Viridian Group Investments Limited

Consolidated Financial Statements
31 March 2018

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GROUP FINANCIAL HIGHLIGHTS

Underlying Business Results[1]

- Group pro-forma Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was £127.1m (2017 - £107.2m)

- Group pro-forma operating profit was £94.4m (2017 - £84.9m)

IFRS Results[2]

- Revenue was £1,561.2m (2017 - £1,317.6m)

- Operating profit before exceptional items and certain remeasurements was £90.1m (2017 - £84.4m)

Exceptional Items

- Exceptional operating costs of £124.2m (2017 - £nil) have been recognised in relation to an impairment of the property, plant and equipment of the Huntstown plants associated with the ongoing uncertainty surrounding the future operation of the plants from the commencement of the new Integrated Single Electricity Market (I-SEM).

[1] Based on regulated entitlement and before exceptional items and certain remeasurements as outlined in note 4.
[2] Before exceptional items and certain remeasurements.

STRATEGIC AND DIRECTOR'S REPORT

OPERATING REVIEW

All references in this document to 'Group' denote Viridian Group Investments Limited and its subsidiary undertakings and to 'Company' denote Viridian Group Investments Limited, the parent company.

Business Model and Principal Activities

The Group is a leading integrated Irish energy business with substantial businesses in both Northern Ireland and the Republic of Ireland (RoI). The Group operates through the Energia and Power NI brands. As at 31 March 2018 Energia supplied electricity and gas to 252,200 customer sites (2017 – 202,400) across Northern Ireland and the RoI and Power NI supplied electricity to 500,000 customer sites (2017 – 517,000) in Northern Ireland.

The principal activity of the Company is that of a holding company. The Group's operating businesses and principal activities comprise:

- Energia Group - a vertically integrated energy business with activities covering supply, generation and renewable supported off-take contracts. Through Energia, its retail supply business, it is active in the competitive supply of electricity to business and residential customers in the RoI, as well as business customers in Northern Ireland. Energia Retail also supplies natural gas to business and residential customers in the RoI. Energia Group also has a generation portfolio comprising of wholly-owned wind generation assets, two conventional (Huntstown) combined-cycle gas turbine (CCGT) plants and a bioenergy plant under construction. Energia Group's retail electricity supply business is supported by long-term off-take Power Purchase Agreements (PPAs) contracts with third-party renewable generators and its wind farm assets;

- Power NI - supply of electricity primarily to residential customers in Northern Ireland; and

- PPB - procurement of power under contract with Ballylumford power station in Northern Ireland.

Strategy

The Group's strategy is focused on leveraging its integrated business model as a leading diversified Irish energy utility and to focus on maintaining and enhancing the quality of earnings from its generation and supply businesses while continuing to deliver sustainable growth. The Group continually seeks opportunities for margin improvement and will look for growth through complementary acquisition opportunities. Management focuses on five strategic objectives which underpin Viridian's strategy:

- improve profitability and maintain stable cash flows;

- support the predictability of the Group's earnings through the diversity of contracted and structurally supported revenue streams;

- focus on profitable customer retention, enhance product offerings and look for opportunities to diversify our customer base;

- build on the Viridian platform to realise complementary growth opportunities accretive to earnings; and

- maintain active engagement with regulators and key lobby groups.

Refinancing

On 25 September 2017, the Group completed the full refinancing of its €600m 7.5% Senior secured notes due in March 2020, replacing them with €350m 4.0% Senior secured notes due in September 2025 and £225m 4.75% Senior secured notes due in September 2024.

Key Performance Indicators

The Group has determined that the following key performance indicators (KPIs), covering both financial and operational performance, are the most effective measures of progress towards achieving the Group's objectives.

Financial KPIs

The financial KPIs are:

- Energia Group (excluding renewable assets) EBITDA and operating profit (pre exceptional items and certain remeasurements);
- Energia renewable assets EBITDA and operating profit (pre exceptional items and certain remeasurements);
- Power NI EBITDA and operating profit based on regulated entitlement (pre exceptional items and certain remeasurements); and
- PPB EBITDA and operating profit based on regulated entitlement (pre exceptional items and certain remeasurements).

Financial KPIs are based on regulated entitlement and before exceptional items and certain remeasurements as outlined in note 4.

Financial KPIs (continued)

The Group's financial KPIs are shown below:

	EBITDA [1]		Operating Profit [1]	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Energia Group (excluding renewable assets)	**57.7**	65.1	**41.5**	48.9
Energia renewable assets	**27.6**	4.9	**12.9**	1.8
Power NI	**35.1**	32.2	**33.9**	29.6
PPB	**5.9**	4.0	**5.9**	4.0

[1] *As shown in note 4 to the accounts*

Energia Group (excluding renewable assets) EBITDA (pre exceptional items and certain remeasurements) decreased to £57.7m (2017 - £65.1m) primarily reflecting lower non-residential electricity margins due to greater competition and higher energy costs (associated with higher gas prices and increases in market charges), lower residential margins (due to higher energy costs and increases in market charges) and lower non-residential gas margins (associated with higher gas prices), partly offset by higher availability and utilisation of Huntstown 1, higher contributions from renewable PPAs (due to the full year contribution of additional renewable generation capacity and higher market prices), lower operating costs (with both plants having major outages in 2017) and favourable foreign exchange due to the strengthening of Euro to Sterling during the period compared to the same period last year.

Energia Group (excluding renewable assets) operating profit (pre exceptional items and certain remeasurements) decreased to £41.5m (2017 - £48.9m) primarily reflecting the decrease in EBITDA outlined above.

Energia renewable assets EBITDA increased to £27.6m (2017 - £4.9m) and operating profit increased to £12.9m (2017 - £1.8m) primarily reflecting the commissioning of new wind farms.

Power NI EBITDA increased to £35.1m (2017 - £32.2m) and operating profit increased to £33.9m (2017 - £29.6m) primarily reflecting higher contributions from renewable PPAs (associated with increased capacity and higher market prices) and higher unregulated margins (associated with the full deregulation of business customers from 1 April 2017), partly offset by the corresponding reduction in regulated margins and higher operating costs.

PPB EBITDA and operating profit increased to £5.9m (2017 - £4.0m) primarily reflecting an increase in regulated entitlement associated with the gain share earned in the year.

Operational KPIs

The operational KPIs are:

Energia Group (excluding renewable assets)

- generation plant availability (the percentage of time Huntstown CCGTs are available to produce full output);
- generation plant unconstrained utilisation (the indicative dispatch of the available Huntstown CCGTs assuming no constraints i.e. restrictions imposed by the Single Electricity Market Operator (SEMO) on the availability of the Huntstown CCGTs to dispatch electricity or physical limitations of dispatching such electricity);
- generation plant incremental impact of constrained utilisation (the indicative dispatch of the available Huntstown CCGTs assuming constraints imposed by SEMO);
- non-residential and residential customer sites;
- the volume of electricity sales (TWh) by Energia in Northern Ireland and the RoI;
- the volume of gas sales (million therms) by Energia in the RoI;
- the number of complaints the Consumer Council for Northern Ireland (CCNI) (Stage 2 complaints) and the Commission for Regulation of Utilities (CRU) takes up on behalf of customers; and
- the average annual and year end capacity (MW) of contracted renewable generation in operation in Northern Ireland and the RoI.

Energia renewable assets

- availability (the percentage of time wind generation assets are available to produce full output); and
- wind factor (the indicative output of the available wind generation assets).

Power NI

- the number of complaints which the CCNI takes up on behalf of customers (Stage 2 complaints);
- the volume of electricity sales (TWh) in Northern Ireland;
- market share (by GWh sales) of electricity sales in Northern Ireland;
- non-residential and residential customer sites; and
- the average annual and year end capacity (MW) of deregulated contracted renewable generation in Northern Ireland.

Operational KPIs and commentary on business performance are set out in the relevant Business Review.

The Group also regards the lost time incident rate (LTIR) as a KPI in respect of employee safety; details are set out in the Workplace section of the Corporate Social Responsibility (CSR) report.

Business Reviews

Energia Group (excluding renewable assets)

Background information

The Energia Group (excluding renewable assets) operates as a vertically integrated energy business consisting of competitive electricity supply to business and residential customers in the RoI and business customers in Northern Ireland through Energia, its retail supply business, backed by electricity generation from its two Huntstown CCGT plants and long term PPAs with third-party renewable generators (including wind generation assets in which the Group has an equity interest). The Energia Group also supplies natural gas to business and residential customers in the RoI.

Huntstown 1, a 343MW CCGT plant on the Huntstown site north of Dublin, was commissioned in November 2002 and Huntstown 2, a 404MW CCGT plant adjacent to Huntstown 1, was commissioned in October 2007.

Financial performance

Revenues increased to £1,101.8m (2017 - £874.4m) primarily reflecting higher availability and utilisation of the Huntstown 1 plant, higher non-residential electricity sales volumes and prices, higher interconnector revenue, favourable foreign exchange translation (with the strengthening of Euro to Sterling during the period compared to the same period last year), higher renewable PPA revenues (due to the full year contribution of additional renewable generation capacity and higher market prices) and higher residential revenue (associated with the continued growth in the RoI residential market), partly offset by lower utilisation of the Huntstown 2 plant.

Energia Group (excluding renewable assets) EBITDA (pre exceptional items and certain remeasurements) decreased to £57.7m (2017 - £65.1m) primarily reflecting lower non-residential electricity margins due to greater competition and higher energy costs (associated with higher gas prices and increases in market charges), lower residential margins (due to higher energy costs and increases in market charges) and lower non-residential gas margins (associated with higher gas prices), partly offset by higher availability and utilisation of Huntstown 1, higher contributions from renewable PPAs (due to the full year contribution of additional renewable generation capacity and higher market prices), lower operating costs (with both plants having major outages in 2017) and favourable foreign exchange due to the strengthening of Euro to Sterling during the period compared to the same period last year.

Exceptional items

Exceptional costs were £124.2m (2017 - £0.6m) and for 2018 relate to an impairment of the property, plant and equipment of the Huntstown plants associated with the ungoing uncertainty surrounding the future operation of the plants from the commencement of the new I-SEM market as detailed below. Exceptional operating costs in 2017 of £0.6m relate to costs associated with acquisitions whether successful or unsuccessful.

Financial performance (continued)

Certain remeasurements

Certain remeasurements were a £5.2m gain (2017 - £1.6m) reflecting the recognition of the fair value of derivatives.

Operational performance

KPIs	**2018**	2017
Availability (%)		
- Huntstown 1	**97.5**	89.3
- Huntstown 2	**92.9**	91.1
Unconstrained utilisation (%)		
- Huntstown 1	**21.3**	8.1
- Huntstown 2	**23.2**	29.0
Incremental impact of constrained utilisation (%)		
- Huntstown 1	**29.9**	9.7
- Huntstown 2	**6.7**	13.2
Customer sites (number)		
- Non-residential		
- electricity	**55,800**	51,800
- gas	**4,300**	5,300
	60,100	57,100
- Residential		
- electricity	**141,400**	106,900
- gas	**50,700**	38,400
	192,100	145,300
Energia electricity sales (TWh)	**5.3**	4.8
Energia gas sales (million therms)	**78.3**	81.0
Complaints to the CCNI and CRU (number)	**4**	4
Contracted renewable generation capacity in operation in Northern Ireland and the RoI (MW)		
- average during the year	**984**	849
- at 31 March	**998**	1,013

Huntstown 1 availability was 97.5% (2017 – 89.3%) primarily reflecting a 10 day planned minor inspection of the gas and steam turbine in September 2017. The prior year reflects a 31 day outage undertaken. A 10 day planned outage took place in May 2018 in relation to a minor inspection on the gas turbine including statutory inspections and non-destructive testing.

Huntstown 2 availability was 92.9% (2017 – 91.1%) primarily reflecting a 22 day outage which commenced in June 2017 to carry out a weld repair on the high pressure stop valve identified as necessary during last year's outage. The prior year reflects a 29 day outage undertaken.

Huntstown 1 unconstrained utilisation was 21.3% (2017 – 8.1%). Huntstown 2 unconstrained utilisation was 23.2% (2017 – 29.0%).

The incremental impact of constrained utilisation for Huntstown 1 was 29.9% (2017 – 9.7%). The incremental impact of constrained utilisation for Huntstown 2 was 6.7% (2017 – 13.2%).

Based on data published by the CRU and the Northern Ireland Authority for Utility Regulation (Utility Regulator), Energia supplies c20% (2017 – c19%) of the non-residential electricity market by volume on an all-island basis and c14% (2017 – c15%) of the non-residential natural gas market by volume in the RoI (excluding power generation).

Non-residential electricity customer sites were 55,800 at 31 March 2018 (2017 – 51,800). Non-residential gas customer sites were 4,300 at 31 March 2018 (2017 – 5,300).

Operational performance (continued)

Residential electricity and gas customer sites increased to 192,100 at 31 March 2018 (2017 – 145,300) reflecting the continued growth in the RoI residential electricity and gas markets.

Total electricity sales volumes were 5.3TWh (2017 – 4.8TWh) and gas sales volumes were 78.3m therms (2017 – 81.0m therms).

During the year Energia received four (2017 – four) complaints which were referred to the CCNI and CRU.

Renewable PPA portfolio

Energia Group's renewable portfolio primarily consists of offtake contracts with third party-owned wind farms (including wind generation assets in which the Group has an equity interest) and a development pipeline of wind farm projects owned by the Energia Group.

Energia has entered into contracts with developers under which it has agreed to purchase the long term output of a number of wind farm projects and with generators from other renewable sources.

The average contracted renewable generation capacity in operation during the year was 984MW (2017 - 849MW) with 31 March 2018 operating capacity of 998MW (2017 – 1,013MW).

During the year the operating capacity under contract in Northern Ireland was 413MW (2017 - 454MW) reflecting the novation of 54MW of renewable PPA operating capacity to Power NI and the RoI operating capacity was 585MW (2017 - 559MW). There were no wind farms under contract and under construction at 31 March 2018.

Appeal against modification of generation and supply licences

In October 2017, the Group appealed the CRU proposed industry wide modifications to all generation and supply licences to implement I-SEM in light of the Group's view that the regulatory decisions made in relation to the implementation to the new market would deprive system critical generation, such as the Huntstown plants, of adequate remuneration. Furthermore, in November 2017, the Group filed an application for a judicial review of the proposed licence modifications.

The Minister of the Department of Communications, Climate Action and Environment (DCCAE) established an Appeal Panel to consider the appeal and, while this process was ongoing, licence modifications were suspended pending the decision of the Appeal Panel. The appeal hearings were conducted in May 2018 and on 2 July 2018 the Appeal Panel published its decision. The Appeal Panel has directed the CRU not to make the proposed modifications to the Huntstown plant generation licences. The Appeal Panel found that when implementing the I-SEM market design, the CRU fell into "serious and significant error" by not putting in place a Targeted Contracting Mechanism, as it had envisaged, as a key element of the design of the new market. The outcome of the appeal does not of itself provide a basis upon which the Huntstown plants may remain open in I-SEM and raises significant questions regarding the introduction of the I-SEM market due to commence on 1 October 2018.

The Group's application for a judicial review of the proposed licence modifications has been adjourned until October 2018.

Impact of I-SEM capacity remuneration mechanism including first transitional auction and subsequent regulatory process

On 26 January 2018 EirGrid plc (EirGrid) and SONI Limited (SONI), the joint system operators of the electricity market in Ireland, announced the outcome of the first transitional auction (the Auction) for capacity in the new I-SEM. This confirmed that Huntstown 1 had been awarded a reliability option contract; but Huntstown 2 was not awarded such a contract. The Auction results serve to underline that the new I-SEM market will not adequately remunerate the Huntstown plants from go-live on 1 October 2018. Accordingly the Group subsequently announced that it had placed relevant Huntstown staff on protective notice of redundancy.

Operational performance (continued)

It is the Group's strong view that the I-SEM market does not adequately take into account transmission system constraints or provide a mechanism to procure the capacity necessary to ensure local security of supply at the cheapest cost. Due to these transmission system constraints and based on the historic running profiles of the Huntstown plants, the Group believes there is an enduring need for both Huntstown plants to maintain security of supply in the Greater Dublin area. Following conclusion of the bidding process for the Auction, on 18 December 2017 the CRU issued an information note that contemplates putting in place transmission reserve contracts to meet local security of supply issues (the Information Note), in the context of which we are engaged in a regulatory process with CRU and EirGrid to determine whether a transmission reserve contract may be agreed for the Huntstown plants (the Process). Also in this context, the CRU confirmed to the Group on 23 January 2018 that the "Demonstrable, Material and Imminent Likelihood of Closure" test, as set out in the Information Note, had been passed.

In accordance with the Process Huntstown 1 and Huntstown 2 were required to submit an application for derogation from the provision of the Grid Code which purports to require three years notice of closure. As part of its assessment of the Derogation Request, EirGrid determined the impact of the planned closure of the Huntstown plants on security, reliability and stability of electricity supply along with mitigation measures in the event of closure of one or other or both Huntstown plants. They concluded that such closures would put the power system almost immediately outside the regulatory approved Transmission System Security and Planning Standards. EirGrid therefore recommended that neither Huntstown plant should be permitted to close. On 23 February 2018, CRU confirmed to the Group that it had accepted EirGrid's recommendations; following which the CRU directed EirGrid to explore options and recommend approaches to the CRU for approval in line with the Information Note.

Discussions are ongoing in respect of putting in place transmission reserve contracts for the Huntstown plants. While the Group remains committed to participate constructively with CRU and EirGrid to find an appropriate solution, we cannot be certain what the outcome of the ongoing discussions will be or that they will deliver an acceptable solution. Accordingly in light of the uncertainty of the Process and notwithstanding the outcome of the Appeal, we continue to plan for the potential closure of the Huntstown plants from the commencement of I-SEM on 1 October 2018 and the period of protective notice of redundancy for relevant Huntstown staff has been extended to 30 September 2018.

The Group considers that the design of the I-SEM market and the outcome of the Auction has had an impact on the future carrying value of the plants. Accordingly the Group has impaired the property, plant and equipment of the Huntstown plants by £124.2m due to the uncertainty surrounding the future operation of the plants from the commencement of I-SEM.

Energia renewable assets

Background information

Energia renewable assets comprises generation from wind generation assets and looking forward will encompass the Group's new bioenergy assets described later.

Wind Generation Assets

Financial performance

Revenues increased to £35.0m (2017 - £7.7m) and EBITDA increased to £27.6m (2017 - £4.9m) primarily reflecting the commissioning of new wind farms.

Operational performance

KPIs	**2018**	2017
Wind generation capacity in operation in Northern Ireland and the RoI (MW)		
- average during the period	**203**	43
- at end of period	**223**	202
Availability (%)	**96.3**	97.3
Wind factor (%)	**27.3**	25.9

Energia renewable assets availability was 96.3% (2017 – 97.3%) with a wind factor of 27.3% (2017 – 25.9%).

The Group currently owns wind farm projects with the following forecast generation capacity as at 31 March 2018:

MW	Operating	Under construction	**Total**
NI	119	54	**173**
RoI	104	-	**104**
	223	**54**	**277**

The average owned wind generation capacity in operation during the year ended 31 March 2018 was 203MW (2017 - 43MW). At 31 March 2018, the Energia Group had a direct investment in 119MW (2017 - 98MW) of operating wind generation capacity in Northern Ireland and 104MW (2017 – 104MW) of operating wind generation in the RoI. The Energia Group also had a direct investment in 54MW (2017 – 64MW) of wind generation capacity in Northern Ireland under construction at 31 March 2018.

In April 2017, the Group completed the acquisition of the 11MW Teiges wind farm development project in Northern Ireland. The total cash flows on acquisition were £2.3m. Discounted contingent consideration of £1.2m (£1.5m undiscounted) and other payables of £0.6m were recognised (£0.7m undiscounted).

In July 2017, non-recourse project finance facilities of up to £28.4m were put in place in respect of a 21MW wind farm in Northern Ireland and in September 2017, non-recourse project finance facilities of up to £56.7m were put in place in respect of a 36MW wind farm in Northern Ireland. In June 2018, non-recourse project finance facilities of up to £24.7m were put in place in respect of the two remaining wind farms with a combined capacity of 18MW in Northern Ireland. All wind farm projects now have project finance facilities in place.

The Energia Group also retains a minority share of 25% in the RoI wind farm projects and 20% in the Northern Ireland wind farm projects of which a majority was sold to the Irish Infrastructure Fund in June 2012.

Operational performance (continued)

Bioenergy Assets

In July 2017, the Group completed the acquisition of Dargan Road Biogas Limited, a 3.6MW anaerobic digestion development project at Giant's Park in Belfast. The total cash flows on acquisition were £0.8m and contingent consideration of £2.5m was recognised.

In January 2018, Energia Group completed the acquisition of additional land at Huntstown for the development of an anaerobic digestion plant. In May 2018, the Energia Group completed the acquisition of CEHL (Dublin) Bioenergy Limited and subsidiary, Huntstown Bioenergy Limited, from Connective Energy Holdings Limited and entered into an Engineering Procurement Contract (EPC) for the design and build of the state of the art 4.9MW anaerobic digestion facility at Huntstown which will process up to 100,000 tonnes of organic municipal waste from the Dublin region and will produce c32GW of green renewable electricity on an annual basis. Huntstown Bioenergy Limited has entered into a long term fuel supply agreement to supply the majority of organic waste for the plant over 10 years at fixed prices. The total cash flows on acquisition were £1.1m and total consideration for the acquisition was £0.5m cash and £2.3m discounted contingent consideration (£2.6m undiscounted). It is intended to put project finance facilities in place and commercial operation is expected by December 2019 and will benefit from Renewable Energy Feed-In Tariff scheme (REFIT) support.

Power NI

Background information

Power NI is the regulated electricity supplier in Northern Ireland. The number of customers supplied at 31 March 2018 reduced to 500,000 (2017 - 517,000) primarily reflecting continued competition in the residential market.

Power NI purchases the majority of its wholesale requirements from the Single Electricity Market (SEM) pool, and from 1 October 2018 from the I-SEM pool, and hedges its exposure to pool price volatility through a combination of contracts for differences (CfDs) with PPB, ESB Power Generation and other independent generators and tariffs for certain larger customers which are partly or fully indexed to pool price.

Financial performance

Revenues (based on regulated entitlement) increased to £340.1m (2017 - £335.0m) primarily due to higher deregulated revenue (associated with the full deregulation of the business market from 1 April 2017), partly offset by a corresponding decrease in regulated revenue together with a reduction in residential customer numbers.

EBITDA increased to £35.1m (2017 - £32.2m) primarily reflecting higher contributions from renewable PPAs (associated with increased capacity and higher market prices) and higher unregulated margins (associated with the full deregulation of business customers from 1 April 2017), partly offset by the corresponding reduction in regulated margins and higher operating costs.

Certain remeasurements

Certain remeasurements were a £0.9m gain (2017 - £nil) reflecting the recognition of the fair value of derivatives.

Operational performance

KPIs	**2018**	2017
Complaints to the CCNI (number)	**3**	4
Market share of Northern Ireland electricity sales (%)		
- Residential	**57**[1]	58
- Non-residential	**17**[1]	18
Customer sites (number)		
- Residential	**466,000**	483,000
- Non-residential	**34,000**	34,000
	500,000	517,000
Electricity sales (TWh)	**2.5**	2.5
Contracted renewable generation capacity in operation (deregulated)		
- average during the year (MW)	**214**	112
- at 31 March 2018 (MW)	**251**	127

[1] *Based on data published by the Utility Regulator for the 12 months ended 31 March 2018*

During the year Power NI received three (2017 - four) complaints which were referred to the CCNI. The number of complaints continues to compare favourably with best practice in Great Britain and represents best practice in the Northern Ireland residential electricity supply market.

Power NI's deregulated renewable PPA portfolio consists of contracts with small to medium scale renewable generation sites primarily from wind, anaerobic digestion and biomass technologies. The average contracted generation capacity in operation during the year was 214MW (2017 – 112MW) with 31 March 2018 capacity increasing to 251MW (2017 – 127MW).

Residential customer numbers decreased to 466,000 at 31 March 2018 (2017 – 483,000) with market share by volume 57% (2017 – 58%). Non-residential customer numbers were in line with the prior year at 34,000 with market share by volume 17% (2017 – 18%).

Electricity sales were in line with the prior year at 2.5TWh.

Price control

On the 25 May 2018, and in light of the delay in the introduction of I-SEM from 23 May 2018 to 1 October 2018, the Utility Regulator confirmed its intention to extend Power NI's current price control a further 2 years, from 1 April 2019 to 31 March 2021, based on Power NI agreeing to share with customers the benefits of annual efficiency gains made during the current price control period.

PPB

Background information

PPB's primary role is to administer the contracted generation capacity from Ballylumford power station in Northern Ireland under legacy generating unit agreements which were originally established in 1992 when the Northern Ireland electricity industry was restructured, and to sell this wholesale electricity into the SEM pool, and from 1 October 2018 into the I-SEM pool. PPB also offers CfDs to suppliers and sells ancillary services to SONI. To the extent that the revenue PPB receives from trading in the SEM (including any CfD revenues) and from ancillary services payments is insufficient to cover its costs of procuring wholesale supplies of electricity plus the regulated allowance to cover its own costs, PPB is entitled to recover any shortfall via public service obligation (PSO) charges payable by suppliers (in practice Northern Ireland Electricity Networks Limited (NIE Networks) makes payments to PPB equal to the shortfall and recovers the cost of those payments through its PSO charges). Likewise, PPB is required to return any surplus revenue.

Background information (continued)

As at 31 March 2018 the generation capacity remaining under contract to PPB comprised 600MW with AES Ballylumford. In September 2016, PPB exercised its option with AES Ballylumford to extend the term of the Generating Unit Agreement covering 600MW of CCGT capacity by five years from September 2018 to September 2023. This contract is cancellable by the Utility Regulator with six months notice.

Financial performance

Revenues (based on regulated entitlement) increased to £125.6m (2017 - £111.7m) primarily reflecting higher utilisation of the Ballylumford plant, higher market prices and higher regulated entitlement associated with the gain share earned for the year.

EBITDA increased to £5.9m (2017 - £4.0m) primarily reflecting higher regulated entitlement associated with the gain share earned for the year.

Price Control

The Utility Regulator has set out a timetable for the revision of PPB's price control and PPB is in the process of responding to the UR's information request. The revised price control is scheduled to be effective from May 2019 and expected to run until September 2023 to coincide with the expiry of the Generation Unit Agreement covering 600MW of CCGT capacity at Ballylumford.

