full recovery of investment of our existing gas networks, however we would expect these impacts to be substantially mitigated under a scenario in which hydrogen is used as part of the heat mix. The materials used in BUUK's modern networks are capable of transporting hydrogen with minimal alteration. UK Government consulted on the Future Homes Standard in December 2023, which includes requirements for heating of new homes from 2025. The consultation highlights the use of heat pumps and heat networks as viable replacement technologies to gas. As a multi-utility business with existing capabilities in these areas, BUUK are well-placed to benefit from these significant opportunities. BUUK have already developed a heat network solution for traditional, new-build, low-rise developments. This solution reduces carbon emissions by 75-80% based on current building regulations.
Transitional risk: (Reputation) The risk of failure to take sufficient actions to decarbonise our operations and satisfy our stakeholders' expectations, leading to reputational damage and adverse financial impacts. **Timeframe:** Long term **Likelihood:** Unlikely	Risk is concerned with reputational damage to our Group, with the potential impact being to customer and supplier relationships as well as on our ability to continue to attract and retain high quality employees. Decarbonisation is central to our Group's vision and underlying values; through setting ambitious targets for decarbonisation, to reach net zero on directly controlled operations by 2040, we have already taken significant steps to mitigate this risk and reduce our GHG emissions. Further, we have committed significant resources in developing and building low carbon solutions for customers and engaged external providers to benchmark our activities against the industry. BUUK achieved a 97% score on the Global Real Estate Sustainability Benchmarking (GRESB) with 5-star rating and 'sector leader' status for environmental, social and governance (ESG) performance.

Physical risk: The risk of disruption to our distribution networks, staff and supply chain as a result of increased frequency and severity of extreme weather events such as storms, heatwaves, and floods. **Timeframe:** Short, Medium & Long term **Likelihood:** Possible	There is an acute physical risk to our network assets associated with extreme weather events, with higher frequency and severity of such events causing damage to our network incurring higher emergency call outs, and increased repairs and maintenance costs to maintain high quality and safety standards. Chronic physical risks associated with longer term changes in weather patterns could further add to these costs and the strain on energy infrastructure as a whole. Where relevant, climate related risks are assessed and taken into account as part of the design network. The Government's UK Climate Change Risk Assessment 2022 lists risks to people and economy from climate-related failure of power systems as a priority risk area, noting that the UK will become more dependent on electricity as our dominant energy source. We have a robust Business Continuity Management System (BCMS) which has been designed and developed to meet the requirements of ISO 22301, reflecting industry best practice. Our Group strategy further addresses this risk with continued investment in development of Passiv UK smart energy usage technology and Levelise grid balancing services to improve efficiency and ease pressure on the electricity grid at peak times. We also have the capacity to build our energy centres to include thermal storage.
Transition opportunity: (Policy & Legal, Market) Market shifts favouring low-carbon technology provide an opportunity for BUUK to leverage existing technical expertise and multi-utility offering. **Timeframe:** Short, Medium & Long term **Likelihood:** Possible	BUUK are well placed to support house builders in the migration towards low-carbon heat technologies. BUUK has an established electricity business, able to deliver electrification to future decarbonised heating solutions. We are also providing new district heat networks and our existing gas networks are ready for future conversion to hydrogen. Future growth in this area is expected to generate significant revenue alongside investment which will drive innovation in the sector. We also recognise the increased pressure the move to low carbon technologies puts on the UK's electricity infrastructure and have invested in smart technologies, through our Passiv UK and Levelise brands to develop smart controls for heat pumps and energy aggregation, providing both efficiency and security to our customers.

Climate-related scenario analysis

BUUK have identified that the future of heat in various climate scenarios has the most significant potential impact on our business model and strategy, hence we have selected 3 climate-related scenarios, set out by the International Energy Agency, which use the IEA's Global Energy Climate Model (GEC Model). These have been selected as the most relevant scenarios to our industry, with The IEA examining energy issues including supply and demand for fossil fuels as well as renewable energy technologies. The model is based on a 2021 data set, but is recalibrated annually for new and emerging information, most recently in 2023, allowing us to base our analysis on up to date information. These can be mapped against the Intergovernmental Panel on Climate Chane (IPCC)'s Sixth assessment report (AR6), which modelled thousands of scenarios and summarised these into 8 climate categories, from C1 – Below 1.5C with no or limited overshoot, to C8 – Above 4C, by 2100. A qualitative approach has been taken in assessing the impact of each scenario on BUUK, as the data required for quantitative modelling is not currently available.

Net Zero Emissions by 2050 Scenario (NZE) – This scenario is consistent with the IPCC's AR6 C1 category.

These pathways prioritise the adoption of ambitious and co-ordinated policies with rapid deployment of clean energy technologies and energy efficiency.

The resulting scenario poses relatively low physical risks to our business, as it will reduce the impacts of extreme weather, pollution, and damage to ecosystems.

Climate Related Financial Disclosure (continued)

There are transitional risks associated with this scenario, as it assumes significant changes in policies and market trends are required to phase out fossil fuels and drive rapid decarbonisation. We are confident that our Group strategy is resilient to this scenario, as it aligns with our objective to achieve net zero emissions in our directly controlled operations by 2040, transitioning our existing gas networks to hydrogen, or blended hydrogen and increasing sales of our low-carbon technologies.

In August 2023 the government published a "Hydrogen Strategy: Update to the market" which highlights its continued commitment to the UK Hydrogen Strategy (2021) and highlighted that it envisages hydrogen to play an increasingly important role in building a cleaner energy system.

Announced Pledges Scenario (APS) - This scenario is consistent with the IPCC's AR6 C6 category – Below 3C

This scenario assumes that all climate commitments which have been made by the Government as at August 2023, will be met in full and on-time. This results in a slower transition but assumes a significant reduction in the usage of fossil fuels by at least 68% below 1990 levels by 2030. It would also result in limited additional policies being enacted in the future. This scenario is not compatible with the Paris Agreement and may result in an increase to the frequency and severity of extreme weather events which could pose a physical risk to our business.

The transitional risks to BUUK in this scenario have been assessed as moderate, as our Group strategy is aligned to current climate pledges in the UK and; in this scenario, there are no further changes emerging which could result in legal and policy risks. The same considerations applied to the net zero scenario would be applied.

Stated Policies Scenario (STEPS) - This scenario is consistent with the IPCC's AR6 C7 category - Cur-Pol pathway

This scenario reflects a pathway where there is no change to policies that are in place as of the end of August 2023 and a continued reliance is placed on fossil fuels in existing developments. This poses the lowest transitional risk to BUUK, with continued use of gas and few additional costs. However, it would potentially limit future increases in sales of low carbon technologies. In this scenario, the physical risk would be increased, with higher likelihood of acute events such as storms and flooding causing damage to network assets and potential loss of service.

Our current business continuity and health and safety policies are constantly evolving to reflect changes in the environment in which we operate, to ensure we consistently align to relevant regulatory requirements and industry standards. This partially mitigates the risk of incidents which could potentially harm our reputation, particularly in relation to service interruption.

We continue to develop our analysis of physical risks to our networks and stakeholders in relation to both acute events, as mentioned above and chronic changes in weather patterns and sea-level rises.

<u>Metrics and Targets</u>

BUUK's overarching target is to be carbon net zero for Greenhouse Gas Emissions, scope 1 and 2 and for those elements of scope 3, under our direct control by 2040. This has been selected to reflect our commitment to the reduction of our impact on the environment and the role we play in collectively achieving net zero by 2050, this aligns with wider Government policies, reducing future transitional risks and and would significantly reduce the physical risks to our networks associated with scenarios where net zero is not achieved.

GHG emissions are the key metric to be measured in assessing our progress against this target and are reported annually within the SECR section of our strategic report on page 19.

Currently scope 1 emission make up 98%, 18,336 tCO_2e (2022: 97%, 16,779 tCO_2e) of our total, of which 65%, 11,971 tCO_2e (2022: 57%, 9,589 tCO_2e) relates to site gas. Hence, we are also targeting staged decarbonisation of our community heat hubs, with community heat hubs electricity sources to be changed to 100% renewable in 2024 and full decarbonisation of our sites over the period to 2040.

We also set targets and monitor other areas within our business which contribute to our overalL environmental and sustainability objectives - a key area being our objective to send zero waste to landfill by 2025. In 2023 we achieved landfill avoidance rates in our directly controlled waste management processes of 95%, compared to 61% in 2022.

