Realising our growth ambition

Annual report and accounts 2018

OUR MISSION

Together we shall grow Infinis into a more diversified energy portfolio, focused around our core expertise and strong platform, to create long-term value and a sustainable future.

Infinis is a leading diversified distributed power producer from methane rich gas and is a utility standard operating platform spanning three divisions: baseload renewable Landfill Gas (LFG); baseload Coal Mine Methane (CMM); and Power Response (PR).

OUR VALUES

Our values underpin how we do business.

Excellence

We invest in the best people and technology, priding ourselves in having the most knowledgeable people. We are dedicated to excellence and passionate about what we do, striving for quality in everything we do. We undertake our daily business in a professional and ethical manner.

Innovation

We encourage innovation and want to try new things. We are entrepreneurs who continually challenge the norm, are adaptable and embrace change. We are dynamic and keen to grow into new markets.

Commitment

We display energy, passion and drive to get the job done safely, being flexible in how we approach our tasks and priding ourselves on exceeding expectations. We are loyal, highly engaged and believe we can make a real difference.

Openness

We communicate with honesty, clarity and are approachable across the organisation, having a culture of both openness and integrity.

Fulfilment

We expect excellence as the norm, endeavouring to create exceptional career paths where possible. We create an environment for our people to succeed and flourish, and personal development is encouraged for all.

Responsibility

Our world class safety and environmental standards are at the heart of what we do. We act fairly to all stakeholders, promoting sustainability, and we demonstrably care about each other and the communities in which we work.

HIGHLIGHTS

SOLID RESULTS

Revenue
£150.7m
(2017: £152.3m annualised)

EBITDA before operating exceptional items
£79.0m
(2017: £88.0m annualised)

Exported power
1,424GWh
(2017: 1,578GWh)

OPERATIONAL EXCELLENCE

Reliability
96.9%
(2017: 96.9%)

Availability
94.0%
(2017: 93.5%)

DELIVERY ON OUR GROWTH STRATEGY

Acquisitions
— Acquisition of **Alkane Energy**
(completed 11 April 2018)

AWARD-WINNING HEALTH AND SAFETY PERFORMANCE

RIDDOR accident frequency rate
0.38
(2017: 0.47)

2018 RoSPA President's Award

British Safety Council International Safety Awards 2018 Winner

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All 2017 figures in the strategic report are annualised unless otherwise stated. The 2017 statutory results for the Group reflect business performance since the acquisition of the Infinis business on 8 December 2016. Annualised results were presented in 2017 as alternative performance measures and reflect the performance of the Infinis business for the year ended 31 March 2017 as if the business had always been owned by the Group.

CHAIRMAN'S STATEMENT

The strategy has a clear goal – to transform Infinis into a diversified and sustainable business, creating long-term value in a 'new energy' world.

"My overarching impression is that this is a great team and business."

Tony Cocker
Chairman

I am delighted to introduce my first Infinis annual report as Chairman following the Company's first full financial year under its new senior management team (SMT) and 3i Infrastructure plc's (3iN) ownership. The Board now comprises Executive Directors, Shareholder Directors and two independent Non-executive Directors. This team provides the Company with strong, appropriate leadership and governance. Since my appointment, through Board meetings, site visits and team meetings, people from across the business have shared their thoughts, experiences and plans for Infinis. My overarching impression is that this is a great team and business.

From the outset I was impressed by the deep expertise, the clarity of the strategy the new Board had in place after such a short period following acquisition, and by 3iN's demonstrable commitment as a long-term investor.

The strategy recognises the starting point, the Infinis platform. Infinis has the assets, capabilities, commitment and drive to build on its LFG heritage. The strategy also has a clear goal – to transform Infinis into a diversified and sustainable business, creating long-term value in a 'new energy' world of intermittent renewables and smaller-scale distributed generation.

The Infinis platform is founded upon operational excellence. The Company's in-house engineering expertise and 24/7 logistics centre give it some of the positive aspects of a much larger utility and one which is ready for expansion. The SMT, and teams across the business, are clear on the Company's primary commitment – to continue to deliver on the strong, core LFG business. The team has delivered on that commitment in FY18 and, through the 'Drive 4 Excellence' initiative, finds ways to continually improve performance.

The SMT is also focused on growth. During the year, Infinis established its PR Division, building 17.9MW of PR. When the extremely cold weather hit in early March 2018, all operational PR units were called into action, contributing to security of supply for the UK power market, demonstrating the fundamental importance of smaller-scale distributed generation in today's UK market, and in turn boosting the Company's earnings.

The Company made a step change after its year end when, on 11 April 2018, it completed the acquisition of Alkane Energy. With this transaction 3iN again demonstrated its long-term commitment to the business. Alkane is a perfect match for Infinis. It operates a coal mine methane business which complements LFG and had over 100MW of operational PR at acquisition. The enlarged business now has a large development pipeline of PR opportunities and a proven capability to deliver them.

This has been another strong year for Infinis and one that positions the business well for the future. My clear view from my first few months is one of successful delivery by a strong and dedicated team. I would like to thank everybody for their warm welcome, their hard work and for the results that they have delivered.

Tony Cocker
Chairman
Infinis Energy Management Limited

CHIEF EXECUTIVE OFFICER'S REVIEW

Feeding our growth ambitions - this year has been about delivering on our promise to grow and diversify our energy business for a sustainable future.

"We made excellent progress in delivering our growth ambition by building on our solid platform and using opportunities presented by the changing energy market."

Shane Pickering
Chief Executive Officer

Moving in a strategic direction

It has been another exciting and rewarding year at Infinis. At the end of FY17 we reported on our new leadership team, our new mission, vision and strategic direction and how we had set about defining our growth ambition. I am very pleased to share with you in this report how we have progressed on delivering our promise to grow and diversify our energy business.

During FY18 we have continued to foster strong, collaborative working relationships with our Shareholder, 3iN, the board of directors and SMT and I was delighted to welcome Tony Cocker as our new Chairman. Tony has an excellent reputation in the energy sector and has brought a wealth of knowledge, experience and strategic thinking to our board.

Through our company roadshows we continued to energise and engage our employees from across the business by updating everyone on Company performance and strategy. We also provide the opportunity to interact directly with senior management through open Q&A workshops and team events. A key part of this year's workshop was the development and launch of our core values which were created by our staff and embody how we work together.

We continued to deliver on our core base business, achieving a strong financial performance through operational excellence whilst maintaining our highest standards of health and safety and environmental compliance. This year we were awarded the RoSPA President's Award for health and safety practices in recognition of 10 years of consecutive Gold Awards, as well as a Safety Award for the ninth year running from the British Safety Council.

We also made excellent progress in delivering our growth ambition by building on our solid platform and using opportunities presented by the changing energy market.

Delivering our growth ambition

During the year we established a new development team to support and deliver our growth ambition with an initial and specific focus on developing a PR pipeline utilising our spare grid connection capacity from our existing LFG sites and commencing site conversions to create a new PR Division. I have been delighted with progress; we now have a significant PR pipeline and with the support from our Shareholder, have delivered 17.9MW of PR.

Alkane Energy

In April this year, we successfully completed an exciting acquisition, Alkane Energy, an independent producer of energy from CMM and PR. This was a key strategic move and in perfect alignment with our strong platform. It has a sizeable portfolio with complementary technology and processes, from gas management and extraction through to utilising gas reciprocating engines to convert gas to electricity. There is a clear opportunity to improve overall performance by applying both our operational excellence and our scale benefits including procurement savings and commercial advantage, and it has significant growth potential. This acquisition has enabled us to rapidly diversify and grow our business, building on our existing capabilities, extending into coal mine methane, and accelerating our growth into PR generation. We now have a fleet of 370 reciprocating engines which convert gas to electricity.

Third-party engine overhauls

We have also embarked on another exciting business opportunity, to undertake major engine overhauls for external customers at our Lancaster Centre of Excellence which has received full support from the Board this year. This new business is being developed and there has already been significant interest for this service.

Next steps

I am immensely proud of what we have achieved during the year and I would like to thank our employees, Shareholder and wider stakeholders for your commitment and dedication to achieving an excellent set of results. As we move forward, we commence a new and exciting chapter in our growth journey and so our new key strategic priorities for FY19 remain in line with our Mission. We will:

- deliver on the base LFG, CMM and PR divisions;
- successfully integrate the Alkane Energy business;
- deliver a substantial organic growth pipeline of PR into commercial operation;
- continue to assess and deliver other acquisition opportunities; and
- progress third-party overhauls.

This will ensure we deliver shareholder value and secure investment for growth.

Shane Pickering
Chief Executive Officer
Infinis Energy Management Limited

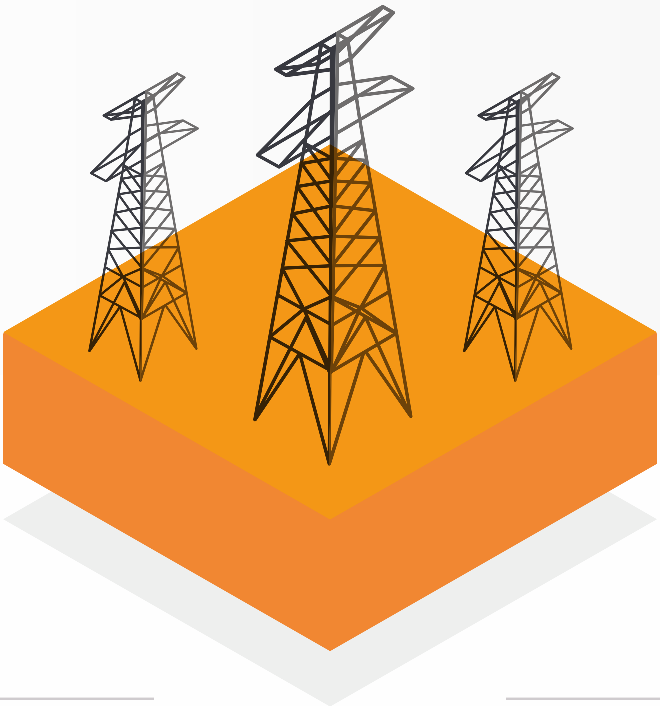
Our values in action

The core values, designed by staff at roadshows and workshops, have been consolidated into the way we work.

CASE STUDY

The market trends that are shaping our future

MARKET DRIVERS



Demand

- Increasing efficiency
- Smarter responsive demand
- Electrification of heat and transport

Regulatory

- Triad benefits being phased out and embedded benefits under review
- Network charging review pending
- Enhancement of locational benefits

Supply

- Retirement of old thermal plant
- Tightening of reserve margin
- Intermittency in the supply mix from renewables

Electricity prices

- Increased volatility from intermittent supply and interconnectors
- More zero-marginal cost plant but tighter reserve margin provide competing price pressures

Network and users

- Increasing embedded capacity connected to distribution network
- Evolving markets for services to assist the growing challenge of balancing the system

UK ELECTRICITY GENERATION (TWh)

Renewables	29.3%
Bioenergy contribution to renewables	9.4%
Natural gas	40.4%
Coal	6.7%
Nuclear	20.7%
Other	2.9%

Source: DECC Energy Trends Section 5.1 (for the year ended 31 December 2017, published 28 June 2018).

The UK energy market continues to undergo fundamental change in power supply, distribution and ultimately consumption. We note a continued push to de-carbonise the generation mix and an increase in technological development within the electrical networks which connect plant to customers, an area that has been overlooked for many years.

At the heart of regulation are the three core objectives for energy policy: security of supply; de-carbonisation; and affordable power for consumers.

Demand

UK electricity consumption, which excludes the effects of losses and imports and exports of electricity, fell by 1% to 301TWh from 304TWh in 2016[1] after several years of relatively stable demand. The majority of this reduction in demand is due to a fall in domestic usage attributable to warmer weather (+0.3° Celsius, on average warmer than 2016).

Whilst future demand projections range widely, a trajectory of rising demand in the longer term is anticipated driven largely by electrification of transport and heat.

Supply

Low carbon generation (from nuclear and renewable sources) comprised more than half of UK generation for the first time in 2017, reaching a record high 50% share.

Generation from renewables (hydro, wind, solar and bioenergy) increased 19% from 83.3TWh in 2016 to a record high of 99.3TWh in 2017. The rise was driven by capacity increases in recent years[2].

