

701995/20

Registration number: FC020169 (England & Wales) 29431 (Guernsey)

GTC Infrastructure Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019



701995 / £20

GTC Infrastructure Limited

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GTC Infrastructure Limited

Company Information

Directors	C Linsdell D Corney P Edwards
Company secretary	Cosign Limited
Registered office	Martello Court Admiral Park St Peter Port Guernsey GY1 3HB
Auditors	Deloitte LLP Statutory Auditor London, United Kingdom

GTC Infrastructure Limited

Strategic Report for the Year Ended 31 December 2019

The Directors present their Strategic Report, annual report and audited financial statements for the year ended 31 December 2019.

Principal activity

The principal activity of the Company is that of designing and installing infrastructure networks for adoption by others and providing services to companies within the BUUK Infrastructure Group "BUUK Group" under a Group Services Agreement in order that companies within the BUUK Group can meet the obligations contained in their industry licences. The Company also provides a range of other services to fellow group undertakings.

Fair review of the business

The profit for the year, after taxation, amounted to £20,098,474 (2018: profit of £307,081,431). During the year the company disposed of its shareholding in Independent Fibre Retail Limited, giving rise to a profit on disposal of £4,484,321. In the prior year income from investments of £305,009,037 was received in relation to dividends from subsidiary undertakings arising from internal restructuring. This was considered to be of an exceptional nature since it is not related to the underlying performance of the business and is non-recurring. 75.1% (2018: 77.1%) of the turnover of the company was derived from intragroup activity, the full performance of the group can be seen by looking at the BUUK Infrastructure No 2 Limited consolidated group accounts. At the year-end the Company had net assets of £242,438,069 (2018: net assets of £235,630,234).

The Company operates as part of the BUUK Infrastructure Group ('BUUK', the 'Group') and the Directors of the Group do not consider individual entities in the Group to have individual key performance indicators (KPIs). The Group's results are considered as a whole, and details of the performance can be found in the consolidated group financial statements prepared by BUUK Infrastructure No 2 Limited.

Principal risks and uncertainties

The Company is part of the BUUK Infrastructure Group, owned by BUUK Infrastructure No 1 Limited. The principal risks and uncertainties facing the Group and the entity are:

Regulatory

The Group operates in stable and transparent regulated utility markets in the UK. The Group is not aware of any 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.

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 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.

Liquidity and Interest Rates

The Group has a policy of seeking to have a number of sources of funds at any given time to meet its liquidity needs, as well as maintaining a balanced maturity profile to minimise, as far as possible, peaked repayments and refinancing risk. Debt facilities are arranged with appropriate financial and operating covenants, ensuring that management has the necessary flexibility in the operation of its business. The majority of the Group's existing debt has an unexpired term exceeding 10 years and is subject to a fixed interest rate.

Cash flow risk

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

Credit risk

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

GTC Infrastructure Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Principal risks and uncertainties (continued)

COVID-19

The Directors have considered the expected impact of COVID-19 on future periods. As a company which designs and installs infrastructure assets within the BUUK Group, the potential impact of Covid-19 on the Company is considered the same as for the Group as a whole.

As at the date of the approval of this report the Group had £350m of undrawn committed facilities, of which £123.0m is available for general corporate purposes and £227.0m is linked to future capital expenditure. This availability of facilities, combined with the nature of the Group's activities, as discussed below, has led the Directors to the conclusion that it is unlikely the Group would be unable to meet its obligations as they fall due. The Group's business model and financing structure are resilient and there is a strong order book in place for the provision of new connections in the future.

The Group's core business activity is the ownership and operation of infrastructure assets, supplying essential services of gas, electricity, water and fibre. The transportation revenues from this activity are highly stable and predictable and are currently underpinned by a supportive regulatory framework. These revenues are expected to remain stable and continue to generate positive cash flows.

Additionally, BUUK undertakes the construction of new infrastructure assets to be owned and operated by the Group. Construction activity levels are reduced as at the date of signing these financial statements due to the suspension of works by some housebuilders on some new housing sites. The reduction in available work does not negatively impact the Group's cash flows in the short term as construction spend relating to the postponement of infrastructure installations reduces in line. It will however reduce the number of new connections the Group is expecting to complete in 2020. The Directors are committed to ensuring BUUK retains the resources necessary to resume previous levels of construction activity once it is practical and safe to do so.