Further information can be found in our Sustainability Report, available on the BUUK website.

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 have used the 2022 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 dual reporting approach for assessing Scope 2 emissions from electricity usage. The financial control approach has been used.

The table below summarises the GHG emissions for the reporting year: 1 January 2023 to 31 December 2023. We have also provided last year's assessment results for comparison. During this period we have generated 14,187,691 kWh, which have been exported from our energy centres to the grid, and generated 24,610 kWh from onsite solar. As a business we have been assessing our carbon emissions since 1 January 2020.

Scope	Activity	2023 Location based (tCO2e)	2023 Market based (tCO2e)	2022 Location based (tCO2e)*	2022 Market based (tCO2e)*
Scope 1	Site gas	11,970.69	11,970.69	9,589.35	9,589.35
	Van travel and distribution	4,579.02	4,579.02	5,265.36	5,265.36
	Company car travel	1,643.08	1,643.08	1,757.28	1,757.28
	Lorry freight (owned)	91.02	91.02	149.95	149.95
	Site Burning Oil (Kerosene)	1.56	1.56	13.97	13.97
	Site LPG	n/a	n/a	3.43	3.43
	Refrigerants	51.08	51.08	n/a	n/a
Scope 1 Sub total		**18,336.45**	**18,336.45**	**16,779.34**	**16,779.34**
Scope 2	Purchased Electricity	431.89	70.17	369.59	169.75
Scope 2 Sub total		**431.89**	**70.17**	**369.59**	**169.75**
	Employee-owned travel (grey fleet)	31.72	31.72	107.81	107.81
Scope 3 Sub total		**31.72**	**31.72**	**107.81**	**107.81**
Total tonnes of CO2e		18,800.07	18,438.35	17,256.74	17,056.90
Tonnes of CO2e per employee		**8.83**	**8.66**	**8.99**	**8.88**
Tonnes of CO2e per £M turnover		**37.73**	**37.00**	**38.69**	**38.24**
Total energy consumption (kWh)**		**94,283,469**	**94,283,469**	**83,628,113**	**83,628,113**

**Total Energy Consumption includes purchased electricity at controlled sites, UK site gas (for electricity generation and for internal consumption), UK site burning oil (Kerosene), UK site LPG, company owned vehicles, refrigerants, and employee-owned vehicles (grey fleet).*

The increase in location based carbon footprint compared to 2022 is predominantly due to a rise in emissions from natural gas consumption at our sites. However, tonnes of CO2e per £M turnover has decreased. This is largely due to significant growth of business activity within our Metropolitan Heat business.

A number of key actions have been taken during the year to improve energy efficiency. These include tangible changes, such as development of decarbonisation plans for our energy centre and the completion of a fleet decarbonisation project. We have now also completed works to place all offices and depots onto fully renewable electricity contracts; in 2024 this will be extended to our Energy Centres. This is alongside regular engagement and education of employees on energy saving options, examples of which include continuing promotion of electric vehicles, including the fleet policy, and raising awareness of key sources of waste at home and in BUUK.

This report was approved by the Board on 15 March 2024 and signed on its behalf.

R Brett
Director

BUUK Infrastructure No 2 Limited

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 2023.

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 19. The profit for the year, after taxation, amounted to £79.6m (2022: £78.9m).

During the year interim dividends were approved and paid of £53.3m (2022: £60.0m). The Directors do not propose the payment of a final dividend (2022: £nil).

Directors

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

D Corney (resigned 28 July 2023)

C Linsdell

G Montesi

P Sim

N Hindle (resigned 20 December 2023)

R Brett (appointed 28 July 2023)

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 financial statements in accordance with United Kingdom adopted international accounting standards. 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 of the financial reporting framework 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going Concern

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.

The Directors confirm the adequacy of the current facilities for a period of at least the next 12 months from the date of approval of the financial statements. On the basis of the financing facilities available together with the business plans, which reflect current expected market conditions, risks, and opportunities, as well as a downside scenario which has been applied to the group's forecasts, the possibility of which is considered remote, 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 15 March 2024 and signed on its behalf.

R Brett
Director

Independent Auditor's Report to the members 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 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- the financial statements 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 statement of financial position;
- the consolidated and parent company statement of changes in equity;
- the consolidated and parent company cash flow statements; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law. United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

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.

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 and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the groups's business sector.

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 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 licences for parts of the group's business including Ofgem, Ofcom and Ofwat. Also included are occupational health and safety regulations, the Bribery Act, Gas Safety Management Regulations and Pressure Systems Regulations.

We discussed among the audit engagement team including relevant internal specialists such as 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 fraud risk in revenue recognition, focusing specifically on connections revenue being incorrectly recorded due to management manipulation through adding fictitious customers, or by 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. Additionally, we have performed testing over a sample of projects, agreeing items to a signed quote acceptance and (if applicable) variation, and recalculating the revenue to be recognised based on the audited costs incurred and audited developer contribution.

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.

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

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 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 correspondence with HMRC.

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
18 March 2024

BUUK Infrastructure No 2 Limited
Consolidated Income Statement
for the year ended 31 December 2023

	Notes	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Continuing operations			
Revenue	4	510,777	465,470
Cost of sales		(142,799)	(139,601)
Gross profit		367,978	325,869
Administrative expense			
Amortisation and depreciation		(104,992)	(95,434)
Other operating expenses		(78,674)	(62,370)
Operating profit		184,312	168,065
Net finance costs	5	(77,707)	(62,282)
Profit before tax		106,605	105,783
Tax	8	(27,013)	(26,916)
Profit for the year attributable to the owners of the parent	6	79,592	78,867

The notes on pages 27 to 61 form an integral part of these financial statements.

BUUK Infrastructure No 2 Limited
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2023

	Notes	**Year ended 31 December 2023 £'000**	**Year ended 31 December 2022 £'000**
Profit for the year		79,592	78,867
Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to profit or loss			
Gain on revaluation of Infrastructure assets	12	114,556	84,897
Income tax relating to items that will not be reclassified subsequently	8	(28,639)	(21,224)
		85,917	63,673
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	19	6,379	(26,797)
(Loss)/gain on hedging instruments designated as a cash flow hedge	19	(6,285)	25,006
Reclassification adjustments for amounts recognised in profit or loss		(87)	(623)
Income tax relating to items that may be reclassified subsequently	8	(77)	620
		(70)	(1,794)
Other comprehensive income for the year, net of income tax		85,847	61,879
Total Comprehensive Income for the year attributable to the owners of the parent		**165,439**	**140,746**

The notes on pages 27 to 61 form an integral part of these financial statements.

BUUK Infrastructure No 2 Limited
Consolidated Statement of Financial Position
as at 31 December 2023

	Notes	31 December 2023 £'000	31 December 2022 £'000
Non-current assets			
Goodwill	9	29,208	24,180
Other intangible assets	10	19,617	25,696
Property, plant and equipment	12	4,301,034	3,901,319
Deferred tax assets	15	31,606	35,479
		4,381,465	3,986,674
Current assets			
Inventories	14	8,015	6,232
Trade and other receivables	15	196,982	166,623
Derivative financial instruments	19	-	47,515
Cash and bank balances		41,699	3,002
		246,696	223,372
Total assets		4,628,161	4,210,046
Current liabilities			
Trade and other payables	16	(167,172)	(155,367)
Lease liabilities	28	(1,062)	(814)
Deferred income	18	(141,446)	(144,864)
Borrowings	17	-	(273,283)
		(309,680)	(574,328)
Non-current liabilities			
Borrowings	17	(2,143,359)	(1,625,014)
Lease liabilities	28	(1,615)	(1,791)
Deferred income	18	(64,081)	(63,925)
Deferred tax liabilities	16	(730,291)	(678,430)
		(2,939,346)	(2,369,160)
Total liabilities		(3,249,026)	(2,943,488)
Net assets		**1,379,135**	**1,266,558**
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	982,540	896,623
Cash flow hedge reserve	21	1,173	1,243
Retained earnings		48,550	21,820
Total equity attributable to owners of the parent		**1,379,135**	**1,266,558**

The financial statements of BUUK Infrastructure No 2 Limited (registered number 08246443) were approved and authorised for issue by the board on 15 March 2024

R Brett
Director

The notes on pages 27 to 61 form an integral part of these financial statements.