SUMMARY OF FINANCIAL PERFORMANCE

Revenue

Revenue from continuing operations increased to £1,561.2m (2017 - £1,317.6m). The breakdown by business is as follows:

Year to 31 March	2018 £m	2017 £m
Energia Group (excluding renewable assets)	**1,101.8**	874.4
Energia renewable assets	**35.0**	7.7
Power NI (based on regulated entitlement)	**340.1**	335.0
PPB (based on regulated entitlement)	**125.6**	111.7
Adjustment for under-recovery	**(4.3)**	(0.5)
Inter business elimination	**(37.0)**	(10.7)
Total revenue from continuing operations	**1,561.2**	1,317.6

Energia Group (excluding renewable assets) revenue increased to £1,101.8m (2017 - £874.4m) primarily reflecting higher availability and utilisation of Huntstown 1, higher non-residential electricity sales volumes and prices, higher interconnector revenue, favourable foreign exchange translation (with the strengthening of Euro to Sterling during the period compared to the same period last year), higher renewable PPA revenues (due to the full year contribution of additional renewable generation capacity and higher market prices) and higher residential revenue (associated with the continued growth in the RoI residential market), partly offset by lower utilisation of Huntstown 2 .

Energia renewable assets revenue increased to £35.0m (2017 - £7.7m) reflecting the commissioning of new wind farms.

Power NI revenue (based on regulated entitlement) increased to £340.1m (2017 - £335.0m) primarily due to higher deregulated revenue (associated with the full deregulation of the business market from 1 April 2017), partly offset by a corresponding decrease in regulated revenue together with a reduction in residential customer numbers.

PPB revenue (based on regulated entitlement) increased to £125.6m (2017 - £111.7m) primarily reflecting higher utilisation of the Ballylumford plant, higher market prices and higher regulated entitlement associated with the gain share earned for the year.

During the year the Power NI Energy regulated businesses under-recovered against their regulated entitlement by £4.3m (2017 – £0.5m) and at 31 March 2018 the cumulative over-recovery against regulated entitlement was £10.6m. The over-recovery of regulated entitlement reflects the phasing of tariffs.

Operating costs

Operating costs (pre exceptional items and certain remeasurements) increased to £1,471.1m (2017 - £1,233.2m) and include energy costs, employee costs, depreciation and amortisation and other operating charges.

Energy costs include the cost of wholesale energy purchases from the SEM pool, capacity payments made to the SEM, the cost of natural gas and fixed and variable natural gas capacity costs for the Huntstown plants, emissions costs, use of system charges and costs for third party renewable PPAs. Energy costs increased to £1,361.9m (2017 - £1,137.8m) primarily reflecting higher energy costs (associated with higher prices), higher non-residential electricity sales volumes, higher availability and utilisation of Huntstown 1, the impact of foreign exchange translation (with the strengthening of Euro to Sterling during the period compared to the same period last year), increased renewable PPA costs (associated with the full year contribution of increased renewable generation capacity and higher market prices), higher RoI residential electricity and gas volumes and greater utilisation of the Ballylumford plant, partly offset by lower utilisation of Huntstown 2.

Operating costs (continued)

Employee costs include salaries, social security costs and pension costs. Employee costs increased to £28.7m (2017 – £25.4m) primarily reflecting an increase in headcount and the impact of foreign exchange translation (with the strengthening of Euro to Sterling during the period compared to the same period last year).

Depreciation and amortisation increased to £32.7m (2017 – £22.3m) primarily due to the increase in depreciation of renewable assets (associated with the commissioning of new assets) and the impact of foreign exchange translation (with the strengthening of Euro to Sterling compared to last year).

Other operating charges include costs such as operating and maintenance costs, insurance, local business taxes, consultancy, marketing, licence fees and Information Technology (IT) services. Other operating charges increased to £47.8m (2017 - £47.7m) primarily reflecting higher operating costs for renewable assets (associated with increased capacity) and the impact of foreign exchange translation (with the strengthening of Euro to Sterling compared to last year) partly offset by higher operating costs in the prior year period associated with the major outages of Huntstown 1 and Huntstown 2 in 2017.

Group operating profit

Operating profit (pre exceptional items and certain remeasurements) increased to £90.1m (2017 - £84.4m) primarily reflecting an increase in Energia renewable assets operating profit, partly offset by a decrease in Energia Group (excluding renewable assets) and an under-recovery of regulated entitlement of £4.3m (2017 - £0.5m).

Year to 31 March	**2018 £m**	2017 £m
Energia Group (excluding renewable assets)	**41.5**	48.9
Energia renewable assets	**12.9**	1.8
Power NI	**33.9**	29.6
PPB	**5.9**	4.0
Other	**0.2**	0.6
Group pro-forma operating profit	**94.4**	84.9
Under-recovery of regulated entitlement	**(4.3)**	(0.5)
Operating profit	**90.1**	84.4

All of the above amounts are pre exceptional items and certain remeasurements as shown in note 4 to the accounts

Group pro-forma operating profit (pre exceptional items and certain remeasurements) increased to £94.4m (2017 - £84.9m) reflecting an increase in Energia renewable assets operating profit from £1.8m to £12.9m, an increase in Power NI operating profit from £29.6m to £33.9m and an increase in PPB operating profit from £4.0m to £5.9m, partly offset by a decrease in Energia Group (excluding renewable assets) operating profit from £48.9m to £41.5m and a decrease in other Viridian holding companies operating profit from £0.6m to £0.2m.

Energia Group (excluding renewable assets) operating profit (pre exceptional items and certain remeasurements) decreased to £41.5m (2017 – £48.9m) primarily reflecting lower non-residential electricity margins due to greater competition and higher energy costs (associated with higher gas prices and increases in market charges), lower residential margins (due to higher energy costs and increases in market charges) and lower non-residential gas margins (associated with higher gas prices), partly offset by higher availability and utilisation of Huntstown 1, higher contributions from renewable PPAs (due to the full year contribution of additional renewable generation capacity and higher market prices), lower operating costs (with both plants having major outages in 2017) and favourable foreign exchange due to the strengthening of Euro to Sterling during the period compared to the same period last year.

Energia renewable assets operating profit increased to £12.9m (2017 - £1.8m) primarily reflecting the commissioning of new wind farms.

Power NI operating profit increased to £33.9m (2017 – £29.6m) primarily reflecting higher contributions from renewable PPAs (associated with increased capacity and higher market prices) and higher unregulated margins (associated with the full deregulation of business customers from 1 April 2017), partly offset by the corresponding reduction in regulated margins and higher operating costs.

Group operating profit (continued)

PPB operating profit increased to £5.9m (2017 – £4.0m) primarily reflecting higher regulated entitlement associated with the gain share earned for the year.

Other operating profit decreased to £0.2m (2017 - £0.6m).

Group EBITDA

The following table shows the Group pro-forma EBITDA (pre exceptional items and certain remeasurements) by business:

Year to 31 March	**2018 £m**	2017 £m
Energia Group (excluding renewable assets)	**57.7**	65.1
Energia renewable assets	**27.6**	4.9
Power NI	**35.1**	32.2
PPB	**5.9**	4.0
Other	**0.8**	1.0
Group pro-forma EBITDA	**127.1**	107.2

All of the above amounts are pre exceptional items and certain remeasurements as shown in note 4 to the accounts

Group pro-forma EBITDA (pre exceptional items and certain remeasurements) increased to £127.1m (2017 – £107.2m) primarily reflecting an increase in EBITDA in Energia renewable assets, Power NI and PPB, partly offset by a decrease in EBITDA in Energia Group (excluding renewable assets) and other Viridian holding companies.

Energia Group (excluding renewable assets) EBITDA (pre exceptional items and certain remeasurements) decreased to £57.7m (2017 – £65.1m) for the same reasons as described above for the decrease in operating profit.

Energia renewable assets EBITDA increased to £27.6m (2017 - £4.9m) for the same reasons as described above for the increase in operating profit.

Power NI EBITDA increased to £35.1m (2017 – £32.2m) for the same reasons described above for the increase in operating profit.

PPB EBITDA increased to £5.9m (2017 – £4.0m) for the same reasons described above for the increase in operating profit.

Other EBITDA decreased to £0.8m (2017 - £1.0m).

Net finance costs

Net finance costs (pre exceptional items and certain remeasurements) increased from £27.2m to £46.6m primarily reflecting the impact of foreign exchange movements in the period compared to the same period last year, higher project finance interest costs associated with higher project finance facilities in place and lower capitalisation of interest with the commissioning of wind farms, partly offset by a decrease in the Senior secured notes interest charge associated with the refinancing undertaken in September 2017.

Exceptional items and certain remeasurements

Exceptional acquisition costs in 2017 of £2.4m relate to costs associated with acquisitions whether successful or unsuccessful.

Exceptional operating costs of £124.2m (2017 - £nil) relate to an impairment of the property, plant and equipment of the Huntstown plants associated with the ongoing uncertainty surrounding the future operation of the plants from the commencement of I-SEM.

Exceptional items and certain remeasurements (continued)

Exceptional finance costs of £28.3m (2017 - £nil) reflect costs associated with the refinancing of the Group in September 2017.

Certain remeasurements gain of £12.2m (2017 – £14.8m) reflect fair value movements of derivatives as outlined in note 6 to the accounts.

Tax charge

The total tax charge (pre exceptional items and certain remeasurements) was £4.0m (2017 – £1.0m). A detailed analysis of the tax charge is outlined in note 10 to the accounts.

Cash flow before acquisitions, disposals, interest and tax

Group cash flow before acquisitions, disposals, interest and tax of continuing operations is summarised in the following table:

Year to 31 March	**2018 £m**	2017 £m
Group pro-forma EBITDA[1]	**127.1**	107.2
Defined benefit pension charge less contributions paid	**(1.1)**	(1.3)
Net movement in security deposits	**(1.7)**	8.5
Changes in working capital[2]	**24.2**	4.1
Under-recovery of regulated entitlement	**(4.3)**	(0.5)
Exceptional items	**(0.3)**	(2.4)
Foreign exchange translation	**1.1**	2.0
Cash flow from operating activities	**145.0**	117.6
Net capital expenditure[3]	**(71.1)**	(147.6)
Net (expenditure)/proceeds from sale and purchases of other intangibles	**(7.2)**	0.8
Cash flow before acquisitions, disposals, interest and tax	**66.7**	(29.2)

[1] Includes EBITDA of renewable assets of £27.6m (2017 - £4.9m)
[2] Includes changes in working capital of renewable assets of £3.9m increase (2017 – £1.0m)
[3] Includes capital expenditure on renewable assets of £61.0m (2017 - £132.3m) and software expenditure of £8.7m (2017 - £2.9m)

Group cash flow from operating activities increased to £145.0m (2017 - £117.6m) primarily reflecting a higher decrease in working capital of £24.2m, an increase in EBITDA of £19.9m from £107.2m to £127.1m and a decrease in exceptional items £0.3m (2017 - £2.4m), partly offset by an increase in security deposits £1.7m (2017 - £8.5m decrease) and under-recovery of regulated entitlement of £4.3m (2017 – £0.5m).

Net movement in security deposits

The net movement in security deposits was a £1.7m increase (2017 – £8.5m decrease). As at 31 March 2018 there were £4.1m of security deposits in place (2017 - £2.4m).

Changes in working capital

Working capital consists of inventories plus trade and other receivables (primarily retail energy sales including unbilled consumption, wholesale energy income, capacity payment income and Renewable Obligation Certificate (ROC) sales), prepayments and accrued income less trade and other creditors (primarily wholesale energy costs, capacity payments, natural gas and fixed natural gas capacity costs, renewable PPA costs, ROC costs, emission costs and use of system charges), payments received on account, accruals and tax and social security.

Working capital decreased by £24.2m (2017 – £4.1m) due to a decrease in the working capital requirements of Energia Group (excluding renewable assets), PPB and other Viridian holding companies, partly offset by an increase in working capital requirements of Power NI and Energia renewable assets.

Changes in working capital (continued)

Energia Group (excluding renewable assets) working capital decreased by £24.7m (2017 – £4.7m) primarily due to an increase in trade creditors and accruals (primarily reflecting higher gas commodity and transportation costs due to higher plant utilisations), an increase in ROC and emissions liabilities and an increase in VAT creditor, partly offset by an increase in trade debtors and accrued income primarily reflecting an increase in electricity and gas sales volumes and prices and an increase in ROC debtors, partly offset by a decrease in the REFIT debtor).

Energia renewable assets working capital increased by £3.9m (2017 – £1.0m) primarily reflecting an increase in trade debtors and accrued income reflecting higher output associated with the commissioning of new wind farms, partly offset by an increase in trade creditors and accruals.

Working capital at Power NI increased by £7.2m (2017 – decrease of £3.1m) primarily due to a decrease in trade creditors and accruals (due to settlement timing differences), an increase in trade debtors and accrued income and a decrease in payments on account, partly offset by an increase in the ROC obligation liability and a higher VAT creditor.

Working capital at PPB decreased by £10.1m (2017 – increase of £2.1m) primarily reflecting an increase in trade creditors and accruals (primarily due to a PSO rebate), partly offset by an increase in trade debtors and accrued income (due to higher Ballylumford output) and a higher VAT debtor.

Working capital at other Viridian holding companies decreased by £0.5m (2017 – increase of £0.6m).

Over-recovery of regulated entitlement

As noted previously the regulated businesses of Power NI and PPB under-recovered against their regulated entitlement by £4.3m (2017 – £0.5m) and at 31 March 2018 the cumulative over-recovery against regulated entitlement was £10.6m. The over-recovery of regulated entitlement reflects the phasing of tariffs.

Capital expenditure

Net capital expenditure in respect of tangible fixed assets and intangible software assets decreased to £71.1m (2017 - £147.6m).

Net capital expenditure at Energia Group (excluding renewable assets) decreased to £6.6m (2017 - £10.6m) primarily reflecting higher capital expenditure in the prior year due to the outage for Huntstown 1, partly offset by increased expenditure on I-SEM systems.

Net capital expenditure at Energia renewable assets decreased to £61.0m (2017 - £132.3m) reflecting the commissioning of new wind farms, partly offset by capital expenditure in relation to the bioenergy development assets.

Net capital expenditure at Power NI decreased to £2.5m (2017 - £3.2m) reflecting the billing system upgrade which became operational in May 2017 partly offset by increased expenditure on I-SEM systems.

Net capital expenditure at other Group companies decreased to £1.0m (2017 - £1.6m).

Other cash flows

Net interest paid

Net interest paid (excluding exceptional finance costs) decreased to £46.6m (2017 - £48.6m) primarily reflecting lower bond interest paid due to the refinancing of the Senior secured notes in September 2017, partly offset by higher interest costs on project finance debt associated with the ongoing construction and development of the wind farm asset portfolio.

Acquisition of subsidiary undertakings

Acquisition of subsidiary undertakings of £3.1m (2017 - £13.9m) reflects the acquisition of the Teiges wind farm and the Dargan Road anaerobic digestion project.

Dividends

A dividend of £60.0m (2017 - £nil) was paid to the parent undertaking in September 2017.

Net debt

The Group's net debt increased by £58.2m from £597.2m at 31 March 2017 to £655.4m at 31 March 2018. Net debt at 31 March 2018 includes project finance net debt of £233.7m (2017 - £193.8m). Excluding project financed net debt, net debt was £421.7m (2017 - £403.4m).

On 25 September 2017, the Group completed a full refinancing of the Euro denominated Senior secured notes (2020) as detailed in the Treasury section of the Summary of Financial Performance report. This included the close out of the foreign exchange forward contracts of €225.0m on the Senior secured notes (2020) which resulted in a cash inflow of £29.4m.

Defined benefit pension liability

The pension liability in the Group's defined benefit scheme under International Accounting Standard (IAS) 19 was nil at 31 March 2018 (2017 – nil).

The last actuarial valuation of the Viridian Group Pension Scheme (VGPS) was as at 31 March 2015. Under the terms of the recovery plan agreed with the trustees, the Group will make good the £7.9m funding shortfall through annual deficit repair contributions of £1.25m for seven years. The third deficit repair contribution made under the recovery plan was paid on 31 March 2018. The trustees of VGPS have commenced the actuarial valuation of the scheme as at 31 March 2018 which is expected to conclude within 15 months of the valuation date.

REGULATION AND LEGISLATION

Northern Ireland

The electricity industry in Northern Ireland is governed principally by the Electricity (Northern Ireland) Order 1992 (the 1992 Order) and by the conditions of the licences which have been granted under the 1992 Order. The 1992 Order has been amended by subsequent legislation including the Energy (Northern Ireland) Order 2003 (the 2003 Order), the Electricity Regulations (Northern Ireland) 2007, the Electricity (Single Wholesale Market) (Northern Ireland) Order 2007 (the SEM Order), the Gas and Electricity (Internal Markets) Regulations (Northern Ireland) 2011, the Electricity and Gas (Market Integrity and Transparency) (Enforcement etc.) Regulations (Northern Ireland) 2013 and most recently the Energy Efficiency Regulations (Northern Ireland) 2015 and the Gas and Electricity Licence Modification and Appeals Regulations (Northern Ireland) 2016.

Regulators

The Utility Regulator and the Department for the Economy (DfE) are the principal regulators. Each is given specific powers, duties and functions under the relevant legislation. The functions of the Utility Regulator include licensing (pursuant to a general authority given by DfE) and the general supervision and enforcement of the licensing regime. DfE's functions include licensing, the giving of consents for new power stations and overhead lines, fuel stocking, the encouragement of renewable generation and the regulation of matters relating to the quality and safety of electricity supply.

Regulators' objectives and duties

The principal objective of both the Utility Regulator and DfE in carrying out their functions in relation to electricity is to protect the interests of consumers of electricity, wherever appropriate, by promoting effective competition between those engaged in, or in commercial activities connected with, the generation, transmission or supply of electricity. Each of the Utility Regulator and DfE has a duty to carry out its functions in the manner which it considers is best calculated to further this principal objective, having regard to a number of factors, including the need to ensure that all reasonable demands for electricity are met and that licensees are able to finance their authorised activities. In performing that duty, they are required to have regard to the interests of individuals whose circumstances include being disabled, chronically sick or of pensionable age or having low incomes or residing in rural areas. They must also have regard to the effect of the industry's activities on the environment and their role includes promoting energy efficiency.

The 2003 Order gives the CCNI responsibility for representing electricity consumers and dealing with their complaints. The CCNI has powers to investigate matters relating to the interests of consumers regarding their electricity supply and to obtain information from electricity licence holders.

Competition in electricity generation and supply

All wholesale electricity (with limited exceptions) is bought and sold across the island of Ireland through the SEM which was established in November 2007. The SEM is based on a gross mandatory pool. Generators make offers to sell their electricity into the pool and are dispatched centrally on the basis of their bids. Suppliers purchase all their wholesale requirements from the pool.

The retail market in Northern Ireland is fully open to competition. Based on data published by the Utility Regulator for 28 February 2018, approximately 83% (2017 – 82%) of non-residential consumption is supplied by competitors of Power NI and approximately 43% (2017 – 42%) of residential consumption is supplied by competitors of Power NI.

Licences

There are four types of electricity licence: participation in transmission; supply; generation and SEM operation. Taken together, these licences: regulate the economic behaviour of licensees; set a framework for competition in generation and supply; underpin the arrangements relating to security of supply; protect the technical integrity of the system; and provide for certain types of customer services.

Licences (continued)

Energia, the Energia Group's competitive energy supply business, holds a supply licence. Energia renewables wind farms greater than 10MW hold generation licences. Power NI Energy holds a supply licence which also covers PPB's activities.

Energia

Energia's supply licence requires it to:

- comply with specified industry codes and agreements;
- be managerially and operationally independent from Power NI Energy;
- provide the Utility Regulator with information and comply with valid directions; and
- comply with the regulatory rules for trading in the SEM and the rules governing the submission of commercial offers to the SEMO when acting as an intermediary.

Energia renewable assets

Wind farms greater than 10MW in Northern Ireland require a generation licence. Energia's renewable wind farms which hold generation licences include Altamuskin Windfarm Limited, Cornavarrow Windfarm Ltd, Gortfinbar Windfarm Limited, Long Mountain Wind Farm Limited, Thornog Windfarm Ltd, Wheelhouse Energy (NI) Limited, and Teiges Mountain Wind Farm Limited.

The generation licences requires the licensee to:

- comply with specified industry codes;
- submit all available generation sets to central dispatch by the transmission system operator (TSO) in Northern Ireland in providing energy and ancillary services;
- comply with the regulatory rules for trading in the SEM; and
- provide the Utility Regulator with information and comply with valid directions.

Power NI Energy (incorporating Power NI and PPB)

Power NI Energy's licence covers the activities of both Power NI and PPB, and requires Power NI to:

- purchase wholesale supplies efficiently (the economic purchasing obligation);
- act as supplier of last resort (SoLR) if directed to do so by the Utility Regulator;
- comply with specified industry codes and agreements;
- set its prices having regard to the tariff methodology statement which sets out the policy for calculating and setting its prices, as approved by the Utility Regulator;
- comply with codes of practice on: payment of bills; services for vulnerable customers; the efficient use of electricity; complaint handling and services for customers with prepayment meters;
- be managerially and operationally independent from Energia; and
- comply with various conditions governing supply to residential customers in the competitive market including a prohibition of discrimination in supply where the licensee (together with its affiliates) is in a dominant position.

Licence conditions applicable to PPB require it to:

- contract for electricity at the best effective price reasonably obtainable, having regard to the sources available, and keep its commitments under review (PPB's economic purchasing obligation);
- enter into and comply with arrangements which facilitate PPB bidding into the SEM the capacity contracted to it under long term generating contracts;
- comply with the regulatory rules for trading in the SEM and the rules governing the submission of commercial offers to the SEMO; and
- comply with separate interface arrangements which govern PPB's relationships with SONI and NIE Networks.

Power NI Energy (incorporating Power NI and PPB) (continued)

Power NI Energy's licence requires it to establish, and at all times maintain, the full managerial and operational independence of PPB from other businesses within the Group. PPB's compliance plan sets out the practices, procedures, systems and rules of conduct to ensure compliance with this licence condition.

Licence compliance, modification, termination and revocation

The Utility Regulator has statutory powers to enforce compliance with licence conditions. The 2003 Order provides for the Utility Regulator to levy a financial penalty (up to 10% of the licensee’s revenue) for breach of a relevant condition.

The Utility Regulator may modify the conditions of licences in accordance with the procedures set out in the relevant legislation, which include due notice, public consultation and consideration of any representations and objections. From February 2015, the Utility Regulator has the power following due consultation to impose licence modifications which are subject to appeal by specified parties, including the licensee affected, to the Competition and Markets Authority (CMA). The CMA may direct that, pending the determination of an appeal, the decision of the Utility Regulator is not to have effect. Proposed modifications can be vetoed by DfE. Modifications of licence conditions may also be made by statutory order as a consequence of a reference under the Competition Act 1998.

Licences may be terminated by not less than 25 years’ notice given by DfE and are revocable in certain circumstances including: where the licensee consents to revocation; where the licensee fails to comply with an enforcement order made by the Utility Regulator; or where specified insolvency procedures are initiated in respect of the licensee or its assets.

Price controls

Power NI and PPB are subject to price controls, defined in formulae set out in Power NI Energy’s licence, which limit the revenues they may earn and the prices they may charge. The principles of price regulation employed in the relevant licence conditions reflect the general duties of the Utility Regulator and DfE under the relevant legislation. These include having regard to the need to ensure that licensees are able to finance their authorised activities.

If the amount of revenue recovered in any one year exceeds or falls short of the amount allowed by the relevant price control formula, a correction factor operates in the following year to give back any surplus with interest, or to recover any deficit with interest, as appropriate. A surplus is referred to as an over-recovery and a deficit as an under-recovery.

Competition in gas supply

The Northern Ireland gas network has three distribution areas – Phoenix Natural Gas (mainly Greater Belfast), Firmus energy (mainly the Ten Towns outside Greater Belfast) and SGN (the West of Northern Ireland, which is currently under construction). Within Northern Ireland, the gas market of Greater Belfast (the Phoenix licensed area) was fully opened to competition on 1 January 2007 and the gas market in the Ten Towns (the Firmus licensed area) was fully opened to competition on 1 April 2015. The principal rules for shipping natural gas in Northern Ireland are contained in the Phoenix Distribution Code, the Firmus Distribution Code, and the NI Network Gas Transmission Code. Energia and Power NI hold gas supply licences.

Renewable energy

The Northern Ireland Assembly has a target of sourcing 40% of Northern Ireland’s electricity from renewable sources by 2020, as reflected in the Strategic Energy Framework (SEF) 2010-2020. The SEF is currently under review. At 31 March 2018, according to NIE Networks, there was 1,554MW of renewable generation connected to the Northern Ireland system, of which 1,193MW is onshore wind. It is estimated that this will need to increase to approximately 1,792MW by 2020, of which 1,406MW is onshore wind, to meet the 40% target.

The United Kingdom (UK) Renewable Obligation (RO) scheme applies in Northern Ireland. The RO scheme is designed to incentivise the generation of electricity from renewable sources. The scheme places an obligation on suppliers to source a portion of their electricity from renewable sources (16.7% in Northern Ireland for 2017/18 increasing to 18.5% by 2018/19).

Renewable energy (continued)

Under the RO scheme, eligible renewable generators receive ROCs for each MWh of electricity generated. ROCs are freely tradeable and can be sold to suppliers in order to fulfil their obligation. Suppliers can either present ROCs to cover their obligation or pay a buy-out fee of £45.58/MWh (2017/18), £47.22/MWh (2018/19) for any shortfall. All proceeds from buy-out fees are recycled to the holders of ROCs.

The Renewable Obligation Closure Order (Northern Ireland) 2016 came into effect on 17 March 2016. This legislation closed the Northern Ireland Renewable Obligation (NIRO) to new large (above 5MW) onshore wind generating stations from 1 April 2016. The NIRO Closure Order 2016 introduced various grace periods for stations to enable them to qualify for ROCs notwithstanding that they would otherwise be affected by the early closure. The grace periods relate to investment freeze, brought about by delays in the legislation to implement the early closure process and uncertainty as to its final form and/or grid and/or radar connection delays. If grace period conditions are met generating capacity can gain accreditation under the NIRO between 1 April 2016 and 31 December 2018. Similar legislation came into force for small scale onshore wind generating capacity on 29 June 2016.

On 20 December 2017 the Office of Gas and Electricity Markets (OFGEM) issued further guidance on the NIRO and RO investment freeze and grid delay grace period declaration templates in order to provide greater clarity to allow generators to satisfy the accreditation criteria where reliance on the investment freeze and grid delay grace periods is required.