The Directors note the UK Government has set out a package of temporary measures to support UK businesses:

- A Coronavirus Job Retention Scheme:
 - employees will be designated as 'furloughed workers' and notified if applicable
 - Information about furloughed workers will need to be provided to HMRC
 - HMRC will reimburse 80% of furloughed workers wage costs, up to a cap of £2,500 per month
- Deferring VAT and Income Tax payments
- A new lending facility from the Bank of England to help support liquidity among larger firms, helping them bridge coronavirus disruption to their cash flows through loans
- The HMRC Time To Pay Scheme

GTC Infrastructure Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

The Directors intend to utilise these temporary support measures as and when necessary, in conjunction with other temporary measures, to ensure jobs are protected and the Group is well positioned to return to normal when possible. The Group will continue to invest in the future of its staff even during periods of unproductivity by ensuring training is undertaken where possible.

The Directors have also undertaken a series of stress test financial models at group level over the impact of Covid-19. The key uncertainty and area of judgement in this modelling is construction activity levels. BUUK has based its assumptions on a reference scenario published by the UK Government's independent forecaster, the Office for Budget Responsibility ("OBR") on 14 April 2020, evidence from operations undertaken by the Group and detailed understanding of the industry. Under the OBR scenario and all other reasonably possible scenarios, the Group can continue to meet its obligations as they fall due. Further details of this can be found in the Going Concern section of note 2.

GTC Infrastructure Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Statement by the directors of consideration of the matters set out in s172(1) of the UK 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, on a voluntary basis, to the stakeholders and matters which would have been applicable had the company been subject to s172(1) of the UK Companies Act 2006.

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

The Board of Directors' aim to create a balance between the development of opportunities with our customers, stimulating and rewarding our staff, working with and supporting our local communities, sustaining the environment in which we operate, interact with and comply with policies of the relevant regulators and engage in positive relationships with lenders. The following disclosures describe how the Board of Directors have 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 UK Companies Act 2006. As part of the BUUK Infrastructure Group, the Company has prepared this statement in accordance with the statement of the Group.

Engagement with Employees

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

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

Stimulating positive and responsive communication

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

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

GTC Infrastructure Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Supporting appropriate learning and development opportunities

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

Supporting our staff to realise their full potential

- Offer a flexible employee benefits scheme
- Employee assistance programmes including stress counselling and medical information services
- Dedicated Health and Wellbeing Committee established
- Offer regular employee social events
- Maintaining a safe, healthy and sustainable working environment for our staff, those we work for and for the general public
- Provide a platform for staff to commit to building a positive safety culture irrespective of role or responsibility
- In April 2019 the Group was recognised as a 'Best Super Large Workplace' by Great Places to Work which reflects the Group's commitment to the importance of its employees

Equal opportunities

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

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

Business Relationships

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

Customers

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

GTC Infrastructure Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Suppliers

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

Regulators

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

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

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

Lenders

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

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

GTC Infrastructure Limited

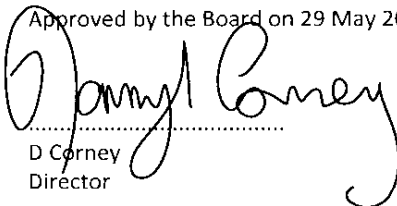
Strategic Report for the Year Ended 31 December 2019 (continued)

Communities and Environment

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

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

Approved by the Board on 29 May 2020 and signed on its behalf by:



.....
D Corney
Director

GTC Infrastructure Limited

Directors' Report for the Year Ended 31 December 2019

The Directors present their report and the financial statements for the year ended 31 December 2019.

Principal risks and uncertainties, equal opportunities, employee engagement and business relationships can be found in the Strategic Report.

Directors of the Company

The Directors who held office during the year and to the date of this report, unless stated otherwise, were as follows:

C Linsdell

D Corney

P Edwards

Dividends

During the year interim dividends were approved and paid of £13,386,800 (2018: £108,576,719). The Directors do not recommend the payment of a final dividend (2018: £Nil).

Future developments

The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year. The Directors are satisfied that the Company is well placed to continue to perform satisfactorily during the coming year.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue to adopt the going concern basis in preparing the annual report and financial statements. 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.

Further details regarding the adoption of the going concern basis can be found in Note 2 of the financial statements.