Over the past five years the generation mix has shifted further away from fossil fuels. Coal-fired generation fell 84% compared with 2012, from 143TWh to 22.5TWh, its lowest ever level, as coal plants closed or were converted to high-range co-firing plants. At the start of 2018 we saw new records set for coal-free days[3], which only hastens the end of coal-fired generation.

The generation mix in 2017 was 7% from coal (-2% on 2016), 40% gas (-2%), 21% nuclear (stable), 29% renewables (+4%) and 3% from other sources (stable).

Electricity prices

There are several markets quoted for electricity sales, from short-term within day and day-ahead 'spot' prices to long-term seasonal markets providing positions up to three years in the future. Infinis typically sells exported power from LFG and CMM at prices that are pre-agreed ahead of delivery for the season.

Power is sold under power purchase agreements with a range of major offtakers. During FY18 wholesale power prices trended upwards with the day ahead price averaging £46.49/MWh (FY17: £43.73/MWh). Through forward contracting, the average selling price (ASP) for wholesale power achieved by Infinis during FY18 was £44.25/MWh.

Extreme weather from the East led to a late surge in prices through winter 2017/18 with the average day-ahead price for wholesale power at £51.46/MWh (winter 2016/17: £50.20/MWh), which continues to create a case for controllable and flexible plant.

Networks

The Capacity Market is designed to ensure sufficient reliable capacity is available by providing payments to encourage investment in new capacity or for existing capacity to remain open. Infinis has several projects in the Capacity Market and will seek to secure further contracts.

Embedded generation is also an area of interest for the distribution network operators as they seek to cope with an ever-changing network by creating systems and incentives that are effective at responding to demand events. Further developments in this area are anticipated in the year ahead.

Regulatory

The rapid change in the market has seen increasing political influence on one or other area leading Government to adapt and amend recent regulation to ensure it keeps those objectives balanced.

Triads

Of particular relevance to Infinis, Triads are the three highest points of demand in the winter for which premium payments are received as a benefit by embedded generation. These payments, will see a phased reduction over three years which takes effect from FY19.

Zonal transmission losses

April 2018 saw the introduction of a zonal pricing system for transmission losses. This change sought to reduce the amount of electricity lost on the transmission network. As Infinis has a presence across the country, this change is expected to lead to a small enhancement to Infinis' embedded benefits.

Capacity Market Supplier Charge (CMSC)

Infinis benefited in FY18 by enabling suppliers to avoid CMSC payments. However, in February 2018, the regulations were changed to replace net demand with gross demand when calculating CM charges for suppliers, increasing costs to consumers and ending this embedded benefit to Infinis.

1 National Statistics Energy Trends: electricity. 2017 Final and provisional data tables – Table 5.2 Supply and consumption of electricity. Source: https://www.gov.uk/government/statistics/electricity-section-5-energy-trends.

2 National Statistics Energy Trends: electricity. Electricity Generation, trade and consumption. Source: https://www.gov.uk/government/statistics/electricity-section-5-energy-trends.

3 https://www.theguardian.com/business/2018/apr/24/uk-power-generation-coal-free-gas-renewables-nuclear.

OUR BUSINESS MODEL

A utility-standard operating platform spanning three complementary divisions

What we do

Infinis made a step change after its year end when, on 11 April 2018, it completed the acquisition of Alkane. We now operate three divisions, LFG, CMM and PR, which use reciprocating engines to generate electricity which we then sell to the National Grid via offtakers. In FY18 Infinis was predominantly an LFG business.

1 LFG Division

Total power exported to the Grid in FY18 (source: Infinis data)

268MW[1]

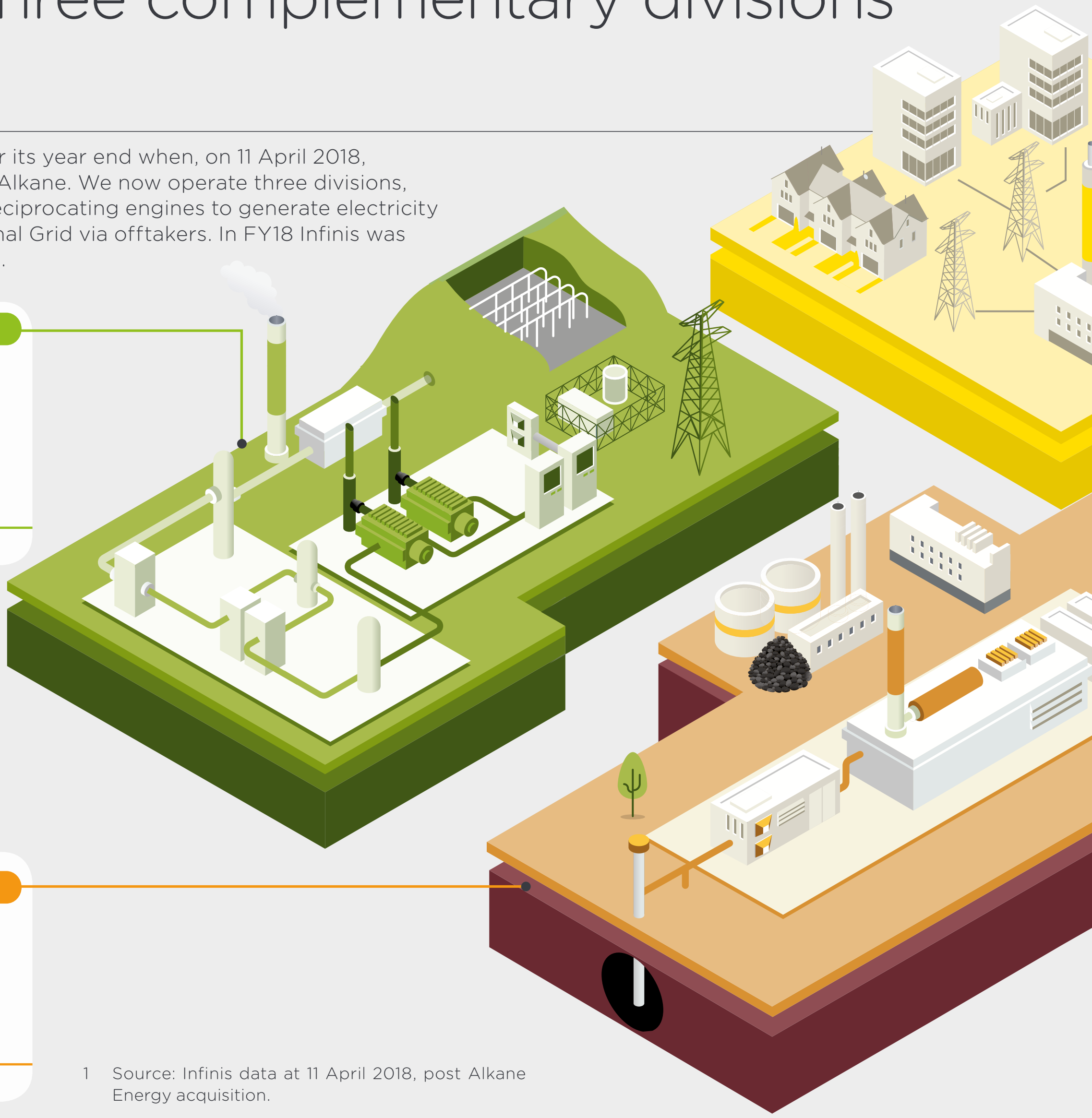
24/7

Baseload

2 CMM Division

Installed capacity

43MW[1]



1 Source: Infinis data at 11 April 2018, post Alkane Energy acquisition.

Value enablers

Our business is built around the following major components:

INFRASTRUCTURE

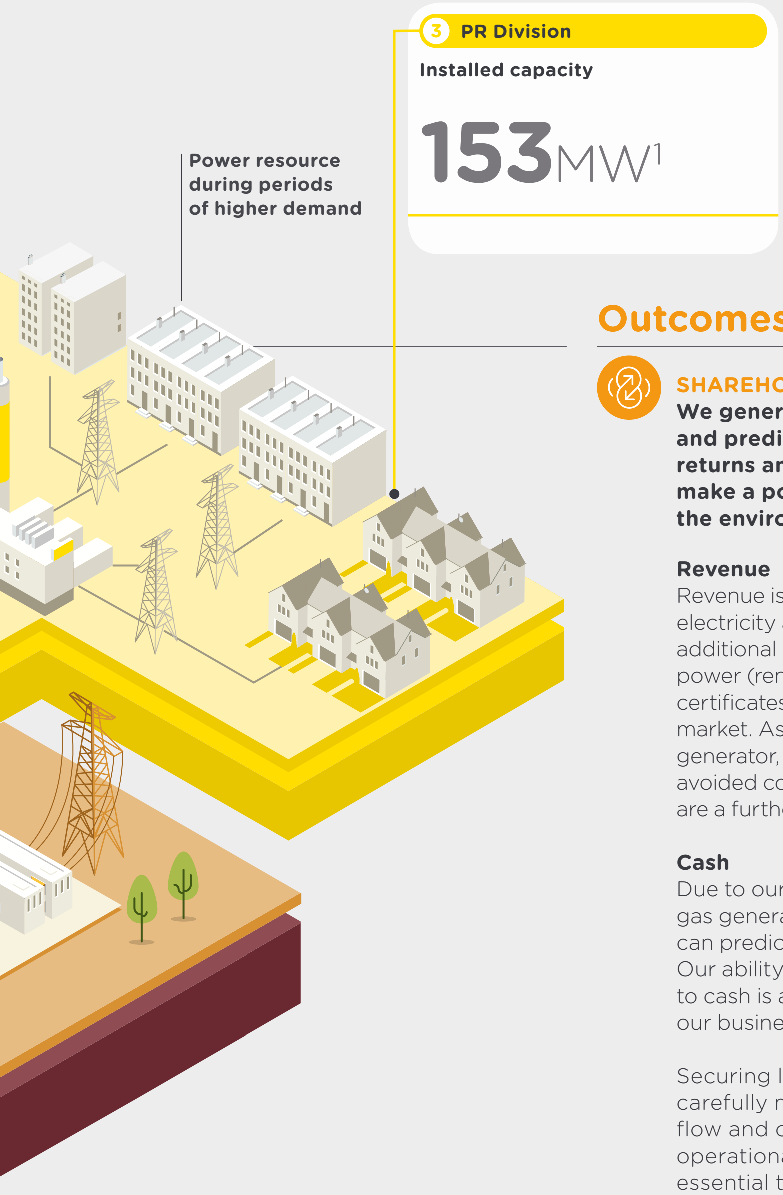
Our Centre of Excellence in Lancaster houses a dedicated engineering team which ensures that our fleet of c. 370 engines is maintained to the highest standards. Through our 24/7 Northampton-based logistics centre, we provide round the clock environmental compliance monitoring for all our sites while optimising the performance of our generating plants.

OUR PEOPLE

We believe we have a ‘winning’ company culture that encourages employees to thrive in an environment where excellence is recognised and rewarded. Central to this is our commitment to the health and safety of our workforce.

RELATIONSHIPS

Our approach relies on building mutually beneficial partnerships with a variety of interested parties such as landowners, landfill operators, local communities, regulators and power offtakers (our customers).



Outcomes and outputs

SHAREHOLDER RETURNS

We generate strong and predictable financial returns and at the same time make a positive impact on the environment.

Revenue
Revenue is generated by selling electricity and, for LFG, the additional benefits of 'renewable' power (renewable obligation certificates (ROCs)) to the market. As an embedded generator, the benefits or avoided costs of our offtakers are a further source of revenue.

Cash
Due to our highly predictable gas generating capabilities we can predict our cash flow reliably. Our ability to convert revenue to cash is a vital factor in our business.

Securing low-cost funding, carefully managing our cash flow and continued focus on operational excellence are essential to maintaining strong, sustainable returns for our shareholder and for providing the engine for reinvestment and growth.

CUSTOMERS

We are a leading supplier of renewable power and we have a small number of customers who are predominantly large and financially secure energy suppliers.

SOCIETY

We are proud to be one of the few UK companies with a net positive impact against the causes of climate change. By extracting methane gas from landfill sites and closed coal mines, we also fulfil an important role in helping others meet their environmental compliance obligations.

We are committed to making a positive contribution to our local communities, building strong relationships and being a 'good neighbour' where we operate.