BUUK Infrastructure No 2 Limited
Company Statement of Financial Position
as at 31 December 2023

	Notes	31 December 2023 £'000	31 December 2022 £'000
Non-current assets			
Investments	11	1,844,093	1,840,162
Amounts receivable from group undertakings	15	726,471	468,202
Deferred tax assets	15	1,809	4,515
		2,572,373	2,312,879
Current assets			
Trade and other receivables	15	16,756	9,940
Amounts receivable from group undertakings	15	15,013	12,832
Cash and bank balances		15	4
		31,784	22,776
Total assets		2,604,157	2,335,655
Current liabilities			
Trade and other payables	16	(6,429)	(3,537)
Amounts payable to Group undertakings	16	-	(226,140)
		(6,429)	(229,677)
Non-current liabilities			
Deferred tax liabilities	16	(341)	(287)
Amounts payable to group undertakings	16	(2,085,000)	(1,485,000)
Borrowings	17	(67,588)	(147,138)
		(2,152,929)	(1,632,425)
Total liabilities		(2,159,358)	(1,862,102)
Net assets		**444,799**	**473,553**
Equity			
Share capital	21	235,273	235,273
Convertible loan notes	17	158,539	158,539
Retained earnings		50,987	79,741
Total equity attributable to owners of the Company		**444,799**	**473,553**

The Company reported a profit for the year ended 31 December 2023 of £24,504,000 (2022: £56,354,000). 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 15 March 2024.

R Brett
Director

The notes on pages 27 to 61 form an integral part of these financial statements.

BUUK Infrastructure No 2 Limited
Consolidated Statement of Changes in Equity
For the year ended 31 December 2023

	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 2022	235,273	(46,940)	158,539	825,980	3,037	9,616	1,185,505
Profit for the year	-	-	-	-	-	78,867	78,867
Other comprehensive income for the year, net of income tax	-	-	-	63,673	(1,171)	-	62,502
Reclassification adjustments for amounts recognised in profit or loss	-	-	-	-	(623)	-	(623)
Total comprehensive income for the year	-	-	-	63,673	(1,794)	78,867	140,746
Payment of dividends (note 20)	-	-	-	-	-	(60,000)	(60,000)
Transfer of revaluation reserve on disposal of subsidiary	-	-	-	6,970	-	(6,970)	-
Movement in Share-based payments reserve	-	-	-	-	-	307	307
Balance at 31 December 2022	235,273	(46,940)	158,539	896,623	1,243	21,820	1,266,558
Profit for the year	-	-	-	-	-	79,592	79,592
Other comprehensive income for the year, net of income tax	-	-	-	85,917	17	-	85,934
Reclassification adjustments for amounts recognised in profit or loss	-	-	-	-	(87)	-	(87)
Total comprehensive income for the year	-	-	-	85,917	(70)	79,592	165,439
Payment of dividends (note 20)	-	-	-	-	-	(53,258)	(53,258)
Movement in Share-based payments reserve	-	-	-	-	-	396	396
Balance at 31 December 2023	235,273	(46,940)	158,539	982,540	1,173	48,550	1,379,135

The notes on pages 27 to 61 form an integral part of these financial statements.

BUUK Infrastructure No 2 Limited
Company Statement of Changes in Equity
For the year ended 31 December 2023

	Share capital	Convertible loan notes	Retained earnings	Total Equity
	£'000	£'000	£'000	£'000
Balance at 1 January 2022	235,273	158,539	83,387	477,199
Profit for the year	-	-	56,354	56,354
Total Comprehensive Income for the year	-	-	56,354	56,354
Payment of dividends (note 20)	-	-	(60,000)	(60,000)
Balance at 31 December 2022	235,273	158,539	79,741	473,553
Profit for the year	-	-	24,504	24,504
Total Comprehensive Income for the year	-	-	24,504	24,504
Payment of dividends (note 20)	-	-	(53,258)	(53,258)
Balance at 31 December 2023	235,273	158,539	50,987	444,799

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.

The notes on pages 27 to 61 form an integral part of these financial statements.

BUUK Infrastructure No 2 Limited
Consolidated Cash Flow Statement
for the year ended 31 December 2023

	Notes	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Cash flows from operating activities			
Profit for the year		79,592	78,867
Adjustments for:			
Income tax expense recognised in profit or loss	8	27,013	26,916
Finance costs recognised in profit or loss	5	77,707	62,282
Loss on disposal of property, plant and equipment		1,415	2,704
Depreciation and amortisation of non-current assets	6	104,992	95,434
Operating cash flows before movements in working capital		290,719	266,203
Increase in trade and other receivables	15	(30,299)	(18,235)
Increase in inventories	14	(1,783)	(2,985)
Increase/(decrease) in deferred revenue	18	(3,262)	64,655
Increase/(decrease) in trade and other liabilities	16	6,277	(8,230)
Cash generated from operations		261,652	301,408
Interest paid on borrowings		(77,056)	(62,112)
Interest paid on lease liabilities	5	(139)	(70)
Net cash generated by operating activities		184,457	239,226
Investing activities			
Payments for property, plant and equipment		(380,689)	(352,483)
Proceeds on disposal of property, plant and equipment		1,821	548
Net cash outflow on acquisition of subsidiaries	29	(3,929)	-
Net cash generated by/(used in) investing activities		(382,797)	(351,935)
Financing activities			
Payment for debt issue costs		(5,242)	(2,452)
Payment of lease liabilities		(1,173)	(872)
Proceeds from borrowings		819,390	147,539
Repayment of borrowings		(563,910)	-
Settlement of derivative financial instruments		41,230	-
Dividends paid	20	(53,258)	(60,000)
Net cash from financing activities		237,037	84,215
Net increase/(decrease) in cash and cash equivalents		38,697	(28,494)
Cash and cash equivalents at the beginning of the year		3,002	31,496
Cash and cash equivalents at the end of the year		41,699	3,002

The notes on pages 27 to 61 form an integral part of these financial statements.

BUUK Infrastructure No 2 Limited
Company Cash Flow Statement
for the year ended 31 December 2023

	Year ended 31 December 2023	Year ended 31 December 2022
	£'000	£'000
Cash flows from operating activities		
Profit for the year	24,504	56,354
Adjustments for:		
Income tax credit recognised in profit or loss	(12,182)	(10,455)
Finance costs and investment income recognised in profit or loss	(14,354)	(48,416)
Amortisation recognised in profit or loss	225	387
Operating cash flows before movements in working capital	(1,807)	(2,130)
(Increase)/decrease in trade and other receivables	349	6,403
Increase/(decrease) in trade and other payables	(7,605)	2,534
Cash (used in)/from operations	(9,063)	6,808
Interest paid on borrowings	(12,613)	(5,470)
Net cash used in operating activities	(21,676)	1,338
Investing activities		
Amounts received from/(advanced to) group undertakings	88,130	(192,176)
Dividends received	65,800	103,300
Net cash generated by/(used in) investing activities	153,930	(88,876)
Financing activities		
Proceeds from borrowings	219,390	147,539
Repayment of borrowings	(296,540)	-
Payment for debt issue costs	(1,835)	-
Dividends paid to owners of the Company	(53,258)	(60,000)
Net cash (used in)/generated by financing activities	(132,243)	87,539
Net increase in cash and cash equivalents	11	1
Cash and cash equivalents at the beginning of the year	4	3
Cash and cash equivalents at the end of the year	15	4

The notes on pages 27 to 61 form an integral part of these financial statements.

1 General information

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

The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the strategic report on pages 3 to 13.

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 financial statements have been prepared in accordance with UK-adopted international accounting standards and with International Financial Reporting Standards as issued by the IASB.

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 consolidated financial statements present results for the Company and its subsidiaries for the two 12 month periods ending 31 December 2022 and 2023.

A subsidiary is an entity controlled by the group. Control is achieved when the group is exposed to, or had rights over, variable returns from its investment and the ability to affect those returns through power over the financial and operating policies of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

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 June 2023. At the date of approval of the financial statements the Group has undrawn committed facilities of £279.6m, with a syndicate of banks, of which £189m is available for general corporate purposes and £90.6m is linked to future capital expenditure. These facilities were renewed in 2023 and are due to expire on 28 November 2028.

The Group has Senior Secured Loan notes denominated in GBP (£2,085m). The loan notes incur a fixed rate of interest. The Group's borrowings have an average remaining maturity of c.10.8 years with maturity dates ranging from 2025 to 2048.

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. A downside scenario has been applied to the group's forecasts, the possibility of which is considered remote, under which the group still maintains adequate resources to continue in operational existence for the foreseeable future.