Directors' liabilities

The Company has Directors' and Officers' liability insurance to provide against liability in respect of proceedings brought forward by third parties, subject to the conditions set out in the Companies (Guernsey) Law, 2008. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

Disclosure of information to the auditors

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

This confirmation is given and should be interpreted in accordance with the provisions of s249(3) of the Companies (Guernsey) Law, 2008.

GTC Infrastructure Limited

Directors' Report for the Year Ended 31 December 2019 (continued)

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

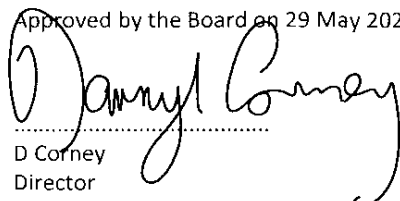
- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper 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 (Guernsey) Law, 2008. 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.

Reappointment of auditors

Deloitte LLP has indicated its willingness to continue in office and a resolution to reappoint them as the Company's auditor will be put to the forthcoming Annual General Meeting.

Approved by the Board on 29 May 2020 and signed on its behalf by:


D Corney
Director

GTC Infrastructure Limited

Independent Auditor's Report to the Members of GTC Infrastructure Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of GTC Infrastructure Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements which comprise:

- the Income Statement;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 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

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

GTC Infrastructure Limited

Independent Auditor's Report to the Members of GTC Infrastructure Limited (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

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 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 intend to liquidate the 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.

GTC Infrastructure Limited

Independent Auditor's Report to the Members of GTC Infrastructure Limited (continued)

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

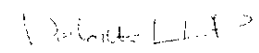
Under the Companies (Guernsey) Law, 2008 we are required to report in respect of the following matters if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; 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 Section 262 of the Companies (Guernsey) Law, 2008. 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.



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Deloitte LLP
Statutory Auditor
London, United Kingdom

29 May 2020

GTC Infrastructure Limited

Income Statement for the Year Ended 31 December 2019

	Note	2019 £	2018 £
Turnover	3	212,373,118	162,604,691
Cost of sales		<u>(148,648,902)</u>	<u>(112,029,197)</u>
Gross profit		63,724,216	50,575,494
Administrative expenses		(54,100,326)	(49,769,658)
Profit on disposal of operations	10	<u>4,484,321</u>	<u>-</u>
Operating profit	4	14,108,211	805,836
Income from investments	9	2,500,000	305,009,037
Interest receivable and similar income	5	14,929,017	13,393,253
Interest payable and similar expenses	6	<u>(8,335,555)</u>	<u>(11,312,254)</u>
Profit before tax		23,201,673	307,895,872
Taxation	7	<u>(3,103,199)</u>	<u>(814,441)</u>
Profit for the financial year		<u><u>20,098,474</u></u>	<u><u>307,081,431</u></u>

The above results were derived from continuing operations.

No separate Statement of Comprehensive Income has been presented because the Company has no items of comprehensive income other than the profit for the financial year.

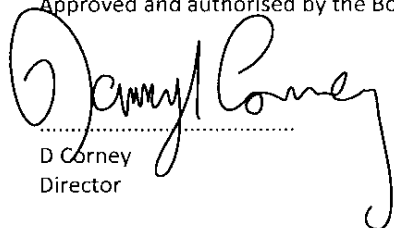
The notes on pages 17 to 28 form an integral part of these financial statements.

GTC Infrastructure Limited

(Registration number: FC020169 (England & Wales) 29431 (Guernsey))
Statement of Financial Position as at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	8	24,097,643	22,383,168
Investments	9	<u>40,001,010</u>	<u>1,012</u>
		<u>64,098,653</u>	<u>22,384,180</u>
Current assets			
Stocks	11	231,186,114	172,373,046
Debtors	12	514,160,520	454,006,872
Cash at bank and in hand		<u>3,626,235</u>	<u>403,031</u>
		748,972,869	626,782,949
Creditors: Amounts falling due within one year	13	<u>(570,633,453)</u>	<u>(413,536,895)</u>
Net current assets		<u>178,339,416</u>	<u>213,246,054</u>
Net assets		<u>242,438,069</u>	<u>235,630,234</u>
Capital and reserves			
Called up share capital	15	24,264,235	24,264,235
Profit and loss account		<u>218,173,834</u>	<u>211,365,999</u>
Total equity		<u>242,438,069</u>	<u>235,630,234</u>

Approved and authorised by the Board on 29 May 2020 and signed on its behalf by:


D Corney
Director

The notes on pages 17 to 28 form an integral part of these financial statements.