STRONG BALANCE SHEET AND FINANCIAL CAPABILITY

The business is financed through an appropriate combination of debt and equity. Daily cash reporting, targeting and monitoring of customer receipts, plus review of cash flow and covenant compliance forecasts at every Board and Executive performance review are central to the way we work. Working with 3iN, we maintain established relationships with a range of existing and prospective lenders.

EXPERTISE

We are committed to offering our people the best training and development opportunities to ensure that they can operate at the highest level and that we retain the considerable in-house expertise that we have.

NATURAL RESOURCES

LFG is one of the naturally occurring products of decomposing organic matter in landfill sites. CMM is the gas released from formerly worked coal seams. By utilising LFG and CMM to generate electricity we avoid the annual release of circa 0.5 million tonnes of methane into the atmosphere, which in terms of global warming potential is equivalent to 9.8 million tonnes of CO_2.

Infinis has the assets, capabilities, commitment and drive to build on its LFG heritage.

LFG
Baseload generation from methane-rich landfill gas

Total installed capacity

268MW[1]

1 Source: Infinis data at 11 April 2018, post Alkane Energy acquisition.

Exported power

1,424GWh[2]

2 12 months to 31 March 2018.

Our LFG Division generates baseload renewable power from across 121 sites through the extraction and combustion of LFG, a naturally occurring gas from the decomposition of organic matter contained in the waste of landfill sites.

A network of pipelines and gas wells are installed on the landfill site allowing the management and collection of the gas. The gas is delivered into the gas utilisation compound where reciprocating engines use the extracted gas as a fuel source converting thermal energy into mechanical power and electricity. These engines are considered reliable and well suited for LFG generation, with the majority being containerised which allows for easy relocation. This enables us to match the engine capacity to the available gas on site and allows us to optimise our engine overhaul strategy.

We comply with landfill operators' environmental obligations by flaring any gas that is not used for electricity generation.

Operational excellence is the foundation of our operating performance and profitability. Since April 2011 our average engine reliability has continuously improved from 95% to 97%, and the average number of hours between unscheduled outages has significantly increased from c. 100 hours to c. 235 hours.

We continue to foster innovation and have developed systems which help focus on optimising performance and maximising profitability, including:

— InSITE, a bespoke "big data" application developed in-house to optimise financial performance of each individual engine by ensuring that the available gas is used in the most profitable way.
— an Automatic Load Balancing (ALB) system which automatically manages loads on individual engines based on information from InSITE. This ensures that site environmental parameters are closely followed and engine output is optimised based on key operating parameters.

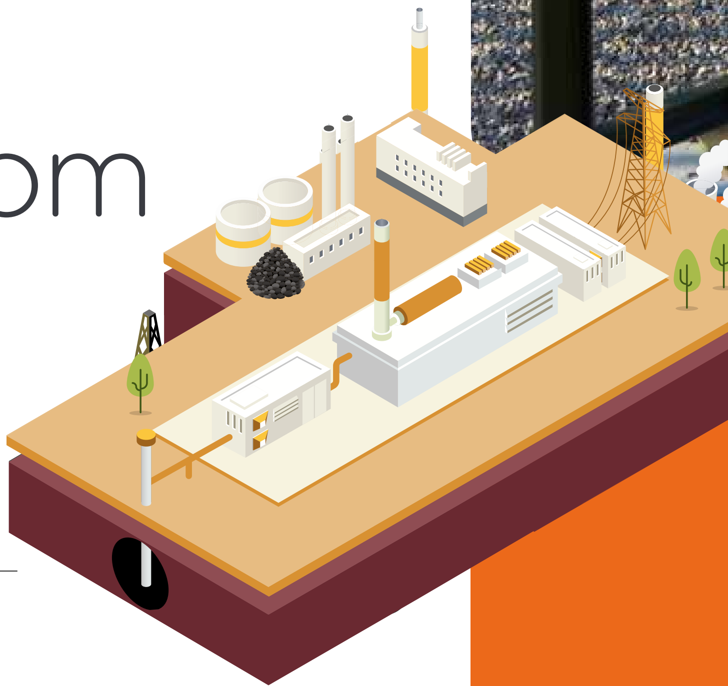
Repurposing of LFG sites

In response to the natural decline of LFG, we are implementing site conversions to organically grow our PR Division. By using existing land rights, spare grid connection capacity and by reusing and repowering our engines to operate on alternate fuels, predominantly natural gas, we can continue to grow and diversify into the PR market. Where new natural gas connections are not viable, we consider storage of liquefied gas on site for PR purposes.

Alkane is a perfect match for Infinis, operating a CMM business which complements LFG.

CMM Baseload generation from methane-rich coal mines

(Post Alkane Energy acquisition on 11 April 2018)



Total installed capacity

43MW[1]

Exported power FY18

196GWh[2]

1 Source: Infinis data at 11 April 2018, post Alkane Energy acquisition.

2 12 months to 31 March 2018.

In April 2018, we completed the acquisition of Alkane Energy which now forms our CMM Division.

Our CMM Division generates baseload power from across 15 sites through the extraction of CMM which is a naturally occurring methane-rich gas released from closed disused coal mine workings. Controlled extraction occurs by applying suction through the mine openings or through boreholes to intersect the mine workings. The conversion to electricity using modular reciprocating gas engines is the same as with the LFG.

By extracting the methane that could otherwise be released into the atmosphere, Infinis again performs an important environmental service in the abatement of a potent greenhouse gas.

As a licenced CMM operator we comply with the requirements of the Oil and Gas Authority (OGA) by holding and owning Petroleum Exploration and Development Licences (PEDLs) granting permission to extract and utilise the methane rich gas for generation purposes.

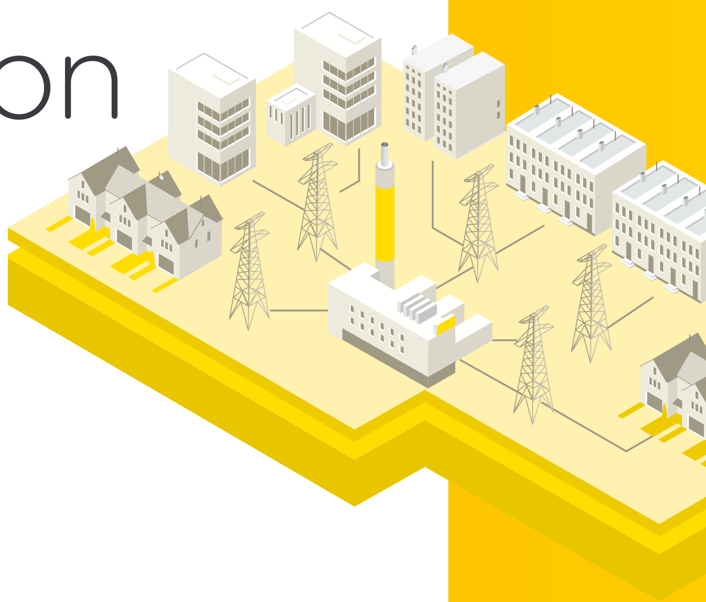
Repurposing of CMM sites

In response to the natural decline of CMM, and like the LFG Division, we are implementing site conversions to organically grow our PR Division. By using existing land rights, spare grid connection capacity and by reusing and repowering our engines to operate on alternate fuels, predominantly natural gas, we can continue to grow and diversify into the PR market. Where new natural gas connections are not viable, we consider storage of liquefied gas on-site for PR purposes.

During the year we established a new development team to support and deliver our growth ambition within our new PR Division.

PR
Alkane acquisition transforms our new PR Division

(Post Alkane Energy acquisition on 11 April 2018)



Installed capacity

153MW[1]

1 Source: Infinis data at 11 April 2018, post Alkane Energy acquisition.

Our PR division currently generates power from 17 sites by using mains natural gas and/or liquefied, tankered fuel source to feed reciprocating engines. The conversion to electricity using modular reciprocating gas engines is the same as with the LFG and CMM.

The UK's increasing reliance on intermittent renewable power generation poses a growing risk to security of supply and this has created a demand for highly responsive, flexible standby generation capacity. Our growing PR Division directly addresses this need, providing highly responsive power in local areas connected through the local distributed network closest to consumer demand.

Within the UK power market, our PR Division is eligible to earn revenue from a variety of sources including wholesale power, embedded benefits, CM payments, and short-term operating reserve (STOR) contracts with National Grid.

As previously described, in response to the natural decline of LFG and CMM, our PR Division organically grows by repurposing those sites through site conversions by using the existing infrastructure and by repowering our engines to operate on alternative fuels.

The engines are converted and repowered in our Lancaster Centre of Excellence by experienced, class-leading staff. (For more information on our Centre of Excellence see page 16). We use small gas reciprocating engines which are flexible in terms of ease and speed of deployment and are readily deliverable around the distribution network close to consumer demand.

Our acquisition of Alkane has enabled us to accelerate the growth of our PR Division by providing an additional organic pipeline of site conversion opportunities as well as some new developments. Our combined PR pipeline now comprises more than 250MW of new PR generating potential, deliverable before 2025. 42MW of PR is currently under construction.

OUR KEY DIFFERENTIATORS

Lancaster Centre of Excellence The enabler of performance

The team at our Lancaster facility completely strips down and rebuilds our fleet of engines. Purposefully designed, the Lancaster workshop is a world-class engineering facility, fully equipped to enable work to be done safely and easily on each engine. It contains all the necessary modern measuring and calibration equipment to comprehensively check the condition of each component to ensure that each engine will provide safe and reliable operation for the next 40,000–60,000 hours of running.

The experience gained from overhauling numerous engines per year, combined with our engineering expertise and high standards of work, never fails to impress visitors. It is for this reason we call it our 'Centre of Excellence'.

The Centre of Excellence is one of our strategic business assets for the following key reasons:

Ability to flex overhauls to suit our business priorities

— The Lancaster team has become so practised at the whole process of engine removal, rebuild and re-commissioning that it can conduct the work within much shorter timescales than third-party suppliers, keeping downtime to a minimum.

Cost and quality benefit

— Labour costs are reduced with the team's familiarity and knowledge together with our in-house processes keeping the time worked on the project to a minimum.
— Genuine original equipment manufacturer parts are used, eliminating the risk of substandard parts.
— Engineering expertise coupled with procedures and careful application of appropriate standards produces a high-quality product which is fit for new life in the field.

Ability to feed our growth ambitions

— The facility's unique capability enables it to adapt to suit the changing needs of our business. Rather than stripping down redundant engines for valuable second-hand spares to support our LFG fleet, as has been done in the past, the team has been busy recycling our ex LFG fleet for our PR Division, converting the engines to run on alternative fuel such as natural gas and propane.

Training

— A training area enables the Lancaster team's knowledge of all aspects of the operation and maintenance of the engine fleet to be passed on to the operational teams. This investment in staff knowledge pays dividends in the field by working towards 'first time fix' for faults, swift return to service and improves engine reliability and performance.