Given the above, the Directors have a reasonable expectation that the Group and Company can continue to meet its liabilities as they fall due, for a period of at least 12 months from the date of this annual report. Accordingly, they have prepared the financial statements on the going concern basis.

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 beyond 30 June 2021
IFRS 16 (amendments) Lease Liability in a Sale and Leaseback
IAS 7 and IFRS 7 (amendments) Supplier Finance Arrangements
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
IAS 21 (amendments) Lack of exchangeability
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
IFRS S2 Climate-related Disclosures

The below new and revised standards came into effect during the year ended 31 December 2023. They have not had any significant impact on these financial statements.

IFRS 17 Insurance Contracts
IFRS 17 (amendments)
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
IAS 12 (amendments) Deferred Tax related to Assets and Liabilities arising from a Single Transaction
IFRS 17 (amendments) Initial application of IFRS 17 and IFRS 9 – comparative information
IAS 12 (amendments) International Tax Reform – Pillar Two Model Rules

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 Directors consider that there are no critical judgements to be disclosed that have been made in the process of applying the Group's accounting policies which have a significant effect on the amounts recognised in the financial statements.

2 Basis of preparation (continued)

Key sources of estimation uncertainty

The following are 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.

- 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, external economic forecasts 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.

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). For connections revenue paid by developer customers, the performance obligation is satisfied when the construction of the new housing development progresses and the developer can add value to the land or sell domestic properties. This is judged to be on a percentage of completion of that infrastructure with reference to the whole-life contract costs.

There is a direct relationship between the inputs (spend on infrastructure) and the satisfaction of the performance obligation (delivery of a distribution network). As the input costs are incurred the customer's asset is enhanced and progress is made towards meeting the performance obligation.

Typical payment terms are immediately on receipt of a signed contract.

Transportation revenue
Transportation revenue largely comprises sales value derived from the transportation of gas, electric, fibre, water and waste, including an assessment of the value of services provided, but not invoiced, at the period end. It excludes value added tax and intra-group sales.

The sales value for the transportation of utilities is largely determined from the number of connections and capacity sold for the year, evaluated at contractual prices on a monthly basis. The customers for the transportation of utilities are energy suppliers, internet service providers and direct to households in the case of water and waste. The single performance obligation for these revenue streams is deemed to be the provision of the relevant utility services between the regional distribution network to the end consumers. The performance obligation is satisfied over time as the energy suppliers, internet service providers and households immediately control and consume the benefits that BUUK provides by having a network available. Although certain elements of the revenue are invoiced separately, the services are not distinct (the nature of the promise is to transfer a combined service) and only one performance obligation exists.

Income from energy suppliers, internet service providers and households is governed by the credit rules within each utility's industry code, or by reference to specific contracts. Payment terms are typically 14-30 days depending on the utility.

Revenue arising in relation to 'Supplier of Last Resort' (SoLR) process amendments, made in April 2022, is pass-through in nature and recognised in accordance with IFRS 15. Electricity revenue is recognised gross, when services are provded, with costs presented within cost of sales. Gas revenue is recognised net of costs, when services are provided, resulting in a nil impact in revenue.

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.

3 Significant accounting policies (continued)

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.

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, 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.

3 Significant accounting policies (continued)

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.

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.

3 Significant accounting policies (continued)

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.

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.

3 Significant accounting policies (continued)

Financial instruments (continued)

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.

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.

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)

Leases (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 2023 £'000	Year ended 31 December 2022 £'000
Continuing operations in the UK		
Gas	151,761	139,029
Electricity	112,185	103,396
Fibre	27,314	23,952
Water & Waste	17,345	9,498
District Energy	8,126	7,013
Transportation Revenue	316,731	282,888
Connections Revenue	161,010	139,439
Construction Revenue	2,378	4,708
Electricity SoLR Revenue*	12,472	19,472
Other Revenue	18,186	18,963
Total Revenue	510,777	465,470

*Pass-through revenue associated with the Electricity Supplier of Last resort costs recovery process, requiring additional billing by BUUK on behalf of Distribution Network Operators from April 2022. See revenue recognition policy within note 3 for further detail.

5 Investment revenues and finance costs

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Interest income on bank deposits	1,605	316
Investment income recognised on derivative financial instruments	415	623
Total interest income	2,020	939
Interest on bank overdrafts and loans	(79,516)	(62,264)
Amortisation of arrangement fees	(738)	(793)
Commitment fees	(1,787)	(2,265)
Interest on lease liabilities	(139)	(69)
Total interest expense	(82,180)	(65,391)
Less: amounts included in the cost of qualifying assets	2,453	2,170
Net finance costs recognised in profit or loss	(77,707)	(62,282)

All interest and investment income was earned from loans and receivables (including cash and bank balances).
The weighted average capitalisation rate on funds borrowed generally is 3.9% per annum (2022: 3.5%).

6 Profit for the year

Profit for the year has been arrived at after charging:

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Depreciation of property, plant and equipment (see note 12)	98,556	89,158
Amortisation of intangible assets (see note 10)	6,436	6,276
Staff costs (see note 7)	130,559	110,719

6 Profit for the year (continued)

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Fees payable to the Company's auditor and their associates for the audit of the Company's annual financial statements	125	102
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	834	683
Total audit fees	**959**	**785**
- audit related assurance services	16	15
Total non-audit fees	**16**	**15**
Total fees payable to the Company's auditor and their associates	975	800

7 Staff costs

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Wages and salaries	107,529	92,136
Social security costs	12,294	10,770
Other pension costs	10,736	7,813
	130,559	110,719

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

	Year ended 31 December 2023 No.	Year ended 31 December 2022 No.
Construction and asset management	1,708	1,546
Administrative staff	420	373
	2,128	1,919

Directors' Remuneration

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Emoluments	6,005	3,725
Company contributions to defined contribution pension schemes	52	38
Total	6,057	3,763

The number of directors who:	No.	No.
Are members of a defined contribution pension scheme	3	2
Have exercised share options in the year	2	1

Remuneration of the highest paid director	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Emoluments	2,674	2,414
Company contribution to money purchase schemes	-	-
	2,674	2,414

As at 31 December 2023 there were 4 (2022: 5) serving Directors of the Company. Two (2022: two) 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. During 2023 and 2022 the highest paid director exercised share options. The remaining Directors' remuneration disclosed above reflects amounts paid to them for their services to the Group.

8 Tax

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
(a) Tax charge		
The tax charge is made up as follows-		
Current tax:		
Current year group relief	3	-
Total current tax (credit)/charge	3	-
Deferred tax:		
Adjustment to prior year	(266)	209
Origination and reversal of timing differences	27,276	26,707
Effect of increased tax rate on opening asset and liability	-	-
Total deferred tax charge	27,010	26,916
Tax charge (Note 8(b))	27,013	26,916

(b) Factors affecting tax charge
On 6 April 2023, the standard rate of corporation tax changed from 19% to 25%.

The tax assessed on the profit for the year is lower than the blended effective rate of corporation tax in the UK applicable to the Group in the year of 23.50% (2022 – 19.00%). The differences are reconciled below:

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Profit before tax	106,605	105,783
Standard rate of corporation tax in the UK	23.50%	19.00%
Profit multiplied by effective rate of corporation tax in the UK	25,052	20,099
Effects of:		
Adjustments to prior year	(266)	209
Expenses not deductible/(Income not taxable) for tax purposes	581	198
Effect of difference between current and future tax rates	1,646	6,410
Total tax charge for year	27,013	26,916

(c) Factors that may affect future tax charges
The Finance Bill 2021, substantively enacted in May 2021, provided for the main rate of corporation tax rate increase to 25% from 1 April 2023. Accordingly, deferred tax has been calculated using a tax rate of 25%.

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Deferred tax		
Items that will not be reclassified subsequently to profit or loss:		
Gains on infrastructure asset revaluations	(28,639)	(21,224)
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges:		
Gains arising during the year	(77)	620
Total income tax credit recognised in other comprehensive income	(28,716)	(20,604)

9 Goodwill

	2023 Group £'000	2022 Group £'000
Cost and carrying value		
At 1 January	24,180	24,180
Additions	5,028	-
Disposals	-	-
At 31 December	29,208	24,180

Goodwill comprises £19,058,000 arising on acquisition of Inexus Group Limited in November 2012, £1,801,000 on acquisition of EPLR Holdings Limited in February 2020, £3,321,000 on acquisition of trade and assets of Passiv Systems Limited (PSL) on 21 April 2021 and £5,028,000 on acquisition of trade and assets of Levelise Limited on 8 February 2023.