GTC Infrastructure Limited

Statement of Changes in Equity for the Year Ended 31 December 2019

	Notes	Share capital £	Profit and loss account £	Total £
At 1 January 2018		24,264,235	12,741,319	37,005,554
Profit for the year		-	307,081,431	307,081,431
Dividends		-	(108,576,719)	(108,576,719)
Capital contribution	2	-	119,968	119,968
At 31 December 2018		<u>24,264,235</u>	<u>211,365,999</u>	<u>235,630,234</u>

	Notes	Share capital £	Profit and loss account £	Total £
At 1 January 2019		24,264,235	211,365,999	235,630,234
Profit for the year		-	20,098,474	20,098,474
Dividends	17	-	(13,386,800)	(13,386,800)
Capital contribution	2	-	96,161	96,161
At 31 December 2019		<u>24,264,235</u>	<u>218,173,834</u>	<u>242,438,069</u>

The notes on pages 17 to 28 form an integral part of these financial statements.

GTC Infrastructure Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

1 General information

The company is a private company limited by share capital, incorporated in Guernsey.

The address of its registered office is:

Martello Court
Admiral Park
St Peter Port
Guernsey
GY1 3HB

The principal place of business is:

Synergy House
Woolpit Business Park
Woolpit
Bury St Edmunds
Suffolk
IP30 9UP

These financial statements were authorised for issue by the Board on 29 May 2020.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.'

The financial statements are presented in Pounds Sterling, which is also the functional currency.

Summary of disclosure exemptions

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to members of a group where consolidated financial statements are publicly available. Exemptions have been taken in relation to the presentation of a cash flow statement, certain financial instruments and remuneration of key management personnel.

Name of parent of group

These financial statements are consolidated in the financial statements of BUUK Infrastructure No 2 Limited.

The financial statements of BUUK Infrastructure No 2 Limited may be obtained from Synergy House, Woolpit Business Park, Windmill Avenue, Woolpit, Bury St Edmunds, Suffolk, IP30 9UP.

GTC Infrastructure Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Group financial statements not prepared

As a member of a larger group whose consolidated accounts are publicly available, the Company has taken the exemption from preparing consolidated financial statements in accordance with the Companies (Guernsey) Law, 2008. Accordingly the financial statements present information about the Company as an entity, and not as a group.

Going concern

The Company forms part of the Group headed by BUUK Infrastructure No 1 Limited ("BUUK") of which the ultimate parent undertaking is Brookfield Asset Management Inc. The funding required to finance the activities of BUUK's subsidiaries is organised and managed on a centralised basis on behalf of all members of the Group.

The Group is cash generative and holds a Baa2 (investment grade) rating from Moody's. The rating was reconfirmed by Moody's in May 2019. At the date of approval of the financial statements the Group has undrawn committed facilities of £350.0m with a syndicate of banks, of which £123.0m is available for general corporate purposes and £227.0m is linked to future capital expenditure. These facilities were renewed in 2019 and are due to expire on 18 September 2024.

The Group has Senior Secured Loan notes denominated in GBP (£1,185 million) and US\$ (US\$300 million). The loan notes incur a fixed rate of interest and cross currency interest rate swaps have been taken out to fix the US\$ denominated interest and capital repayments. The Group's borrowings have an average remaining maturity of c.11 years with maturity dates ranging from 2023 to 2048.

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

The most likely scenario modelled by the Group is in line with a reference scenario published by the UK Government's independent forecaster, the Office for Budget Responsibility ("OBR") on 14 April 2020. This models a reduction in construction activity of 70% in Q2 2020 before recovering later in the year. Under this scenario, and other reasonable downside scenarios, the Group remains compliant with all borrowing covenants in existence and has sufficient cash to meet its obligations. This includes an extreme, if unlikely, scenario of construction activity remaining suppressed at current, or only marginally increased, levels for a period of 12 months.

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

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. The Group's forecasts, taking into account reasonable possible changes in trading performance, show that the Company should have adequate resources to continue in operational existence for the foreseeable future.

Given the above, the Directors have a reasonable expectation that the 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.

GTC Infrastructure Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Judgements and key sources of estimation uncertainty

The Directors consider the following to be critical judgements or key sources of estimation uncertainty that have been made in the process of applying the Company's accounting policies which have a significant effect on the amounts recognised in the financial statements.