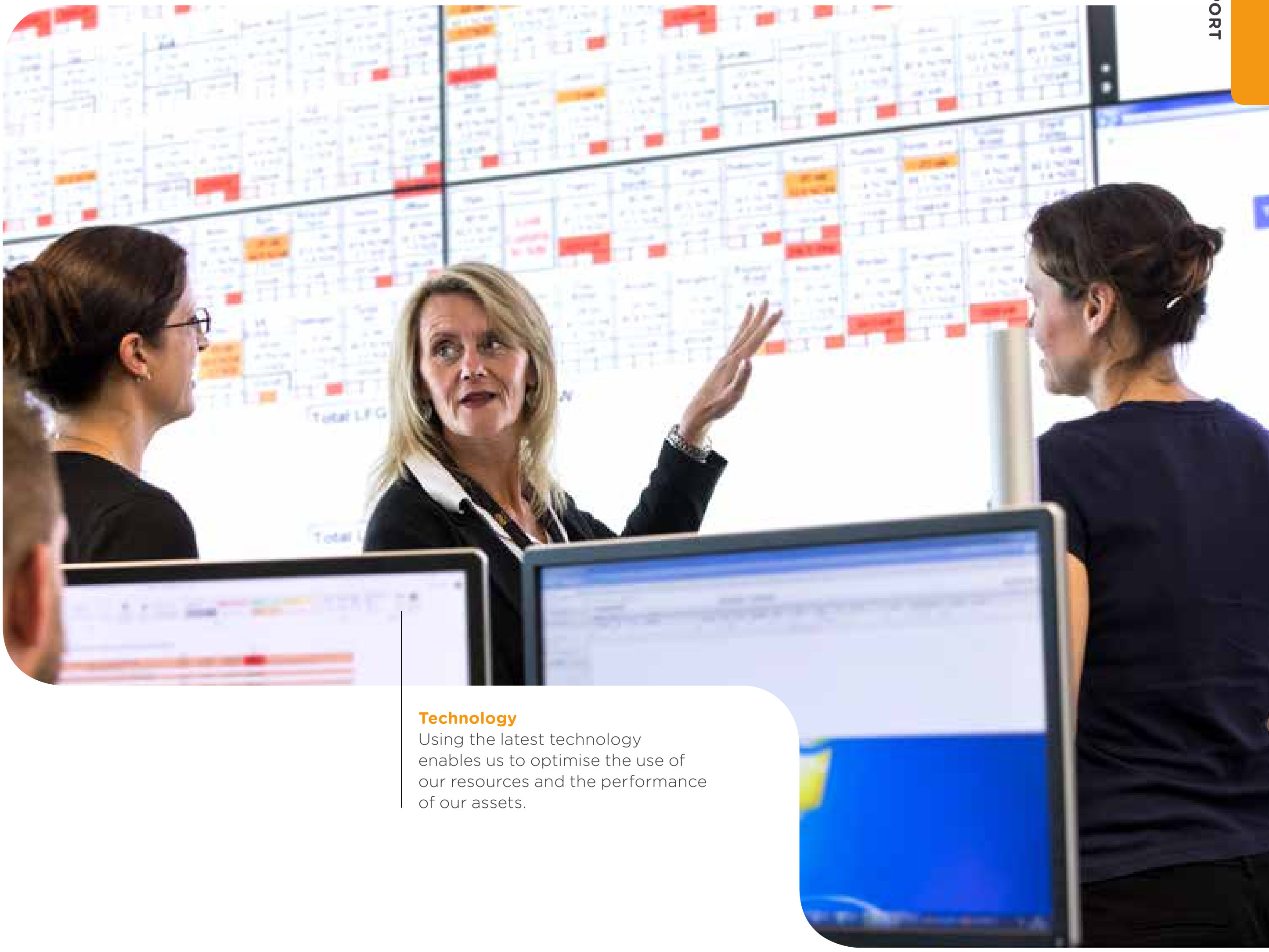
Third-party overhauls

The Lancaster facility has gained a reputation across the industry which puts us in a prime position to offer our services as an engine overhaul centre for third-party customers. Visiting organisations have shown interest in having their engines overhauled at the Centre of Excellence and the successful completion of our trial overhaul on a third-party engine received fantastic feedback. This has led to the development of a new revenue stream using the capabilities of our Lancaster team to overhaul certain engine types for customers.

Growth

Our ability to use surplus generating assets combined with spare grid capacity allows us to adapt to new and emerging markets. The Lancaster Centre of Excellence therefore remains a significant part of Infinis, not only in managing our existing business needs but to support our ambitious growth plans and to develop our own third-party overhaul business.

Third-party engine overhauls
The Lancaster facility has gained a reputation across the industry which puts us in a prime position to offer our engine overhauling services to third-party customers.



Technology
Using the latest technology enables us to optimise the use of our resources and the performance of our assets.

Real time monitoring and control
The 'brain' of a diversified, distributed power producer

We operate a 24/7 logistics centre which is a 'state-of-the-art' performance monitoring and control centre located in the head office building in Northampton. This centre uses the latest technology to optimise the use of our resources and the performance of our assets to maintain environmental compliance, ensure the health and safety of our workforce, optimise generation and maximise profitability.

All work activities are centrally planned and controlled using the IBM Maximo asset management system with tasks dispatched to technical staff using the Fingertip mobile working application. Four comprehensive regional teams consisting of LFG and field service technicians manage day-to-day on-site tasks, supported by four national teams which provide unscheduled breakdown cover, field overhauls and electrical and controls and instrumentation (C&I) services.

Our SCADA system provides real time monitoring and control of site asset performance and gas field operating parameters. The system also provides incident management information to prioritise and allow rapid response to any unscheduled events.

The centre also manages the lone worker and vehicle tracking systems providing enhanced workforce safety.

Profitability is maximised using the InSITE system. This drives our automatic load balancing system and also provides commercial visibility which is used to prioritise actions, based on their financial impact.

OUR STRATEGY AND KEY PERFORMANCE INDICATORS

Our strategy is to deliver strong, stable and predictable cash flows from our base business and to grow our business organically and through M&A activity. Our KPIs are the way we monitor and track performance against that strategy.

STRATEGIC PRIORITY	OBJECTIVES	RISK	KPIs
High performance safety culture	— Maintain high standards for health and safety compliance and achieve zero RIDDOR incidents	5	**RIDDOR accident frequency rate** **Total recordable injury rate**
Relentless focus on operational excellence	— Build and maintain an outstanding reputation — Maintain, protect and safeguard assets — Maintain highest standards of environmental compliance	3 4 7 8 9	**Installed capacity (MW)** **Exported power (GWh)** **Reliability (%)** **Availability (%)**
High level of in-house commercial expertise	— Maximise the average selling price — Define and operate a clearly defined trading strategy — Maintain and renew land arrangements for operating sites	3 4 5 7 9	**Average selling price (ASP)**
Deliver strong financial performance	— Maintain stable and predictable cash flows — Ensure availability of funds to achieve business objectives	1 2 3 4 5 6 7 8 9	**Revenue (£m)** **EBITDA before operating exceptional items (£m)** **Net debt (£m)**
Develop and invest in new growth opportunities	— Deliver appropriate development on schedule and within budget — Secure good value acquisitions and deliver them effectively and efficiently	1 2 6 7 9	**KPIs under review**

Principal risk key:

1. Mergers and acquisitions increase risk in the short-term
2. Without diversification the natural decline in LFG and CMM will lead to a shrinking business over time
3. Lower than expected methane gas output to meet targets
4. Loss or expiry of landowner leases
5. Compliance with regulations and corporate legislation
6. Macro-economic factors
7. Availability of funds to achieve business objectives
8. Business continuity and cyber risks
9. Counterparty risk

Read more about our principal risks and uncertainties on pages 21 to 23.

KPI DEFINITION	KPI MEASUREMENTS	2018	2017
The measure of reportable injuries, diseases and dangerous occurrences for employees and contractors. Reported as the number of instances for every 100,000 hours worked	0.38 (2017: 0.47)	0.38	0.47
The combined measure of reportable, lost time and medical treatment injuries for employees	0.64 (2017: 0.82)	0.64	0.82
Total power production capacity	279 (2017: 287)	279	287
Total power sold	1,424 (2017: 1,578)	1,424	1,578
Run hours/adjusted dispatched hours	96.9 (2017: 96.9)	96.9	96.9
The amount of time our sites are available to generate	94.0 (2017: 93.5)	94.0	93.5
RO and NFFO revenue recognised in the period divided by exported power	97.42 (2017: 88.63)	97.42	88.63
Income from export of electricity and associated benefits	150.7 (2017: 152.3)	150.7	152.3
Earnings before interest, tax, depreciation, amortisation and operating exceptional items	79.0 (2017: 88.0)	79.0	88.0
External borrowings under the Senior Facilities Agreement net of cash (2018 cash offset excludes amounts held for Alkane acquisition)	207.2 (2017: 241.3)	207.2	241.3
	Alkane Energy acquisition completed on 11 April 2018		

RISK MANAGEMENT

The aim of our risk management policy is to: improve decision-making and increase the likelihood that the Group's objectives will be achieved; reduce the probability that damaging events will occur; and, if damaging events do occur, minimise the impact.

Approach to risk management

The Board has ultimate responsibility for the Group's system of risk management. Our approach to internal control is continuous, collaborative and designed to eliminate or manage the risk of failure to achieve the Group's objectives. The Board exercises oversight of the risk management process at Board and Audit Committee meetings twice per year.

The Board has delegated responsibility for the implementation of the risk management process to the SMT. The SMT consists of business function heads, details of whom can be found on pages 38 and 39. The SMT has functional day-to-day responsibility for risk identification, analysis and management.

The aim of our risk management policy is to:

- improve decision-making and increase the likelihood that the Group's objectives will be achieved;
- reduce the probability that damaging events will occur; and,
- if damaging events do occur, minimise their impact.

Risk management process

The Group has a well-established risk management process that is embedded in management processes, responsibilities and culture. It is proactive and designed to instil the principles of the policy at functional level through a process of self-assessment and certification.

Each business function has responsibility for maintaining its own risk register to identify and manage risk. These registers identify: risks; inherent risk profiles before any mitigation; current controls and sources of assurance; residual risk profiles taking account of such mitigation; and any further planned control measures.

Business functions formally review the management of risks under their ownership and report to the SMT on a half-yearly basis. The SMT reviews the functional risk registers for completeness, to identify any material events which have arisen since the last review, and to monitor agreed mitigation measures.

The individual functional risk registers are consolidated into a corporate risk register, through which key risks can be monitored and a consolidated risk report for the Group prepared, which the SMT reports through the Chief Financial Officer to the Audit Committee and the Governing Board, highlighting material changes in risk profile, any recent material events which have tested the risk management process, and responses to those events.

In addition to the half yearly review of risk registers, the SMT considers each month whether any new risks have materialised or deteriorated. To ensure that understanding and managing risk is at the core of how we operate, results of the risk management process are embedded in the Group's systems and procedures where appropriate, and periodic briefings are made to our management team.

Internal control

The Group has a comprehensive system of internal controls which operates in parallel with the risk management process. The main elements of the Group's internal control system comprise:

- a well-defined governance structure within which the Group operates;
- clearly defined delegated levels of authority;
- documentation and communication of policies and key business processes;
- plans and annual budgets which will deliver the Group's strategy, supported by regular reporting of performance against these plans and budgets to the Board. This includes both financial and non-financial measures;
- promotion of an open culture;
- a culture of continuous improvement which ensures that we learn from any incidents or control weaknesses identified; and
- assurance arrangements to ensure that policies and procedures are adhered to.

The Board confirms that no significant failings or weaknesses have been identified in the Group's system of internal controls in the year ended 31 March 2018.

The following table summarises the known principal risks and uncertainties facing the Group and reflects the business following the acquisition of Alkane Energy. Our business could be materially adversely impacted by any of these risks.

PRINCIPAL RISKS AND UNCERTAINTIES

In the table below the following key applies, with measurement against the assessment made at March 2017:

- Risk assessed to have increased
- Risk assessed to have stayed the same
- Risk assessed to have decreased

RISK DESCRIPTION	MITIGATION	CHANGE
1 Mergers and acquisitions increase risk in the short-term		
The introduction of a new business with different processes introduces risk, particularly in the short term. Human resources – retention of good people. Finance – controls and processes may not be as robust. IT – increased risk of cyber attack as new systems integrated. Operations – unpredictability of output and related cost risks. Regulatory – SMT may not have experience of regulatory requirements. Development – investment projects may not be subject to the same scrutiny and rigour. HSQE – different operations may result in new health and safety risks and current procedures may not be as robust.	Our aim is to integrate new businesses in as short a time as possible, focused on achieving investment objectives, managing risk and delivering "best of both". Appropriate due diligence, integration planning and an integration team headed by a member of the SMT are the platform for delivery. Risk register owners recognise the increased short-term risks of new acquisitions and focus on mitigating them during integration.	Increased
2 Without diversification the natural decline in LFG and CMM will lead to a shrinking business over time		
Organic growth and growth through M&A into new technologies improves diversification and reduces the risk of a shrinking business Diversification changes the revenue and cost profile and introduces new risks such as increased exposure to wholesale power volatility, reduced margins and new regulation.	The Group's strategy recognises this risk and is focused on its mitigation. The acquisition of Alkane Energy and the development of an organic PR Division are the first steps in delivery. Integration plans and business-as-usual risk management processes are well-designed to recognise and manage new risk.	Decreased

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

The following key applies, with measurement against the assessment made at March 2017:

- Risk assessed to have increased
- Risk assessed to have stayed the same
- Risk assessed to have decreased