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 7.82% (2022: 7.2%).

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% (2022: 2.0%) 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 value in use 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 value in use of approximately £269m and a 100 basis point decrease in the long term terminal growth rate would result in a decrease in the value in use of approximately £162m. Neither would indicate impairment.

10 Other intangible fixed assets

	Other Group £'000	Customer Order Book Group £'000	Total Group £'000
Cost			
At 1 January 2022	-	65,228	65,228
Additions	426	-	426
At 31 December 2022	426	65,228	65,654
Amortisation			
At 1 January 2022	-	33,682	33,682
Charge for the year	59	6,217	6,276
At 31 December 2022	59	39,899	39,958
Carrying amount			
At 31 December 2022	367	25,329	25,696

	Other Group £'000	Customer Order Book Group £'000	Total Group £'000
Cost			
At 1 January 2023	426	65,228	65,654
Additions	357	-	357
At 31 December 2023	783	65,228	66,011
Amortisation			
At 1 January 2023	59	39,899	39,958
Charge for the year	198	6,238	6,436
At 31 December 2023	257	46,137	46,394
Carrying amount			
At 31 December 2023	526	19,091	19,617

Customer order book 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 6 years.

Additions of £357,000 relate to the intellectual property rights obtained for battery technology and brand/customers from its previous parent company.

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	2023 £'000	2022 £'000
Cost		
At 1 January	1,840,162	1,840,162
Additions	3,931	-
Disposals	-	-
At 31 December	1,844,093	1,840,162

During 2023 the Company acquired the share capital of Levelise Limited for £3,930,292.

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 2023	Proportion of ownership at 31 December 2022	Ownership
GTC Pipelines Limited	Ownership of gas infrastructure	UK	100%	100%	Direct
The Electricity Network Company Limited	Ownership of electricity infrastructure	UK	100%	100%	Indirect
Power On Investments Limited	Dormant	UK	100%	100%	Indirect
Power On Connections Limited	Construction of electric infrastructure	UK	100%	100%	Direct
GTC Utility Construction Limited	Construction of infrastructure	UK	100%	100%	Indirect
GPL Investments Limited	Dormant	UK	100%	100%	Indirect
GTC Infrastructure Limited	Provider of services to the Group	Guernsey	100%	100%	Direct
BUUK Infrastructure Issuer Plc	Debt issuer	UK	100%	100%	Direct
Inexus Connections Limited	Holding company	UK	100%	100%	Direct
Inexus Group (Holdings) Limited	Holding company	UK	100%	100%	Indirect
Independent Pipelines Limited	Ownership of gas infrastructure	UK	100%	100%	Indirect
Quadrant Pipelines Limited	Ownership of gas infrastructure	UK	100%	100%	Indirect
Independent Meters Limited	Ownership and operation of utility meters in the UK	UK	100%	100%	Indirect
Independent Power Networks Limited	Ownership of electricity infrastructure	UK	100%	100%	Indirect
Connect Utilities Limited	Procurement, design and management of utility infrastructure projects	UK	100%	100%	Indirect
Metropolitan Infrastructure Limited	Procurement, design and management of utility infrastructure projects	UK	100%	100%	Indirect
Independent Community Heating Limited	Ownership and operation of district heating infrastructure	UK	100%	100%	Indirect
Open Fibre Networks Limited	Ownership and operation of telecommunications infrastructure	UK	100%	100%	Indirect

11 Investments (continued)

Independent Service Provider Limited	Provider of telecommunication services	UK	100%	100%	Indirect
Independent Water Networks Limited	Ownership and operation of water infrastructure	UK	100%	100%	Indirect
Open Fibre Networks (Wholesale) Limited	Provision of wholesale fibre services	UK	100%	100%	Indirect
EPLR Holdings Limited	Dissolved	UK	0%	100%	Indirect
EPL&R Utilities Limited	Dissolved	UK	0%	100%	Indirect
Express Utilities Limited	Construction of infrastructure	UK	100%	100%	Indirect
Ultrastream Business Services Limited	Dormant	UK	100%	100%	Indirect
Passiv UK Limited	Provider of domestic advanced energy monitoring services	UK	100%	100%	Direct
Passiv Capital Limited	Provider of domestic advanced energy monitoring services	UK	100%	100%	Indirect
arto.energy Limited	Provier of automated Feed-in Tarrif management software	UK	100%	100%	Indirect
Levelise Limited	Domestic aggregator of residential energy assets	UK	100%	0%	Direct
GTC Smart Homes Limited	Dormant	UK	100%	0%	Indirect

The registered office of each of the above subsidiary undertakings is the same as that of the Company, except for GTC Infrastructure Limited. The registered office of GTC Infrastructure Limited is PO Box 186, Royal Chambers, St Julian's Avenue, St Peter Port, Guernsey, GY1 4HP, and the Company is a UK tax resident. All shares held in subsidiary undertakings are ordinary shares. All subsidiaries are consolidated within these financial statements.

12 Property, Plant and Equipment

2023 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 2023	15,054	66,373	3,959,151	358,946	4,399,524
Additions	1,244	11,960	10,266	367,786	391,256
Surplus on revaluation	-	-	114,556	-	114,556
Transferred between asset classes	-	-	288,788	(288,788)	-
Eliminated on disposal of assets	-	(9,788)	(5,510)	-	(15,298)
At 31 December 2023	16,298	68,545	4,367,251	437,944	4,890,038
Depreciation					
At 1 January 2023	4,430	40,548	453,227	-	498,205
Charge for the year	1,455	5,483	91,618	-	98,556
Capitalised into assets in the course of construction	-	4,305	-	-	4,305
Eliminated on disposal of assets	-	(9,334)	(2,728)	-	(12,062)
At 31 December 2023	5,885	41,002	542,117	-	589,004
Carrying amount					
At 31 December 2023	10,413	27,543	3,825,134	437,944	4,301,034
Comprising:					
At cost	10,413	27,543	-	437,944	475,900
At valuation	-	-	3,825,134	-	3,825,134

12 Property, Plant and Equipment (continued)

2022 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 2022	12,886	52,224	3,635,691	259,763	3,960,564
Additions	2,168	15,585	11,474	335,709	364,936
Surplus on revaluation	-	-	84,897	-	84,897
Transferred between asset classes	-	-	236,526	(236,526)	-
Eliminated on disposal of assets	-	(1,436)	(9,437)	-	(10,873)
At 31 December 2022	15,054	66,373	3,959,151	358,946	4,399,524
Depreciation					
At 1 January 2022	3,400	33,387	376,687	-	413,474
Charge for the year	1,030	5,194	82,934	-	89,158
Capitalised into assets in the course of construction	-	3,194	-	-	3,194
Eliminated on disposal of assets	-	(1,227)	(6,394)	-	(7,621)
At 31 December 2022	4,430	40,548	453,227	-	498,205
Carrying amount					
At 31 December 2022	10,624	25,825	3,505,924	358,946	3,901,319
Comprising:					
At cost	10,624	25,825	-	358,946	395,395
At valuation	-	-	3,505,924	-	3,505,924

Included within land and buildings above are right of use assets with a carrying amount of £2,563,588 (2022: £2,523,214). During the year ended 31 December 2023, there were additions of £1,244,896 (2022: £2,153,400) and depreciation of £1,204,522 (2022: £775,214) has 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 7.82% (2022: 7.2%). 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% (2022: 2%). A 100 basis point increase in the discount rate would result in a decrease in the fair value of approximately £269m and a 100 basis point decrease in the long-term terminal growth rate would result in a decrease in the fair value of approximately £162m.

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 2023, 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 £2,634m (2022: £2,405m).

The Company holds no Property, Plant and Equipment.