The value of work in progress is estimated based upon stage of completion, which is the proportion of network connections made to date, applied to forecasted final project costs. Final project costs and accordingly the value of work in progress at the statement of financial position date are an estimate based on historical experience and management's assessment of other relevant factors.

Revenue recognition

Turnover represents the amounts receivable from the supply of goods and services during the year, net of Value Added Tax. Revenue is recognised at the point of delivery to the customer, or when the service has been undertaken.

All turnover and profit before taxation, by origin and destination, was attributable to the UK.

Contract revenue recognition

Construction turnover is recognised based on the stage of completion of the infrastructure construction contract. This is measured by the proportion of connections completed compared to the contracted connections for each contract.

Income from investments

Income from investments represent dividends received from subsidiary undertakings during the year. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Finance income and costs

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be reliably measured. Interest is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Interest costs are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

GTC Infrastructure Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Tax assets and liabilities are not discounted.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the underlying transaction.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Furniture, fittings and equipment	5 years straight line
Motor vehicles	4 years straight line
Buildings	50 years straight line
Leasehold Improvements	12 - 25 years straight line

Investments

The Company's investments in shares of subsidiary undertakings are included at cost. The carrying value of fixed asset investments is reviewed for impairment if circumstances indicate that it may not be recoverable. The recoverable amount is deemed to be the higher of its value in use and its fair value less costs to sell.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

GTC Infrastructure Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Debtors

Short term debtors are measured at transaction price (which is usually the invoice price), less any impairment losses for bad and doubtful debts.

Loans and other financial assets are initially recognised at transaction price including any transaction costs and subsequently measured at amortised cost determined using the effective interest method, less any impairment losses for bad and doubtful debts.

Stocks

Work in progress is stated at the lower of cost and net realisable value. Cost comprises of direct materials, labour and overheads.

Creditors

Short term creditors are measured at transaction price (which is usually the invoice price).

Loans and other financial liabilities are initially recognised at transaction price net of any transaction costs and subsequently measured at amortised cost determined using the effective interest method.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Capital contribution

Capital contributions relate to Group share-based pay arrangements involving employees of the Company. The Company does not have an obligation to settle the share-based pay transaction with its employees. The obligation to settle arises in another Group company, BUUK Infrastructure Holdings Limited. The Company accounts for this transaction as an equity-settled scheme by recognising an expense for this transaction and a corresponding increase in equity as a contribution from its parent.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation

The Company operates a defined contribution pension scheme. The amount charged to profit and loss in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

GTC Infrastructure Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

3 Revenue

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2019 £	2018 £
Construction revenue	153,057,096	114,340,493
Service revenue	59,316,022	48,264,198
	<u>212,373,118</u>	<u>162,604,691</u>

4 Operating profit

Arrived at after charging/(crediting)

	2019 £	2018 £
Depreciation expense	6,202,257	5,155,696
Operating lease expense - property	643,263	706,504
Profit on disposal of property, plant and equipment	(370,492)	(167,161)
Pension costs, defined contribution scheme	<u>3,235,733</u>	<u>2,771,206</u>

Fees for the audit of the financial statements of £84,750 (2018: £63,750) were borne by another Group company during the year on behalf of GTC Infrastructure Limited.

5 Other interest receivable and similar income

	2019 £	2018 £
Interest income on bank deposits	70,916	24,872
Interest receivable on loans to group undertakings	14,858,101	13,368,381
	<u>14,929,017</u>	<u>13,393,253</u>

6 Interest payable and similar expenses

	2019 £	2018 £
Interest on bank overdrafts and borrowings	-	3,450
Other finance costs	75,195	24,926
Interest payable on loans from group undertakings	8,260,360	11,283,878
	<u>8,335,555</u>	<u>11,312,254</u>

GTC Infrastructure Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

7 Taxation

Tax charged/(credited) in the income statement

	2019 £	2018 £
Current taxation		
UK corporation tax	3,044,168	1,533,694
UK corporation tax adjustment to prior periods	<u>86,233</u>	<u>608,500</u>
	<u>3,130,401</u>	<u>2,142,194</u>
Deferred taxation		
Arising from origination and reversal of timing differences	83,144	(839,119)
Change in estimate of deferred tax asset	-	2,466
Adjustment in respect of previous period	<u>(110,346)</u>	<u>(491,100)</u>
Total deferred taxation	<u>(27,202)</u>	<u>(1,327,753)</u>
Tax expense in the income statement	<u><u>3,103,199</u></u>	<u><u>814,441</u></u>