The closure of the NIRO for all other technologies is covered in the Renewables Obligation Closure Order (Northern Ireland) 2016 and generating stations cannot accredit after 31 March 2017 except if it qualifies for the 12 month grid or radar grace period.

ROC benefit rights will be grandfathered to projects that accredit under the NIRO following its closure. Generation accrediting under the NIRO will receive full support under the RO until 2037. From 2027 fixed price certificates will be issued, in place of ROCs, to projects qualifying for RO support until the end of the RO mechanism in 2037. Fixed price certificates will be set at the 2027 buyout price, plus 10% and will be inflation linked.

Republic of Ireland

The principal legislative instruments governing the regulation of the energy sector in the RoI are the Electricity Regulation Act 1999 (the 1999 Act), the European Communities (Internal Market in Electricity) Regulations 2000 and 2005, the Gas (Interim) (Regulation) Act 2002 (the 2002 Act), the European Communities (Internal Market in Natural Gas) (No. 2) Regulations 2004, the Energy (Miscellaneous Provisions) Act 2006, the Electricity Regulation (Amendment) (Single Electricity Market) Act 2007 (the 2007 Act) and the Energy Act 2016.

Regulators

Overall policy responsibility for the energy sector lies with the Minister for Communications, Climate Action and Environment (the Minister). In this capacity, the Minister is advised by the DCCAE and other statutory bodies including the Commission for Regulation of Utilities (CRU) and the Sustainable Energy Authority of Ireland. The CRU was originally established as the Commission for Energy Regulation (CER) in the 1999 Act. The CER changed its name to the CRU in 2017 to better reflect its expanded powers and functions in energy and water.

Regulators' objectives and duties

The principal objective of CRU in carrying out its functions in relation to energy is to protect the interests of energy consumers, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission or supply of electricity and the transportation and supply of natural gas. CRU has a duty to carry out its functions in a manner which does not discriminate between market participants.

The functions of CRU include: advising the Minister; licensing market participants; the general supervision and enforcement of the licensing regime; the regulation of third party access and network tariffs in both the gas and electricity sectors; the setting of gas and electricity market rules; regulation of gas and electricity markets and residential gas tariffs and regulating safety in electricity and gas supply to final customers. DCCAE's functions include drafting legislation, advising the Minister on issues of energy policy and promoting renewable energy.

Regulators' objectives and duties (continued)

As noted above, all wholesale electricity (with limited exceptions) is bought and sold across the island of Ireland through the SEM. Electricity Supply Board (ESB) is the incumbent electricity utility in the RoI and its network functions are ring-fenced from its generation and supply interests. EirGrid is the independent TSO and also owns the East/West Interconnector.

Competition in electricity generation and supply

The retail market in the RoI is fully open to competition and all customers may choose their supplier. In April 2011, ESB's previously regulated supply business was fully deregulated and rebranded as Electric Ireland. Approximately 56% (2017 – 59%) of non-residential consumption and 51% (2017 – 48%) of residential consumption is supplied by suppliers who compete with Electric Ireland.

Licences

There are seven types of electricity licence: transmission system operation; transmission asset ownership; distribution system operation; distribution asset ownership; SEM operation; supply; and generation. Licences regulate the economic behaviour of licensees; set a framework for competition in generation and supply; underpin the arrangements relating to security of supply; and protect the technical integrity of the system. Huntstown 1 and 2 hold generation licences and Energia holds a supply licence.

Huntstown

The generation licences require Huntstown 1 and 2 to:

- comply with specified industry codes;
- submit to central dispatch by the TSO in the RoI in providing energy and ancillary services to the electricity system;
- appoint a competent operator;
- comply with the rules governing the submission of commercial offers to SEMO; and
- provide CRU with information and comply with valid directions.

Energia

Energia's supply licence requires it to:

- comply with specified industry codes;
- comply with the relevant licence conditions of generators (where acting as an intermediary for generators such as wind farms) in submitting commercial offers; and
- provide CRU with information and comply with valid directions.

Energia renewable assets

All wind farms in the RoI require a generation licence. Energia's renewable wind farms hold generation licences through Windgeneration Ireland Limited (Meenadreen extension wind farm) and Holyford Windfarm Limited.

The generation licence requires the licensee to:

- comply with specified industry codes;
- submit to central dispatch by the TSO in the RoI in providing energy and ancillary services to the electricity system;
- appoint a competent operator;
- comply with the rules governing the submission of commercial offers to SEMO; and
- provide CRU with information and comply with valid directions.

Competition in gas supply

The gas market in the RoI was fully opened to competition on 1 July 2007. The principal rules for shipping natural gas in the RoI are contained in the Gas Networks Ireland (formerly Gaslink) Code of Operations. Energia holds a gas shipping and gas supply licence.

Energy Efficiency Obligation

The Energy Efficiency Obligation Scheme in the RoI places obligations on energy suppliers to achieve specific annual energy savings targets across the residential, business and energy poverty sectors. In December 2016, Energia received its new Energy Efficiency Notices from the DCCAE for the calendar years 2017 to 2020 and its obligation for 2017 is 71.4GWh (2016 - 74.7GWh) increasing to 79.9GWh for 2018 to 2020 with a higher proportion allocated to the residential market from the business market in comparison to the 2014 to 2016 requirement. On 20 March 2017 Energia secured leave from the High Court to bring judicial review proceedings against the Minister challenging the Energy Efficiency Notices. These legal proceedings are ongoing.

Renewable energy

The REFIT is designed to encourage renewable generation in the RoI. Under REFIT, suppliers and renewable energy generators enter into a PPA for a minimum of 15 years. In return for entering into the PPA, the supplier receives a supplier balancing payment equal to 15% of the base REFIT tariff for large scale wind. The supplier is also entitled to compensation if the market price of electricity falls below the REFIT tariff. The REFIT tariff for large scale wind generation is set at €69.99/MWh for 2018, and is indexed annually to the Consumer Price Index (CPI) in the RoI and only adjusted where there is positive inflation.

In February 2012, a REFIT 3 support scheme was introduced for Biomass technologies and in March 2012, a REFIT 2 support scheme was introduced for onshore wind, hydro and biomass landfill gas technologies. The structure of the schemes is similar to REFIT 1, but the supplier balancing payment is unindexed and will be recovered where market prices exceed the REFIT reference prices.

The existing primary supports, REFIT 2 and REFIT 3, closed for new applications on 31 December 2015 and required projects to be built and operational by 31 December 2017 however, this has been extended to allow projects to be connected by 31 December 2019 with the necessary information requirements to be confirmed by 31 December 2017. The backstop date remains unchanged at 31 December 2032. In September 2017 the RoI Government opened a consultation on a new support scheme for a range of renewable technologies in the electricity sector. The scheme will be subject to the new rules on public support for projects in the field of energy, adopted by the European Commission in 2014, which seek to promote a gradual move to market based support for renewable energy. The final scheme will be subject to the receipt of State Aid clearance from the EU Commission.

The RoI Government has a target for 40% of electricity consumption to come from renewable sources by 2020, as was restated in the White Paper on Energy published in December 2015. At 31 March 2018, according to data published by EirGrid and ESB, there was approximately 3,629MW of renewable generation connected to the RoI system. It is estimated that this will need to increase to between 3,900MW and 4,300MW by 2020 to meet the 40% target.

Single Electricity Market and new Integrated Single Electricity Market

The Utility Regulator and CRU (the Regulatory Authorities (RAs)) work together in the exercise of their statutory functions in relation to the SEM.

Decisions in relation to SEM matters are taken by the SEM Committee (SEMC) which was established in accordance with the SEM Order (in Northern Ireland) and the 2007 Act (in the RoI). The Committee consists of three Utility Regulator representatives and three CRU representatives along with an independent and a deputy independent member. The voting rights and quorum rules for the SEMC are set out in the SEM legislation.

Oversight arrangements discharged by senior management from the RAs include a committee to receive delegations of authority from the SEMC to carry out certain functions including: management of resources across both RAs; coordinating and developing proposals for consideration by the SEMC; and the management of key regulatory functions. The four key regulatory functions for which a designated manager has been assigned are: management of the trading rules; monitoring the market; modelling the market; and regulation of SEMO.

Single Electricity Market and new Integrated Single Electricity Market (continued)

On non-SEM matters, the Utility Regulator and CRU exercise their statutory functions separately in their own jurisdictions.

The Internal Energy Market (IEM) is one of the key pillars for the European single market. Free trade across borders and non-discrimination between internal and cross-border transactions are key components. The implementation of the new integrated I-SEM is designed to integrate the single Irish market, which has to date operated largely independently, into the European IEM. The Governments of Northern Ireland and the RoI have charged the SEMC with responsibility for revising the SEM, through the creation of the new I-SEM, so that trading arrangements for the island of Ireland are compliant with EU requirements.

When implemented, I-SEM will comprise of the following interrelated financial and physical markets for electrical power and related ancillary services:

- Two markets for energy-related financial instruments: The Forward Market (FM) and Financial Transmission Rights (FTR) auctions.
- Three physical markets: the Day Ahead Market (DAM), the Intra Day Market (IDM) and the Balancing Market (BM). The DAM and IDM will operate ex ante, while the BM is operated by the TSO in real time.
- A Capacity Market (CM) for remunerating long-term commitments to maintain, in readiness, capacity available to generate electricity and sell it into the physical markets.

When I-SEM is implemented, the DAM will be a pan-European coupled market, meaning it will operate as a single auction across all the countries in the IEM. A common price coupling algorithm, known as EUPHEMIA (the acronym for Pan-European Hybrid Electricity Market Integration Algorithm), has been developed and implemented at the European level to evaluate bids, schedule day-ahead markets and determine energy flows between regions. Eventually, fully coupled bidding in the IDM is expected to be available through XBID (the European solution for a joint integrated intraday cross-zonal market); however, at the launch of I-SEM only the DAM will be fully coupled. An interim IDM solution will establish continuous intraday trading for the local market and cross-border implicit intraday auctions with Great Britain.

EirGrid and SONI will serve as the Nominated Electricity Market Operators (NEMOs) for their geographic regions in the coupled ex-ante markets. The NEMOs interact with the (European) Market Coupling Operator, who is responsible for running the market coupling process.

I-SEM Capacity market

Under I-SEM, the Capacity Remuneration Mechanism (CRM) is meant to ensure the investment in, and maintenance of, adequate generation capacity within a small, relative isolated power system with a high and increasing penetration of variable renewable generation. Under I-SEM, the CRM will take the form of Reliability Options, which rewards those who contribute to the reliability of the power system when needed. A Reliability Option is a one-way contract for difference, entered into between a generator and SEMO, that incentivizes a generator to generate electricity at times of market spikes in exchange for a fixed payment, while foregoing incremental revenue when the market price is above a defined strike price. This strike price is set by a formula which uses the greater of the cost of a low-efficiency peaking unit or the cost of a demand-side unit. The amount of the fixed payment, in terms of euros per KW of capacity made available, is determined through a competitive auction process that takes place in advance of the start of the capacity period. It is expected that the capacity period will generally be one year, running from October to the following September, and the annual price per KW of capacity will be paid in monthly installments.

Typically, capacity auctions under I-SEM will take place four years ahead of the capacity period to be covered, to allow for the construction of new capacity, if required. The first such auction will be for the October 2022 to September 2023 capacity period, and this auction is expected to take place in March 2019. To allow for an immediate transition to the CRM once I-SEM is implemented a first transitional capacity auction was held in December 2017. This was a single auction to cover the period from I-SEM go-live (previously expected to have been May 2018) to September 2019. Following the announcement of the delay in I-SEM go-live, the SEMC has stated that the outcome of the first transitional auction will apply from the re-scheduled go-live date of 1 October 2018. The next transitional auction for capacity year 2019/20 is due to take place in December 2018 with the remaining transitional auctions scheduled to take place in December 2019 to cover the 2020/21 and 2021/22 capacity periods.

Single Electricity Market and new Integrated Single Electricity Market (continued)

Generation plants that are ''in-merit'' in the CRM auction (that is, plants offering a price low enough to be selected to meet the capacity requirement) will be paid based upon the market clearing price set by the highest accepted bidder. However, as the Irish electricity network has limitations and operational constraints, generation plants can therefore be required for system stability in certain zones irrespective of their merit order position in the CRM auction. These plants typically play a system-critical role in balancing the energy network and ensuring security of supply, and will therefore be paid ''as bid'' within the auction framework. The Group's Huntstown plants are located in localised constraints in the Dublin area and are therefore frequently dispatched to alleviate system constraints.

Existing generation plants are required to be bid into the CRM auction, unless a plant is due to close before the capacity period being auctioned, has an extended outage, or is due to be mothballed. Bids into the CRM auction are subject to regulatory caps. The general Existing Capacity Price Cap (ECPC) is one half of the net Cost of New Entrant (CONE), which is determined using a best new entrant calculation carried out by the SEMC. This calculation currently references the cost of developing a new OCGT power plant. A generator can also apply for a Unit Specific Price Cap (USPC) if the plant can justify to SEMC net going forward costs higher than the ECPC. New entrants will be able to bid up to 1.5 times net CONE and secure a contract for up to 10 years. A new entry plant can set the clearing price of the CRM auction for the first year of its contract resulting in all generators receiving the new entrant price for that year.

Delay in I-SEM commencement

Commencement of I-SEM had been scheduled for 23 May 2018. However, on 17 April 2018 the SEMC confirmed that go-live would be delayed to 1 October 2018 in order to allow adequate testing of market participants' IT systems.

Ancillary Services – DS3

The provision of ancillary services to the TSOs by flexible, responsive gas fired plants has become essential as wind penetration increases in the Irish energy market, fostered by governmental policies aimed at having renewable sources supply 40% of electricity in the all-island market by 2020. Wind is an intermittent and non-synchronous technology; moreover, power demand in Ireland varies on daily and seasonal cycles, and often not in tandem with changes in the supply of wind power. To address system security arising from even greater wind penetration, the TSOs have established a multi-year program called ''Delivering a Secure, Sustainable Electricity System'' (DS3). Under the DS3 arrangements there will ultimately be 14 system services relating to the provision of frequency response, reserve and voltage control, ramping margin capability, inertial response and provision of enhance frequency response. The new regulated arrangements came into effect on 1 May 2018 and are expected to remain in place until 2027 and will remunerate provision of 11 existing services and the final 3 services when they are introduced in September 2018.

RISK MANAGEMENT AND PRINCIPAL RISKS AND UNCERTAINTIES

The Group operates a structured and disciplined approach to the management of risk. Its approach is to conduct business in a manner which balances costs and risks while taking account of all its stakeholders and protecting the Group's performance and reputation by prudently managing the risks inherent in the businesses. Management regularly identifies and considers the risks to which the businesses are exposed. Management's assessment of the key risks and the associated controls and actions required to mitigate these risks are recorded in business risk registers. Each risk is regularly assessed for the severity of its impact on the business and for the effectiveness of the controls in place. The risk environment is reviewed continually in order to identify new or emerging potential risks.

The Group's Audit Committee, which meets quarterly, plays a key role in internal control and risk management. The Audit Committee monitors the Group's financial reporting processes and the effectiveness of the internal control and risk management systems; reviews and appraises the activities of the internal and external auditors; and provides an open channel of communication among the internal and external auditors, senior management and the Board.

The Group's Risk Management Committee (RMC) comprises a number of senior managers from across the Group and meets bi-monthly to oversee the management of risks and ensure that adequate and timely action is taken to mitigate and manage risk. The RMC reviews individual business and functional risk registers and reports to the Audit Committee on a quarterly basis.

The emphasis on sound management structures and policies and procedures is backed up by operational and financial review mechanisms and an externally resourced internal audit function.

The directors acknowledge that they have responsibility for the Group's systems of internal control and risk management and monitoring their effectiveness. The purpose of these systems is to manage, rather than eliminate, the risk of failure to achieve business objectives, to provide reasonable assurance as to the quality of management information and to maintain proper control over the income, expenditure, assets and liabilities of the Group. No system of control can, however, provide absolute assurance against material misstatement or loss. Accordingly, the directors have regard to those specific controls, which in their judgement, are appropriate to the Group's business given the relative costs and benefits of implementing them.

The principal risks and uncertainties that affect the Group are described below but are not intended to be an exhaustive analysis of all the risks that may arise in the ordinary course of business or otherwise.

Competition in generation and supply of electricity

There is a risk that increased competition in generation and supply will reduce margins. Under the SEM, the system marginal price (SMP) is received by all generators and reflects the marginal cost of the last generating unit called to meet demand. Generators also receive capacity payments for their available capacity. The commissioning of new generating capacity may reduce the SMP and lead to lower capacity payments, subject to the impact of plant retirements and overall levels of demand.

The new I-SEM had been due to go-live on 23 May 2018 however on 17 April 2018 the SEMC confirmed that go-live would be delayed to 1 October 2018 in order to allow adequate testing of market participants' IT systems. Under the I-SEM the CRM will be quantity-based in the form of "reliability options" and issued through a competitive auction. The first transitional auction was held on 15 December 2017 and covers the period from go-live to 30 September 2019. The outcome of the first transitional auction confirmed that Huntstown 1 had been awarded a reliability option contract but Huntstown 2 had not been awarded such a contract. As such the auction results underline that the new I-SEM market will not adequately remunerate the Huntstown plants from go-live and therefore the Group is in discussion with the CRU and EirGrid to put in place transmission reserve contracts with the plants. While the Group remains committed to participate constructively with CRU and EirGrid to find an appropriate solution, we cannot be certain what the outcome of the ongoing discussions will be or that they will deliver an acceptable solution. Accordingly in light of the uncertainty of the process, we continue to plan for the potential closure of the Huntstown plants from the commencement of I-SEM on 1 October 2018. In this regard, the Group has impaired the property, plant and equipment of the Huntstown plants by £124.2m due to the uncertainty surrounding the future operation of the Huntstown plants from the commencement of I-SEM.

Competition in generation and supply of electricity (continued)

The main competitors in the electricity supply markets in Northern Ireland are SSE Airtricity, Electric Ireland, Budget Energy and Go Power. The main competitors in the electricity supply markets in the RoI are Electric Ireland, Bord Gáis Energy, SSE Airtricity and PrePay Power. Certain of the Group's competitors may be able to offer lower prices or incentives that may attract customers away from the Group thereby reducing its market share, which in turn, may have a material adverse effect on margins achieved.

Wholesale electricity price

All electricity (with limited exceptions) bought and sold across the island of Ireland is traded through the SEM, and after 1 October 2018 through the I-SEM. The Group manages wholesale electricity price risk as follows:

- Gas price exposure is hedged when fixed price customer contracts are signed. Energia also has the ability to hedge against the electricity demand of fixed price contract customers through its contracted wind capacity and a range of market sources of capacity such as CfDs with other market participants and purchases of power over the interconnectors. In some of Energia's customer contracts, the electricity price payable by the customer varies according to the price of gas;
- Power NI's price control allows it to pass through the costs of wholesale electricity subject to compliance with its economic purchasing obligation, which it discharges by hedging wholesale electricity prices in line with policies agreed with the Utility Regulator; and
- PPB is entitled to receive additional revenues from PSO charges to the extent that the revenue it receives from the pool, CfDs and ancillary services is insufficient to cover its regulated entitlement.

Huntstown plant and owned wind farm availability

Energia Group runs the risk of interruptions to the availability of Huntstown 1 and 2 and its owned wind farms.

For the Huntstown plants, this risk is managed by having long term maintenance agreements in place with the plants' original manufacturers, Siemens and Mitsubishi. Energia Group operates the plants to the manufacturers' guidelines within a suite of International Organization for Standardization (ISO) approved operation, maintenance and safety policies and procedures. The plant designs incorporate industry accepted levels of redundancy for critical plant components and there is regular testing of back up services and standby equipment.

The availability of owned wind farm assets is managed through maintenance contracts with the original turbine manufacturers and third parties.

Health and safety

The Group is committed to ensuring a safe working environment. The risks arising from inadequate management of health and safety matters are the exposure of employees, contractors and third parties to the risk of injury, potential liability and/or loss of reputation. These risks are closely managed by the Group through the employment of a Health and Safety Manager, the use of the services of an external health and safety advisor, the promotion of a strong health and safety culture, training for all staff and well defined health, safety and environmental policies. There is a strong focus on the audit of work sites and the reporting and reviewing of near miss incidents. The Group's approach to health and safety issues is described more fully in the CSR Report.

Regulation and legislation

The markets in which the Group operates are subject to regulatory and legislative intervention at both domestic and EU level.

Energia Group is exposed to the impact of regulatory decisions as well as changes in legislation which impact its generation and supply activities. Through its senior management, Energia Group maintains regular interaction with the Utility Regulator, CRM, the SEMC, DfE and DCCAE. A pro-active approach is taken to the RAs' consultations on all SEM and I-SEM-related matters.

Regulation and legislation (continued)

The Governments of Northern Ireland and the RoI have charged the SEMC with responsibility for revising the SEM, through the creation of the new I-SEM, so that trading arrangements for the island of Ireland are compliant with EU requirements. The introduction of the I-SEM market will affect the major revenue streams of all thermal and renewable generators who sell into the market. Furthermore the CRM will operate through capacity auctions which will award reliability options to successful bidders at the market clearing price. In addition the Huntstown plants could be required to generate to relieve constraints and therefore participate in the balancing market. The I-SEM market places restrictions on the costs generation plants can take into account when setting their bids in the balancing market. These changes create risks to our revenues from generation activities. As noted above the outcome of the first transitional capacity auction confirmed that Huntstown 1 had been awarded a reliability option contract but Huntstown 2 had not been awarded such a contract and discussions are ongoing regarding putting in place transmission reserve contracts for the Huntstown plants. Due to the uncertainty surrounding the future operation of the plants from the commencement of I-SEM, the Group have impaired the property, plant and equipment of the Huntstown plants by £124.2m.

In addition, I-SEM changes will require renewable PPA counterparties to agree contractual amendments to enable PPAs to operate in the new market. While negotiations with counterparties are not yet concluded there is a risk that a reduction in capacity income and contractual amendments to the PPAs could have an adverse effect on the Group’s businesses.

Power NI and PPB are exposed to regulatory risk in respect of their price controls. The Group’s approach to price control reviews is to be pro-active in promoting arrangements that will lead to an agreed outcome. This includes adherence to relevant precedent and best practice. There is regular reporting to the Utility Regulator and DfE on a wide range of financial and other regulatory matters including licence compliance. PPB is also exposed to regulatory decisions in respect of its contracted generation capacity which could impact its business activities. Regulatory relationships are managed by senior management through frequent meetings, informed dialogue and formal correspondence.

On 23 June 2016 the UK electorate voted to leave the EU, and on 29 March 2017, the UK Government formally notified the EU of its intention to leave thereby commencing negotiations on the terms of its exit. In December 2017 the European Commission agreed to proceed to phase 2 of Brexit negotiations. A specific strand of these negotiations includes the Irish border issue. Exit from the EU will have wide consequences for the UK and therefore Northern Ireland, however the RAs in Northern Ireland and the RoI have jointly reaffirmed their commitment to the I-SEM project which maintains a single, harmonised, wholesale all-island market. During the year ahead the Group will continue to monitor and manage emerging Brexit related risks.

Development of wind farm and bioenergy assets

Through the development of wind farm and bioenergy assets, Energia Group is exposed to various risks including technical, commercial, contractor, planning, financing and economic risks. Such risks could delay the construction of wind farm and bioenergy projects or the commencement of commercial operations. In addition the Energia Group is exposed to regulatory risks surrounding the accreditation of its in-construction bioenergy plant in Ireland under the REFIT scheme and the accreditation of newly constructed wind farms and its in-development bioenergy plant in Northern Ireland under the NIRO within the permitted grace periods. Experienced senior staff operate appropriate project management controls to manage the project risks with appropriate management reporting up to the Board.

Business continuity

The Group has measures in place to manage the risk that one or more of its businesses sustains a greater than necessary financial impact through inability to carry on its operations either for a short or prolonged period. Energia Group has business interruption insurance in place for both Huntstown 1 and 2 and the owned wind farm assets. There is an IT disaster recovery plan which covers the whole Group and centrally co-ordinated Business Continuity Plans are in place covering the various locations where each business operates.

Outsourcing

The Group outsources a range of important ICT from Capita Managed IT Solutions Limited (Capita). Voice and data telecoms services are provided by Eir through a contract managed by Capita. There is a risk of disruption to the Group if there are service delivery failures. Comprehensive business continuity and disaster recovery plans are maintained to manage this risk. During the year the Group commenced an exercise to re-procure this range of ICT and telecoms services and expects to conclude the procurement of a new managed service contract next year with the new contract to be agreed for 2019/20.

Social, environmental and ethical factors

The Group has in place measures to protect against financial and reputational risk from any failure to manage social, environmental and ethical (SEE) factors. In general, SEE factors are managed through embedding CSR into the Group's management processes and core business activities. Environmental risk, in particular, is managed through: business risk registers; environmental action plans; certified environmental management systems; and identification of potential environmental exposures.

Taxation

The Group manages its tax affairs so as to maintain its reputation as a well-run, open and compliant business. The Group pays taxes primarily in the UK and the RoI (the jurisdictions in which it has trading operations). Good relationships are maintained with HM Revenue & Customs (HMRC) and the Irish Revenue Commissioners based on trust and co-operation. The Group's appetite for tax risk is low and its policy is to manage its tax liabilities in an efficient manner and in compliance with relevant legislation and guidance. During the year the Board approved a Group tax strategy to satisfy its obligations under paragraph 16(2) Schedule 19 of the UK Finance Act 2016. A copy of the Group's tax strategy is publically available on the homepage of the Group's website.

The Group has a zero tolerance approach to tax evasion and specifically the facilitation of tax evasion and during the year completed a review of its compliance with the UK Criminal Finances Act 2017.

Pensions

The VGPS has two sections: a money purchase section and a defined benefit section. The defined benefit section is closed to new entrants and at 31 March 2018 there were 74 members comprising 38 active members and 36 pensioners. There is also a money purchase arrangement for employees in the RoI known as 'Choices'. Most employees of the Group are members of VGPS or Choices. There is a risk that the cost of funding the defined benefit section could increase if investment returns are lower than expected, mortality rates improve or salary or benefit increases are higher than expected. The VGPS trustees seek the advice of professional investment managers regarding the scheme's investments. The last actuarial valuation of the scheme was as at 31 March 2015 and under the recovery plan agreed with the trustees, the Group will make good the £7.9m funding shortfall through annual deficit repair contributions of £1.25m for seven years. The trustees of VGPS have commenced the actuarial valuation of the scheme as at 31 March 2018 which is expected to conclude within 15 months of the valuation date.