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

Group	31 December 2023 Group £'000	31 December 2022 Group £'000
Amounts due from contract customers included in trade and other receivables	73,954	57,740
Amounts due to contract customers included in deferred income	(38,994)	(36,915)
Amounts due to contract customers included in trade and other payables	-	-
	34,960	20,825
Contract costs incurred plus recognised profits less recognised losses to date	731,834	631,048
Less: progress billings	(937,361)	(839,837)
	(205,527)	(208,789)

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

14 Inventories

	31 December 2023 Group £'000	31 December 2022 Group £'000
Raw materials and consumables	8,015	6,232

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 2023 Group £'000	31 December 2023 Company £'000	31 December 2022 Group £'000	31 December 2022 Company £'000
Amounts due within one year:				
Amounts receivable for the sale of goods and provision of services	7,430	-	10,045	-
Amounts due from construction contract customers	73,954	-	57,740	-
Amounts due from fellow Brookfield Infrastructure Partners Group undertakings	15,044	15,000	9,842	8,000
Other receivables	13,640	1,509	12,303	1,764
Prepayments	8,630	247	7,760	176
Accrued income	78,284	-	68,933	-
	196,982	16,756	166,623	9,940
Amounts due from fellow Group undertakings	-	15,013	-	12,832
	196,982	31,769	166,623	22,772
Amounts due in more than one year:				
Amounts due from fellow Group undertakings	-	726,471	-	468,202
Deferred tax	31,606	1,809	35,479	4,515
	31,606	728,280	35,479	472,717

Excluding prepayments, deferred tax and accrued income, trade receivables disclosed above are measured at amortised cost. Amounts owed to fellow Group undertakings are unsecured, repayable on demand, and bear interest at between 1.61% and 6.28% (2022: between 1.61% and 3.3%).
The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 19.

15 Trade and other receivables (continued)

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

	31 December 2023 Group £'000	31 December 2023 Company £'000	31 December 2022 Group £'000	31 December 2022 Company £'000
Short-term timing differences	1,023	-	863	-
Financial instruments	1,480	1,809	4,263	4,515
Tax losses carried forward	29,103	-	30,353	-
Deferred tax asset	31,606	1,809	35,479	4,515

Deferred tax assets recognised of the Group and Company do not expire. The Group had unrecognised deferred tax assets of £410,937 as at 31 December 2023 (2022: £410,937) in respect of unutilised tax losses.

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 2022	934	6,141	31,546	38,621
Credit/(charge) to profit or loss	(71)	(2,085)	(1,193)	(3,349)
Charge to other comprehensive income	-	207	-	207
At 31 December 2022	863	4,263	30,353	35,479
Credit/(charge) to profit or loss	160	(2,863)	(1,250)	(3,953)
Charge to other comprehensive income	-	80	-	80
At 31 December 2023	1,023	1,480	29,103	31,606

Company

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

	Financial instruments 2023 £'000	Financial instruments 2022 £'000
At 1 January	4,515	6,599
Charge to profit or loss	(2,706)	(2,084)
At 31 December	1,809	4,515

16 Trade and other payables

	31 December 2023 Group £'000	31 December 2023 Company £'000	31 December 2022 Group £'000	31 December 2022 Company £'000
Amounts due within one year:				
Trade payables	13,160	-	13,148	-
Amounts due to contract customers (see note 13)	-	-	-	-
Other payables	10,802	-	12,938	-
Amounts due to fellow Brookfield Infrastructure Partners Group undertakings	6,563	-	6,306	-
Capital payables	51,484	-	46,134	-
Accruals	85,163	6,429	76,841	3,537
	167,172	6,429	155,367	3,537
Amounts owed to fellow Group undertakings	-	-	-	226,140
	167,172	6,429	155,367	229,677
Amounts due in more than one year:				
Amounts owed to fellow Group undertakings	-	2,085,000	-	1,485,000
Deferred tax	730,291	341	678,430	287
	730,291	2,085,341	678,430	1,485,287

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 (2022 - 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 6.30% (2022: between 2.36% and 4.65%). These amounts are repayable when the corresponding US Private Placement ("USPP") bond debt of the Group, disclosed in note 17, is required to be repaid.

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

	31 December 2023 Group £'000	31 December 2023 Company £'000	31 December 2022 Group £'000	31 December 2022 Company £'000
Accelerated tax depreciation	418,379	-	387,539	-
Revaluation of Property, Plant & Equipment	307,057	-	284,543	-
Revaluation of financial assets	(1)	-	(1)	-
Intangibles	4,856	-	6,349	-
Financial instruments	-	341	-	287
Deferred tax liability	730,291	341	678,430	287

16 Trade and other payables (continued)

Group

The Group movements in deferred tax liability are as follows:

	Accelerated tax depreciation £'000	Revaluation of Property, Plant & Equipment £'000	Revaluation of financial assets £'000	Intangibles £'000	Total £'000
At 1 January 2022	359,088	266,697	412	7,856	634,053
Charge/(credit) to profit or loss	30,774	(5,701)	-	(1,507)	23,566
Charge to other comprehensive income	-	21,224	(413)	-	20,811
Acquired in business combination	-	-	-	-	-
Disposal of a subsidiary	-	-	-	-	-
Historical capitalised overheads expensed	(2,323)	2,323	-	-	-
At 31 December 2022	387,539	284,543	(1)	6,349	678,430
Charge/(credit) to profit or loss	30,840	(6,125)	(158)	(1,494)	23,063
Charge to other comprehensive income	-	28,639	157	-	28,796
At 31 December 2023	418,379	307,057	(1)	4,855	730,289

Company

The Company movements in deferred tax liability are as follows:

	Financial instruments 2023 £'000	Financial instruments 2022 £'000
At 1 January	287	459
Credit to profit or loss	54	(172)
Effect of change in tax rate	-	-
At 31 December	341	287

17 Loans and borrowings

	31 December 2023 Group £'000	31 December 2023 Company £'000	31 December 2022 Group £'000	31 December 2022 Company £'000
Secured borrowings	2,155,389	70,389	1,905,823	147,540
Finance fees	(12,030)	(2,801)	(7,526)	(402)
	2,143,359	67,588	1,898,297	147,138
Amounts due for settlement within 12 months	-	-	273,283	-
Amounts due for settlement after 12 months	2,155,389	70,389	1,632,540	147,540
Finance fees	(12,030)	(2,801)	(7,526)	(402)
Total secured borrowings	2,143,359	67,588	1,898,297	147,138
Total borrowings	2,143,359	67,588	1,898,297	147,138

The Company also has in issue £158,539,184 (2022: £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 £16,323,870 (2022: £13,639,310) 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.

Term Loans
The Group's debt consists of US Private Placement ("USPP") bonds of which £375m were issued in 2013, £100m was issued in 2014, £100m was issued in 2015, £285m was issued in 2016, £300m was issued in 2018, £325m was issued in 2020 and £600m was issued in 2023. These bonds consist of £2,085m principal with original maturity dates of between 10 and 30 years and an average remaining maturity of 10.8 years (2022 - 8.8 years). A further £100m will be received in April 2024 in relation to the issue made in November 2023.
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 £70.4m was drawn down at 31 December 2023 (2022 – £130.5m). Interest is charged at SONIA + Credit Adjustment Spread (CAS) + 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 2028. 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 £nil was drawn down at 31 December 2023 (2022 – £17m). Interest is charged at SONIA + CAS + 1.5%.

The Liquidity facility has total available to draw down of £80m of which £nil was drawn down at 31 December 2023 (2022 – nil). Interest is charged at SONIA + CAS + 1.5%.

17 Loans and borrowings (continued)

Group
2023

	Currency	Interest rate	Year of maturity	Weighted average interest rate for the period	31 December 2023 £'000 Nominal value	31 December 2023 £'000 Carrying amount
Secured bank loan - Facility B & C	GBP	SONIA+CAS+1.5%	2028	6.73%	70,389	70,389
Bonds £375m (GBP)	GBP	4.05%-4.63%	2025-2033	4.45%	375,000	375,000
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
Bonds £350m (GBP)	GBP	4.61%-4.77%	2039-2043	4.68%	350,000	350,000
Bonds £250m (GBP)	GBP	6.27%-6.33%	2034-2037	6.30%	250,000	250,000
					2,155,389	2,155,389

Interest charged on the secured bank loans is fixed at SONIA + Credit Adjustment Spread (CAS) + 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
2023

	Currency	Interest rate	Year of maturity	Weighted average interest rate for the period	31 December 2023 £'000 Nominal value	31 December 2023 £'000 Carrying amount
Secured bank loan - Facility B & C	GBP	SONIA+CAS+1.5%	2028	6.73%	70,389	70,389
					70,389	70,389

Interest charged on the secured bank loans is fixed at SONIA + Credit Adjustment Spread (CAS) + 1.5% for the period of each draw down as at the date of that draw down.