The differences between the tax assessed for the period and the standard rate of corporation tax of 19% (2018: 19%) are reconciled below:

	2019 £	2018 £
Profit before tax	<u>23,201,673</u>	<u>307,895,872</u>
Corporation tax at standard rate	4,408,318	58,500,216
(Decrease)/increase from effect of different UK tax rates on some earnings	(9,781)	98,720
Effect of revenues exempt from taxation	(1,345,444)	(57,961,100)
Effect of expense not deductible in determining taxable profit (tax loss)	74,219	46,066
(Decrease)/increase in tax from adjustment for prior periods	(24,113)	117,400
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>-</u>	<u>13,139</u>
Total tax charge	<u><u>3,103,199</u></u>	<u><u>814,441</u></u>

GTC Infrastructure Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

7 Taxation (continued)

Deferred tax

There are £1,871,099 of unused tax losses (2018 - £1,871,099) for which no deferred tax asset is recognised in the Statement of Financial Position.

The Finance Act 2016, which was substantively enacted on 15 September 2016, provided for a further reduction in the main rate of corporation tax to 17% from 1 April 2020. Consequently deferred tax had been calculated at the year end using a tax rate of 17%. The Finance Bill 2020, which was substantively enacted in March 2020, provided for the main rate of corporation tax to remain at 19%. As a non-adjusting post-balance sheet event this does not impact the deferred tax position as at 31 December 2019; however in future periods deferred tax will be remeasured based on a tax rate of 19%.

8 Tangible assets

	Land and buildings £	Furniture, fittings and equipment £	Motor vehicles £	Properties under construction £	Total £
Cost or valuation					
At 1 January 2019	2,127,770	20,117,446	10,111,724	6,164,815	38,521,755
Additions	607,426	3,664,597	3,604,744	43,787	7,920,554
Disposals	-	(632,721)	(512,707)	-	(1,145,428)
Transfers	6,208,602	-	-	(6,208,602)	-
At 31 December 2019	8,943,798	23,149,322	13,203,761	-	45,296,881
Depreciation					
At 1 January 2019	79,238	11,142,203	4,917,146	-	16,138,587
Charge for the year	233,832	3,383,564	2,584,861	-	6,202,257
Eliminated on disposal	-	(632,721)	(508,885)	-	(1,141,606)
At 31 December 2019	313,070	13,893,046	6,993,122	-	21,199,238
Carrying amount					
At 31 December 2019	8,630,728	9,256,276	6,210,639	-	24,097,643
At 31 December 2018	2,048,532	8,975,243	5,194,578	6,164,815	22,383,168

GTC Infrastructure Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued).

9 Investments

	2019 £	2018 £
Investments in subsidiaries	<u>40,001,010</u>	<u>1,012</u>

During the year the Company injected a further £40,000,000 of share capital into The Electricity Network Company Limited resulting in an increase to investments. Additionally, the Company disposed of its £2 shareholding in Independent Fibre Retail Limited. Details of the disposal can be seen in note 10.

Dividends from subsidiary undertakings received in the year were £2,500,000 (2018: £305,009,037).

Details of undertakings

Subsidiaries	Holding	Current Year	Prior Year	Principle Activity
GPL Investments Limited	Shares	100%	100%	Dormant
Power On Investments Limited	Shares	100%	100%	Investment holding company
The Electricity Network Company Limited	Shares	100%	100%	Ownership and operation of electric infrastructure in the UK
GTC Utility Construction Limited	Shares	100%	100%	Construction of utility infrastructure in the UK
Power On Connections Limited	Shares	100%	100%	Construction of electric infrastructure in the UK
Utility Grid Installations Limited	Shares	100%	100%	Dormant
Independent Fibre Retail Limited	Shares	0%	100%	Provider of fibre wholesale services

The above subsidiaries are all registered in England and Wales.

The registered office of each subsidiary above is Synergy House, Woolpit Business Park, Windmill Avenue, Woolpit, Bury St Edmunds, Suffolk, IP30 9UP.

10 Disposal of subsidiary

On 18 September 2019, the Company disposed of its interest in Independent Fibre Retail Limited. The profit on disposal of Independent Fibre Retail Limited was £4,484,321.