IT security and data protection

Failure to maintain adequate IT security measures could lead to the loss of data through malicious attack on the Group's IT systems or employee negligence. Loss of Group or customer data could damage the Group's reputation, adversely impact operational performance or lead to a loss of income. The Group employs a dedicated IT Security Manager and a Data Protection Officer. In addition the Group has an IT Security Forum and a Data Protection Forum which both comprise of the IT Security Manager, Data Protection Officer and a number of relevant operational managers from across the Group. These forums meet bi-monthly and report to the RMC. Through the forums, the Group actively promotes awareness of IT security and data protection and targeted controls and procedures are in place to mitigate the risks including the use of the services of external IT security and data protection advisors. During the year the Group prepared for the introduction of the EU General Data Protection Regulation (GDPR) which came into force on 25 May 2018. A GDPR programme project board was established with representation from the Data Protection Forum and monthly reporting to the Viridian Group Management Board on its progress.

Financial control

Strong financial and business controls are necessary to ensure the integrity and reliability of financial and other information on which the Group relies for day-to-day operations, external reporting and for longer term planning. The Group exercises financial and business control through a combination of: appropriately qualified and experienced personnel; rigorous business planning processes; detailed performance analysis; an integrated accounting system; and clearly defined approval limits. The internal auditors test the effectiveness of financial and business controls. The external auditors provide advice on specific accounting and tax issues. Investment decisions are accompanied by detailed analysis, both short and long term, of the markets and opportunities in which the Group operates or is considering investing in.

Treasury risks

The Group's treasury function manages liquidity, funding, investment and the Group's financial risk, including risk from volatility in currency, interest rates, commodity prices and counterparty credit risk. The treasury function's objective is to manage risk at optimum cost in line with Group policies and procedures approved by the Board. The treasury function employs a continuous forecasting and monitoring process to manage risk and to ensure that the Group complies with its financial and operating covenants.

An analysis of the Group's net debt is as follows:

At 31 March	**2018 £m**	2017 £m
Investments	**1.3**	1.4
Cash and cash equivalents	**101.4**	106.8
Senior secured notes €350m (2025)	**(301.6)**	-
Senior secured notes £225m (2024)	**(221.1)**	-
Senior secured notes €600m (2020)	**-**	(507.6)
Interest accruals – Senior secured notes	**(1.0)**	(3.2)
Other interest accruals	**(0.7)**	(0.8)
Net debt excluding project finance facilities	**(421.7)**	(403.4)
Project finance cash	**24.9**	13.4
Project finance bank facility (RoI)	**(105.7)**	(103.6)
Project finance bank facility (NI)	**(152.5)**	(103.6)
Project finance interest accruals	**(0.4)**	-
Net debt	**(655.4)**	(597.2)
Foreign exchange forward contracts on Senior secured notes	**-**	23.5
Pro-forma net debt	**(655.4)**	(573.7)

The maturity profile of the Group's loans and borrowings at 31 March 2018 is as follows:

Facility	**£m**	**Maturity**
Senior secured notes €350m	(301.6)	September 2025
Senior secured notes £225m	(221.1)	September 2024
Senior revolving credit facility	-	September 2023
Project finance facilities	(258.2)	2027-2035
Interest accruals – Senior secured notes	(1.0)	
Other interest accruals	(0.7)	
Project finance interest accruals	(0.4)	
	(783.0)	

Maturity analysis of loans and other borrowings is:

At 31 March	**2018 £m**	2017 £m
In one year or less or on demand	**(18.8)**	(17.6)
In more than one year but less than two years	**(12.7)**	(9.2)
In more than two years but less than five years	**(42.3)**	(539.6)
In more than five years	**(709.2)**	(152.4)
	(783.0)	(718.8)

Project finance bank facilities

In June 2017 and September 2017 non-recourse project finance facilities of up to £85.1m (including working capital) were put in place in respect of combined 57MW of wind farm capacity under construction in Northern Ireland. Non-recourse project finance facilities of up to £24.9m for the remaining 18MW of capacity were put in place in June 2018.

The Group expects to put in place project finance facilities for its bioenergy asset projects going forward.

Analysis of undrawn committed project finance bank facilities:

At 31 March	**2018 £m**	2017 £m
Project finance bank facilities	**309.4**	232.0
Draw down	**(284.8)**	(222.3)
Undrawn committed project finance facilities	**24.6**	9.7

All of the above amounts exclude project finance facilities in relation to working capital

Liquidity and capital resources

The Group is financed through a combination of retained earnings, medium term bond issuance and both medium term and long term bank facilities. A summary of the Group's net debt is set out above and in note 28. Liquidity, including short term working capital requirements, is managed through committed Senior revolving credit bank facilities together with available cash resources. The Group continues to keep its capital structure under review and may from time to time undertake certain transactions such as financing transactions, acquisitions and disposals which affect its capital structure. The Group may also from time to time repurchase its Senior secured notes, whether through tender offers, open market purchases, private purchases or otherwise.

In August 2017, the Group redeemed 10% of the €600.0m Senior secured notes (2020) at a redemption price of 103%, with €540.0m remaining in issue at that point.

In September 2017, the Group completed a full refinancing of the Euro denominated €600.0m 7.5% Senior secured notes due in March 2020 through the issuance of a new €350.0m Euro denominated 8 year 4.0% Senior secured note due in September 2025 and a new £225.0m Sterling denominated 7 year 4.75% Senior secured note due in September 2024. At the same time the Group also put in place a new £225.0m Senior revolving credit facility maturing in September 2023 which can be used for both letters of credit and working capital purposes.

In September 2017, the Group closed the foreign exchange forward contracts of €225.0m on the Senior secured notes (2020) which resulted in a cash inflow of £29.4m.

The Group can have significant movements in its liquidity position due to working capital variations such as the movements in commodity prices, the seasonal nature of the business and regulatory under-recoveries. Short term liquidity is reviewed daily by the treasury function and Group cash forecasts, covering a rolling two year period, are reviewed monthly. This monitoring includes reviewing the minimum EBITDA covenant, required to be reported quarterly under the Senior revolving credit facility, to ensure sufficient headroom is maintained. The project financed facilities have one main covenant, a debt service cover ratio, which measures available cash against the debt service requirements on an historic annual basis.

At 31 March 2018, the Group had letters of credit issued out of the Senior revolving credit facility of £115.8m resulting in undrawn committed facilities of £109.2m (2017 - £130.6m). There were no cash drawings under the Senior revolving credit facility at 31 March 2018 (2017 - £nil).

During the year the Group has met all required financial covenants in the Senior revolving credit facility and project finance facilities.

At 31 March 2018, there was £24.9m (2017 - £13.4m) of restricted cash in the project financed wind farms which is subject to bi-annual distribution debt service requirements.

Interest rate risk

The majority of the Group's borrowings bear interest at fixed rates with its €350.0m Euro denominated Senior secured notes bearing interest at a fixed rate coupon of 4.0% and its £225.0m Sterling denominated Senior secured notes bearing interest at a fixed rate coupon of 4.75%.

The Group's only exposure to interest rate risk is in respect of drawings on the Senior revolving credit facility, which was undrawn at 31 March 2018 and 31 March 2017 and to a minor portion of its project financed facilities which are based on Libor / Euribor rates but which are largely fixed through the use of interest rate swaps. As a result, at 31 March 2018, 95.4% of the Group's total borrowings were on a fixed rate basis and therefore not subject to any interest rate risk.

At 31 March	**2018 £m**	2017 £m
Loans and other borrowings fixed/floating analysis:		
Fixed rate debt	**(746.7)**	(689.4)
Variable rate debt	**(36.3)**	(29.4)
	(783.0)	(718.8)

The estimated fair value of the Group's interest rate derivative financial instruments is disclosed in note 25 to the accounts.

Foreign currency risk

Following the refinancing of the Senior secured notes in September 2017, the Group's debt is relatively evenly split between Euro and Sterling. The Group has not designated a hedging relationship between the Euro-denominated assets on the Group's balance sheet and the Group's Euro borrowings in the current year.

At 31 March	**2018 £m**	2017 £m
Loans and other borrowings currency analysis:		
Euro	**(374.4)**	(620.8)
Sterling	**(408.6)**	(98.0)
	(783.0)	(718.8)

In September 2017, the Group closed the foreign exchange forward contracts of €225.0m on the Senior secured notes (2020) which resulted in a cash inflow of £29.4m.

Energia Group receives income and incurs expenditure in Euro. Energia Group is also exposed to currency movements in respect of its gas and some of its power purchases denominated in Sterling. The Group's policy is to identify foreign exchange exposures with a value equivalent to or greater than £0.5m with the percentage level of hedging dependent on the specific project. Exchange rate exposures are identified, monitored and hedged through the use of financial instruments (mainly forward currency contracts and swap arrangements).

Power NI is exposed to currency movements in respect of its Euro-denominated CfDs with ESB Power Generation. These exposures are hedged in accordance with a policy agreed with the Utility Regulator.

The estimated fair value of the Group's foreign currency derivative financial instruments is disclosed in note 25 to the accounts.

Commodity risk

Energia Group employs commodity swaps to hedge gas price exposures and forward purchase contracts to hedge its shortfall of carbon dioxide (CO_2) emission allowances. Energia Group's policy is to hedge its exposure to changes in the price of gas and CO_2 emission allowances in line with retail electricity sales contracts.

Power NI employs commodity swaps to hedge gas price exposures. Power NI's policy is to hedge its exposure to changes in the price of gas.

PPB is exposed to commodity price fluctuations in respect of its generation contracts. These exposures are hedged through the use of commodity swaps and forward purchase contracts in accordance with a policy agreed with the Utility Regulator.

Commodity risk (continued)

Energia Group, Power NI and PPB enter into SEM and I-SEM CfDs to manage their exposure to pool price volatility.

The estimated fair value of the Group's commodity derivative financial instruments is disclosed in note 25 to the accounts.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. Provisions are made based on previous experience and identifiable events which indicate a reduction in the recoverability of cash flows. Energia and Power NI are not exposed to major concentrations of credit risk in respect of their trade receivables, with exposure spread over a large number of customers. Energia takes out credit insurance in respect of certain trade receivables. Energia and PPB also receive security from certain suppliers in the form of letters of credit, parent company guarantees or cash collateral.

The Group may be exposed to credit-related loss in the event of non-performance by bank counterparties. The Group manages this credit risk by establishing and monitoring counterparty exposure limits which are adjusted and tightened when necessary. The Group actively manages its banking exposures on a daily basis and cash deposits are placed for periods not exceeding six months to provide maximum flexibility. During the year the Group did not suffer any bank counterparty exposure loss.

Going concern

The Group's business activities, together with principal risk and uncertainties likely to affect its future performance are described above.

The Group's forecasts and projections, taking into account possible changes in trading performance, show that the Group will have adequate financial resources to enable it to continue to trade for the foreseeable future. Accordingly, the Director continues to adopt the going concern basis in preparing the annual report and accounts.

CORPORATE SOCIAL RESPONSIBILITY REPORT

The Group is committed to operating in a socially, environmentally and ethically responsible manner. It aims to be recognised as transparent and ethical in its dealings and to contribute to the general economic and social well-being and development of the communities in which it operates.

The Group recognises the importance of engaging with a wide range of stakeholders including: its shareholders; customers; employees; the wider community; those tasked with protecting the environment; and suppliers. It does this through many channels including working closely with: industry regulators; consumer representative groups; various environmental bodies; various health and safety bodies; trade unions; business representatives; elected representatives and politicians; contractors; and landlords.

The Group has defined a number of principal CSR themes and priorities relevant to the management of SEE-related risks that may impact upon the short and long term value of the Group. These are classified below under the headings of Workplace, Environment, Marketplace and Community.

Workplace

The Group had 702 employees at 31 March 2018 (2017 – 627) with 579 employed in Northern Ireland (2017 – 515) and 123 in the RoI (2017 – 112).

Health and safety

A CSR priority for the Group is to ensure the safety of employees, contractors and the general public through the promotion of a positive health and safety culture and adherence to legislation and recognised safety standards. The Group's health, safety and environmental policy aims to promote high standards and is supported by specific safety principles, rules, policies and procedures. Contractors must adhere to the same safety rules and requirements as employees.

The Group health, safety and environmental management system is based upon internationally recognised standards which set out the requirements for occupational health and safety management best practice. The Group's approach to employment-related performance, such as safety and sickness absence, is to set targets in line with best practice. The Group regularly engages with relevant organisations including the Health and Safety Executive for Northern Ireland as well as the Health and Safety Authority in the RoI. The Group employs a dedicated internal health and safety professional and retains the services of an external health and safety consultant who both provide advice and recommendations to management on a range of health and safety matters. An external audit is carried out on every part of the organisation at least once a year. During the year the Group worked towards certification to ISO 45001:2018 Occupational Health and Safety Management and ISO 14001:2015 Environmental Management Standard and, in June 2018, the National Standards Authority of Ireland recommended that the Group be certified to both these standards.

Excluding third party contractors there were no reportable incidents or lost time incidents during the year (2017 – nil). Including third party contractors there were three reportable incidents or lost time incidents during the year (2017 – eight). Formal processes for incident investigation and analysis are in place.

KPI	**2018 Number**	2017 Number
LTIR (per 100 employees, excluding third party contractors)	**-**	-

Huntstown 1 and 2 continue to be accredited to OHSAS 18001:2007 for their occupational health and safety management systems.

Employment

The Group is committed to a working environment: in which personal and employment rights are upheld; which ensures equality of opportunity for all employees and job applicants; and which enables employees to realise their maximum potential and to be appropriately challenged and fully engaged in the business, with opportunities for personal development.

Equal opportunities

The Group is pro-active in implementing human resource policies and procedures to ensure compliance with fair employment, sex discrimination, equal pay, disability discrimination, race discrimination, sexual orientation and age discrimination legislation. The Group's equal opportunities policy commits it to providing equality of opportunity for all employees and job applicants and it regularly monitors its actions to promote compliance with legislation and to ensure that it provides equality of opportunity in all its employment practices. Equal opportunity measures and statistics in respect of the relevant businesses are reported formally to the Equality Commission for Northern Ireland.

Disability

It is Group policy to provide people with disabilities equal opportunities for employment, training and career development, having regard to aptitude and ability. Any member of staff who becomes disabled during employment is given assistance and re-training where possible.

Dignity at Work

The Dignity at Work policy and procedures underline the Group's commitment to equality and dignity at work for all, and ensure an environment free from bullying and harassment.

Remuneration

The Group operates fair and visible remuneration policies which are externally benchmarked to ensure that employees are paid an appropriate salary for the work they undertake. The Group has an effective approach to recognition and reward, based on business and individual performance. Various reward schemes are in place including bonus schemes, excellence awards, reward and recognition bonuses and skills progression arrangements. Total reward statements, detailing an individual's full remuneration package, are issued to staff annually.

Learning and development

The Group aims to align its Human Resources policies with key business drivers, which include performance improvement; cost reduction; business growth and innovation; and excellence in customer service. These policies are supported by clearly defined values and behaviours, a robust talent and performance management process, a strong commitment to employee and management development and organisational competence built upon appropriate capabilities and skills.

The Group's People Strategy ensures continuity with its strategic aims. The four key strategic areas are: talent management and learning and development, employee engagement, organisational effectiveness and recognition and reward.

The Group's Talent Management strategy aims to establish an integrated talent management process by ensuring an effective pipeline of leadership and scarce skills to ensure robust succession planning and protect business continuity, increase awareness of leadership and career development opportunities and accelerated development of high potential and scarce skill resources.

The Talent Management process includes a Competency Framework which identifies the key values and competencies, including behavioural indicators, and how they are expected to be demonstrated by employees at various levels within the business.

This Competency Framework underpins the annual Performance and Development Review (PDR) process, which evaluates the performance of each individual against defined and agreed targets and objectives. It also enables individuals to discuss the competencies where they show real strength and those areas that could be further developed.

Learning and development needs are also identified through the PDR process to ensure that employees have a development plan in place which is aligned to their development needs.

The Group is currently in the process of reviewing the PDR process and developing a methodology to ensure greater focus on development and career discussions. This review will include streamlining the documentation, rebranding and coaching managers on the process.

Learning and development (continued)

The Talent Management process also includes annual Talent Forums for each business within the Group and key functional areas across the business, to ensure that key skills and potential are identified in areas such as leadership, management, scarce skills, areas of specialism, etc. and that appropriate succession and development plans are in place. This also provides a consistent and transparent approach, offering a mechanism to develop employees to meet their full potential and to plan and manage their careers effectively.

As part of its commitment to develop talent, the Group has launched several programmes over the last 2 years including LEAP (Future Leaders' Programme), Aspire (High Potential Programme), Evolve (First Line Manager Programme) and Ignite (Student Placement Programme). These programmes are complemented by the Group's Learning and Development Calendar, which is available to all employees.

Furthermore, In 2017 Power NI launched a Pilot Apprenticeship Scheme in partnership with People First. The 7 apprentices will complete an NVQ Level 2 in either 'Providing Financial Services' or 'Customer Service Knowledge'.

Policies

The Group has a number of formal policies in place including Employee Complaint and Grievance procedures, Code of Conduct and Disciplinary policies. The Group also has a wide range of family-friendly working arrangements including enhanced maternity and paternity provisions, adoption, parental and dependant leave. These policies are regularly reviewed and updated on an ongoing basis.

During the year the Group implemented a new Secondment Policy and updated its Maternity Leave Policy for the RoI businesses.

All policies are available to employees via the Group's intranet.

Wellbeing

The Group takes the wellbeing of its employees seriously and during 2017/18 its Wellbeing Programme included the provision of flu vaccines, employee health checks, a personal resilience challenge and lunch & learns on various topics (including Building Your Resilience, Managing Stress, Beat the Energy Slump and My Child is a Fussy Eater).

The Group operates a Cycle to Work Scheme and offers Private Medical Insurance to eligible employees and has a Health Cash Plan for those employees not eligible for Private Medical Insurance. The Health Cash Plan enables employees to claim money back for everyday healthcare including dental, optical and physiotherapy treatments and allows fast access to private consultations and scans.

Third Party occupational health and counselling services are also available for employees if required.

Sickness absence

The Group believes that the pro-active management of illness and absenteeism is to the mutual benefit of the Group and its employees. The sickness absence rate for the Group was 3.41% (2017 – 3.39%).

Employee participation and external engagement

Employee communications occur through team briefings, communication and involvement groups, project groups, electronic communications and through interaction, consultation and negotiation with trade unions. Employee relations in all businesses are positive and constructive. There is a well-established arrangement for consultation and involvement throughout the Group and for negotiation with the relevant trade unions in Power NI.

During the year the Group redesigned its Intranet site, VOLT, and rebranded its Communication and Involvement Groups as 'CONNECT'.

In addition to the above, an Employee Engagement Survey was carried out in September 2017, resulting in an overall engagement score of 68%. Employee focus groups were also held, the feedback from which has been used to develop action plans. The Employee Engagement Survey will be carried out every two years with pulse surveys completed annually.

Employee participation and external engagement (continued)

The Group engages with relevant external organisations including the Confederation of British Industry Employment Affairs Committee, the Equality Commission for Northern Ireland, the Labour Relations Agency, Business in the Community, The Prince's Trust, and the Irish Business and Employers' Confederation. The Group also maintains links with the education sector and in particular with the two universities in Northern Ireland. A total of 15 student placements were offered for the current academic year across a range of functions and departments.

Group staff are actively involved in energy industry policy and advisory bodies in Ireland, Northern Ireland and Europe. In Ireland, staff have been appointed by their industry peers to the position of Chairperson of the Electricity Association of Ireland (EAI) and of the Energy Providers Group in Ibec. Within the EAI, Ireland's member association of Eurelectric, staff chair a number of Working Groups (I-SEM, Energy Efficiency and Gas to Power) and are active members of the EAI Committees (Markets, Retail and Policy). Staff also sit on the Board of the Irish Wind Energy Association (IWEA) and participate fully in their Committee and Working Group structure.

The Energia business is currently streamlining its CSR strategy, practice and policies and intends to apply for Business Working Responsibly Mark accreditation through Business in the Community during the 2018/19 financial year.

Diversity

The Group recognises the value of a diverse workforce and looks to offer equal opportunities to everyone. The Group has an excellent gender balance, with overall 47% (2017 – 49%) of its employees, senior management and directors being female and 53% (2017 – 51%) being male.

	2018		2017	
	Male Number	**Female Number**	Male Number	Female Number
VGIL Board[1]	**1**	**-**	**1**	**-**
Viridian Group Limited Board[2]	**10**	**1**	**10**	**1**
Senior Management[3]	**7**	**2**	**6**	**3**
Other Employees	**358**	**335**	**308**	**310**

[1] Directors appointed to the Board of the Company are not employed by the Group and are not included in the employee numbers shown in Note 8 to the financial statements
[2] The Board of Viridian Group Limited (VGL) is the main operational Board for the Group. Non-Executive directors appointed to the Board of VGL are not employed by the Group and are not included in the employee numbers shown in Note 8 to the financial statements. Three Executive directors of VGL (two males and one female) are also members of the Viridian Group Management Board (VGMB) and also included in the numbers for Senior Management
[3] Senior Management comprises members of the VGMB and includes those senior managers who regularly attend VGMB meetings

Human Rights

Protecting human rights is important and the Group believes in the dignity and individual rights of every human being. The Group protects the rights of its employees by adopting suitable employment practices such as those described above. The Group also aims to act ethically in all its business dealings and has a zero tolerance approach to modern slavery.

Environment

Environmental CSR priorities within the Group are focused on a number of key areas:

- operation of the Huntstown plants in compliance with legal and regulatory requirements and having a robust environmental management system in place;
- direct investment in, and contracting with, a range of renewable generators for the production of low carbon electricity which can be supplied to customers of the Group's retail supply businesses; and
- the promotion of energy-saving ideas to its customers through the provision of energy efficiency advice, grants and other value-added services.

The Group's health, safety and environmental policy commits the Group to protecting the environment and is designed to ensure compliance with all relevant legislative and regulatory requirements.

Environment (continued)

Where practical and economically viable, the Group seeks to develop standards in excess of such requirements. Areas of particular focus include the responsible management of emissions, waste and recycling, measures to protect against pollution and the promotion of energy efficiency.

During the year the Group established the Green Team with representation from each of its businesses. The Green Team will gather and monitor energy usage throughout the business, working with staff to help reduce energy consumption whilst promoting environmental awareness. Recent office refurbishments across the Group have included energy efficiency measures such as LED lighting upgrades with motion sensors in some areas. The Green Team will continue to roll out energy efficiency measures across the Group and make a conscious effort to reduce waste where possible.

Energia Group

Huntstown 1 and 2 operate in compliance with their Industrial Emissions licences. Emissions of NO_x, SO_2 and CO are measured by onsite Continuous Emissions Monitoring Systems, CO_2 is calculated as per greenhouse gas permit requirements. Emissions for calendar year 2017 and 2016 are as set out below:

Calendar year 2017

Tonnes	NO_x	SO_2	CO	CO_2
Huntstown 1	379	14.4	1,235.5	586,567*
Huntstown 2	196	0.95	212	346,296*

** Calculated value*

Calendar year 2016

Tonnes	NO_x	SO_2	CO	CO_2
Huntstown 1	133	6.8	766	263,862*
Huntstown 2	306	1.3	492	530,389*

** Calculated value*

The emissions reflect the utilisation of the Huntstown plants and the type of load operation.

Through the operation of their respective Industrial Emissions licences, Huntstown 1 and 2 comply with the emission limits for NO_x, SO_2 and dust under the EU's Industrial Emissions Directive.

Huntstown 1 and 2 continue to operate in accordance with the Environmental Management System ISO: 14001.

Energia is a significant contributor to the sustainable energy agenda in both Northern Ireland and the RoI. Its renewable portfolio currently generates 2,478GWh offsetting the emission of almost 933,000 tonnes of CO_2 per annum.

During the year, through the Energy Efficiency Obligation Scheme (EEOS) in the RoI, approved by the Sustainable Energy Authority of Ireland (SEAI), Energia provided funding for energy efficiency projects of €1.09m (2016/17 - €4.31m) implementing a total of 381 projects (2016/17 – 697 projects) with estimated annual energy savings of 53.7 GWh Primary Electrical Energy (PEE) (2016/17 – 172.8 GWh PEE). This represents an estimated annual saving of 8,905 tonnes (2016/17 - 34,500 tonnes) of CO_2 savings and annual customer benefits of over €2.1m (2016/17 - €6.9m) based on an electricity unit rate of 10c/kWh and gas unit rate of 4.5c/kWh.

Through the Domestic EEOS in the RoI, approved by the SEAI, Energia provided funding for energy efficiency projects of €2.18m (€1.59m Domestic, €0.59m Fuel Poor) (2016/17 - €1.16m) implementing a total of 7,118 projects (2016/17 – 4,306) with estimated annual energy savings of 16.96GWh PEE (2016/17 – 8.5GWh PEE). This represents an estimated annual savings of 3,474 tonnes (2016/17 – 1,697 tonnes) of CO_2 savings and annual customer benefits of over €0.85m (2016/17 - €0.34m).

In Northern Ireland, through the Northern Ireland Sustainable Energy Programme Scheme (NISEP) approved by the Utility Regulator, in 2018 Energia managed a £732k (2017 - £757k) energy efficiency programme implementing a total of 285 projects (2017 – 334 projects) with estimated lifetime reductions of 303GWh (2017 – 294GWh) in energy demand. This represents an estimated 150,000 tonnes (2017 – 203,000 tonnes) of CO_2 savings and customer benefits of over £49m (2017 - £66m) over the lifetime of these measures.

Energia Group (continued)

Energia continue to pursue new and innovative services aimed at increasing awareness and offering customers energy efficiency solutions. In addition to gas boiler servicing, Energia offers customers a smart thermostat that enables control of the heating system from a smartphone, tablet or PC resulting in the ability to make real energy savings. Energia's Energy Centre offers customers a range of energy efficiency products such as roof and cavity wall insulation, boiler upgrades and solar panels.

Energia continues to run customer information programmes particularly aimed at energy efficiency for all industrial and commercial customers. These programmes include; customer energy conferences; energy efficiency training programmes; energy awareness days and shows; energy audits and energy efficiency literature/brochures. With the use of social media becoming more prevalent and customer engagement channels broadening, Energia is increasingly using these channels to run competitions and make customer offers.

Power NI

An Energy Services team within Power NI oversees sustainable energy activities and considers business opportunities.