RISK DESCRIPTION	MITIGATION	CHANGE
3 Lower than expected methane gas output to meet targets		
Landfill and coal mine methane gas availability across our portfolio may decline faster than anticipated due to inaccurate estimates, changes in waste volumes, waste mix, coal mine flooding and early site closure, resulting in lower revenues and impairment of the carrying value of assets. Weather may impact methane gas production and/or extraction.	We have developed an in-depth understanding of the composition of landfill gas sites which enables us to take a data driven approach to forecasting gas output. We regularly challenge our forecasting assumptions and benchmark them against external third party data. Our estimates are updated at least annually in line with the annual reporting cycle to reflect latest waste volumes/mix and tipping plans provided by landfill operators. Our strong relationships with landfill operators enable us to understand how their activity may impact levels of waste and composition. We have a strong track record of forecasting available gas. Over the last five years output from landfill gas has varied between plus and minus 2% compared with budget. Infinis is the largest landfill gas generator in the UK, operating across a number of sites throughout the country. In the event of early closure of sites by a landfill operator, waste may be diverted to another site from which Infinis extracts landfill LFG. Coal mine methane gas forecasting of output is data driven and our understanding is based on input from coal mine experts and geologists, and factors in the risk of flooding. This was prepared for the purposes of acquisition of the CMM business and will be reviewed at least annually.	Stayed the same
4 Loss or expiry of landowner leases		
We do not own any of our operating sites and are dependent on lease arrangements. Failure to renew expiring leases could result in a reduction in revenues. Failure to comply with existing lease terms could result in early termination resulting in a reduction in revenues.	To date we have a 100% success rate for lease renewals. We have an effective process for discharging payment obligations and monitoring expiries to enable us to engage closely with landowners.	Stayed the same
5 Compliance with regulations and corporate legislation		
Infinis has to comply with various regulations and corporate legislation. This includes areas such as environmental licences and permits, health and safety regulations and corporate legislation. Our ability to remain compliant with relevant regulations and legislation is instrumental in continuing production	We have dedicated compliance teams to monitor and ensure compliance with environmental obligations and permits and health and safety requirements. We also have an experienced legal team responsible for ensuring compliance with relevant corporate legislation. Policies and procedures are aligned to compliance requirements. Our staff are trained in relevant requirements of regulations and legislation, including ongoing refresher training in key areas such as health and safety to encourage a compliance culture throughout the organisation.	Stayed the same

RISK DESCRIPTION	MITIGATION	CHANGE
6 Macro-economic factors		
Infinis is subject to a number of macroeconomic risks which are largely outside our control, the following being the key items: Regulatory risk – We are dependent on regulatory support for our existing generating capacity, particularly through the RO regime, for a significant proportion of our revenues. Changes in this support could have a material impact on our revenues. Pricing risk – A significant proportion of revenues is dependent on wholesale power prices which have been volatile. Brexit – May change the regulatory landscape. Interest rate risk – borrowings linked to variable interest rates render our cost base more volatile.	Over the years the UK has made several changes to the support mechanisms for renewable power but has adopted a consistent 'grandfathering' approach for RO entitlements throughout. There are no indications that this approach will change although there is a back-drop of rising potential market intervention, whether through price control or changes to network charging and embedded benefits. In order to mitigate regulatory risk we ensure that we have close working relationships with industry trade bodies to remain informed and influence decisions. RO sales are fixed price and rise each year in line with inflation. In order to mitigate against wholesale power pricing risk we have developed a documented trading strategy which has been endorsed by the Board and considers forward contracting and index-linked agreements among other pricing strategies. A proportion of our cost base is linked to the revenue we earn and therefore provides a natural hedge against pricing risk in this manner. During the Brexit process we will remain vigilant of both the opportunities and risks. We have a documented hedging policy for interest rates and our borrowings are currently fully hedged.	›
7 Availability of funds to achieve business objectives		
To retain our debt funding we are required to ensure we do not default on current facilities. In order to grow the business, Infinis requires funding to support internally generated and acquisition-based growth ambitions.	We closely monitor compliance with our financing facilities on both an actual and forecast basis. The Board reviews covenant compliance on a routine basis. We have regular engagement and dialogue with current and future lenders to ensure financing options are understood and assessed. Our Shareholder has significant experience in financing and banking to support these activities.	›
8 Business continuity and cyber risks		
Adverse events, such as weather, fire or explosion may impact our production and operations. There are also potential reputational and financial losses from responding to any adverse business continuity events. Malicious cyber attacks on our IT infrastructure and core systems may impact operational performance and could result in consequential costs or losses.	While every site upon which we operate is important to us, our geographical spread across 136 sites generally provides a natural diversification for this risk. Our operations are, however, monitored and controlled centrally from our 24/7 logistics centre at our office in Northampton, which also contains centralised billing and payment functions alongside a number of other centralised business-critical services. We have developed a full and comprehensive business continuity plan for the Northampton office, the key aspects of which are subject to regular testing. This includes an offsite facility to which our logistics centre is able to relocate in the event of a disaster and we have a cloud-based IT recovery facility to ensure continuation of our operations. We continue to benchmark our IT infrastructure against threats of malicious attack and security breaches, using expert third parties to support us, and continually seek improvements to the robustness of our systems and recovery times in the event of failure.	›
9 Counterparty risk		
We sell our generation output and related products to a small number of UK counterparties under a variety of contractual arrangements. Failure of a counterparty to honour a contract may result in loss of revenue for power already delivered or for power not yet delivered, and a loss of future revenue where we are unable to enter into a replacement contract with another counterparty.	We enter into contracts with creditworthy counterparties and continue to seek to add additional counterparties to reduce concentration risk. Additional credit support (e.g. parent company guarantees and/or letters of credit) is required from counterparties which fail to meet agreed credit rating criteria. We maintain a strong focus on working capital management which ensures that any potential loss from power already delivered is minimised.	›

OPERATIONAL AND FINANCIAL PERFORMANCE

Infinis delivered a strong financial performance in the year ended 31 March 2018.

"For the purposes of this performance review, we present the results for the year ended 31 March 2017 as if the Company had always owned the Infinis Group. This provides stakeholders with clearer information on the relative performance."

Michael Holton
Chief Financial Officer

Statutory overview

The prior year statutory results reflect business performance for the period from 8 December 2016 to 31 March 2017.

For the purposes of this performance review, we present the results for the year ended 31 March 2017 as if the Company had always owned the Infinis Group. This provides stakeholders with clearer information on the relative performance.

Exported power

Infinis is the UK leader in producing electricity from LFG. In FY18 we exported 1,424GWh of electricity from LFG sources (2017: 1,578GWh). This is equivalent to 1.9%[1] of total UK generation from renewable sources. The decline in output of 9.7% was primarily due to the natural decline in LFG on the sites upon which we operate and is part of our operating model.

Revenue

Revenue for the year was £150.7 million, a decrease of £1.6 million on the prior year. Revenue is predominantly generated under the RO regime and this totalled £138.4 million (FY17: £138.6 million). An element of RO income, known as recycled ROC[2] is estimated during the year of generation but the final value is not known until the following year. When Ofgem announced the final associated price for the regulated year to March 2017, an additional £5.2 million revenue relating to the prior year was recognised. Adjusted RO income for comparative purposes would be £133. 2 million in FY18 compared to £143.8 million in FY17.

Other income (embedded benefits and triad income) decreased marginally to £11.9 million from £12.5 million. Embedded benefits are received from electricity suppliers and arise from being part of the distribution network. Triad income corresponds to the three 30 minute time periods with the highest energy demand across National Grid between 1 November and 28 February each year and contributed £8.2 million (FY17: £8.5 million).

A key driver of our performance is the ASP received from the sale of electricity and this increased by £8.79/MWh from £88.63/MWh to £97.42/MWh. The ASP includes amounts recognised from sales made under the RO and NFFO schemes. The impact of prior year ROC recycle revenue was to increase FY18 ASP by £3.64/MWh, underlying ASP being £93.78/MWh. After adjusting for prior year ROC recycle the comparable FY17 ASP was £91.92/MWh. The 2.0% increase in underlying ASP is primarily driven by indexation of ROC prices and a slight improvement in power prices.

We are close to completing the transition from NFFO to RO contracts, with the proportion of sales under RO contracts increasing from 98.3% to 99.7%.

Operating expenses

Operating expenses were £61.6 million, an increase of £6.1 million on the prior year. The increase arose due to one-off credits of £4.2 million recognised in FY17 and, in FY18, increased costs of £1.6 million due to royalties on the out of period recycled ROC revenue and new royalty agreements.

1 Drax Insights analysis of renewable generation for the year ended 31 March 2018.
2 An element of ROC revenue, known as the recycled element, is received following the publication of the recycle price by Ofgem. We estimate the value of the recycled ROC during the financial year. When Ofgem subsequently announce the value of the recycled ROC, which normally occurs during the October following the financial year end, any difference between the amount announced and our estimate will give rise to an 'out of period' variance.

Financial performance

Summary Group Income statement	Statutory results for the year ended 31 March 2018 £'m	Annualised results for the year ended 31 March 2017 £'m
RO revenue	**138.4**	138.6
NFFO revenue	**0.4**	1.2
Other revenue	**11.9**	12.5
Group revenue	**150.7**	152.3
Operating expenses	**(61.6)**	(55.5)
Gross profit	**89.1**	96.8
Administrative expenses	**(10.1)**	(8.8)
EBITDA before operating exceptional items	**79.0**	88.0
Operating exceptional items	**(1.7)**	(5.0)
Depreciation and amortisation	**(48.1)**	(37.4)
Operating profit[1]	**29.2**	45.6
Underlying net finance costs	**(22.9)**	(26.0)
Exceptional finance costs	**-**	(9.0)
Net finance costs	**(22.9)**	(35.0)
Profit before tax	**6.3**	10.6
Tax charge/(credit)	**0.3**	(1.8)
Profit for the year	**6.6**	8.8

1 A reconciliation from operating profit (a GAAP measure) to EBITDA before operating exceptional items (an alternative performance measure) is set out on page 62.

OPERATIONAL AND FINANCIAL PERFORMANCE CONTINUED

Administrative expenses

Administrative expenses were £10.1 million, an increase of £1.3 million on the prior year. For FY17, up to the date of acquisition these costs represent an allocation of costs incurred by the Infinis Energy Group. Thereafter these are the direct administrative costs of the business.

EBITDA

Infinis delivered a resilient financial performance with EBITDA before operating exceptional items of £79.0 million, a decrease of £9.0 million on the prior year. The EBITDA margin[1] was 52.5%, 5.3%p lower than the prior year of 57.8%. Underlying EBITDA margin fell by 4.1%p to 51.6% (FY17: 55.7%).

Operating exceptional items

Operating exceptional items were £1.7 million (FY17: £5.0 million) and comprise professional services and other fees associated with the acquisition of Alkane Energy.

1 EBITDA before operating exceptional items expressed as a percentage of revenue.

Depreciation and amortisation

The depreciation and amortisation charge of £48.1 million was £10.7 million higher than the prior year charge of £37.4 million. The increase in the overall charge was primarily due to full year impact of additional amortisation of intangible assets recognised on acquisition of Infinis group in the prior year.

Net finance costs

Net finance costs decreased by £12.1 million to £22.9 million (FY17: £35.0 million) of which £9.0 million related to exceptional finance costs arising from the early repayment of the high yield bond in February 2017. The remaining £3.1 million reduction reflects a lower interest rate for the current bank loan compared to the previous high yield bond.

Tax

The Group's tax credit of £0.3 million (FY17: £1.8 million charge) comprised a current tax charge of £4.6 million (FY17: £5.8 million), offset by a deferred tax credit of £4.9 million (FY17: £4.0 million).

In the year ended 31 March 2018 a £2.1m credit in respect of prior year adjustments was recognised.

The effective tax rate of 27.4% (FY17: 39.3%), before prior year adjustments, was higher than the standard UK rate of Corporation Tax of 19% (FY17: 20%) as not all of the Group's income and capital expenditure qualifies for tax relief.

The exceptional professional fees of £1.7 million relating to the acquisition are not expected to qualify for tax relief. Excluding the impact of such items, the effective tax rate was 20.1%.

The Group has deferred tax liabilities in respect of its intangible and tangible assets as the accounting net book value of these assets is greater than the tax value. As the Group continues to amortise/depreciate these assets, there is a reduction in the difference between future taxable profits and future accounting profits. This results in a deferred tax credit to the income statement.