11 Stocks

	2019 £	2018 £
Work in progress	<u>231,186,114</u>	<u>172,373,046</u>

GTC Infrastructure Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

12 Debtors

	Note	2019 £	2018 £
Trade debtors		22,851,995	21,469,278
Amounts owed by group undertakings		447,358,324	396,239,747
Other debtors		7,461,158	6,561,397
Prepayments		2,821,420	2,659,921
Accrued income		29,331,694	22,767,803
Deferred tax assets	14	<u>4,335,929</u>	<u>4,308,726</u>
		<u>514,160,520</u>	<u>454,006,872</u>

Included within amounts owed by group undertakings are non-interest bearing amounts of £123 (2018: £4,825,690), which are unsecured and repayable on demand.

Interest bearing amounts owed by group undertakings are unsecured and repayable on demand with interest charged at 3.54% (2018: 3.59%).

13 Creditors

	2019 £	2018 £
Due within one year		
Trade creditors	6,162,899	7,408,916
Amounts due to group undertakings	320,490,718	204,387,116
Social security and other taxes	1,111,190	916,054
Other payables	835,081	1,134,978
Accruals	45,505,004	35,449,625
Deferred income	<u>196,528,561</u>	<u>164,240,206</u>
	<u>570,633,453</u>	<u>413,536,895</u>

Included within amounts due to group undertakings are non-interest bearing amounts of £11,689,476 (2018: £8,786,062), which are unsecured and repayable on demand.

Interest bearing amounts due to group undertakings are unsecured and repayable on demand with interest charged at 3.54% (2018: 3.59%).

GTC Infrastructure Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

14 Deferred tax

	2019 £	2018 £
Accelerated/(decelerated) capital allowances	(3,805,730)	(3,937,242)
Deferred tax arising in relation to retirement benefit obligations	(51,524)	(41,416)
Other timing differences	(478,675)	(330,069)
	<u>(4,335,929)</u>	<u>(4,308,727)</u>
		Deferred tax £
At 1 January 2019		(4,308,727)
(Increase) decrease in existing asset		<u>(27,202)</u>
At 31 December 2019		<u>(4,335,929)</u>

15 Share capital

Allotted, called up and fully paid shares

	2019 No.	£	2018 No.	£
Ordinary shares of £1 each	<u>24,264,235</u>	<u>24,264,235</u>	<u>24,264,235</u>	<u>24,264,235</u>

16 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2019 £	2018 £
Not later than one year	543,273	470,515
Later than one year and not later than five years	874,972	1,199,495
Later than five years	<u>1,050,400</u>	<u>1,061,342</u>
	<u>2,468,645</u>	<u>2,731,352</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £643,263 (2018 : £706,504).

GTC Infrastructure Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

17 Dividends

	2019 £	2018 £
Interim dividend of £0.55 (2018 - £4.47) per ordinary share	<u>13,386,800</u>	<u>108,576,719</u>

18 Contingent liabilities

The Company has entered into cross guarantees with fellow subsidiary undertakings, which guarantee certain borrowings of the Group. As at 31 December 2019 the total borrowings, as part of the BUUK Group, amounted to £1,692,857,000 (2018: £1,496,560,000).

19 Related party transactions

The Company has taken advantage of the exemption provided by FRS 102 paragraph 33.1A not to disclose transactions with other wholly-owned Group undertakings.

The Company has taken advantage of the exemption provided by FRS 102 paragraph 1.12(e) not to disclose key management personnel compensation.

20 Parent and ultimate parent undertaking

The company's immediate parent is BUUK Infrastructure No 2 Limited, incorporated in the United Kingdom.

The ultimate parent and controlling party is Brookfield Asset Management Inc, incorporated in Canada.

The largest group of which the Company is a member and for which Group financial statements are prepared is Brookfield Asset Management Inc. These financial statements are available upon request from its registered office at Brookfield Asset Management Inc., Suite 300, Brookfield Place, 181 Bay Street, Toronto, Canada.

The smallest group of which the Company is a member and for which Group financial statements are prepared is BUUK Infrastructure No 2 Limited, a Company registered in England and Wales. These financial statements are available upon request from its registered office at Synergy House, Woolpit Business Park, Windmill Avenue, Woolpit, Bury St Edmunds, Suffolk, IP30 9UP.