During the year Power NI managed a £1.7m (2017 - £2.4m) energy efficiency programme aimed at reducing CO_2 emissions and alleviating fuel poverty in Northern Ireland. Funded by the NISEP, a total of 7 energy efficiency schemes (2017 – 7 schemes) were implemented with estimated lifetime reductions of 220 GWh (2016 – 262 GWh) in energy demand. This represents an estimated 140,000 tonnes of CO2 savings (2016 – 162,000 tonnes) and customer benefits in excess of £25m (2016 – £36m) over the lifetime of these measures.

Over 7,500 customers (2017 – 8,200 customers) use 'EcoEnergy', Power NI's 'green' electricity tariff.

Power NI continues to offer a renewable microgeneration tariff which offers customer rewards for the value of ROCs and electricity generated and exported to the network. Over 8,900 customers, representing over 12,000 sites, use this service and Power NI acts as an Ofgem Agent on behalf of more than 9,400 sites.

The 'Products and Services' section of Power NI's website www.powerni.co.uk provides a wide range of information and advice on energy efficiency and renewable energy. An online Home Energy Check (HEC) was launched on the Power NI website in October 2016 and gives customers an indicative energy rating for their home. At the end of March over 400 customers had completed the HEC.

An online billing service is also available from the Power NI website. The service, called Energy Online has 102,388 domestic and commercial customers (2017 – 92,300 customers) registered to view their bills, submit their meter readings and view their electricity consumption online.

Power NI provided a comprehensive portfolio of products and value added services for its customers such as home insulation, boiler servicing, boiler replacement, solar water heating and solar photovoltaics. Trials were initiated during the year with the aim of offering battery storage for photovoltaics.

During the year Power NI fitted three electric vehicle chargers at its business premises: two at its Belfast office and one at its site in Omagh. Plans are in place for a fourth charger to be installed at its site in Antrim.

Marketplace

A CSR priority is to maintain a highly ethical approach to regulatory responsibilities, obligations under licences, public positioning and marketing of products and services. The Group aims to be transparent and ethical in all its dealings with third parties and has a number of policies in place to underpin this objective. Policies include anti-corruption and bribery, anti-slavery and human trafficking, Code of Conduct and 'whistleblowing' procedures as well as the Group's corporate governance arrangements.

The Group's procurement policy is to source equipment, goods and services from a wide range of suppliers throughout the EU and beyond in accordance with commercial practices based on fairness and transparency. The Group's UK businesses are committed to ensuring transparency in their approach to tackling modern slavery consistent with the Modern Slavery Act 2015.

Where applicable the Group adheres to the required tender procedures of the EU Procurement Directive as it relates to Utilities. The Group recognises the important role that suppliers play in its business, and works to ensure that payments are made to them in accordance with agreed contractual terms.

As a major purchaser, the Group recognises that it has an opportunity to encourage suppliers of materials and services to deliver good environmental and safety performance and to maintain responsible practices towards their employees and the communities in which they operate.

Community

Through its mainstream business activities and its community involvement policy, the Group seeks to make a positive impact on the communities in which it operates.

Power NI offers a 'For Your Benefit' service for its customers which includes a benefit entitlement check, budgeting and energy advice for particularly vulnerable customers. In the year, 130 customers availed of the service.

Power NI also offers a number of services to its customers that are promoted through its codes of practice (produced in several different languages) and through various advice providers, including Citizens Advice Bureaux and Advice NI. Power NI aims to assist its customers with special needs through a number of these services. Almost 2,400 customers (2017 – 2,200 customers) with special requirements benefit from a range of services through Power NI's special needs register.

The Group recognises the social dimension of debt prevention and management and Power NI continues to offer a wide range of payment options and debt prevention measures. Approximately 157,090 residential customers (2017 – 161,460) use 'Keypad' meters. These pay-as-you-go meters enable customers to budget for their electricity payments, while Power NI offer a 2.5% discount off the standard price of electricity and provide user-friendly credit and consumption information.

Power NI engages with a wide range of organisations in the voluntary, public and private sectors focusing on social action and energy saving. Within the last year Power NI continued to work in partnership with Age NI in order to help improve older peoples' lives. Social media was used to provide practical information to older people, their carers and families and energy clinics ran in Age NI shops to provide advice on energy efficiency and relevant grants such as NISEP.

Energia operates several Community Benefit Funds around wind farm sites on the island. All of the wind farms in Northern Ireland are operating a Community Benefit Fund with Rathsherry in County Antrim and Teiges Mountain in County Fermanagh being added this year. These are managed by the Community Foundation for Northern Ireland with the exception of the Teiges Mountain scheme which is managed by the Fermanagh Trust. The Meenadreen wind farm in County Donegal is approaching its first anniversary and the Community Benefit Fund there has been rolled out from April 2018 by the Community Foundation of Ireland. During the year, over £297,000 was distributed in grants by Energia under Community Benefit Funds across the island of Ireland.

As noted above Energia provided funding for energy efficiency projects through the Domestic EEOS in the RoI. As part of this funding Energia provided €516,000 towards SEAI's Better Energy Communities programme. This programme focuses on utilising government funds and contributions from energy companies to carry out energy efficiency retrofits in communities across Ireland. Works are carried out in 3 main categories: businesses and community groups, residential dwellings and homes suffering from energy poverty. Retrofit measures include attic and cavity wall insulation, installation of energy efficient boilers and solar thermal and solar PV systems. These measures will result in CO_2 savings of over 700 tonnes per annum.

In addition to this, Energia has donated another €120K to initiatives including Grow It Yourself, Seachtain na Gaeilge, Christmassy Homes and donations to local charities.

Sponsorship and charitable donations

Each year Power NI and Energia choose a charity as the main focus of their fundraising activities although the Group also supports various local good causes nominated by staff. Energia also partially matches its staff's own fundraising.

The Group seeks to support charities which its people, customers and suppliers can relate to, and where we can make a difference by raising public awareness as well as money. This year Power NI has chosen to sponsor Action Mental Health and Energia sponsored Foyle Down Syndrome Trust and Down Syndrome Ireland.

Power NI has increased staff mental health awareness and staff raised almost £7,000 for Action Mental Health through various fundraising activities such as raffles, abseils, zip lines, a marathon and a sky dive. Energia staff contributed over £11,000 to its chosen charities raised through various fundraising activities such as coffee mornings, table quizzes and a sponsored cycle.

Power NI also operates a 'Helping Hands in the Community' Scheme which is available for all employees to obtain support of up to £250 for an organisation/charity that they are involved with. Some of the organisations supported during the year include: Bradley Manor Care Home, Assisi Animal Sanctuary, St. Mary's Parent Support Group, Belfast School of Performing Arts and Lisburn Youth FC.

In addition to sponsorship of organisations of £462,000 (2017 - £169,700), the Group's donations to charities in the year were £14,800 (2017 - £21,500). There were no contributions for political purposes.

OWNERSHIP AND DIRECTORSHIP

Ownership

On 27 April 2017, I Squared Capital completed the divestment of a minority interest in the Viridian Group. The divestment involved the insertion of a new entity, Viridian TopCo Limited, as the parent of the Company. Viridian TopCo Limited is majority owned by ISQ Viridian Holdings L.P.. ISQ Viridian Holdings L.P., a limited partnership incorporated in the Cayman Islands, is owned by the ISQ Global Infrastructure Fund (the Fund) and ISQ Viridian Co-Invest L.P., a co-investment vehicle for the Fund. The Fund is managed by I Squared Capital.

I Squared Capital is an independent global infrastructure investment manager with over $12 billion of assets under management focusing on the energy, utilities, telecoms and transport sectors in the Americas, Europe and Asia. The firm has offices in New York, Houston, London, New Delhi, Hong Kong and Singapore.

Directorship

The director of the Company who held office during the period was Ronald Schweizer. Ronald is a representative of I Squared Capital and his background and experience is summarised as follows:

Ronald Schweizer

Ronald Schweizer is Chief Financial Officer at I Squared Capital and joined the Board on 29 April 2016 following the acquisition of the Group by I Squared Capital. He has over 17 years' experience in private equity and investment banking. Prior to I Squared Capital, Ronald served as Senior Vice President & Head of Alternative Investment Finance at PineBridge Investments where he was responsible for the accounting and operations for PineBridge's alternative investments products and oversight of all investment valuations. Ronald has also served as Controller at Strategic Value Partners where he was responsible for the financial, operational, treasury and valuation aspects of two private equity funds. Earlier in his career, Ronald worked at J.P. Morgan Partners as a Vice President in Funds Management and at Morgan Stanley as a Manager. Ronald began his career at Ernst & Young LLP where he spent six years in their Audit & Assurance group.

The director considers the strategic and director's report and financial statements comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity.

The Director's Report, as set out on pages 4 to 44 has been approved by the Board and signed on its behalf by:

Ronald Schweizer
Director

Registered office:
PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Registered Number: 192375

24 July 2018

DIRECTOR'S RESPONSIBILITIES STATEMENT

The director is responsible for preparing the Group financial statements and has elected to prepare those accounts in accordance with IFRS as adopted by the EU and applicable law.

Accordingly, the director is required to prepare Group financial statements which give a true and fair view of the financial position, the financial performance and cash flows of the Group and in preparing the Group financial statements, to:

- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS as adopted by the EU is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state whether the Group financial statements have been prepared in accordance with IFRS as adopted by the EU.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group.

INDEPENDENT AUDITORS' REPORT
To the members of Viridian Group Investments Limited

We have audited the Group financial statements of Viridian Group Investments Limited for the year ended 31 March 2018 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related notes 1 to 32, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the Group's affairs as at 31 March 2018 and of its loss for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group'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.

Other information

The other information comprises the information included in the annual report set out on pages 3 to 44, other than the financial statements and our auditor's report thereon. The director is responsible for the other information.

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 the 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 director's responsibilities statement set out on page 46, the director is 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 director determines 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 director is responsible for assessing the Group'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 director either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's director, in accordance with our engagement letter dated July 2018. Our audit work has been undertaken so that we might state to the company's director 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 director, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Belfast

27 July 2018

CONSOLIDATED INCOME STATEMENT
for the year ended 31 March 2018

	Notes	Results before exceptional items and certain remeasure-ments 2018 £m	Exceptional items and certain remeasure-ments (note 6) 2018 £m	Total 2018 £m	Results before exceptional items and certain remeasure-ments 2017 £m	Exceptional items and certain remeasure-ments (note 6) 2017 £m	Total 2017 £m
Continuing operations							
Revenue	4	1,561.2	-	1,561.2	1,317.6	-	1,317.6
Operating costs	5	(1,471.1)	(117.9)	(1,589.0)	(1,233.2)	(0.8)	(1,234.0)
Operating profit/(loss)	4	90.1	(117.9)	(27.8)	84.4	(0.8)	83.6
Finance costs	9	(47.7)	(22.4)	(70.1)	(36.8)	13.2	(23.6)
Finance income	9	1.1	-	1.1	9.6	-	9.6
Net finance (cost)/income		(46.6)	(22.4)	(69.0)	(27.2)	13.2	(14.0)
Share of loss in associates	14	(0.6)	-	(0.6)	(1.0)	-	(1.0)
Profit/(loss) before tax		42.9	(140.3)	(97.4)	56.2	12.4	68.6
Taxation	10	(4.0)	14.6	10.6	(1.0)	(0.2)	(1.2)
Profit/(loss) for the year		38.9	(125.7)	(86.8)	55.2	12.2	67.4

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 31 March 2018

	Notes	2018 £m	2017 £m
(Loss)/profit for the year		**(86.8)**	67.4
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(4.8)**	(30.0)
Net gain on cash flow hedges		**5.3**	2.5
Transferred loss from equity to income statement on cash flow hedges		**4.0**	3.5
Share of associates net gain on cash flow hedges		**0.4**	0.1
Income tax effect		**(0.6)**	(1.2)
		9.1	4.9
		4.3	(25.1)
Items that will not be reclassified to profit or loss:			
Remeasurement loss on defined benefit scheme	23	**(1.1)**	(1.1)
Income tax effect		**0.2**	0.2
		(0.9)	(0.9)
Other comprehensive income/(expense) for the year, net of taxation		**3.4**	(26.0)
Total comprehensive (expense)/income for the year		**(83.4)**	41.4

CONSOLIDATED BALANCE SHEET
as at 31 March 2018

ASSETS	Notes	31 March 2018 £m	31 March 2017 £m
Non-current assets:			
Property, plant and equipment	11	**415.1**	497.9
Intangible assets	12	**573.1**	552.6
Investment in associates	14	**6.7**	6.2
Derivative financial instruments	25	**5.3**	20.0
Other non-current financial assets	17	**-**	0.1
Deferred tax assets	10	**27.3**	27.3
		1,027.5	1,104.1
Current assets:			
Inventories		**4.9**	4.8
Trade and other receivables	18	**191.2**	150.1
Derivative financial instruments	25	**11.0**	10.1
Other current financial assets	17	**5.4**	3.8
Cash and cash equivalents	19	**126.3**	120.2
		338.8	289.0
TOTAL ASSETS		**1,366.3**	1,393.1
LIABILITIES			
Current liabilities:			
Trade and other payables	20	**(323.8)**	(262.2)
Income tax payable		**(2.3)**	(1.7)
Financial liabilities	21	**(40.8)**	(17.6)
Derivative financial instruments	25	**(6.6)**	(9.6)
		(373.5)	(291.1)
Non-current liabilities:			
Financial liabilities	21	**(764.2)**	(717.7)
Derivative financial instruments	25	**(8.3)**	(11.4)
Net employee defined benefit liabilities	23	**-**	-
Deferred tax liabilities	10	**(5.9)**	(16.8)
Provisions	24	**(13.1)**	(11.4)
		(791.5)	(757.3)
TOTAL LIABILITIES		**(1,165.0)**	(1,048.4)
NET ASSETS		**201.3**	344.7
Equity			
Share capital	26	**-**	-
Share premium		**660.6**	660.6
Retained earnings		**(489.4)**	(401.7)
Capital contribution reserve		**101.5**	161.5
Hedge reserve		**(4.8)**	(13.9)
Foreign currency translation reserve		**(66.6)**	(61.8)
TOTAL EQUITY		**201.3**	344.7

The financial statements were approved by the Board and authorised for issue on 24 July 2018. They were signed on its behalf by:

Ronald Schweizer
Date: 24 July 2018

	Note	Share capital £m	Share premium £m	Retained earnings £m	Capital contribution reserve £m	Hedge reserve £m	Foreign currency translation reserve £m	Total equity £m
At 1 April 2016		**-**	**510.0**	**(457.8)**	**115.2**	**(18.8)**	**(31.8)**	**116.8**
Profit for the year		-	-	67.4	-	-	-	67.4
Other comprehensive (expense)/income		-	-	(0.9)	-	4.9	(30.0)	(26.0)
Total comprehensive income/(expense)		-	-	*66.5*	-	*4.9*	*(30.0)*	*41.4*
VGHL/VGIL merger		-	*150.6*	*(10.4)*	*46.3*	-	-	*186.5*
At 31 March 2017		-	660.6	(401.7)	161.5	(13.9)	(61.8)	344.7
Loss for the year		-	-	(86.8)	-	-	-	(86.8)
Other comprehensive (expense)/income		-	-	(0.9)	-	9.1	(4.8)	3.4
Total comprehensive (expense)/income		-	-	*(87.7)*	-	*9.1*	*(4.8)*	*(83.4)*
Dividends paid	31	-	-	-	(60.0)	-	-	(60.0)
At 31 March 2018		**-**	**660.6**	**(489.4)**	**101.5**	**(4.8)**	**(66.6)**	**201.3**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 March 2018

	Notes	2018 £m	2017 £m
Cash generated from operations before working capital movements	27	**121.4**	103.0
Working capital adjustments:			
Increase in inventories		**(0.1)**	(1.2)
(Increase)/decrease in trade and other receivables		**(41.1)**	10.6
(Increase)/decrease in security deposits		**(1.7)**	8.5
Increase/(decrease) in trade and other payables		**65.4**	(5.3)
Effects of foreign exchange		**1.1**	2.0
		145.0	117.6
Interest received		**0.2**	0.2
Interest paid		**(46.8)**	(48.8)
Exceptional finance costs		**(23.5)**	-
		(70.1)	(48.6)
Income tax (paid)/received		**(0.3)**	0.1
Net cash flows from operating activities		**74.6**	69.1
Investing activities			
Purchase of property, plant and equipment		**(62.4)**	(144.7)
Purchase of intangible assets		**(107.0)**	(91.5)
Proceeds from sale of intangible assets		**91.1**	89.4
Return on other non-current financial assets		**0.1**	-
Disposal of subsidiary, net of cash disposed		**(0.2)**	(0.2)
Dividends received from associates		**-**	0.2
Interest received from associates		**0.2**	0.1
Acquisition of subsidiaries	15	**(3.1)**	(13.9)
Net cash flows used in investing activities		**(81.3)**	(160.6)
Financing activities			
Proceeds from issue of borrowings		**598.7**	144.1
Repayment of borrowings		**(547.1)**	(11.9)
Close out of foreign exchange forward contracts		**29.4**	-
Dividend paid to parent undertaking		**(60.0)**	-
Issue costs of new long term loans		**(11.8)**	(1.9)
Net cash flows from financing activities		**9.2**	130.3
Net increase in cash and cash equivalents		**2.5**	38.8
Net foreign exchange difference		**3.6**	4.9
Cash and cash equivalents at 1 April	19	**120.2**	76.5
Cash and cash equivalents at 31 March	19	**126.3**	120.2

1. CORPORATE INFORMATION

The Group Financial Statements of Viridian Group Investments Limited and its subsidiaries (collectively, the Group) for the year ended 31 March 2018 were authorised for issue in accordance with a resolution of the director on 24 July 2018. Viridian Group Investments Limited (the Company or the parent) is a limited company incorporated and domiciled in Cayman Islands. The registered office is located at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Group's operations and its principal activities are set out earlier in the Report on pages 4 to 20.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) as they apply to the financial statements of the Group for the year ended 31 March 2018.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, contingent consideration arising on business combinations and the assets of the Group's pension schemes that have been measured at fair value and the liabilities of the Group's pension schemes that are measured using the projected unit credit valuation method. The consolidated financial statements are presented in Sterling (£) with all values rounded to the nearest £m except where otherwise indicated.

IFRS Improvement 2014 – 2016 Cycle, Amendments to IAS 7 – Disclosure Initiative and Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses were effective for periods beginning on or after 1 January 2017. None of these amendments or improvements have a material, if any, impact on the annual consolidated financial statements of the Group in 2017/18 with the exception of the disclosure requirements in the Amendments to IAS 7 which have been reflected in the financial statements.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of (i) the consideration transferred and measured at acquisition date fair value, and (ii) the amount of any non-controlling interests in the acquiree.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. If a subsidiary is subsequently sold any goodwill arising on acquisition which has not been impaired is taken into account in determining the profit or loss on sale.

(b) Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group’s investments in its associate are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group’s share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The Income Statement reflects the Group’s share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group’s other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group’s share of profit or loss of an associate is shown on the face of the Income Statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Investment in associates (continued)

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of profit of an associate' in the Income Statement.

(c) Current versus non-current classification

The Group presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is current when it is:
- expected to be realised or intended to be sold or consumed in a normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:
- it is expected to be settled in a normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(d) Fair value measurement

The Group measures financial instruments, such as, derivatives, at each balance sheet date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. 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, exclusive of value added tax and other sales related taxes.

The specific recognition criteria described below must also be met before revenue is recognised.

Energy supply
Revenue is recognised on the basis of energy supplied during the period. Revenue for energy supply includes an assessment of energy supplied to customers between the date of the last meter reading and the balance sheet date, estimated using historical consumption patterns.

Energy generation
Two key revenue streams are received by the Huntstown plant and PPB. Capacity revenue is recognised based upon the capacity (MW) provided to the SEM for the period. Energy revenue is recognised based upon electricity units generated during the period at market price, including an allowance for any anticipated resettlement within the SEM. Units are based on energy volumes recorded by SEMO and these units are reconciled to the units recorded on the plant systems to ensure accuracy.

Interest income
For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

Dividend income
Dividend income is recognised on the date the Group’s right to receive the payments is established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Taxation

The tax charge represents the sum of tax currently payable and deferred tax. Tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the tax is also dealt with in equity.

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 both items of income or expense that are taxable or deductible in other years as well as items that are never taxable or deductible.

The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax payable or recoverable on differences between the carrying amount of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet 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.

Deferred tax is not recognised on temporary differences where they arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred tax is not recognised in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 deferred tax asset to be recovered.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

(g) Dividends paid

Final dividends are recorded in the year in which shareholder approval is obtained. Interim dividends are recorded in the year in which they are paid.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Freehold land is not depreciated. Other tangible fixed assets are depreciated on a straight-line basis so as to write off the cost, less estimated residual value, over their estimated useful economic lives as follows:

Thermal generation assets - 12 to 30 years
Renewable generation assets - up to 20 years
Fixtures and equipment - up to 25 years
Vehicles and mobile plant - up to 5 years

(i) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Emissions allowances, renewable and energy efficiency obligations
The Group recognises the allocation of CO_2 emissions allowances from government or a similar body at £nil value. Purchased CO_2 emissions allowances, ROCs and energy efficiency credits (EECs) are initially recognised at cost (purchase price) within intangible assets and subsequently written down to their recoverable amount at the balance sheet date should this be less than the purchase price. Self-generated ROCs are initially recorded at fair value within intangible assets with a corresponding credit to energy costs in the income statement, and subsequently written down to their recoverable amount at the balance sheet date should this be less than the fair value on initial recognition. No amortisation is recorded during the period as the intangible asset is surrendered at the end of the compliance period reflecting the consumption of economic benefit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Intangible assets (continued)

The Group recognises liabilities in respect of its obligations to deliver emissions allowances to the extent that the allowances to be delivered exceed the level of allocation under the EU emissions trading scheme. Any liabilities recognised are measured based on the current estimates of the amounts that will be required to satisfy the obligation. A liability for the renewables obligation and the climate change levy is recognised based on the level of electricity supplied to customers. A liability for the energy efficiency obligation under the EEOS is recognised if energy saving minimum targets are not achieved by the end of the compliance period. Any such liability is recognised on the compliance date (31 December) and is calculated by reference to the relevant penalty rates for volumes not achieved.

Computer software
The cost of acquiring computer software is capitalised and amortised on a straight-line basis over the directors' estimate of its useful economic life which is between three and ten years. The carrying value of computer software is reviewed for impairment where events or changes in circumstances indicate that the carrying value may not be recoverable.

Development assets
Development assets arising from business combinations relate to value arising from the development of renewable projects which the Group believes will generate future economic benefits. Development assets are amortised from the date of commissioning of the renewable asset over its useful economic life which is twenty years.

At a point the project is no longer expected to reach construction the carrying amount of the project is impaired.

(i) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement
For purposes of subsequent measurement financial assets are classified in four categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; or
- available-for-sale financial investments.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments – initial recognition and subsequent measurement (continued)

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs for loans and in other operating charges for receivables.

This category generally applies to trade and other receivables. Trade receivables do not carry any interest and are recognised and carried at the lower of their original invoiced value and recoverable amount.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated balance sheet) when:

- the rights to receive cash flows from the asset has expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments – initial recognition and subsequent measurement (continued)

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

This category generally applies to interest bearing loans and borrowings. This category also applies to trade and other payables which are not interest bearing and stated at their nominal amount.

Interest free loans receivable from or payable to the parent undertaking are recognised at fair value on initial recognition based on the market rate of interest for similar loans at the date of issue. In case of loans received from a parent undertaking the difference on initial recognition between the fair value and the loan amount is recorded as a capital contribution in equity. The difference arising between the amount of a loan made to a parent undertaking and its fair value is treated as a distribution to the parent and reflected within equity. Subsequently, an interest expense or receivable is recognised within the income statement using the effective interest method so that each loan is stated at the amount repayable or receivable at the redemption date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments – initial recognition and subsequent measurement (continued)

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

(j) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement
The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps, contracts for differences and forward commodity contracts, to hedge its foreign currency risks, interest rate risks, electricity price risk and other commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The purchase contracts that meet the definition of a derivative under IAS 39 are recognised in the income statement as operating costs. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for cash flow hedge accounting are accounted for, as described below:

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement in operating costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Derivative financial instruments and hedge accounting (continued)

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency and commodity contracts is recognised in operating costs.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

(k) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGU s to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement in expense categories consistent with the function of the impaired asset. The following assets have specific characteristics for impairment testing:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of non-financial assets (continued)

Goodwill
Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term bank deposits with a maturity of less than three months.

(m) Provisions

General
Provisions are recognised when (i) the Group has a present obligation (legal or constructive) as a result of a past event (ii) it is probable that an outflow of economic benefits will be required to settle the obligation and (iii) a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is included within finance costs.

Decommissioning liability
Provision is made for estimated decommissioning costs at the end of the estimated useful lives of generation assets on a discounted basis based on price levels and technology at the balance sheet date. Changes in these estimates and changes to the discount rates are added to or deducted from the capitalised cost of the asset to which they relate. Capitalised decommissioning costs are depreciated over the estimated useful lives of the related assets. The unwinding of the discount is included within finance costs.

(n) Exceptional items and certain remeasurements

As permitted by IAS1 Presentation of Financial statements, the Group has disclosed additional information in respect of exceptional items on the face of the income statement to aid understanding of the Group's financial performance. An item is treated as exceptional if it is considered unusual by nature and scale and of such significance that separate disclosure is required for the financial statements to be properly understood. "Certain remeasurements" are remeasurements arising on certain commodity, interest rate and currency contracts which are not designated in hedge accounting relationships, and which are accounted for as held for trading in accordance with the Group's policy for such financial instruments. This excludes commodity contracts not treated as financial instruments under IAS 39 where held for the Group's own use requirements. Certain remeasurements arising from IAS 39 are disclosed separately to aid understanding of the underlying performance of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Pensions and other post-employment benefits

The Group has both defined benefit and defined contribution pension arrangements. The amount recognised in the balance sheet in respect of liabilities represents the present value of the obligations offset by the fair value of assets.

The cost of providing benefits under the defined benefit scheme is determined using the projected unit credit method.

Pension remeasurements, comprising of actuarial gains and losses, excluding net interest, and the return on plan assets (excluding net interest), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Pension remeasurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognised in profit or on the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under operating costs in the consolidated statement of profit or loss:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- net interest expense or income.

Pension costs in respect of defined contribution arrangements are charged to the profit and loss account as they become payable.

(p) Inventories

Inventories are valued at the lower of average purchase price and net realisable value.