Capital resources

The Group has a secured bank facility with principal outstanding at 31 March 2018 of £246.5 million (31 March 2017: £276.7 million). The facility matures on 13 February 2022 with bi-annual capital repayments (due on 30 September and 31 March each year) and a final repayment of £154.4 million due on maturity. It attracts interest at an average rate of 3.485% over the term of the facility with the interest fixed using interest rate swaps.

The Group also has funding through interest-bearing subordinated unsecured loan notes issued to 3i LFG Holdings Limited, the parent company of its immediate parent company. £150.0 million were issued in December 2016 with further amounts issued during the current year (£11.7 million on 28 November 2017, to be used by the Group for capital expenditure on development projects; £124.7 million on 28 March 2018, to be used by the Group to fund the purchase of the Alkane Group). During the year the Group repaid loan notes of £10.5m.

On 9 June 2017 the initial issue of £150.0 million loan notes were listed on the Channel Islands stock exchange (TISE). The additional loan notes issued during the year were listed on the TISE on 11 June 2018.

Alkane Acquisition

On 11 April 2018 the Group acquired 100% of Alkane Energy, an independent energy producer from CMM and PR. The purchase was financed by way of shareholder loan, of £124.7 million, issued by the Company to Infinis Energy Management Limited on 10 April 2018 and used to finance the purchase and pay down bank loans in the acquired business.

Going concern

Having made enquiries, the Directors consider that the Company and its subsidiaries have adequate resources to continue in operation for the foreseeable future, and that it is therefore appropriate to adopt the going concern basis in preparing the consolidated and individual financial statements of the Company. The Directors consider that a robust going concern assessment process was undertaken and the results were discussed and challenged by the Audit Committee.

Liquidity risk, the risk that the Group will have insufficient funds to meet its liabilities, is managed by the Group's treasury function. The Group can experience significant movements in its liquidity position due to movements in power prices and working capital requirements. Treasury is responsible for managing the banking and liquidity requirements of the Group, risk management relating to interest rate risk, and managing the credit risk relating to the banking counterparties with which it transacts, including ensuring compliance with any banking covenants. Short-term liquidity is reviewed daily by treasury, while the longer term liquidity position is reviewed on a regular basis by the Board.

In relation to the Group's liquidity risk, the Group's policy is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Based on management forecasts and committed bank facilities with no near term maturing dates, the Group considers it has adequate headroom and will continue to meet liabilities as they fall due.

Approval

The Strategic report from pages 2 to 35 was approved by the Board of Directors on 26 July 2018 and signed on its behalf by:

Michael Holton
Chief Financial Officer

CORPORATE AND SOCIAL RESPONSIBILITY

Andrew Leeding
Head of Health, Safety, Quality, and Environmental Compliance

Looking after our people, neighbours and the wider environment has always been central to what we do at Infinis.

Ultimate accountability for corporate and social ("CSR") responsibility at Infinis lies with the Board. The Board and senior management review the main areas of CSR monthly, including key performance indicators and progress against targets, with a detailed management review undertaken quarterly. The Head of Health, Safety, Quality and Environmental Compliance (HSQ&EC) has responsibility for driving forward our sustainability performance, and reports, through the Managing Director, to the Board.

We believe that CSR achieves its maximum potential when it is fully embedded within day-to-day business. Health, safety and environmental issues are the first item on meeting agendas, from the Board down to site meetings. We work with our teams across the business, continually encouraging contributions to improve the responsible performance of the Company from all employees. All employees are incentivised to focus on these issues and bonuses are only paid if the business meets an ambitious set of health, safety and environmental (HS&E) standards.

To further embed our HS&E commitments, we created an Employee HS&E Committee which considers relevant issues and gives feedback to managers.

The sectors in which we operate are highly regulated. Consequently each of our sites requires at least one, and usually more, consents or permits to operate. Our processes are designed to meet all of the requirements of these consents and permits and, with diligence and tenacity, we have built a strong compliance track record.

HEALTH AND SAFETY

Health, safety and environmental regulation and enforcement

Over the last three years Infinis has received no health and safety enforcement notices and just one Warning Letter from the Environment Agency (EA). The Warning Letter was issued in relation to damage caused to an engineered landfill containment system during the installation of gas wells at Staple Quarry landfill site in December 2014. The damage was remediated in line with the agreed methodology and there was no evidence of any subsequent adverse environmental impact as a result of the incident.

Performance summary

Period	Number of health, safety and environmental Civil Sanctions[1]
FY18	0
FY17	0
FY16	0

Period	Number of health, safety and environmental Warning Letters and Notices
FY18	0
FY17	0
FY16	1[2]

1 Includes Fixed Penalty Notices, Formal Cautions and Prosecutions.
2 Staple Quarry – date of incident: 24/04/15. Date of enforcement outcome received 24/04/15. Enforcement response: Warning Letter.

Health and safety management

The highest priority for our business is the health, safety and wellbeing of our colleagues and those who may be impacted by our activities.

Board level responsibility for health and safety lies with the Managing Director, supported by the Head of Health, Safety, Quality and Environmental Compliance. Our Executive team regularly reviews objectives and targets. Our health and safety policy, which is communicated to all employees, is available at www.infinis.com.

We believe that health and safety is genuinely embedded within the Infinis culture, evidenced by the fact that we:

— place health and safety at the top of every agenda;
— promote the principle "If you can't do it safely, don't do it";
— follow our 10 Golden Safety Rules;
— formally train our staff, including senior staff, on safety management;
— actively encourage reporting of Safety Observations;
— investigate all Near Misses, Accidents and Incidents;
— pay elements of incentives for appropriate employees based on health and safety performance;
— openly communicate all aspects of health and safety performance; and
— pursue continuous improvement in all areas of health, safety and wellbeing

To further support and enhance the safety culture within Infinis we have maintained our focus on behaviour based safety throughout FY18, with a campaign focusing on vehicles and drivers. This culminated in the installation of enhanced vehicle telematics into all of our commercial fleet, with direct access to driver statistics and reports via a dedicated driver portal already beginning to positively influence driver behaviour and performance.

As far as is practicable, we seek to reduce the risks on our sites through good design and maintenance, with safety rules, tools and training put in place to cover any residual risks. In FY18, we continued to embrace technology to assist in this drive. We have introduced a new app-based lone worker system, improved access to key safety documentation at the point of use and improved our Accident, Incident and Safety Observation reporting process. Through this approach we are seeking continuous progress on our journey to achieve zero accidents.

Health and safety performance

As a result of these very high standards and relentless focus, we have maintained a strong performance in health and safety. Our ultimate aim is zero RIDDOR[1] incidents. This is a challenging objective that we continue to strive for and in November 2017, we exceeded a full year without a RIDDOR reportable incident. Our health and safety performance is summarised in the table above.

Our achievements in this area have been recognised by expert organisations. In the internationally-renowned RoSPA Health and Safety Awards (the longest-running industry awards scheme in the UK), we have been awarded the prestigious President's Award for health and safety practices in recognition of ten years of consecutive Gold Awards, acknowledging our practices and achievements in helping our staff, contractors and visitors get home safely at the end of the working day. The RoSPA Awards scheme, which receives entries from organisations around the world, recognises achievement in health and safety management systems, including practices such as leadership, workforce involvement and excellence in the workplace, demonstrating a commitment to the wellbeing not only of employees but all those who interact with us.

Additionally, for the ninth year running, we attained an International Safety Award from the British Safety Council in recognition of its commitment to keeping its workers and workplaces healthy and safe during the 2017 calendar year.

1 The Reporting of Injuries, Disease and Dangerous Occurrences Regulations.

CORPORATE AND SOCIAL RESPONSIBILITY CONTINUED

Both the number of RIDDOR reportable incidents and the associated RIDDOR Accident Frequency Rate (AFR) for FY18 improved on the previous year's performance. A total of three reportable incidents during the year resulted in us exiting the reporting period with a low AFR of 0.38. Infinis recognises that, at these strong levels of performance, even a single incident can have a notable impact on trends. It is for this reason that Infinis does not use the RIDDOR measures in isolation and closely monitors additional, complimentary performance indicators such as Total Recordable Injury Rates (TRIR) to provide a rounded view of its health and safety performance.

THE ENVIRONMENT

Generating renewable electricity, with its positive environmental impacts, remains core to our business.

Methane is over 20 times more harmful than carbon dioxide (CO_2) as a greenhouse gas. We generate the vast majority of our electricity by converting methane into CO_2 through combustion thereby preventing methane generated from landfill waste from entering the atmosphere. Through this, in FY18, we avoided the annual release of in excess of 370,000 tonnes of methane, which in terms of global warming potential is equivalent to 7.8 million tonnes of CO_2[1]. This number has reduced from previous years as the UK is sending less waste to landfill and, therefore, the amount of methane being produced at the sites on which Infinis operates has fallen. On a few sites where electricity generation is not viable, we carry out flaring, which also transforms methane into less harmful carbon dioxide.

Approximately 4.8% of the electricity we generate is used to power our engines and related facilities.

We use fossil fuel (diesel and petrol) in the vehicles we use to travel to and from our sites.

Infinis' role in climate change mitigation

We are proud to be one of the few UK companies with a net positive impact against the causes of climate change. Our contribution to the reduction in UK greenhouse gas emissions has two main components: operational carbon footprint and, as explained above, positive climate impact made through the capture and destruction of methane and the generation of clean electricity. Using only relatively small amounts of energy ourselves, we estimate the net climate impact from our business was positive by over 7.8 million tonnes of CO_2 equivalent in FY18[2].

Over the last three years, Infinis has held flat the carbon intensity of its operations despite the challenges of a declining LFG fuel resource and the associated reduction in electricity generation.

Year	Carbon intensity of operations (g CO_2 equivalent emission per kWh generated)
FY18	1.6
FY17	1.7
FY16	1.3

Waste

Our operations generate relatively little waste. Nevertheless we continue to work to reduce, reuse or recycle the key waste streams we do generate, such as lubricating oil, engine parts and general office waste.

Our most significant category of waste, and our main focus in responsibly reducing waste, is lubricating oil. We do what we can to reduce the use of this oil. Over a number of years, we have worked closely with oil suppliers to develop optimum oil blends for the harsh conditions within an LFG engine. As a result, our oil use efficiency and engine reliability have improved. We also piloted and adopted a system to clean and reuse the oil in our transformers when it does not meet our required technical specifications, rather than dispose of it. Consequently, over the last three years, our levels of oil consumption have fallen by over 18% from 2.8 million litres in FY16 to 2.3 million litres in FY18. Innovations such as this are essential to reducing our overall environmental impact and benefit our operating and financial performance.

Notwithstanding these initiatives, a minimum level of lubricating oil is required to ensure the performance and efficiency of our LFG engines. After use, we sell our lubricating oil to a specialist company which, after processing, sells the majority of it as a lower grade lubricating oil. The rest used for fuel by a third party.

1 Calculated by Infinis on the amount of methane captured and combusted in flares and engines.
2 Calculated by Infinis on the amount of methane captured then destroyed and the amount of renewable electricity generated (assuming that it displaces generation of average carbon intensity from the electricity grid).

"We believe that central to our success is the building and maintenance of strong and mutually beneficial relationships."

Managing our environmental impact
In addition to our efforts to reduce oil waste, we have undertaken a number of initiatives, which save on the energy we consume, including:

- company cars with the lowest Vehicle Excise Duty bands (which are determined by CO_2 emissions);
- on-site campaigns to promote energy savings throughout the business;
- delivery of an initiative focused on accurately capturing and reporting all on-site electricity usage;
- operating a central resource planning function to optimise the efficiency of site visits and fleet journeys;
- promoting telephone conferences and on-line meetings as an alternative to business travel; and
- installing recycling and shredding facilities in our Northampton office.

WIDER COMMUNITY ENGAGEMENT

Stakeholder engagement – Working with 'our neighbours'
We believe that central to our success is the building and maintenance of strong and mutually beneficial relationships. We recognise that working with neighbours, organisations and others who may be impacted by our activities is the right thing to do, helps us remain focused on our corporate responsibilities and ultimately benefits our performance.

Working with partners and suppliers
Working closely with our suppliers, contractors and business partners, we aim to establish long-term relationships. As the health and safety of our colleagues, and those who may be impacted by our activity, is a top priority for our business, we hold partners and suppliers to the same ambitious standards of HS&E as we hold ourselves.