Group
2022

	Currency	Interest rate	Year of maturity	Weighted average interest rate for the period	31 December 2022 £'000 Nominal value	31 December 2022 £'000 Carrying amount
Secured bank loan - Facility B & C	GBP	SONIA+CAS+1.75%	2024	4.65%	147,540	147,540
Bonds $300m (USD)	USD	4.29%	2023	4.29%	201,140	248,283
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
					1,858,680	1,905,823

Interest charged on the secure bank loans is fixed at SONIA+CAS+1.75% 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
2022

	Currency	Interest rate	Year of maturity	Weighted average interest rate for the period	31 December 2022 £'000 Nominal value	31 December 2022 £'000 Carrying amount
Secured bank loan - Facility B & C	GBP	SONIA+CAS+1.75%	2024	4.65%	147,540	147,540
					147,540	147,540

Interest charged on the secured bank loans is fixed at SONIA+CAS+1.75% for the period of each draw down as at the date of that draw down.

18 Deferred income

	31 December 2023 Group £'000	31 December 2022 Group £'000
Amounts due to contract customers (see note 13)	38,994	36,915
Billing in advance of work completed	166,533	171,875
Current	141,446	144,864
Non-current	64,081	63,925
	205,527	208,789

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, 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, which were settled in 2023, existed 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 Brookfield 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 and cash and cash equivalents. The Group's accounting policies with regard to financial instruments are detailed in note 3.

a) Derivatives, financial instruments and risk management
The Group used derivative financial instruments to manage certain exposures to fluctuations in interest rates, inflation rates and exchange rates, these were settled in 2023 as no longer required. The Group does not hold any speculative financial instruments.

As part of the issue of the fixed rate corporate bonds, the Group had entered into cross currency swaps, which were repaid in April 2023, with notional value $300m to hedge the potential movement in the USD:GBP exchange rate. The fair value at 31 December 2023 of this instrument is a £nil asset (2022 - £47.5m asset) (including IFRS 13 CVA adjustments). The Directors considered 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 a loss of £6.3m (2022: gain of £25m) has been recognised in other comprehensive income and £6.4m (2022: £26.8m) has been reclassified to profit and loss.

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.

19 Financial instruments and risk management (continued)

	Floating rate	Fixed rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
Group				
31 December 2023				
Financial assets				
Measured at amortised cost:				
Other receivables	-	-	188,352	188,352
Cash and bank balances	41,699	-	-	41,699
Measured at fair value:				
Derivative instruments in effective hedging relationships	-	-	-	-
Total financial assets	41,699	-	188,352	230,051
Financial liabilities				
Measured at amortised cost:				
Borrowings	70,389	2,085,000	-	2,155,389
Trade and other payables (at amortised cost)	-	-	167,172	167,172
Lease liabilities	-	2,677	-	2,677
Total financial liabilities	70,389	2,087,677	167,172	2,325,238

	Floating rate	Fixed rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
Company				
31 December 2023				
Financial assets				
Measured at amortised cost:				
Other receivables	-	-	16,509	16,509
Amounts due from Group undertakings	-	741,484	-	741,484
Cash and bank balances	15	-	-	15
Total financial assets	15	741,484	16,509	758,008
Financial liabilities				
Measured at amortised cost:				
Borrowings	70,389	-	-	70,389
Amounts payable to Group undertakings	-	2,085,000	-	2,085,000
Trade and other payables (at amortised cost)	-	-	6,429	6,429
Total financial liabilities	70,389	2,085,000	6,429	2,161,818

	Floating rate	Fixed rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
Group				
31 December 2022				
Financial assets				
Measured at amortised cost:				
Other receivables	-	-	158,863	158,863
Cash and bank balances	3,002	-	-	3,002
Measured at fair value:				
Derivative instruments in effective hedging relationships	-	47,515	-	47,515
Total financial assets	3,002	47,515	158,863	209,380
Financial liabilities				
Measured at amortised cost:				
Borrowings	147,540	1,758,283	-	1,905,823
Trade and other payables (at amortised cost)	-	-	155,367	155,367
Lease liabilities	-	2,605	-	2,605
Total financial liabilities	147,540	1,760,888	155,367	2,063,795

19 Financial instruments and risk management (continued)

Company 31 December 2022	Floating rate £'000	Fixed rate £'000	Non-interest bearing £'000	Total £'000
Financial assets				
Measured at amortised cost:				
Other receivables	-	-	9,764	9,764
Amounts due from Group undertakings	-	481,034	-	481,034
Cash and bank balances	4	-	-	4
Total financial assets	4	481,034	9,764	490,802
Financial liabilities				
Measured at amortised cost:				
Borrowings	147,540	-	-	147,540
Amounts payable to Group undertakings	-	1,711,140	-	1,711,140
Trade and other payables (at amortised cost)	-	-	3,537	3,537
Total financial liabilities	147,540	1,711,140	3,537	1,862,217

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.

19 Financial instruments and risk management (continued)

There were no material impairments of trade receivables as at 31 December 2023. 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 2023 Group £'000	31 December 2022 Group £'000
Less than 90 Days	74,813	59,609
Greater than 90 Days	24,973	20,624
	99,786	80,233
Bad debt provisions (Note 19 e)	(18,402)	(12,448)
	81,384	67,785

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, 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.

The group considers default in this context to be where information indicates that the debtor is unlikely to pay its creditors. including the group, in full.

No material exposure is considered to exist by virtue of the possible non-performance of the counterparties to 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 2023 Group £'000	31 December 2022 Group £'000
Balance at the beginning of the year	12,448	13,668
Impairment losses recognised	4,405	2,730
Amounts written off during the year as uncollectible	1,549	(3,950)
Balance at the end of the year	18,402	12,448

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

	31 December 2023 Group £'000	31 December 2022 Group £'000
Between 90 and 120 days	4,490	4,310
Greater than 120 days	20,483	13,704
	24,973	18,014

g) Currency risk

Following the settlement of the US dollar bonds, the Group primarily operates in GBP and therefore has no significant exposure to changes in market currency exchange rates.

£nil (2022: £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 £80m in order to minimise the liquidity risk of the Group to its stakeholders.

This facility is available on demand with interest charged at SONIA-linked rates, plus a Credit Adjustment Spread (CAS), fixed at the point of drawdown, and is unsecured. CAS is a transitional adjustment for conversion of existing contracts from LIBOR to SONIA.

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.

2023	Weighted average effective interest rate	On demand £'000	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	188,352	-	-	-	-	188,352
Cash and cash equivalents	0.25%	41,699	-	-	-	-	41,699
Derivative instruments in designated hedge accounting relationships	Nil	-	-	-	-	-	-
		230,051	-	-	-	-	230,051
Trade and other payables	Nil	167,172	-	-	-	-	167,172
Borrowings	4.02%	-	-	-	400,000	1,755,389	2,155,389
Fair value through profit and loss derivative instruments	Nil	-	-	-	-	-	-
Lease liabilities	4.00%	-	306	841	1,462	995	3,604
		167,172	306	841	401,462	1,756,384	2,362,165

2022	Weighted average effective interest rate	On demand £'000	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	158,863	-	-	-	-	158,863
Cash and cash equivalents	0.25%	3,002	-	-	-	-	3,002
Derivative instruments in designated hedge accounting relationships	Nil	-	-	-	-	47,515	47,515
		161,865	-	-	-	47,515	209,380
Trade and other payables	Nil	155,367	-	-	-	-	155,367
Borrowings	3.56%	-	-	273,283	387,540	1,245,000	1,905,823
Fair value through profit and loss derivative instruments	Nil	-	-	-	-	-	-
Lease liabilities	4.0%	-	226	676	1,648	1,005	3,555
		155,367	226	273,959	389,188	1,246,005	2,064,745

Committed borrowing facilities available

In addition to the £80m liquidity facility noted above the Group has undrawn committed borrowing facilities at 31 December 2023 of £279.6m (2022 - £202.5m) which expire in November 2028.