(q) Borrowing costs

Borrowing costs directly attributable to qualifying assets are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

(r) Operating lease contracts

Leases are classified as operating lease contracts whenever the terms of the lease do not transfer substantially all the risks and benefits of ownership to the lessee.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Foreign currency translation

The Group's consolidated financial statements are presented in sterling, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

On consolidation, the assets and liabilities of foreign operations are translated into sterling at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the amounts reported for revenues and operating costs during the year. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Group's accounting policies, management has made the following key judgements and estimations of uncertainty, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Revenue recognition
Revenue on energy sales include an estimate of the value of electricity or gas supplied to customers between the date of the last meter reading and the year end. This will have been estimated by using historical consumption patterns. At the balance sheet date, the estimated consumption by customers will either have been billed or accrued (estimated unbilled revenue). Management apply judgement to the measurement of the quantum and valuation of the estimated consumption. The judgements applied and the assumptions underpinning these judgements are considered to be appropriate. However a change in these assumptions would impact upon the amount of revenue recognised. Revenue recognised in the period has been outlined in note 4.

Impairment testing
The Group reviews the carrying amounts of its goodwill, other intangible assets and property, plant and equipment to determine whether there is any indication that the value of those assets is impaired. This requires an estimation of the value in use of the CGUs to which the assets are allocated which includes the estimation of future cash flows and the application of a suitable discount rate. Subsequent changes to these estimates or judgements may impact the carrying value of the assets within the respective CGUs. Impairment testing has been outlined in note 13.

Business combinations
Business combinations require a fair value exercise to be undertaken to allocate the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based to a considerable extent on management's judgement. The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of this purchase price to the identifiable assets and liabilities with any unallocated portion being recorded as goodwill. Business combinations have been outlined in note 15.

Pensions and other post-employment benefits
The Group has both defined benefit and defined contribution arrangements. The cost of providing benefits under the defined benefit scheme is determined using the projected unit method. The key assumptions used in relation to the cost of providing post-retirement benefits are set after consultation with qualified actuaries. While these assumptions are considered to be appropriate, a change in these assumptions would impact the earnings of the Group. Pensions and other post-employment benefits have been outlined in note 23.

Exceptional items and certain remeasurements
The Group has disclosed additional information in respect of exceptional items on the face of the income statement to aid understanding of the Group's financial performance. An item is treated as exceptional if it is considered unusual by nature and scale and of such significance that separate disclosure is required for the financial statements to be properly understood. "Certain remeasurements" are remeasurements arising on certain commodity, interest rate and currency contracts which are not designated in hedge accounting relationships, and which are accounted for as held for trading in accordance with the Group's policy for such financial instruments. This excludes commodity contracts not treated as financial instruments under IAS 39 where held for the Group's own use requirements. Exceptional items and certain remeasurement have been outlined in note 6.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Standard issued but not yet effective

At the date of authorisation of the Group's consolidated financial statements, the following new standards and interpretations which have not been applied in preparing these financial statements were in issue, but not yet effective, and in some cases have not yet been adopted by the EU. The Group intends to adopt these standards, if applicable, when they become effective.

International Accounting Standards (IAS / IFRSs)	***Effective date***
IFRS 9 - *Financial Instruments*	1 January 2018
IFRS 15 - *Revenue from Contracts with Customers*	1 January 2018
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRS 16 - *Leases*	1 January 2019
IFRIC 23 -Uncertainty over Income Tax Treatments	1 January 2019
Amendment to IAS 19 - Employee Benefits	1 January 2019

IFRS 9 Financial Instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group adopted IFRS 9 on 1 April 2018 in accordance with the transition provisions of the standard.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. The Group has performed an assessment of the impact of IFRS 9 in relation to hedge accounting and has concluded that the Group's current hedge relationships will continue to qualify as hedges under the new hedge accounting rules. Accordingly there will be no impact on the accounting for the Group's existing hedging relationships.

Additionally the Group has determined that IFRS 9 will enable it to achieve hedge accounting for gas as a proxy to SMP which, under IAS 39 Financial Instruments: Recognition and Measurement ('IAS 39'), was not eligible for hedge accounting. The impact of this will be to reduce the profit/(loss) on derivatives at fair value through operating costs reported within exceptional items and certain remeasurements going forward. However due to the nature of this being a proxy hedge an element of ineffectiveness is expected and therefore a proportion of the fair value movement will continue to be accounted for through the income statement.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. Following an assessment the Group has determined that the main impact of this standard is in relation to the impairment of trade receivables. The Group has adopted the simplified approach as allowed under the standard which involves the use of a provisioning matrix and has determined that there will be no significant change to the level of bad debt provisioning across the Group.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosure about its financial instruments particularly in the first year of adoption of the new standard.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Standard issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers ('IFRS 9') will replace IAS 18 Revenue, and IAS 11 Constuction Contracts and related interpretations. The new standard is applicable for the Group from 1 April 2018 and the Group has chosen to adopt IFRS 15 using the full retrospective approach. IFRS 15 outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The standard establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The five steps relate to identifying the contract with a customer, identifying the separate performance obligations in the contract, determining the transaction price, allocating the transaction price to the separate performance obligations and recognising revenue when (or as) the entity satisfies the performance obligation under the contract.

The Group has performed a detailed assessment of the impact of IFRS 15 on the revenues of each business unit within the Group and has determined that, for the vast majority of the Group's revenue, the application of IFRS 15 will have no impact on the current revenue recognition practices and revenue will continue to be measured over time.

The following specific areas were considered as part of the assessment process:

(i) Principal versus agent considerations

A detailed assessment was carried out for both PPB's generating unit agreement with AES Ballylumford and PPAs with renewable generators to determine whether any revenue might be deemed to be more appropriately accounted for on an agency or net basis, rather than on a principal or gross basis. The result was that both Energia and Power NI were deemed to be acting as an agent in relation to certain variable price PPAs with renewable generators and therefore should account for this revenue on a net basis. If this had been adopted in the current year it would have resulted in a reclassification of £9.8m between revenue and cost of sales.

(ii) Incremental contract costs

Incremental contract costs were identified within the Energia supply business which under the new standard are required to be capitalised and amortised on a basis that reflects the transfer of goods or services to the customer. The Group has chosen to adopt IFRS 15 using the full retrospective approach which will result in an asset of £5.2m being recognised on the transition date of 1 April 2018 with a corresponding credit to reserves. Going forward the Group incremental contract costs will be capitalised and amortised over a period of 3 years.

IFRS 16 - Leases

IFRS 16 specifies the recognition, measurement, presentation and disclosure of leases and will be applied for the first time in the Group's Consolidated Financial Statements for the year ended 31 March 2020. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases, unless the lease term is 12 months or less, or the underlying asset has a low value.

Following a detailed impact assessment the Group has concluded that PPB's generating unit agreement with AES Ballylumford whilst considered an operating lease under the existing standard is not regarded as a lease under the new standard. Similarly PPAs with renewable generators are not regarded as operating leases under the new standard.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Standard issued but not yet effective (continued)

The Group has entered into operating leases for the hire of equipment, buildings and land relating to the renewable asset portfolio which do fall under the scope of IFRS 16. Whilst the Group continues to assess the exact financial impact of adopting IFRS 16, the adoption of this standard is expected to have a material impact on the Consolidated Financial Statements as follows:

- The present value of the Group's operating lease commitments (£27.6m) on an undiscounted basis at 31 March 2018 as disclosed in note 29) will be recognised on the balance sheet as a right-of-use asset together with a corresponding lease liability;

- Operating lease rentals currently recognised within other operating costs (see note 5) will decrease to a negligible amount. However, depreciation included within operating costs and finance costs will increase in respect of the depreciation of the right-of-use asset over the term of the lease with an associated finance cost applied annually to the lease liability.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 was issued in June 2017; with an effective date of 1 January 2019. It clarified the accounting for uncertainties in income taxes. The Group is currently evaluating the impact of this interpretation on future periods.

IAS 19 Employee Benefits

In February 2018, the IASB issued a narrow scope amendment to IAS 19 Employee Benefits. The amendment to will be applied prospectively for plan amendments, curtailments or settlements occurring on or 1 January 2019. These amendments are not expected to have an impact on the Group in the effective date, but will impact how the Group determines current service cost and net interest in the event of any plan amendments, curtailments or settlements which arise thereafter.

4. SEGMENTAL ANALYSIS

For management purposes, the Group is organised into business units based on its products and services and has four reportable segments, as follows:

- the Energia Group (excluding renewable assets) operates as a vertically integrated energy business consisting of competitive electricity and gas supply to domestic and business customers in the RoI and to business customers in Northern Ireland through Energia, its retail supply business, backed by electricity generation from its two Huntstown CCGT plants, and long term PPAs with third-party renewable generators (including wind generation assets in which the Group has an equity interest);
- Energia renewable assets comprises generation from wind generation assets;
- Power NI is the regulated electricity supplier in Northern Ireland; and
- PPB is a regulated business which administers the contracted generation capacity from the Ballylumford power station in Northern Ireland under legacy generating unit agreements which were originally established in 1992 when the Northern Ireland electricity industry was restructured.

The Group Board monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The measure of profit used by the Group Board is pro-forma EBITDA which is before exceptional items and certain remeasurements (arising from certain commodity, interest rate and currency contracts which are not designated in hedge accounting relationships) and based on regulated entitlement (whereby the adjustment for (under)/over-recovery outlined in the segmental analysis below represents the amount by which the regulated businesses (under)/over-recovered against their regulated entitlement). The Group also monitors revenue on a regulated entitlement basis.

(a) Revenue by segment

	2018 **£m**	2017 £m
Energia Group (excluding renewable assets)	**1,101.8**	874.4
Energia renewable assets	**35.0**	7.7
Power NI	**340.1**	335.0
PPB	**125.6**	111.7
Inter-group eliminations	**(37.0)**	(10.7)
Group	**1,565.5**	1,318.1
Adjustment for under-recovery	**(4.3)**	(0.5)
Total	**1,561.2**	1,317.6

The adjustment for under-recovery represents the amount by which the regulated businesses under-recovered against their regulated entitlement.

4. SEGMENTAL ANALYSIS (continued)

(b) *Operating Profit*

	2018 £m	2017 £m
Segment Pro-Forma EBITDA		
Energia Group (excluding renewable assets)	57.7	65.1
Energia renewable assets	27.6	4.9
Power NI	35.1	32.2
PPB	5.9	4.0
Other	0.8	1.0
Group Pro-Forma EBITDA	127.1	107.2
Adjustment for under-recovery	(4.3)	(0.5)
Group EBITDA	122.8	106.7
Depreciation/amortisation		
Energia Group (excluding renewable assets)	(16.2)	(16.2)
Energia renewable assets	(14.7)	(3.1)
Power NI	(1.2)	(2.6)
Other	(0.6)	(0.4)
Group depreciation and amortisation	(32.7)	(22.3)
Operating profit pre exceptional items and certain remeasurements		
Energia Group (excluding renewable assets)	41.5	48.9
Energia renewable assets	12.9	1.8
Power NI	33.9	29.6
PPB	5.9	4.0
Other	0.2	0.6
Group Pro-Forma operating profit	94.4	84.9
Adjustment for under-recovery	(4.3)	(0.5)
Operating profit pre exceptional items and certain remeasurements	90.1	84.4
Exceptional items and certain remeasurements		
Energia Group (excluding renewable assets)	(119.0)	1.3
Energia renewable assets	0.3	(0.4)
Power NI	0.9	-
Other	(0.1)	(1.7)
Group operating (loss)/profit post exceptional items and certain remeasurements	(27.8)	83.6
Finance cost	(70.1)	(23.6)
Finance income	1.1	9.6
	(69.0)	(14.0)
Share of loss in associates	(0.6)	(1.0)
(Loss)/profit on ordinary activities before tax	(97.4)	68.6

4. SEGMENTAL ANALYSIS (continued)

(c) Capital expenditure

	Capital additions to property, plant and equipment		Capital additions to intangible assets	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Energia Group (excluding renewable assets)	**0.6**	5.5	**53.7**	43.8
Energia renewable assets	**60.7**	145.0	**-**	-
Power NI	**-**	3.5	**60.1**	52.3
Other	**0.6**	1.2	**1.1**	0.7
Total	**61.9**	155.2	**114.9**	96.8

(d) Geographic information

Revenue from external customers	**2018 £m**	2017 £m
UK	**694.4**	594.0
RoI	**866.8**	723.6
Total revenue per income statement	**1,561.2**	1,317.6

The revenue information above is based on the locations of the customers

Non-current operating assets	**2018 £m**	2017 £m
UK	**465.0**	400.0
RoI	**523.2**	650.5
Total	**988.2**	1,050.5

Non-current assets for this purpose consist of property, plant and equipment and intangible assets.

5. OPERATING COSTS

	2018 £m	2017 £m
Operating costs are analysed as follows:		
Energy costs	1,361.9	1,137.8
Employee costs	28.7	25.4
Depreciation, amortisation and impairment	32.7	22.3
Other operating charges	47.8	47.7
Total pre exceptional items and certain remeasurements	1,471.1	1,233.2
Exceptional costs and certain remeasurements:		
Energy credit	(5.4)	(1.6)
Depreciation, amortisation and impairment	124.2	-
Other operating (income)/charges	(0.9)	2.4
Total exceptional costs and certain remeasurements	117.9	0.8
Total operating costs	1,589.0	1,234.0

5.1 Energy costs

	2018 £m	2017 £m
Write down of inventories recognised as (income)/expense during the year:		
Reversal of write down of distillate oil stock	-	(0.9)

5.2 Depreciation, amortisation and impairment

	2018 £m	2017 £m
Depreciation	30.0	18.7
Release of contributions in respect of property plant & equipment	-	(0.3)
Amortisation of intangible assets	2.7	3.9
Pre exceptional items	32.7	22.3
Impairment of property, plant and equipment	124.2	-
Post exceptional items	156.9	22.3

5.3 Other operating costs

	2018 £m	2017 £m
Operating lease rentals recognised as an expense during the year:		
Land and buildings	1.7	0.9

6. EXCEPTIONAL ITEMS AND CERTAIN REMEASUREMENTS

	2018 £m	2017 £m
Exceptional items in arriving at profit from continuing operations:		
Impairment of property, plant and equipment[1]	(124.2)	-
Exceptional finance costs[1]	(28.3)	-
Acquisition costs[3]	-	(2.4)
	(152.5)	(2.4)
Certain remeasurements in arriving at profit		
Net profit on derivatives at fair value through operating costs[4]	6.3	1.6
Net profit on derivatives at fair value through finance costs[5]	5.9	13.2
	12.2	14.8
Exceptional items and certain remeasurements before taxation	(140.3)	12.4
Taxation on exceptional items and certain remeasurements	14.6	(0.2)
Exceptional items and certain remeasurements after taxation	(125.7)	12.2

[1] Impairment of property, plant and equipment of £124.2m relates to an impairment of the property, plant and equipment of the Huntstown plants associated with the ongoing uncertainty surrounding the future operation of the plants from the commencement of the new I-SEM market as detailed on page 9.

[2] Exceptional finance costs of £28.3m (2017 - £nil) relate to the refinancing of the Group on 25 September 2017 and primarily reflect bond redemption premium of £19.5m, accelerated amortisation of bond fees of £4.8m and fees associated with the revolving credit facility of £4.0m.

[3] Exceptional acquisition costs in 2017 of £2.4m relate to costs associated with acquisitions whether successful or unsuccessful.

[4] Net profit on derivatives at fair value through operating costs of £6.3m (2017 - £1.6m) primarily relates to fair value movements in commodity swap contracts and foreign exchange forward contracts relating to commodity purchases.

[5] Net profit on derivatives at fair value through finance costs of £5.9m (2017 - £13.2m) relates to fair value movements in foreign exchange forward contracts in respect of the Senior secured notes (2020) which were closed out in September 2017.

The tax charge in the profit and loss account relating to exceptional items and certain remeasurements is:

	2018 £m	2017 £m
Impairment of property, plant and equipment	15.5	-
Fair valued derivatives through profit & loss	(0.9)	(0.2)
	14.6	(0.2)

7. AUDITORS' REMUNERATION

The Group paid the following amounts to the Company's auditors or its associates in respect of the audit of the financial statements and for other services provided to the Group.

	2018 £'000	2017 £'000
Audit of these financial statements	82	61
Audit of subsidiaries pursuant to legislation	292	254
	374	315

Fees payable to the Company's auditor and its associates for other services:

	2018 £'000	2017 £'000
Audit related assurance services	14	6
Taxation compliance services	28	52
Taxation advisory services	247	123
Corporate finance services	75	-
Total non-audit services	364	181

8. EMPLOYEES

	2018 £m	2017 £m
Salaries	26.8	24.3
Social security costs	2.9	2.6
Pension costs		
- defined contribution plans	1.8	1.7
- defined benefit plans	0.9	0.8
	32.4	29.4
Less salaries capitalised in property, plant and equipment and intangible assets	(3.7)	(4.0)
Charged to the income statement	28.7	25.4

	Actual headcount at 31 March		**Average during the year**	
	Number 2018	Number 2017	Number 2018	Number 2017
Energia Group (excluding renewable assets)	227	218	224	213
Energia renewable assets	12	13	12	13
Power NI	309	267	278	231
PPB	11	12	11	12
Other	143	117	130	111
	702	627	655	580

Director's emoluments

No amounts were paid to the Director in respect of qualifying services or long term incentive plans during the year (2017 - £nil).

9. FINANCE COSTS/INCOME

Finance costs	Results before exceptional items and certain remeasure-ments 2018 £m	Exceptional items and certain remeasure-ments 2018 £m	Total 2018 £m	Results before exceptional items and certain remeasure-ments 2017 £m	Exceptional items and certain remeasure-ments 2017 £m	Total 2017 £m
Interest on external bank loans and borrowings	(12.8)	-	(12.8)	(10.1)	-	(10.1)
Interest on senior secured notes	(30.7)	-	(30.7)	(37.7)	-	(37.7)
Interest payable to parent undertaking	-	-	-	(5.9)	-	(5.9)
Total interest expense	(43.5)	-	(43.5)	(53.7)	-	(53.7)
Amortisation of financing charges	(2.1)	(4.8)	(6.9)	(2.0)	-	(2.0)
Unwinding of discount on decommissioning provision	(0.2)	-	(0.2)	(0.3)	-	(0.3)
Unwinding of discount on contingent liabilities	(1.4)	-	(1.4)	(0.5)	-	(0.5)
Other finance charges	(0.2)	(23.5)	(23.7)	(0.1)	-	(0.1)
Unwinding of discount on shareholder loan	-	-	-	(7.3)	-	(7.3)
Total other finance (charges)/income	(3.9)	(28.3)	(32.2)	(10.2)	-	(10.2)
Net exchange (loss)/gain on net foreign currency borrowings	(1.8)	-	(1.8)	20.4	-	20.4
Net gain on financial instruments at fair value through profit or loss	-	5.9	5.9	-	13.2	13.2
Less interest capitalised in qualifying asset	1.5	-	1.5	6.7	-	6.7
Total finance costs	(47.7)	(22.4)	(70.1)	(36.8)	13.2	(23.6)

Finance income						
Interest income on loans to associates	1.0	-	1.0	0.9	-	0.9
Interest income on bank deposits	0.1	-	0.1	0.2	-	0.2
Unwinding of discount on junior asset	-	-	-	8.5	-	8.5
Total finance income	1.1	-	1.1	9.6	-	9.6

The average capitalisation rate applied in determining the amount of borrowing costs to be capitalised in the period was 4.6% (2017 – 4.3%).

10. INCOME TAX

The major components of the tax (charge)/credit for the years ended 31 March 2018 and 2017 are:

	Results before exceptional items and certain remeasure-ments 2018 £m	Exceptional items and certain remeasure-ments 2018 £m	Total 2018 £m	Results before exceptional items and certain remeasure-ments 2017 £m	Exceptional items and certain remeasure-ments 2017 £m	Total 2017 £m
Current tax:						
Current tax credit /(charge)	0.1	(0.9)	(0.8)	-	(0.2)	(0.2)
Adjustments in respect of prior years	-	-	-	(0.1)	-	(0.1)
Total current tax credit/(charge)	0.1	(0.9)	(0.8)	(0.1)	(0.2)	(0.3)
Deferred tax:						
Adjustments in respect of current year	(3.7)	15.5	11.8	1.8	-	1.8
Adjustments in respect of prior years	(0.4)	-	(0.4)	(2.2)	-	(2.2)
Effect of decreased rate on opening liability	-	-	-	(0.5)	-	(0.5)
Total deferred tax	(4.1)	15.5	11.4	(0.9)	-	(0.9)
Total taxation (charge)/credit	(4.0)	14.6	10.6	(1.0)	(0.2)	(1.2)

10. INCOME TAX (continued)

Consolidated Statement of Other Comprehensive Income

	2018 £m	2017 £m
Deferred tax related to items recognised in Other Comprehensive Income during the year:		
Net gain on revaluation of cash flow hedges	(0.6)	(1.2)
Net loss on remeasurement of defined benefit scheme	0.2	0.2
Taxation charged to Other Comprehensive Income	(0.4)	(1.0)

The tax credit for the year can be reconciled to the profit per the income statement as follows:

	2018 £m	2017 £m
Accounting (loss)/profit before income tax	(97.4)	68.6
At the statutory – income tax rate of 19% (2017 - 20%)	18.5	(13.7)
Non taxable foreign exchange on debt	0.4	6.5
Utilisation of tax losses on which no deferred tax asset was recognised	3.0	3.9
Interest expense not paid in the period on which no deferred tax asset is recognised	-	(2.2)
Other	(2.5)	(0.9)
Effect of lower tax rates on overseas earnings	(8.7)	8.4
Impact of rate change on deferred tax	0.3	(0.9)
Adjustments in respect of previous years	(0.4)	(2.3)
Tax credit/(charge)	10.6	(1.2)

10. INCOME TAX (continued)

The deferred tax included in the balance sheet at 31 March 2018 and 2017 is as follows:

	Accelerated capital allowances £m	Losses available for offset against future taxable income £m	Loan interest £m	Pension obligation £m	Revaluation on cash flow hedges £m	Other £m	Total £m
As at 1 April 2016	**(13.2)**	**9.4**	**13.3**	**-**	**2.6**	**0.3**	**12.4**
(Charge)/credit to income statement	(0.7)	1.2	0.7	(0.2)	-	(1.9)	(0.9)
Credit/(charge) to equity	-	-	-	0.2	(1.2)	-	(1.0)
Foreign exchange	(1.3)	0.3	1.0	-	-	-	-
As at 31 March 2017	**(15.2)**	**10.9**	**15.0**	**-**	**1.4**	**(1.6)**	**10.5**
Credit/(charge) to income statement	11.6	0.3	(0.2)	(0.2)	-	(0.1)	11.4
Credit/(charge) to equity	-	-	-	0.2	(0.6)	-	(0.4)
Foreign exchange	(0.6)	0.1	0.3	-	0.1	-	(0.1)
As at 31 March 2018	**(4.2)**	**11.3**	**15.1**	**-**	**0.9**	**(1.7)**	**21.4**

10. INCOME TAX (continued)

Certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2018 £m	2017 £m
Deferred tax assets	**27.3**	27.3
Deferred tax liabilities	**(5.9)**	(16.8)
Net deferred tax assets	**21.4**	10.5

Current and deferred tax have been calculated using standard rates of corporation tax in the UK being the prevalent rates of corporation tax of the Group. UK deferred tax has been calculated at 17% as at 31 March 2018 reflecting HMRC enactment, in September 2016, of a reduction in the corporation tax rate effective from 1 April 2020. RoI deferred tax has been calculated at 12.5% as at 31 March 2018.

A deferred tax asset of £32.6m (2017 - £37.1m) has not been recognised in relation to £177m (2017 - £189m) of tax losses carried forward and £19m (2017 - £35m) of interest on which no tax relief has yet been claimed, due to uncertainty regarding the quantum of future taxable profits in the companies concerned.

11. PROPERTY, PLANT AND EQUIPMENT

	Thermal generation assets £m	Renewable generation assets £m	Freehold operational land £m	Fixtures and equipment £m	**Total £m**
Cost or valuation:					
At 1 April 2016	368.2	138.3	12.3	9.8	528.6
Exchange adjustment	32.2	5.2	0.9	0.1	38.4
Additions	4.9	145.0	-	5.3	155.2
Decrease in decommissioning provision	(4.1)	-	-	-	(4.1)
Acquisition of subsidiaries	-	8.9	-	-	8.9
At 31 March 2017	401.2	297.4	13.2	15.2	727.0
Exchange adjustment	11.0	3.4	0.3	-	14.7
Additions	0.1	59.1	1.7	1.0	61.9
Acquisition of subsidiaries	-	3.4	-	-	3.4
Transfer to intangible assets	-	-	-	(3.5)	(3.5)
At 31 March 2018	**412.3**	**363.3**	**15.2**	**12.7**	**803.5**
Depreciation and impairment:					
At 1 April 2016	182.0	3.9	-	6.6	192.5
Exchange adjustment	17.7	0.1	-	0.1	17.9
Depreciation charge for the year	14.8	3.0	-	0.9	18.7
At 31 March 2017	214.5	7.0	-	7.6	229.1
Exchange adjustment	5.1	-	-	-	5.1
Impairment charge	124.2	-	-	-	124.2
Depreciation charge for the year	14.6	13.9	-	1.5	30.0
At 31 March 2018	**358.4**	**20.9**	**-**	**9.1**	**388.4**
Net book value:					
At 1 April 2016	186.2	134.4	12.3	3.2	336.1
At 31 March 2017	186.7	290.4	13.2	7.6	497.9
At 31 March 2018	**53.9**	**342.4**	**15.2**	**3.6**	**415.1**

(i) Included in renewable generation assets are amounts in respect of assets under construction amounting to £55.8m (2017 - £91.2m) and capitalised interest of £14.5m (2017 - £13.0m).

(ii) In January 2018 it was announced that Huntstown 1 had been awarded a reliability option contract in the new I-SEM; but Huntstown 2 had not. As discussed further on page 9, whilst the Group has secured a favourable judgement in its appeal against the CRU proposed industry wide modifications to all generation and supply licences to implement I-SEM, there remains uncertainty as to the future viability of the Huntstown plants. The design of the I-SEM market and the outcome of the Auction has led the Group to test the Huntstown plants' carrying amounts for impairment. The Huntstown plants are included in the Energia Group (excluding renewable assets) reportable segment.

11. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group has determined that the value in use ("VIU") of the Huntstown plants amounted to £54.4m, resulting in an impairment charge of £124.2m (2017 - £nil) being recognised. The VIU was based on pre-tax discounted cash flows (pre-tax real discount rate of 7.5% applied) forecast to be generated by the plant in SEM up to 1 October 2018 and thereafter in I-SEM based on the Group's current view of the plants' operating prospects taking into account the outcome of the Auction for capacity and the uncertainties in the current I-SEM market design.