Operational carbon footprint
(tonnes of CO_2 equivalent[3])

Scope[1]	Type[2]	FY18	FY17	FY16
1	Road mileage for our company vehicles	**1,534**	1,695	1,816
2	Electricity we purchase to run our business (offices and sites)	**2,603**	3,169	3,736
3	Road mileage in employee owned cars on company business	**281**	308	322
3	Business travel (eg flights)	**3**	3	8
Total		**4,421**	5,175	5,882

1 Scope 1, 2 and 3 are as defined in the internationally accepted Greenhouse Gas Protocol (www.ghgprotocol.org).
2 We have reported on emission sources required under the Companies Act 2006 (Strategic report and Directors' Report) Regulations 2013. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK government's Greenhouse gas reporting: conversion factors 2017. Our calculations reflect all our business operations except emissions associated with head office, where services are provided by others, are regarded as de minimis and have not been included.
3 We offset much of our operational impact by not claiming ROCs equivalent to the amount of electricity imported. This results in a net operational carbon footprint of 2,418 tonnes of CO_2 equivalent in FY18.

CORPORATE AND SOCIAL RESPONSIBILITY CONTINUED

Charities Supported

125

Sum Raised

£170k+

We also aim to reduce our indirect impact, and have evaluated the level of risk across our value chain. All of our primary generating equipment (eg engines and alternators) is imported from the developed economies of Europe or North America and little of our supply chain spend is outside of these economies, representing minimal levels of social or environmental supply chain risk.

Charity

At Infinis, we see our neighbours as key partners in ensuring sustainable development. We are committed to making a positive contribution to our local communities, to building strong relationships and being a 'good neighbour' where we operate, and this effort to make a positive impact, is supported through regular charity contributions.

Our charity contributions programme is the Infinis 'Charity Challenge'. Running since 2008, this provides support for charities and good causes nominated by employees. For each health, safety or environmental Near Miss or Safety Observation reported, the Company makes a £25 donation to the challenge fund.

The Charity Challenge is an innovative programme in three ways:

1. it embeds our community investment strategy into our wider sustainability and business objectives;
2. it sends a clear message on the importance of Near Miss and Safety Observations reporting, successfully increasing the number of reports from employees; and
3. it creates a sense of employee ownership and engagement with community programmes, which is why we focus our charity support on employee nominations.

Since its inception the Charity Challenge has supported over 125 charities across the UK with a total sum raised of over £170,000. Our employee nominated charities have included the Birmingham Children's Hospital, the British Heart Foundation, Willen Hospice, Tiny Tim's Children's Centre and the Motor Neurone Disease Association.

Looking forward to FY19, all our staff were first asked to nominate and then vote to select the Company's charity of the year. Through this process we have selected Joseph's Goal, a UK charity that supports children with non-ketotic hyperglycinemia, a rare metabolic, life-limiting disorder that causes seizures and severe developmental delay. The charity raises funds and awareness into the disorder.

We are proud of our Charity Challenge scheme and the contributions it has made to charitable causes so far.

Volunteering in Practice

CASE STUDY

Corporate Volunteering has been a big part of our approach to life at Infinis since 2015, when our VIP (Volunteering in Practice) scheme was conceived. Since then over 30 events have taken place across the UK, with members of staff from all functions giving up their time to give back to others. One of the most passionate supporters of the scheme is Mark Wiedeholz, Regional Operations Manager, South

What made you take up volunteering?
This was originally a business decision that was taken by the HR team. However, I was involved from the start of the process meeting our external partners, Business Volunteers, to discuss how the VIP scheme might work. For me personally following those initial discussions, I bought into the philosophy of the benefits of sharing our team's knowledge and skills to help others less advantaged and the benefits from a team perspective that this would have on morale and our ability to deliver common goals and targets.

What does it typically involve?
Each volunteering project is different but they are always based around a local worthwhile charity or cause. Generally, the involvement is to provide a labour resource, an extra pair of hands to a concern that works with little to no budget and local volunteers. A full day using 8 members of staff often equates to 6 months labour resource for these charities.

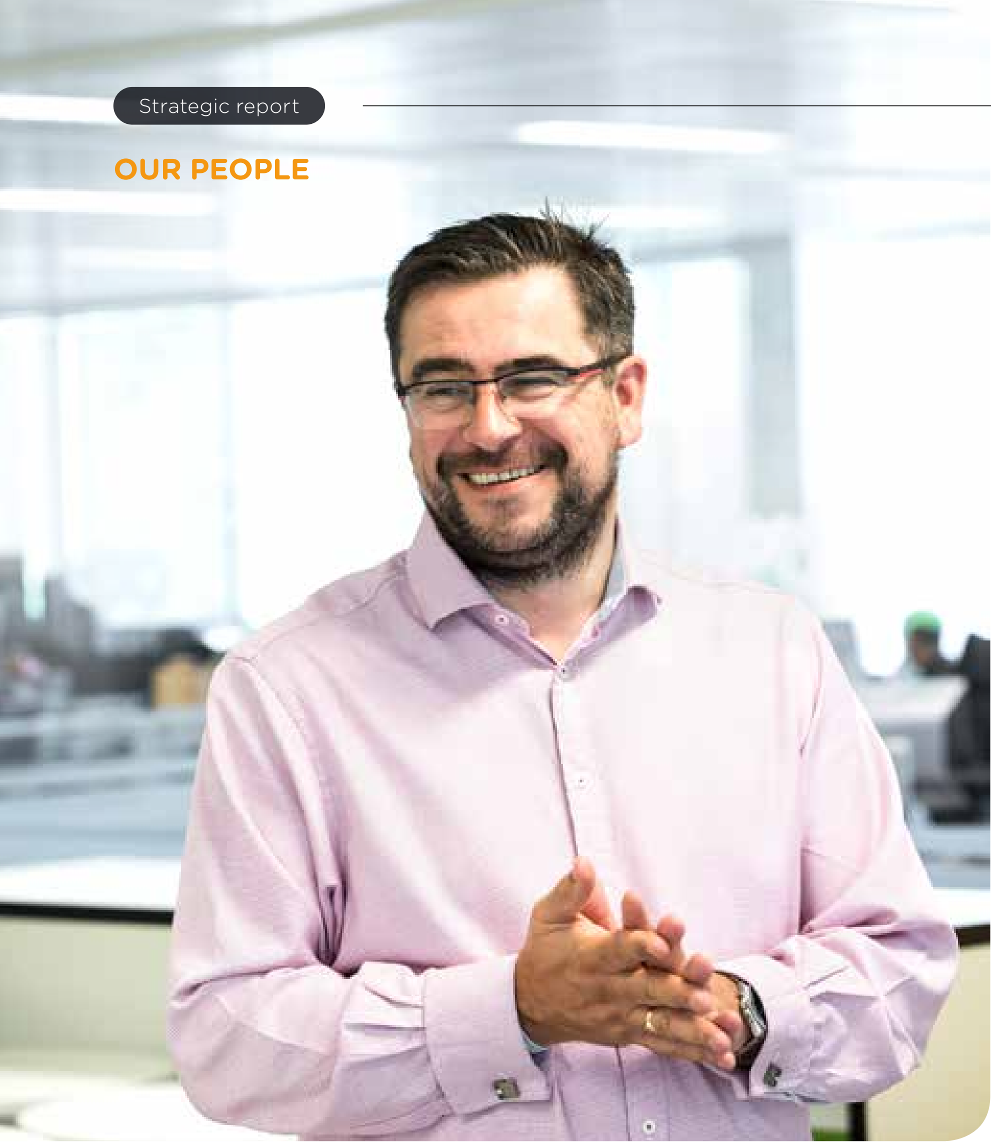
What professional benefits have you seen from your volunteering experience?
I have attended many of the local volunteering days, seeing the benefits of comradery, innovation and improved communication. This has helped staff get to know each other and form working relationships, helping each other out. Without exception, every one of my team that has attended has had a smile on their face having seen the positive impact their labour has had to the charity we have been working with. This has impacted positively on morale with some individuals actually going back in their own time.

How has volunteering impacted your teams?
In a positive way. I often get asked "when are we doing another volunteering day?", The team look forward to meeting with colleagues they have not seen for a while, and often using skills and problem-solving that they don't always get to display in the course of a typical business day.

What has made it so memorable for you personally?
It is the difference you make to a charity in such a short period of time. A lot of these organisations run off a 'shoestring' budget relying on members of the local community. The most memorable project for me was helping at an inner-city farm where the team put up animal fences, painted a bee hive area and re-built a rabbit house (25 hutches.) The leaders of this project were so appreciative of our help, as was the volunteer maintenance man. I also fondly recall when we worked alongside a charity in Gloucester for underprivileged children. We put up a zip wire and sunk a 12ft trampoline into the ground. Getting photos of the children using this equipment and a letter of thanks from them was very rewarding.

What advice would you give to colleagues considering volunteering?
Until you have volunteered, you do not understand the benefit it has for both the charity and your team. It is a sense of achievement, a sense of "worth" and it is a chance for individuals within your team who do not see each other regularly to interact, work together forming a personal bond and inevitably forming better working relationships through helping others.

OUR PEOPLE



“We give full and fair consideration to all job applicants.”

John Okninski
Head of HR

Cultural focus on success

Our culture remains geared towards the success of both the business and the individuals within it. People are committed to the organisation’s goals, motivated by ‘delivering on the base’ and support our growth ambition. Staff understand that their efforts will be rewarded and recognised, aspire to do more than the minimum and see a correlation between their efforts and business results.

Over the last year, the core values, designed by staff at roadshows and workshops, have been consolidated into the way we work. Our annual appraisal scheme has been redesigned to reflect the importance of the values with staff understanding that they need to demonstrate strength in each area to effectively evidence their strong alignment with the Company’s culture and objectives.

We will continue to promote the values so that staff fully realise they are a permanent reflection of how we seek to align personal performance to the Company’s mission and vision.

Communication is key

The SMT is committed to regular, honest and effective communication, which will be key to ensuring employee buy-in as we realise our growth ambition. A further two editions of Energize, the Company’s staff e-zine, features a mix of key business updates and human-interest stories, giving all internal stakeholders easy access to what is happening within Infinis.

During the year we held further regional roadshows as well as a Management Conference, where key corporate messages were shared and which provided a chance for staff to network with colleagues.

Diversity and inclusion – striving to raise the bar

Our diversity policy is designed to ensure that we recruit, develop and promote employees based on performance regardless of race, gender, religion or belief, marital status, age, culture, sexual orientation, disability or background.

As with many companies working in the engineering sector, we continue to face substantial challenges in attracting a diverse work force. We recognise this challenge and in recent years have ensured all people managers and recruiters within Infinis have been trained in equality and diversity matters. We strive to deliver the highest quality workforce irrespective of background. We give full and fair consideration to all job applicants with opportunities for promotion and career development being managed on a similarly meritocratic basis.

Where circumstances change, for example with regard to disability, efforts will be made to continue to support the individual, ideally through modifications or adjustments to their work or working practices, but as a business we will endeavour to search for suitable alternative roles alongside individuals wherever possible.

One of the highlights of the year in terms of diversity, was Board approval in October 2017 of an updated Equality, Diversion and Inclusion Policy, and the publication of our first Gender Pay Report in line with Statutory requirements. Our gender pay gap was 13.8%, compared with 17.4% across UK industry. Steps identified to address and reduce this gap further, include the encouragement of our partnership with Employers Network for Equality and Inclusion (enei), seeking more diverse recruitment shortlists and continuing the promotion of our policies that encourage parents back to the workplace.

Welfare

We remain committed to ensuring our staff are supported both in and out of the workplace. With that in mind, FY18 saw us roll out our periodic occupational health programme for field-based staff and Logistics Centre operators, focusing on audiometry for engine technicians, Working Time Directive assessment for unscheduled technicians and Logistics Centre operators, inoculations for LFG technicians, and lung function tests for a number of staff based at the Centre of Excellence in Lancaster.

Equal opportunities and diversity

Diversity: management (number as at end of FY18)

	Male	Female
Board of Directors (Governing Board)	8	0
Board of Directors (Company Board)	4	0
Senior Management Team (excluding Executive Directors)	6	0

The Company also recognises that support can be beneficial for staff away from the workplace. We continue to offer an Employee Assistance Programme which offers proactive advisory services around wellbeing resources, and mini health checks, as well as confidential home-life support and assistance programmes.