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 2023 £'000 Carrying value	31 December 2023 £'000 Fair value	31 December 2022 £'000 Carrying value	31 December 2022 £'000 Fair value
Loans and other receivables	188,352	188,352	158,863	158,863
Cash and cash equivalents	41,699	41,699	3,002	3,002
Borrowings	(2,155,389)	(1,798,318)	(1,905,823)	(1,664,704)
Inflation Linked financial instruments	-	-	-	-
Cross currency financial instruments	-	-	47,515	47,515
Trade and other payables	(167,172)	(167,172)	(155,367)	(155,367)
Lease liabilities	(2,677)	(2,677)	(2,605)	(2,605)
	(2,095,187)	(1,738,116)	(1,854,415)	(1,613,296)

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 was settled in 2023 (2022 - £47.5m), and was estimated using risk-adjusted discounted future cash flow projections;
• provisions for cash payments were 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.

j) Changes in liabilities arising from financing activities

The below table details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Loans & Borrowings (note 17) £'000	Finance fees (note 17) £'000	Lease liabilities (note 28) £'000	Derivative financial instruments £'000	Total £'000
1 January 2022	1,731,697	(5,867)	1,280	-	1,727,110
Financing cash flows	147,539	(2,452)	(872)	-	144,215
Interest payments (included in operating cashflows)	(62,112)	-	(70)	-	(62,182)
Interest accruals	62,282	-	70	-	62,352
Foreign exchange adjustments	26,587	-	-	-	26,587
New leases	-	-	2,197	-	2,197
Other changes	(170)	793	-	-	623
31 December 2022	1,905,823	(7,526)	2,605	-	1,900,902
Financing cash flows	255,480	(5,242)	(1,173)	-	249,065
Interest payments (included in operating cashflows)	(77,384)	-	(139)	-	(77,523)
Interest accruals	77,707	-	139	-	77,846
Foreign exchange adjustments	(5,913)	-	-	-	(5,913)
New leases	-	-	1,245	-	1,245
Other changes	(324)	738	-	-	414
31 December 2023	2,155,389	(12,030)	2,677	-	2,146,036

19 Financial instruments and risk management (continued)

Company

	Loans & Borrowings (note 17) £'000	Finance fees (note 17) £'000	Derivative financial instruments £'000	Total £'000
1 January 2022	-	-	-	-
Financing cash flows	147,539	-	-	147,539
Interest payments (included in operating cashflows)	(5,470)	-	-	(5,470)
Interest accruals	5,324	-	-	5,324
Other changes	147	402	-	549
31 December 2022	147,540	402	-	147,942
Financing cash flows	(77,150)	-	-	(77,150)
Interest payments (included in operating cashflows)	(12,614)	-	-	(12,614)
Interest accruals	15,155	-	-	15,155
Other changes	(2,542)	2,801	-	259
31 December 2023	70,389	3,203	-	73,592

20 Dividends

Company

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the period ended 31 December 2023 of 22.6p (2022: 25.5p) per share.	53,258	60,000
	53,258	60,000

21 Capital and reserves

Share capital	31 December 2023 Number of shares	31 December 2023 £'000	31 December 2022 Number of shares	31 December 2022 £'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.

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 602,739 of the outstanding 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 outstanding shares is 4 years, with 50% of the shares vesting on each of the 3rd and 4th anniversaries 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 2023		31 December 2022	
	Number of shares	**Weighted average exercise price (£)**	**Number of shares**	**Weighted average exercise price (£)**
Outstanding at beginning of period	2,596,269	£0.43	2,553,282	£0.37
Awarded during period	329,189	£0.78	456,115	£0.63
Forfeited during the period	-		-	
Exercised during the period	(1,222,719)	£0.44	(413,128)	£0.25
Expired during the period	-		-	
Outstanding at end of period	**1,702,739**	**£0.50**	**2,596,269**	**£0.43**
Vested at end of period	1,382,054		1,526,636	

The shares outstanding as at 31 December 2023 have an average remaining contractual life of 1.6 years (2022: 1.8 years).
In 2023, 329,189 shares were awarded on 25 May 2023. The fair market value of the shares awarded at that date was £0.78. In 2022 456,115 shares were awarded on 14 March 2022. The fair market value of the shares awarded on that date was £0.63 per share.

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

	31 December 2023	**31 December 2022**
Weighted average share price	£0.50	£0.43
Expected volatility	24%	29%
Expected life	1.59 years	1.85 years
Risk-free rate	4.05%	3.74%

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 £397,078 and £306,961 related to equity settled share-based payment transactions in 2023 and 2022 respectively.

23 Capital commitments

At 31 December 2023, the Group had entered into contractual commitments for the construction of infrastructure assets amounting to £431,601,000 (2022 - £524,695,000). The contractual obligations are expected to be constructed over the following profile:

	Infrastructure assets 31 December 2023 £'000	**Infrastructure assets 31 December 2022 £'000**
< 1 year	84,142	110,491
1-5 years	305,882	252,779
> 5 years	41,577	161,425
	431,601	524,695

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 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 2023 £'000	31 December 2022 £'000
Salaries and other short-term benefits	7,688	5,476
Post-employment benefits	134	106
Total	7,822	5,582

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 2023		31 December 2022	
	Sale of goods £'000	Purchase of goods £'000	Sale of goods £'000	Purchase of goods £'000
Braeburn Estates Developments (Infrastructure) Ltd	38	-	79	-
Multiplex Construction Europe Limited	298	-	138	-

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

	31 December 2023 £'000	31 December 2022 £'000
Payments made on behalf of - BUUK Infrastructure (Jersey) Limited	44	1,842
Receipts on behalf of - BUUK Infrastructure No 1 Limited	(6,563)	(6,306)
Amounts due from/(to) Braeburn Estates Developments (Infrastructure) Ltd	93	(106)
Amounts due from Multiplex Construction Europe Limited	200	175
Loan receivable - Brookfield Infrastructure Partners Capital Management SRL	15,000	8,000

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 £677,000 (2022: £808,000) were outstanding at the year-end. The loans are repayable in between 1 and 5 years with £131,000 (2022: £94,000) being repaid during the year. Unsecured non-interest bearing loans made to another director of £nil (2022: £111,000) were outstanding at the year-end. The loans are repayable in between 1 and 5 years with £111,000 (2022: £nil) being repaid during the year. Unsecured non-interest bearing loans made to another director of £292,000 (2022: £121,000) were outstanding at the year-end. The loans are repayable in between 1 and 5 years with £nil (2022: £nil) being repaid during the year. Unsecured non-interest bearing loans made to another director of £152,000 (2022: £67,000) were outstanding at the year-end. The loans are repayable in between 1 and 5 years with £nil (2022: £nil) being repaid during the year. Total loans made to directors of £1,121,000 (2022: £1,107,000) were outstanding at the year-end with £242,000 (2022: £94,000) being repaid during the year.

26 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 £10,736,233 (2022 - £7,812,754) represents contributions payable to the scheme by the Group at rates specified in the rules of the plan. As at 31 December 2023, contributions of £767,138 (2022 - £108,221) due in respect of the current reporting period had not been paid over to the scheme.

27 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 Corporation, 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 Corporation. Copies of Brookfield Corporation's financial statements can be obtained from its registered office: Brookfield Corporation, Suite 300, Brookfield Place, 181 Bay Street, Toronto, Canada, ON M5J 2T3.

28 Leases

Maturity analysis – contractual undiscounted cash flows

	31 December 2023 £'000	31 December 2022 £'000
Less than one year	1,147	902
One to five years	1,462	1,648
More than five years	995	1,006
Total undiscounted lease liabilities	3,604	3,556

Lease liabilities included in the Statement of Financial Position

	31 December 2023 £'000	31 December 2022 £'000
Current	1,062	814
Non-current	1,615	1,791
Total lease liabilities	2,677	2,605

Amounts recognised in the Statement of Cash Flows

	31 December 2023 £'000	31 December 2022 £'000
Total cash outflows for leases	1,312	942
	1,312	942

28 Leases (continued)

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 2023 £'000	31 December 2022 £'000
Potential future lease payments not included in lease liabilities (discounted)	225	1,325
	225	1,325

29 Business Combinations

On 8 February 2023 the Group acquired the trade and assets of Levelise Limited.

Consideration transferred:

	Levelise Limited £'000
Cash consideration	3,520
Deferred consideration	410
	3,930

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

	Levelise Limited consolidated net assets £'000
Non-current assets	
Intangibles	3
Property, Plant and equipment	28
Current assets	
Cash and cash equivalents	1
Trade receivables	60
Current liabilities	
Trade and other payables	(50)
VAT liabilities	(7)
Non-current liabilities	
External borrowings	(1,126)
Deferred tax liabilities	(7)
Total identifiable net assets	(1,098)

Goodwill arising on acquisition:

	Levelise Limited £'000
Consideration transferred	3,930
Less: fair value of identifiable net assets acquired	1,098
	5,028

The goodwill is attributable to the workforce and expected future profitability of the acquired business. It will not be deductible for tax purposes.

29 Business Combinations (continued)

Net cash inflow on acquisition:

	Levelise Limited £'000
Cash consideration	3,520
Deferred consideration	410
Less: Cash acquired	(1)
	3,929