A 1% increase in the discount rate would give rise to an additional impairment of approximately £1.5m. A 10% reduction in forecast future cash flows would result in an additional impairment of approximately £5.5m.

12. INTANGIBLE ASSETS

	Software costs £m	Renewable development assets £m	Emission Allowances & ROCs £m	Goodwill £m	**Total £m**
Cost:					
At 1 April 2016	29.3	16.1	45.4	463.8	554.6
Exchange adjustment	0.2	0.2	0.6	0.3	1.3
Additions	4.9	-	91.9	-	96.8
Disposals/surrenders in settlement of obligations	-	-	(89.4)	-	(89.4)
Acquisition of subsidiaries	-	16.7	-	-	16.7
At 31 March 2017	34.4	33.0	48.5	464.1	580.0
Exchange adjustment	0.1	-	0.2	0.1	0.4
Additions	9.1	-	105.8	-	114.9
Disposals/surrenders in settlement of obligations	-	-	(100.1)	-	(100.1)
Acquisition of subsidiaries	-	4.5	-	-	4.5
Transfer from tangible fixed assets	3.5	-	-	-	3.5
At 31 March 2018	**47.1**	**37.5**	**54.4**	**464.2**	**603.2**
Amortisation and impairment:					
At 1 April 2016	21.9	0.1	-	1.3	23.3
Exchange adjustment	0.1	-	-	0.1	0.2
Amortisation	3.8	0.1	-	-	3.9
At 31 March 2017	**25.8**	**0.2**	**-**	**1.4**	**27.4**
Exchange adjustment	-	-	-	-	-
Amortisation	1.9	0.8	-	-	2.7
At 31 March 2018	**27.7**	**1.0**	**-**	**1.4**	**30.1**
Net book value:					
At 1 April 2016	7.4	16.0	45.4	462.5	531.3
At 31 March 2017	8.6	32.8	48.5	462.7	552.6
At 31 March 2018	**19.4**	**36.5**	**54.4**	**462.8**	**573.1**

(i) Included in Emission allowances and ROCs at 31 March 2018 is an amount of £4.0m (2017 - £1.3m) relating to self-generating ROCs which were initially recognised at fair value of £4.0m (2017 - £1.3m).

13. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES

The Group has five CGUs outlined below:

- Huntstown generation;
- Energia supply;
- Energia renewable assets;
- Power NI; and
- PPB.

The CGUs align to the Group operating and reportable segments as identified in note 4 with the exception of the Energia Group (excluding renewable assets) which has been split into two CGUs, Huntstown generation and Energia Supply as the cash flows from Huntstown generation are largely independent of the cash flows of the Energia Supply CGU.

The carrying amount of goodwill is allocated to each of the CGUs as follows:

CGU	**2018**	2017
	£m	£m
Energia Supply	**336.8**	336.7
Power NI	**126.0**	126.0
Total goodwill	**462.8**	462.7

The recoverable amount of the goodwill allocated to Energia Supply and Power NI together with the property, plant and equipment of each CGU, has been determined based on a value in use calculation using cash flow projections from the Group's five year business plan as approved by the Board together with a long term growth rate of 2% applied thereafter. The Group's business model is based on past experience and reflects the Group's forward view of market prices, risks and its strategic objectives. The recoverable amount is compared to the carrying amount of the CGU to determine whether the CGU is impaired.

Key assumptions used in value in use calculations

The key assumptions used for the value in use assumptions are as follow:

Discount rates

The pre-tax discount rate used in the calculation of the value in use for the CGUs was between 7.3% and 7.7% (2017 – 7.8% and 9.6%) reflecting management's estimate of the Weighted Average Cost of Capital post-tax rate required to assess operating performance and to evaluate future capital investment proposals.

These rates reflect market projections of the risk-free rate in the jurisdictions in which the Group operates, equity risk premiums and the cost of debt appropriate to the industry.

Energia Supply CGU

The key assumptions on which the cash flow projections of this CGU are based are as follows:

- Retail supply revenues for electricity and gas are based on the expected market share derived from the market share at the time of the approval of the business model adjusted for forecasted growth. Growth in business customer numbers is modest and growth in respect of residential supply is moderate with cash flows associated with increased customer service and customer acquisition incorporated accordingly;
- Retail supply margins are based on historic and projected gross margin percentages;

13. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES (continued)

- Renewable PPA revenues are based on capacity in operation at the time of the approval of the business model; and
- Renewable PPAs margins are based on forecast electricity market prices and the underpinning support mechanisms of REFIT in the RoI and ROCs in Northern Ireland.

Outcome of Tests:
The recoverable amount of the Energia supply CGU exceeded the respective carrying value at the time of the impairment test. While cash flows are subject to inherent uncertainty, reasonable possible changes in the key assumptions applied in assessing the value in use would not cause a change to the conclusion reached.

Power NI CGU

The key assumptions on which the cash flow projections of this CGU are based are as follows:

- Regulated revenues and margins are underpinned by the regulatory price control in place to 31 March 2019;
- Customer attrition is assumed however the nature of the price control with regulated entitlement 70% fixed and 30% variable reduces the impact of customer losses; and
- Unregulated retail supply margins for business customers are based on historic and projected gross margin percentages.

Outcome of Tests:
The recoverable amount of the Power NI CGU exceeded the respective carrying value at the time of the impairment test. While cash flows are subject to inherent uncertainty, reasonable possible changes in the key assumptions applied in assessing the value in use would not cause a change to the conclusion reached.

14. INVESTMENT IN ASSOCIATES

At 31 March 2017 and 2018 the Group had a 25% interest in Eco Wind Power Limited (EWP) and a 20% interest in IIF Cyclone NI Holdco Limited (IIF Cyclone) (collectively, the "Associates").

EWP is incorporated in the Republic of Ireland and carries on the business of wind farm generation. IIF Cyclone is incorporated in Northern Ireland and carries on the business of wind farm generation. The Group's interests in the Associates are accounted for using the equity method in the consolidated financial statements. Under their project finance facilities, distributions can only be made by the Associates when specific debt service cover ratio or other threshold levels have been achieved. The following table illustrates the summarised financial information of the Group's investment in its associates:

Balance Sheet	**As at 31 March 2018 £m**	As at 31 March 2017 £m
Goodwill	**8.3**	8.2
Current assets	**9.8**	7.4
Non-current assets	**81.7**	83.5
Derivative liabilities	**(4.2)**	(6.0)
Current liabilities	**(18.6)**	(15.6)
Non-current liabilities	**(114.3)**	(110.5)
Equity	**(37.3)**	(33.0)
Proportion of the Group's share of equity excluding goodwill	**(11.5)**	(11.1)
Goodwill	**8.3**	8.2
Loan to associates	**9.9**	9.1
Carrying amount of the investment	**6.7**	6.2

Income Statement	**Year ended 2018 £m**	Year ended 2017 £m
Revenue	**17.5**	14.9
Operating profit	**4.8**	3.1
Finance costs	**(7.2)**	(7.2)
Loss before tax	**(2.4)**	(4.1)
Taxation	**-**	-
Loss for the year	**(2.4)**	(4.1)
Other comprehensive income		
Net movement in cash flow hedges	**1.8**	0.6
Total comprehensive expense for the year	**(0.6)**	(3.5)
Group's share of loss for the year	**(0.6)**	(1.0)
Group's share of other comprehensive income for the year	**0.4**	0.1

15. BUSINESS COMBINATIONS AND DISPOSALS

Acquisitions in 2018
In April 2017, the Group acquired 100% of the shares of Teiges Mountain Wind Farm Limited (Teiges), an unlisted wind farm company in Northern Ireland. Total consideration for the acquisition comprised £1.2m discounted contingent consideration (£1.5m undiscounted).

In July 2017, the Group acquired 100% of the shares of Dargan Road Biogas Limited (Dargan Road), an unlisted anaerobic digestion company in Northern Ireland. The total consideration for the acquisition was £0.8m cash and £2.5m contingent consideration.

In May 2018, the Group acquired 100% of the shares of CEHL (Dublin) Bioenergy Limited together with its subsidiary Huntstown Bioenergy Limited (Huntstown AD), an anaerobic digestion company in North Dublin. The total consideration for the acquisition was £0.5m cash and £2.3m discounted contingent consideration (£2.6m undiscounted).

The acquisitions contribute towards the Group's aim of growing its renewable generation business in Ireland.

Assets acquired and liabilities assumed
The combined fair values of the identifiable assets and liabilities of Teiges and Dargan Road acquired in 2017/18 and the identifiable assets and liabilities of Huntstown AD acquired post 31 March 2018 were:

	Fair value recognised on acquisitions in 2017/18 £m	**Fair value recognised on acquisitions post balance sheet £m**
Assets		
Property, plant and equipment	3.4	0.7
Intangible assets	-	0.1
Other receivables	0.2	0.2
	3.6	1.0
Liabilities		
Other payables	(2.2)	(0.8)
Other loans and borrowings	(1.4)	-
Total identifiable net assets at fair value	-	0.2
Intangible assets (development assets) arising on acquisition	4.5	2.6
Purchase consideration transferred	4.5	2.8
Purchase consideration made up of:		
Cash	0.8	0.5
Contingent consideration	3.7	2.3
	4.5	2.8
Analysis of cash flows on acquisition:		
Cash	0.8	0.5
Discharge of liabilities	2.3	0.5
Acquisition costs	-	0.1
Net cash flows on acquisition	3.1	1.1

Transaction costs of £0.1m were expensed in the year ended 31 March 2018.

Teiges is currently under construction and has not generated any revenues or profit for the Group during the period. Dargan Road and Huntstown AD are not operational and are currently under development.

Contingent consideration
On acquisition of Teiges contingent consideration of £1.2m was recognised and reflects the fair value of the maximum amount payable of £1.5m, with the minimum payable being £nil. Contingent consideration relates to the accreditation for Northern Ireland Renewable Obligation Certificates (NIROCs) and earnouts relating to the capital expenditure incurred during the course of the construction of the wind farms and are anticipated to be paid in 2018/19. On acquisition of Dargan Road contingent consideration of £2.5m was recognised and reflects the maximum amount payable, with the minimum amount payable being £nil. Contingent consideration relates to the accreditation for NIROCs, together with the execution of a lease option and the grant of planning and are anticipated to be paid in 2018/19.

16. GROUP INFORMATION

Principal investments in which the Group held 100% of ordinary shares at 31 March 2018 are listed below:

Name	*Principal activities*	*Country of incorporation*
Regulated businesses		
Power NI Energy Limited [1]*	Power procurement and supply of electricity	Northern Ireland
Energia Group (excluding renewable assets)		
Viridian Power and Energy Holdings DAC*	Holding company	Republic of Ireland
Viridian Power and Energy Limited *	Holding company	Northern Ireland
Power and Energy Holdings (RoI) Limited *	Holding company	Republic of Ireland
GenSys Power Limited (trading as GenSys) *	Operating and maintenance services	Republic of Ireland
Huntstown Power Company Limited *	Electricity generation	Republic of Ireland
Viridian Power Limited *	Electricity generation	Republic of Ireland
Viridian Energy Supply Limited (trading as Energia) *	Energy supply	Northern Ireland
Viridian Energy Limited (trading as Energia) *	Energy supply	Republic of Ireland
Dargan Road Biogas Limited*	Renewable development	Northern Ireland
Energia renewable assets		
Viridian Renewables Company 1 Limited *	Holding company	Northern Ireland
Viridian Renewables Company 2 Limited*	Holding company	Northern Ireland
Viridian Renewables Company 3 Limited*[2]	Holding company	Northern Ireland
Viridian Renewables Company 4 Limited*[2]	Holding company	Northern Ireland
Altamuskin Windfarm Limited*[2]	Renewable generation	Northern Ireland
Clondermot Wind Limited *[2]	Renewable generation	Northern Ireland
Eshmore Ltd *[2]	Renewable generation	Northern Ireland
Gortfinbar Windfarm Limited*[2]	Renewable generation	Northern Ireland
Long Mountain Wind Farm Limited *[2]	Renewable generation	Northern Ireland
Mosslee Limited*[2]	Renewable generation	Northern Ireland
Thornog Windfarm Ltd *[2]	Renewable generation	Northern Ireland
Wheelhouse Energy (NI) Limited[2]	Renewable generation	Northern Ireland
Cornavarrow Windfarm Limited*[2]	Renewable development	Northern Ireland
Lisglass Wind Ltd *	Renewable development	Northern Ireland
Slieveglass Wind Farm Limited*	Renewable development	Northern Ireland
Teiges Mountain Wind Farm Limited*[2]	Renewable development	Northern Ireland
Eshmore Wind Limited *	Holding company	Republic of Ireland
Viridian Renewables Development Limited *	Holding company	Republic of Ireland
Viridian Renewables RoI Limited *	Holding company	Republic of Ireland
Holyford Windfarm Limited *[2]	Renewable generation	Republic of Ireland
Windgeneration Ireland Limited *[2]	Renewable generation	Republic of Ireland
MD South Windfarm Limited *	Renewable development	Republic of Ireland
Whaplode Limited *	Renewable development	Republic of Ireland
Other		
Viridian Group Fundco I Limited	Holding company	Cayman Islands
Viridian Group Fundco II Limited *	Holding company	Cayman Islands
Viridian Group Fundco III Limited *	Holding company	Cayman Islands
EI Ventures Limited *	Holding company	Great Britain
ElectricInvest Acquisitions Limited *	Holding company	Great Britain
ElectricInvest Holding Company Limited *	Holding company	Great Britain
Viridian Group Limited *	Holding company	Northern Ireland
Viridian Group Holdco 1 Limited	Holding company	Northern Ireland
Viridian Group Holdco 2 Limited	Holding company	Northern Ireland
ElectricInvest (Cayman) Limited *	Holding company	Cayman Islands
ElectricInvest (Lux) RoI S.à.r.l.*	Holding company	Grand Duchy of Luxembourg
Viridian Capital Limited *	Holding company	Northern Ireland
Viridian Enterprises Limited *	Holding company	Northern Ireland
Viridian Properties Limited *	Property	Northern Ireland
Viridian Insurance Limited *	Insurance	Isle of Man
Viridian Group FinanceCo plc*	Financing company	Northern Ireland

** held by a subsidiary undertaking*

[1] consists of the operating businesses of Power NI and PPB

[2] Entities with project finance facilities with restricted cash which are subject to bi-annual distribution debt service requirements

16. GROUP INFORMATION (continued)

Ultimate parent undertaking, controlling party and related party transactions
Up to 27 April 2017 the ultimate parent undertaking of the Company and controlling party of the Group, as defined by IFRS 10, "Consolidated Financial Statements" was ISQ Viridian Holdings L.P., a limited partnership incorporated in the Cayman Islands.

Following the divestment of a minority interest noted on page 5, after 27 April 2017 the parent undertaking of the Company became Viridian TopCo Limited, a company incorporated in the Cayman Islands.

17. OTHER FINANCIAL ASSETS

	2018 £m	2017 £m
Other financial assets		
Loans and receivables:		
Security deposits	4.1	2.4
Short term managed funds	1.3	1.4
Total loans and receivables	5.4	3.8
Financial instruments held to maturity:		
Viridian Growth Fund	-	0.1
Total other financial assets	5.4	3.9
Total non-current	-	0.1
Total current	5.4	3.8

Loans and receivables are held to maturity and generate a fixed or variable interest income for the Group. The carrying value may be affected by changes in the credit risk of the counterparties.

18. TRADE AND OTHER RECEIVABLES

	2018 **£m**	2017 £m
Trade receivables (including unbilled consumption)	**164.9**	124.2
Prepayments and accrued income	**22.7**	25.5
Other receivables	**3.6**	0.4
	191.2	150.1

Trade receivables are non−interest bearing and are generally on terms of 14 to 90 days.

See below for the movements in the provision for impairment of receivables.

	£m
At 1 April 2016	12.3
Foreign exchange adjustment	0.5
Charge for the year	2.8
Utilised	(2.9)
At 31 March 2017	12.7
Foreign exchange adjustment	0.2
Charge for the year	1.7
Utilised	(2.6)
At 31 March 2018	12.0

As at 31 March, the ageing analysis of trade receivables is as follows:

			Past due but not impaired			
	Total £m	***Neither past due nor impaired £m***	***< 30 days £m***	***30-60 days £m***	***61-90 days £m***	***> 90 days £m***
2017	124.2	94.1	22.1	5.1	2.2	0.7
2018	**164.9**	**113.5**	**37.6**	**8.6**	**4.0**	**1.2**

The credit quality of trade receivables that are neither past due nor impaired is assessed by reference to external credit ratings where available otherwise historical information relating to counterparty default rates combined with current knowledge of the counterparty is used.

19. CASH AND CASH EQUIVALENTS

	2018 £m	2017 £m
Cash at bank and on hand	38.1	33.4
Short−term bank deposits	88.2	86.8
	126.3	120.2

Cash at bank earns interest at floating rates based on daily bank deposit rates.

At 31 March 2018, the Group had available £109.2m (2017 - £130.6m) of undrawn committed borrowing facilities relating to the Senior revolving credit facility and £24.6m (2017 - £9.7m) of undrawn committed borrowing facilities relating to the project finance facilities. There were no cash drawings under the Senior revolving credit facility at 31 March 2018 (2017 - £nil). £24.9m (2017 - £13.4m) of cash was restricted in the project financed wind farms and is subject to bi-annual distribution debt service requirements.

20. TRADE AND OTHER PAYABLES

	2018 £m	2017 £m
Trade creditors	78.5	49.9
Other creditors	44.5	35.2
Amounts owed to associate	2.4	2.1
Payments received on account	23.5	24.7
Tax and social security	11.7	9.0
Accruals	163.2	141.3
	323.8	262.2

Trade creditors are non−interest bearing and are normally settled within 45 day terms.

21. FINANCIAL LIABILITIES

	2018 £m	2017 £m
Current financial liabilities:		
Senior secured notes interest payable	1.0	3.2
Other interest payable	0.7	0.8
Project financed bank facilities (NI)	6.2	3.8
Project financed bank facilities (RoI)	10.5	9.8
Project finance interest accruals	0.4	-
Contingent consideration	18.5	-
Other payables	3.5	-
Total current financial liabilities	40.8	17.6
Non-current financial liabilities:		
Senior secured notes €350m (2025)	301.6	-
Senior secured notes £225m (2024)	221.1	-
Senior secured notes €600m (2020)	-	507.6
Project financed bank facilities (NI)	146.3	99.8
Project financed bank facilities (RoI)	95.2	93.8
Contingent consideration	-	13.9
Other payables	-	2.6
Total non−current financial liabilities	764.2	717.7
Total current and non-current financial liabilities	805.0	735.3

In September 2017, the Group issued new Senior secured notes due in September 2024 and September 2025 and entered into a new Senior revolving credit facility due in 2023. The proceeds from the issue of the Senior secured notes were used to repay the Senior secured notes (2020). The carrying value of the Senior secured notes (2024 and 2025) include unamortised costs of £9.1m.

The Senior secured notes (2024) are denominated in Sterling £225.0m (Sterling notes) and the Senior secured notes (2025) are denominated in Euro €350.0m (Euro notes). Interest, which is payable semi−annually, is charged at a fixed rate coupon of 4.75% for the Sterling notes and 4.0% for the Euro notes. The Sterling notes are repayable in one instalment on 15 September 2024 and the Euro notes are repayable in one instalment on 15 September 2025.

Both Senior secured notes (2024 and 2025) include an option for the period to 15 September 2020 to redeem annually up to 10% of the original principal at a redemption price of 103%.

At 31 March 2018, the Group had letters of credit issued out of the Senior revolving credit facility of £115.8m resulting in undrawn committed facilities of £109.2m (31 March 2017 - £130.6m). There were no cash drawings under the Senior revolving credit facility at 31 March 2018 (31 March 2017 - £nil). Interest is charged under the Senior revolving credit facility at floating interest rates based on Libor and Euribor.

Project financed bank facilities
The project financed bank loan facilities are repayable in semi-annual instalments to 2034 and are secured on a non-recourse basis over the assets and shares of the specific project finance companies. Interest on the project finance bank loan facilities has been predominantly fixed through interest rate swaps resulting in an effective rate of interest of 3.95% (2017- 4.09%) on project financed bank facilities NI and 2.83% (2017 – 2.72%) on the project financed bank facilities RoI.

21. FINANCIAL LIABILITIES (continued)

Contingent consideration
On acquisition of Cornavarrow, Slieveglass and Teiges, contingent consideration of £14.7m was recognised reflecting the fair value of the maximum amount payable of £17.0m, with the minimum payable being £nil. Contingent consideration relates to the accreditation for Northern Ireland Renewable Obligation Certificates (NIROCs) and earnouts relating to the capital expenditure incurred during the course of the construction of the wind farms and are anticipated to be paid in 2018/19. During the year ended 31 March 2018, a reassessment of the contingent consideration took place which resulted in a fair value adjustment of £0.3m to Cornavarrow. On acquisition of Dargan, contingent consideration of £2.5m was recognised reflecting the maximum amount payable, with the minimum amount payable being £nil. Contingent consideration relates to the accreditation for NIROCs, together with the execution of a lease option and the grant of planning and are anticipated to be paid in 2018/19.

Other payables
On acquisition of Cornavarrow, a liability of £2.6m was recognised reflecting the fair value of the maximum amount payable of £3.0m, with the minimum payable being £nil and on acquisition of Teiges, a liability of £0.6m was recognised reflecting the fair value of the maximum amount payable of £0.7m, with the minimum payable being £nil. The liabilities relates to pre-acquisition services and are contingent on the accreditation for NIROCs and are anticipated to be paid in 2018/19.

22. DEFERRED INCOME

	2018 **£m**	2017 £m
At 1 April	**-**	0.3
Released to the income statement	**-**	(0.3)
At 31 March	**-**	-
Current	**-**	-

The deferred income arises from contributions in respect of certain property, plant and equipment assets.

23. PENSIONS AND OTHER POST- EMPLOYMENT BENEFIT PLANS

	2018 **£m**	2017 £m
Net employee defined benefit liability (before deferred tax)	**-**	-

The VGPS has two sections: a money purchase section (known as 'Options') and a defined benefit section (known as 'Focus'). The defined benefit section is closed to new entrants. There is also a money purchase arrangement for employees in the RoI known as 'Choices'. Most employees of the Group are members of VGPS Options or Choices.

The assets of the Focus section are held under trust and invested by the trustees on the advice of professional investment managers.

The regulatory framework in the UK requires the Trustees and Group to agree upon the assumptions underlying the funding target, and then to agree upon the necessary contributions required to recover any deficit at the valuation date. There is a risk to the Group that adverse experience could lead to a requirement for the Group to make further contributions to recover any deficit.

23. PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

The Trustees regularly review the investment strategy of VGPS and target to maintain the mix of investments between 45% on-risk and 55% off-risk.

The last actuarial valuation of VGPS was as at 31 March 2015 and under the terms of the recovery plan agreed with the trustees, the Group will make good the £7.9m funding shortfall through annual deficit repair contribution of £1.25m for seven years.

The following tables summarise the components of net benefit expense recognised in the income statement and the funded status and amounts recognised in the balance sheet for the VGPS:

VGPS Focus Section

Changes in the defined benefit obligation, fair value of Focus assets and unrecognised past service costs are as follows:

	2018 £m	2017 £m
Market value of assets at 1 April	**49.7**	41.0
Interest income	**1.2**	1.3
Contributions from employer	**1.9**	2.0
Contributions from scheme members	**0.1**	0.1
Benefits paid	**(0.9)**	(1.1)
Return on plan assets (excluding amounts in the net interest expense)	**0.3**	6.4
Market value of assets at 31 March	**52.3**	49.7
Actuarial value of liabilities at 1 April	**49.7**	41.1
Interest cost	**1.2**	1.3
Current service cost	**0.8**	0.7
Contributions from scheme members	**0.1**	0.1
Past service cost	**-**	0.1
Benefits paid	**(0.9)**	(1.1)
Actuarial loss arising from changes in financial assumptions	**1.7**	7.5
Actuarial gain from experience	**(0.3)**	-
Actuarial value of liabilities at 31 March	**52.3**	49.7
Net pension liability	**-**	-
Analysis of amounts recognised in employee costs:		
Current service cost	**(0.8)**	(0.7)
Past service cost	**-**	(0.1)
	(0.8)	(0.8)
Analysis of amounts recognised in other comprehensive income:		
Return on plan assets (excluding amounts in the net interest expense)	**0.3**	6.4
Actuarial loss arising from changes in financial assumptions	**(1.4)**	(7.5)
	(1.1)	(1.1)

23. PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

In accordance with IFRIC 14 – "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" no liability (2017 - nil) has been recognised in 2018.

The actual return in Focus assets for 2018 amounted to £1.5m (2017 - £7.7m).

The major categories of Focus assets of the fair value of the total plan assets are, as follows:

	VGPS Focus section	
	2018	2017
	£m	£m
Unquoted investments:		
- Equity investments	**14.6**	14.0
- Bonds	**27.4**	26.3
- Other	**10.3**	9.4
Total assets	**52.3**	49.7

The principal assumptions used in determining pension and post−employment medical benefit obligations for the VGPS Focus are shown below:

	2018	2017
Rate of increase in pensionable salaries	**3.4% p.a.**	2.9% p.a.
Rate of increase in pensions in payment	**2.7% p.a.**	2.4% p.a.
Discount rate	**2.6% p.a.**	2.5% p.a.
Inflation assumption (based on CPI)	**2.7% p.a.**	2.4% p.a.
Life expectancy:		
- current pensioners (at age 60) – males	**25.9 years**	25.9 years
- current pensioners (at age 60) – females	**28.6 years**	28.6 years
- future pensioners (at age 60) – males	**27.8 years**	27.8 years
- future pensioners (at age 60) – females	**30.6 years**	30.6 years

The life expectancy assumptions are based on standard actuarial mortality tables and include an allowance for future changes in life expectancy.

23. PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

A quantitative sensitivity analysis for significant assumptions as at 31 March is as shown below:

Assumptions	**Sensitivity level**	**Impact on net defined benefit obligation Increase/(decrease)**	
		2018	2017
		£m	£m
Pensionable salaries	1% increase	**1.2**	1.4
	1% decrease	**(1.2)**	(1.3)
Pension payments	0.5% increase	**4.3**	4.0
	0.5% decrease	**(3.5)**	(3.6)
Discount rate	0.5% increase	**(5.3)**	(4.3)
	0.5% decrease	**5.0**	4.9
Inflation	1% increase	**9.0**	8.5
	1% decrease	**(7.7)**	(6.8)
Life expectancy of male pensioners	Increase by 1 year	**0.9**	0.8
	Decrease by 1 year	**(0.9)**	(0.8)
Life expectancy of female pensioners	Increase by 1 year	**0.5**	0.5
	Decrease by 1 year	**(0.5)**	(0.5)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to be made in the future years towards the defined benefit plan obligation:

	2018	2017
	£m	£m
Within the next 12 months (next annual reporting period)	**1.9**	2.0
Between two and five years	**6.4**	8.1
Between five and ten years	**3.3**	3.9
Total expected payments	**11.6**	14.0

The average duration of the defined benefit plan obligation at the end of the reporting period is 20 years (2017 - 20 years).

24. PROVISIONS

	Decommissioning £m	Liabilities and damage claims £m	Total £m
At 1 April 2016	12.6	0.1	**12.7**
Foreign exchange adjustment	1.0	-	**1.0**
New plant commissioned	1.6	-	**1.6**
Decrease in decommissioning provision	(4.1)	-	**(4.1)**
Decrease in liability and damage claims	-	(0.1)	**(0.1)**
Unwinding of discount	0.3	-	**0.3**
At 31 March 2017	11.4	-	**11.4**
Foreign exchange adjustment	0.3	-	**0.3**
New plant commissioned	1.2	-	**1.2**
Unwinding of discount	0.2	-	**0.2**
At 31 March 2018	**13.1**	**-**	**13.1**
Non-current	**13.1**	-	**13.1**

Decommissioning

Provision has been made for decommissioning generation assets. The provision represents the present value of the current estimated costs of closure of the plants at the end of their useful economic lives. The provisions have been discounted using a weighted average rate of 2.421% (2017 – 2.402%) and are expected to be utilised within a period not exceeding nineteen years.

25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Derivative financial assets

	2018 £m	2017 £m
Derivatives at fair value through other comprehensive income		
Cash flow hedges:		
Foreign exchange forward contracts	1.4	1.5
Commodity swap contracts	3.1	1.2
Interest rate swap contracts	2.5	1.7
Total derivatives at fair value through other comprehensive income	7.0	4.4
Derivatives at fair value through profit and loss		
Derivatives not designated as hedges:		
Foreign exchange forward contracts	0.1	23.7
Commodity swap contracts	9.2	2.0
Total derivatives at fair value through profit and loss	9.3	25.7
Total derivative financial assets	16.3	30.1
Total non-current	5.3	20.0
Total current	11.0	10.1

Derivative financial liabilities

	2018 £m	2017 £m
Derivatives at fair value through other comprehensive income		
Cash flow hedges:		
Foreign exchange forward contracts	(1.5)	(3.2)
Commodity swap contracts	(0.7)	(2.0)
Interest rate swap contracts	(9.6)	(13.4)
Total derivatives at fair value through other comprehensive income	(11.8)	(18.6)
Derivatives at fair value through profit and loss		
Derivatives not designated as hedges:		
Foreign exchange forward contracts	(0.4)	(0.4)
Commodity swap contracts	(2.7)	(2.0)
Total derivatives at fair value through profit and loss	(3.1)	(2.4)
Total derivative financial liabilities	(14.9)	(21.0)
Total non-current	(8.3)	(11.4)
Total current	(6.6)	(9.6)

25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

HEDGING ACTIVITIES AND DERIVATIVES

CASH FLOW HEDGES

Cash flow hedges are derivative contracts entered into to hedge a forecast transaction or cash flow risk generally arising from a change in interest rates, commodity rates or foreign currency exchange rates and which meets the effectiveness criteria prescribed by IAS 39. The Group's accounting policy for cash flow hedges is set out in note 3.

	2018 £m	2017 £m
Accumulated loss included in equity (excluding associates)	**(4.9)**	(14.2)

The table below summarises the maturity of cash flow hedges:

	2018 £m	2017 £m
Derivative financial assets		
In one year or less	**1.6**	2.0
In more than one year but less than five years	**2.9**	0.7
In more than five years	**2.5**	1.7
Gains through other comprehensive income	**7.0**	4.4
Derivative financial liabilities		
In one year or less	**(3.5)**	(7.3)
In more than one year but less than five years	**(6.3)**	(8.3)
In more than five years	**(2.1)**	(3.0)
Losses through other comprehensive income	**(11.9)**	(18.6)
	(4.9)	(14.2)

The table below summarises the gains and losses recognised during the year:

	2018 £m	2017 £m
Net gain due to remeasurements	**5.3**	2.5
Loss transferred from equity to the income statement in respect of:		
Completed hedges	**(4.0)**	(3.5)
	(4.0)	(3.5)
Recognised within:		
Operating costs	**(1.0)**	(5.5)
Finance costs	**(3.0)**	2.0
	(4.0)	(3.5)

FAIR VALUE THROUGH PROFIT AND LOSS

The Group has derivative contracts that are not accounted for as hedges under IAS 39. The table below summarises the gains and losses recognised on these contracts in the income statement during the year.

	2018 £m	2017 £m
Net gain due to remeasurements	**12.2**	14.8

25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS

Included in financial liabilities, loans and borrowings at 31 March 2018 was €350.0m (2017 - €600.0m) Euro denominated Senior secured notes. The Group has not designated a hedging relationship between the Euro-denominated assets on the Group's balance sheet and the Group's Euro borrowings in the current year.

FAIR VALUES

As indicated in note 3(d) the Group uses the hierarchy as set out in IFRS 7 Financial Instruments: Disclosures for categorising financial instruments. A summary of the fair values of the financial assets and liabilities of the Group together with their carrying values shown in the balance sheet and their fair value hierarchy is as follows:

	2018 Carrying value £m	2018 Fair value £m	2017 Carrying value £m	2017 Fair value £m
Level 1				
Non-current liabilities				
Senior secured notes (2024 and 2025)	**(522.7)**	**(500.6)**	-	-
Senior secured notes (2020)	**-**	**-**	(507.6)	(541.2)
Level 2				
Non-current assets				
Viridian Growth Fund	**-**	**-**	0.1	0.1
Non-current liabilities				
Project financed bank facilities (NI)	**(146.3)**	**(146.3)**	(99.8)	(99.8)
Project financed bank facilities (RoI)	**(95.2)**	**(95.2)**	(93.8)	(93.8)
Level 3				
Non-current liabilities				
Financial liabilities (contingent consideration)	**-**	**-**	(13.9)	(13.9)
Other payables	**-**	**-**	(2.6)	(2.6)
Current liabilities				
Financial liabilities (contingent consideration)	**(18.5)**	**(18.5)**	-	-
Other payables	**(3.5)**	**(3.5)**	-	-

The carrying value of cash, trade receivables, trade payables and other current assets and liabilities is equivalent to fair value due to the short term maturities of these items. Contingent consideration is estimated as the present value of future cash flows disclosed at the market rate of interest at the reporting date. Derivatives are measured at fair value. There have been no transfers between hierarchy.

The fair value of the Group's project financed bank facilities (RoI), project financed bank facilities (NI) and Senior revolving credit facility are determined by using discounted cash flows based on the Group's borrowing rate. The fair value of the Group's Senior secured notes are based on the quoted market price. The fair value of interest rate swaps, foreign exchange forward contracts, foreign exchange cross currency swaps and commodity contracts has been valued by calculating the present value of future cash flows, estimated using forward rates from third party market price quotations.

The fair value of the Group's project financed bank facilities (RoI) and project financed bank facilities (NI) are a close approximation to their carrying value given that they bear interest at floating rates based on Libor/Euribor.

The fair value of contingent consideration is considered by the Director to fall within the level 3 fair value hierarchy and is measured using the present value of the pay-out associated with the accreditation for NIROCs and earnouts set out in the relevant purchase agreement. The carrying value of £18.5m is estimated to approximate to its fair value determined by using discounted cash flows based on the Company's borrowing rate.

25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

A summary of the Group's financial management objectives and policies is set out in the financial control section of the Risk Management and Principal Risks and Uncertainties report. The following table summarises the maturity profile of the Group's trade and other payables, financial liabilities and derivatives based on contractual undiscounted payments:

	Within one year £m	1 to 5 years £m	>5 years £m	**Total £m**	**Carrying Value Total £m**
Year ended 31 March 2018					
Trade and other payables (excluding tax and social security)	**(312.0)**	**-**	**-**	**(312.0)**	**(312.0)**
Financial liabilities	**(68.7)**	**(189.9)**	**(802.1)**	**(1,060.7)**	**(805.0)**
Derivatives at fair value through other comprehensive income	**(3.5)**	**(6.3)**	**(2.3)**	**(12.1)**	**(11.8)**
Derivative at fair value through profit and loss	**(3.0)**	**(0.1)**	**-**	**(3.1)**	**(3.1)**
	(387.2)	**(196.3)**	**(804.4)**	**(1,387.9)**	**(1,131.9)**
Year ended 31 March 2017					
Trade and other payables (excluding tax and social security)	(253.2)	-	-	(253.2)	(253.2)
Financial liabilities	(58.2)	(673.0)	(194.1)	(925.3)	(735.3)
Derivatives at fair value through other comprehensive income	(7.3)	(8.4)	(3.2)	(18.9)	(18.6)
Derivative at fair value through profit and loss	(2.2)	(0.2)	-	(2.4)	(2.4)
	(320.9)	(681.6)	(197.3)	(1,199.8)	(1,009.5)

The disclosed financial derivative instruments in the above table are the gross undiscounted cash flows. However, those amounts may be settled gross or net.

25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

At 31 March 2018, the Group is exposed to future changes in the fair value of unsettled derivative financial instruments and certain other financial liabilities. The sensitivity analysis for the market risks showing the impact on profit before tax and equity is set out below. These sensitivities are based on an assessment of market rate movements during the year and each is considered to be a reasonably possible range.

			Impact on profit		Impact on equity	
	Sensitivity	**Change**	**Increase £m**	**Decrease £m**	**Increase £m**	**Decrease £m**
At 31 March 2018						
Foreign exchange forward contracts	Euro exchange rate	+/-10%	**-**	**-**	**14.3**	**(14.0)**
Gas swaps	price per therm	+/-10p	**21.4**	**(21.4)**	**22.7**	**(22.6)**
Interest rate swaps	Libor/ Euribor	+/- 0.25%	**-**	**-**	**5.1**	**(5.0)**
Project financed bank facilities	Libor/ Euribor	+/- 0.25%	**0.6**	**(0.6)**	**0.6**	**(0.6)**
Senior secured notes denominated in Euro	Euro exchange rate	+/-10%	**27.9**	**(34.1)**	**27.9**	**(34.1)**
At 31 March 2017						
Foreign exchange forward contracts	Euro exchange rate	+/-10%	(18.6)	22.9	(6.9)	11.4
Gas swaps	price per therm	+/-10p	9.1	(9.1)	15.5	(15.5)
Interest rate swaps	Libor/ Euribor	+/- 0.25%	-	-	(4.8)	4.8
Project financed bank facilities	Libor/ Euribor	+/- 0.25%	0.2	(0.2)	0.2	(0.2)
Senior secured notes denominated in Euro	Euro exchange rate	+/-10%	46.7	(57.0)	46.7	(57.0)

26. SHARE CAPITAL AND RESERVES

	Ordinary Shares Number	Ordinary shares £
Authorised share capital – ordinary shares of £1.00	50,000	50,000
At 31 March 2017 and 2018	50,000	50,000

	Ordinary Shares Number	Ordinary shares £
Allotted and fully paid		
Share capital issued – ordinary shares of £1.00	4,020	4,020
At 31 March 2017 and 2018	4,020	4,020

Nature and purpose of reserves

Share capital and share premium
The balances classified as share capital and share premium represents the proceeds (both nominal value and share premium) on issue of the Company's equity share capital, comprising £1 ordinary shares.

Capital contribution reserve
This balance relates to capital contributed by the Company's parent undertaking other than through the proceeds of the issue of shares.

Hedge reserve
The hedge reserve is used to record the unrealised gains and losses incurred on derivatives designated as cash flow hedges.

Foreign currency reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries offset by exchange differences arising on monetary items that were, until 31 March 2015, designated as part of the hedge of the Group's net investment in foreign subsidiaries.

Reserves
Analysis by item recognised in other comprehensive income for each component of equity:

	Foreign currency reserve £m	Cash flow hedge reserve £m	Retained earnings £m	**Total Equity £m**
2018				
Actuarial loss on defined benefit pension schemes (net of tax)	**-**	**-**	**(0.9)**	**(0.9)**
Exchange loss on translation of foreign operations	**(4.8)**	**-**	**-**	**(4.8)**
Net gain on cash flow hedges (net of tax)	**-**	**9.1**	**-**	**9.1**
Other comprehensive (expense)/income for the year	**(4.8)**	**9.1**	**(0.9)**	**3.4**
2017				
Actuarial loss on defined benefit pension schemes (net of tax)	-	-	(0.9)	(0.9)
Exchange loss on translation of foreign operations	(30.0)	-	-	(30.0)
Net loss on cash flow hedges (net of tax)	-	4.9	-	4.9
Other comprehensive (expense)/income for the year	(30.0)	4.9	(0.9)	(26.0)

27. NOTES TO GROUP CASH FLOW STATEMENT

	2018 £m	2017 £m
Operating activities		
(Loss)/profit before tax from continuing operations	(97.4)	68.6
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and impairment of property, plant and equipment	154.2	18.7
Amortisation and impairment of intangible assets	2.7	3.9
Amortisation of contributions in respect of property, plant and equipment	-	(0.3)
Derivatives at fair value through income statement	(12.2)	(14.8)
Net finance costs	46.6	27.2
Defined benefit charge less contributions paid	(1.1)	(1.3)
Share of loss in associates	0.6	1.0
Acquisition costs	(0.3)	-
Exceptional finance costs	28.3	-
Cash generated from operations before working capital movements	121.4	103.0

Acquisition costs adjustment of £0.3m in 2018 relates to a fair value adjustment to contingent consideration which arose on the acquisition of renewable wind farm assets.

28. ANALYSIS OF NET DEBT

	Cash and cash equivalents £m	Short term managed funds £m	Debt due within one year £m	Debt due after more than one year £m	Junior bank facility asset £m	**Total** £m
At 1 April 2016	**76.5**	**1.4**	**(4.7)**	**(927.5)**	**199.4**	**(654.9)**
Net decrease in cash and cash equivalents	38.8	-	-	-	-	38.8
Proceeds from issue of borrowings	-	-	-	(144.1)	-	(144.1)
Repayment of borrowings	-	-	11.9	-	-	11.9
Issue costs on new long term loans	-	-	-	1.8	-	1.8
(Increase)/decrease in interest accruals	-	-	(0.2)	1.2	-	1.0
Amortisation	-	-	(0.4)	(1.6)	-	(2.0)
Reclassifications	-	-	(23.7)	23.7	-	-
Capitalisation of interest on subordinated shareholder loan	-	-	-	(7.1)	-	(7.1)
Translation difference	4.9	-	(0.1)	(40.3)	4.5	(31.0)
Unwinding of discount on shareholder loan	-	-	-	(7.3)	-	(7.3)
Unwinding of discount on junior facility asset	-	-	-	-	8.5	8.5
Merger with VGHL	-	-	(0.4)	400.0	(212.4)	187.2
At 31 March 2017	**120.2**	**1.4**	**(17.6)**	**(701.2)**	**-**	**(597.2)**
Net increase/(decrease) in cash and cash equivalents	2.5	(0.1)	-	-	-	2.4
Proceeds from issue of borrowings	-	-	-	(598.7)	-	(598.7)
Repayment of borrowings	-	-	14.0	533.1	-	547.1
Issue costs on new long term loans	-	-	-	11.8	-	11.8
Decrease in interest accruals	-	-	1.9	-	-	1.9
Amortisation	-	-	(0.6)	(6.3)	-	(6.9)
Reclassifications	-	-	(16.2)	16.2	-	-
Translation difference	3.6	-	(0.3)	(19.1)	-	(15.8)
At 31 March 2018	**126.3**	**1.3**	**(18.8)**	**(764.2)**	**-**	**(655.4)**

28. ANALYSIS OF NET DEBT (continued)

Reconciliation of liabilities arising from financing activities:

	At 1 April 2016	Cash flows	Effects of foreign exchange	Other	**At 31 March 2017**
	£m	£m	£m	£m	**£m**
Senior secured notes (2020)	(468.5)	-	(37.5)	(1.6)	**(507.6)**
Project finance	(73.6)	(130.4)	(2.8)	(0.4)	**(207.2)**
Interest	(3.3)	-	(0.1)	(0.6)	**(4.0)**
Subordinated shareholder loan	(386.8)	-	-	386.8	**-**
Junior bank facility asset	199.4	-	4.5	(203.9)	**-**
Total	(732.8)	(130.4)	(35.9)	180.3	**(718.8)**

	At 1 April 2017	Cash flows	Effects of foreign exchange	Other	**At 31 March 2018**
	£m	£m	£m	£m	**£m**
Senior secured notes (2024 and 2025)	**-**	**(525.1)**	**3.1**	**(0.7)**	**(522.7)**
Senior secured notes (2020)	**(507.6)**	**533.1**	**(19.9)**	**(5.6)**	**-**
Project finance	**(207.2)**	**(47.8)**	**(2.6)**	**(0.6)**	**(258.2)**
Interest	**(4.0)**	**-**	**-**	**1.9**	**(2.1)**
Total	**(718.8)**	**(39.8)**	**(19.4)**	**(5.0)**	**(783.0)**

29. LEASE OBLIGATIONS

Operating lease commitments — Group as lessee

The Group has entered into operating lease arrangements for the hire of equipment and buildings as these arrangements are a cost efficient way of obtaining the short term benefits of these assets. The Group has also entered into operating lease arrangements for land relating to the renewable asset portfolio. The Group rental charges in respect of these arrangements are disclosed in note 5. The Group's annual commitment under these leases is disclosed below:

Future minimum rentals payable under non−cancellable operating leases as at 31 March are, as follows:

	2018	2017
	£m	£m
Within one year	1.4	1.3
After one year but not more than five years	5.5	5.1
More than five years	21.5	21.2
	28.4	27.6

Availability payments to generators

The Group has also entered into generating contracts with generating companies in Northern Ireland to make payments for the availability of generating capacity as well as for the purchase of electricity generated. The contracts are with AES Ballylumford Limited.

Estimated availability payments to generators, which are dependent on the availability of the generators and are therefore variable in nature are as follows:

	2018	2017
	£m	£m
Within one year	26.4	25.4
After one year but not more than five years	114.9	107.3
More than five years	10.3	37.3
	151.6	170.0

In September 2016, PPB exercised its option with AES Ballylumford to extend the term of the Generating Unit Agreements covering 600MW of CCGT capacity by five years to September 2023.

30. COMMITMENTS AND CONTINGENT LIABILITIES

(i) Capital commitments

At 31 March 2018 the Group had contracted future capital expenditure in respect of tangible fixed assets of £32.2m (2017 - £18.6m).

(ii) Contingent liabilities

Protected persons
The Group has contingent liabilities in respect of obligations under the Electricity (Protected Persons) Pensions Regulations (Northern Ireland) 1992 to protect the pension rights in respect of certain of its employees who were employees of NIE plc at privatisation. Those Group employees who remain protected by the regulations have their pension rights provided through the Group's occupational pension scheme.

Generating contracts
Under the terms of the PPB generating contracts, where modifications to generating equipment are necessary as a result of a change in law and a generator is unable to procure the necessary financing, PPB must either provide such finance or pay the costs incurred by the generator in carrying out such modifications. The costs incurred by PPB in meeting these obligations are recoverable under the applicable provisions of the Power NI Energy licence, but would require to be financed by PPB until such recovery is achieved. The Group does not anticipate any liability for modifications which require financing and no provision has been made.

Liability and damage claims
In the normal course of business the Group has contingent liabilities arising from claims made by third parties and employees. Provision for a liability is made (as disclosed in note 24) when the directors believe that it is probable that an outflow of funds will be required to settle the obligation where it arises from an event prior to the year end. The Group does not anticipate that any material liabilities will arise other than those recognised in the accounts.

31. DISTRIBUTIONS MADE AND PROPOSED

Dividends of £60.0m (2017 - £nil) were paid to the parent undertaking on 25 September 2017, at £14,925.37 per share.

32. RELATED PARTY TRANSACTIONS

Note 16 above, provides the information about the Group's structure including the details of the subsidiaries and the holding company. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

32. RELATED PARTY TRANSACTIONS (continued)

		Services to related parties £m	Purchase from related parties £m	Amounts owed to related parties £m
Associates:	**2018**	**0.8**	**(12.8)**	**(2.4)**
	2017	0.8	(10.8)	(2.1)

		Interest receivable £m	Amounts owed by related parties £m
Loans to related parties:			
Associate: Eco Wind Power Limited	**2018**	**0.9**	**13.9**
	2017	0.8	13.0
Associate: IIF Cyclone NI Holdco Limited	**2018**	**0.1**	**1.6**
	2017	0.1	1.5

Transactions with associates

The Group has two associate undertakings, EWP and IIF Cyclone.

As part of the sale and purchase transactions relating to the associates in March 2012 and June 2012 the Group acquired loans owing by these associates. These loans remain outstanding at 31 March 2018 and are included as part of the Group's overall investment in associates as disclosed in note 14 to the accounts. The contractual amount of the loan including interest owed by EWP is £13.9m at 31 March 2018 (2017 - £13.0m), however the carrying value reflected in the Group's balance sheet reflects the director's expectations regarding the level of recovery of this amount.

Transactions with key management personnel

Compensation of key management personnel of the Group

	2018 **£m**	2017 £m
Short term employee benefits	**2.2**	6.3
Post employment pension and medical benefits	**0.2**	0.2
Total compensation to key management personnel	**2.4**	6.5

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

GLOSSARY OF TERMS

1992 Order	Electricity (Northern Ireland) Order 1992
1999 Act	Electricity Regulation Act 1999
2002 Act	Gas (Interim) (Regulation) Act 2002
2003 Order	Energy (Northern Ireland) Order 2003
2007 Act	Electricity Regulation (Amendment) (Single Electricity Market) Act 2007
Associate	25% interest in EWP and 20% in IIF Cyclone
Capita	Capita Managed IT Solutions Limited
CCGT	combined-cycle gas turbine
CCNI	Consumer Council Northern Ireland
CER	Commission for Energy Regulation
CfDs	contracts for differences
CGU	cash generating unit
Choices	money purchase pension arrangement for employees in the RoI
CMA	Competition and Markets Authority
CO	carbon monoxide
CO_2	carbon dioxide
Company	Viridian Group Investments Limited
CONE	Cost of New Entrant
CPI	Consumer Price Index in the RoI
CRM	Capacity Remuneration Mechanism
CRU	Commission for Regulation of Utilities
CSR	Corporate Social Responsibility
DAM	Day Ahead Market
DCCAE	Department of Communications, Climate Action and Environment
DfE	Department for the Economy
DS3	Delivering a Secure, Sustainable Electricity System
EAI	Electricity Association of Ireland
EBITDA	earnings before interest, tax, depreciation and amortisation
ECPC	Existing Capacity Price Cap
EECs	Energy efficiency credits
EEO	Energy Efficiency Obligation
EEOS	Energy Efficiency Obligation Scheme
EIR	effective interest rate
EirGrid	EirGrid plc
Energia	Energia Group's competitive energy supply business
Energia Group	VPEH and VPE
EPC	Engineering Procurement Contract
ESB	Electricity Supply Board
EU	European Union
EU Target Model	European Electricity Target Model
EWP	Eco Wind Power and its subsidiaries
Focus	defined benefit section of VGPS
FRC	Financial Reporting Council
GB	Great Britain
GDPR	EU General Data Protection Regulation
Group	Viridian Group Investments Limited and its subsidiary undertakings
GW	gigawatt
GWh	gigawatt hour
HEC	Home Energy Check
HLD	I-SEM High Level Design

HMRC	HM Revenue & Customs
Huntstown 1	Phase one of Huntstown Power Station - 343MW CCGT
Huntstown 2	Phase two of Huntstown Power Station - 404MW CCGT
IASB	International Accounting Standards Board
IAS	International Accounting Standard
ICT	information and communication technology
IDM	Intra-day electricity market
IEM	Internal Energy Market
IFRS	International Financial Reporting Standards
IIF Cyclone	IIF Cyclone NI Holdco Limited (previously VRL) and its subsidiaries
I-SEM	New integrated SEM
ISAs	International Standards in Auditing (UK)
ISO	International Organization for Standardization
IT	Information Technology
IWEA	Irish Wind Energy Association
KPI	key performance indicator
LTIR	lost time incident rate
Minister	Minister for Communications, Climate Action and Environment
MW	megawatt
MWh	megawatt hour
NEMO	Nominated Electricity Market Operators
NIE Networks	Northern Ireland Electricity Networks Limited
NIRO	Northern Ireland Renewable Obligation
NIROCs	Northern Ireland Renewable Obligation certificates
NISEP	Northern Ireland Sustainable Energy Programme
NO_x	oxides of nitrogen
OFGEM	Office of Gas and Electricity Markets
OHSAS	Occupational Health and Safety Management Systems Specification
Options	money purchase section of VGPS
PDR	Performance Development Review
PEE	Primary Electrical Energy
Power NI	Power NI Energy Supply
Power NI Energy	Power NI Energy Limited
PPA	power purchase agreement
PPB	Power Procurement business
PSO	public service obligation
RAs	Regulatory Authorities
REFIT	Renewable Energy Feed-In Tariff scheme
RMC	Risk Management Committee
RO	UK Renewable Obligation
ROC	Renewable Obligation Certificate
RoI	Republic of Ireland
SEAI	Sustainable Energy Authority of Ireland
SEE	social, environmental and ethical
SEF	Strategic Energy Framework
SEM	Single Electricity Market
SEMC	SEM Committee
SEMO	Single Electricity Market Operator
SEM Order	Electricity (Single Wholesale Market) (Northern Ireland) Order 2007
SMP	system marginal price
SoLR	Supplier of Last Resort
SO_2	sulphur dioxide
SONI	SONI Limited
TSO	transmission system operator
TWh	terawatt hour

UK	United Kingdom
Utility Regulator	Northern Ireland Authority for Utility Regulation
VAT	Value Added Tax
VGPS	Viridian Group Pension Scheme (2011)
VPE	Viridian Power & Energy Limited and its subsidiaries
VPEH	Viridian Power & Energy Holdings DAC and its subsidiaries