The refurbishment of our Northampton head office is also influenced by staff wellbeing, with a new welfare area, optimised climate control in each room, and an enhanced Logistics Centre amongst the key features.

Apprentices
During the reporting period, we continued to take advantage of the opportunity to grow our future talent by continuing to recruit apprentices. The Apprentice Levy which took effect in April 2017, allows us to utilise funding to train apprentices. We have a cadre of apprentices across many functions, based both in the field and in head office, and we aspire to continue to support young people in building excellent careers with Infinis.

Charity
Infinis continues to be an active supporter of charities and good causes through our innovative Charity Challenge. Every Near-Miss or Safety Observation raised sees a £25 donation to a charity fund. Half of this fund goes to the charity of the year, which is selected after a staff vote, with another half being used to consider good causes nominated by staff from across the business.

Training and Development
At Infinis, we are passionate about employees' ability to develop skills, ensuring not only that they are expert in their role, but also to prepare individuals to adapt to any future challenges that may be presented by a business as dynamic as Infinis.

Our core training plan is shared with staff who work with line management to ensure that essential skills, including Health and Safety certification, are kept up to date. Training on staff development is also managed through the HR team, and targeted at those people who either lead others or aspire to do so.

The annual appraisal process offers staff a chance to discuss their training and development needs. A training plan is then developed which ensures what is delivered meets with expectations.

Diversity: gender (% as at end of FY18)

	2018		2017		2016	
	Employees	**Senior management**	Employees	Senior management	Employees	Senior management
Male	**88.4**	**100.0**	88.6	100.0	90.2	100.0
Female	**11.2**	**0.0**	11.0	0.0	9.5	0.0
Other	**0.4**	**0.0**	0.4	0.0	0.3	0.0

Diversity: age (% as at end of FY18)

	2018	2017	2016
Under 30	**8**	11	11
30–39	**26**	27	29
40–49	**33**	32	32
Over 50	**33**	30	28

Diversity: ethnic diversity (% as at end of FY18)

	2018	2017	2016
White (UK)	**94**	95	93
White (Other)	**3**	3	3
Black (African)	**1**	1	1
Black (Caribbean)	**1**	0	0
Other (Mixed background)	**1**	1	3

Employee turnover (average %)

	2018	2017	2016
Total	**18.3**	9.7	10.6
Voluntary	**13.9**	8.3	9.5

Sickness absence rate (average working days lost per year per employee)

	2018	2017	2016
Total	**6.5**	4.2	4.4

The sickness absence rate figure for FY18 is higher than the private sector average of 5.6 working days lost per annum per employee[1].

Further information relating to our CSR policies is available on our website (www.infinis.com) and includes:

- Climate change statement;
- Corporate responsibility statement;
- Environment policy;
- Health and safety policy;
- Equality, diversity and inclusion policy; and
- Anti-slavery statement

1 Data from CIPD Health and Well-being at Work survey report May 2018.

BOARD OF DIRECTORS

The Board of Infinis Energy Group Holdings Limited consists of one Shareholder Director and the three Executive Directors who served during the period ended 31 March 2018 and remain in office as at the date of this report.

1 Shane Pickering
Chief Executive Officer

Shane was appointed on 8 December 2016 following the acquisition of the LFG business from Infinis Energy Limited where he held the position of Director of Operations from May 2015, responsible for both the wind and LFG portfolio. Prior to that, Shane was Regional Director of Operations Engineering at Intergen.

Shane's previous roles with the Central Electricity Generating Board, PowerGen, E.ON and InterGen Operating Company have given him over 30 years' experience in the power generation sector with extensive senior management experience in large-scale generation asset management, engineering, operations, construction and project management.

Appointed to the Board
Infinis Energy Group Holdings Limited – 13 January 2017

Infinis Energy Management Limited – 13 January 2017

Other key appointments
None

Committee membership
E

2 Tim Short
Shareholder Director

Tim is a Partner in 3i's infrastructure business where his focus is on the origination, execution and debt financing of investments. His transaction experience includes Attero, Belfast City Airport, East Surrey Pipelines, Elenia, ESVAGT, Oystercatcher, Scandlines and TCR.

Prior to joining 3i in 2007, Tim was at RBC Capital Markets, having started his career in the European financial restructuring group at Houlihan Lokey.

Appointed to the Board
Infinis Energy Group Holdings Limited – 17 October 2016

Infinis Energy Management Limited – 18 October 2016

Other key appointments
None

Committee membership
R A

3 Michael Holton
Chief Financial Officer

Michael was appointed on 8 December 2016 following the acquisition of the LFG business from Infinis Energy Limited where he held the position of Group Financial Controller from October 2011.

Michael gained significant experience of major corporate transactions during his roles at Alliance Boots and Kidde plc. Michael qualified as a Chartered Accountant during his five years in audit with Deloitte (Touche Ross/Deloitte & Touche) where he gained experience of a broad variety of sectors.

Appointed to the Board
Infinis Energy Group Holdings Limited – 13 January 2017

Infinis Energy Management Limited – 13 January 2017

Other key appointments
None

Committee membership
E

4 James Milne
Commercial Director

James was appointed on 8 December 2016 following the acquisition of the LFG business from Infinis Energy Limited, having held the positions of Head of Legal of Infinis from March 2011 and Group Company Secretary from September 2015. He leads the Infinis Group's commercial and legal activities.

Prior to joining Infinis, James was a partner at the international law firm Herbert Smith, where he spent 16 years and specialised in corporate advisory work, including corporate finance, mergers and acquisitions and private equity. James is a qualified solicitor.

Appointed to the Board
Infinis Energy Group Holdings Limited – 13 January 2017

Infinis Energy Management Limited – 13 January 2017

Other key appointments
None

Committee membership
E

Key: A Audit Committee
E Executive Committee
R Remuneration Committee
● Committee Chairman

The Board of Infinis Energy Management Limited (the Governing Company) consists of the three Shareholder Directors, the three Executive Directors, the Chairman and a Non-executive Director who served during the period ended 31 March 2018 and remain in office as at the date of this report.

5
Tony Cocker
Non-executive Director and Chairman

Tony was appointed Chairman and Non-executive Director on 1 August 2017, having retired from E.ON in July 2017. Tony worked for E.ON SE and Powergen in a number of roles from 1996 to 2017, including Chairman and CEO of E.ON UK plc, based in Coventry, CEO of E.ON Energy Trading SE, based in Düsseldorf, and Managing Director of E.ON UK Energy Wholesale, based in Coventry.

Prior to joining Powergen, Tony had worked at Bass plc and LEK Consulting.

Appointed to the Board
Infinis Energy Management Limited – 1 August 2017

Other key appointments
Non-executive Director, SSE plc; Chairman, Affinity Water Limited; Governor and Deputy Chairman, Warwick Independent Schools Foundation.

Committee membership
A R

6
Daniel Schulenburg
Shareholder Director

Daniel joined 3i in 2016 where he is responsible for origination and execution of infrastructure investments, with a particular focus on the German-speaking markets and the energy sector across Europe. He was appointed Director of the Governing Company following the acquisition of the LFG business from Infinis Energy Limited.

Prior to joining 3i, Daniel was a Principal at Hudson Clean Energy Partners, an energy-focused private equity and infrastructure firm. He was Programme Manager and a member of the Investment Committee of the firm's infrastructure fund and was actively involved in various private equity and infrastructure transactions.

Appointed to the Board
Infinis Energy Management Limited – 11 January 2017

Other key appointments
None

Committee membership
A R

7
Lars Oscar Tylegard
Shareholder Director

Oscar joined 3i in 2013 where he is primarily responsible for the origination and execution of deals in the infrastructure and energy sector. He was appointed Director of the Governing Company following the acquisition of the LFG business from Infinis Energy Limited.

Prior to joining 3i, Oscar worked in the investment banking department of Macquarie, with a focus on power and utilities.

Appointed to the Board
Infinis Energy Management Limited – 20 January 2017

Other key appointments
None

Committee membership
A R

8
Scott Longhurst
Non-executive Director

Scott is Group Finance Director of Anglian Water Group (AWG) and Managing Director of AWG's non-regulated business. Prior to joining AWG, he spent most of his career with Shell, where he held a number of financial and commercial roles, and from 2000 with TXU Corporation as CFO for the Oncor Group. He was latterly appointed Group Controller and Chief Accounting Officer of TXU Corporation. Scott is a Fellow of the Institute of Chartered Accountants in England and Wales. He was appointed Chairman of the Audit Committee of the Governing Board on 27 July 2017.

Appointed to the Board
Infinis Energy Management Limited – 12 May 2017

Other key appointments
Founding member of HRH The Prince of Wales's Accounting for Sustainability Project CFO Leadership Network; and previously, Non-Executive Director and Chairman of the Audit Committee of Candover Investments plc.

Committee membership
A R

SENIOR MANAGEMENT TEAM

Following the acquisition of the LFG business by 3iN, a new SMT was formed to manage the day-to-day business of the Infinis Group and with authorities delegated to it by the Executive Committee. In addition to the Executive Directors, the SMT comprises the following members:

1
Andrew Leeding
Head of Health, Safety, Quality and Environmental Compliance

Andrew was appointed Infinis Energy Group's Head of Health, Safety, Quality and Environmental Compliance in July 2016, having been Head of Compliance and Environmental Services from October 2014. He joined the Infinis business, formed from the Waste Recycling Group (WRG), as Manager, Compliance and Services. Prior to that, from 2001, he was WRG's Group LFG Manager. Andrew is currently Chairman of the Landfill Gas Group.

2
Shane Pickering
Chief Executive Officer

Full biographies for Shane Pickering, Michael Holton and James Milne can be found on pages 36 and 37.

3
Neil Douglas
Head of IT

Neil was appointed Head of IT of the Infinis Energy Group in 2008, having transferred from WRG to the Infinis business in 2006 as IT Manager. He is responsible for all aspects of IT and communications. Prior to Infinis Neil held various operations, development and project management positions within Hanson and WRG.

4
John Okninski
Head of HR

John was appointed Head of HR of the Infinis Group in December 2016, having been HR Manager of the Infinis Energy Group since 2007. He has nearly 20 years' experience in HR having previously held various HR management roles with Saint-Gobain's Building Division, Graham Group, Frazer Limited, Autoglass Limited and Lloyds TSB.

5
Robert Tomlins
Head of LFG Operations

Robert was appointed Head of LFG Operations of the Infinis Energy Group in October 2014, having been Regional Operations Manager since 2010, following the acquisition of Novera Energy. He previously held various project management and operational management roles with Novera Energy, the University of Manchester and VT Shipbuilding.

6
Andrew Hulance
Head of Engineering and Support Services

Andrew was appointed the Infinis Energy Group's Head of Engineering and Support Services in October 2014, having held various engineering and operational management roles within the Infinis Energy Group. He joined Shanks & McEwan in March 1987 as part of the newly-formed LFG management team. Prior to that, he was a marine engineer with Shell Petroleum Company.

7
Michael Holton
Chief Financial Officer

8
James Milne
Commercial Director

9
Keith Hobbs
Head of Development

Keith joined the Infinis Group in July 2017 as Head of Development. He previously worked for the Infinis Energy Group as Head of Wind Development until the sale of the wind development business, having transferred from WRG in 2006 as Estate Manager where he worked in various roles from 1998. Prior to WRG, he worked in private practice having qualified as a Chartered Surveyor while working at Hanson Aggregates.

CORPORATE GOVERNANCE STATEMENT

We recognise the importance of effective corporate governance to help achieve our strategic goals and create value for our shareholders.

The Infinis Group's corporate governance structure is set by the Board of Directors of Infinis Energy Management Limited.

Governance structure

The Board of Directors (the 'Governing Board') of Infinis Energy Management Limited (the 'Governing Company'), the Company's wholly-owned subsidiary, is responsible for establishing, overseeing and managing the broad goals and strategies and the corporate governance structure of the Infinis Group. These governance arrangements are formalised in the Corporate Governance Policy approved by the Governing Board.

The operating subsidiaries of the Infinis Group are owned by the Governing Company. The Directors are responsible for implementing the Group's strategy and business plans and have delegated the oversight of the day-to-day management of the Infinis Group to the Executive Committee.

The Company's Board of Directors (the 'Company Board') is therefore not involved in active leadership of the Infinis Group but instead has a holding company board role. The Directors consider the current structure to be appropriate but will continue to keep it under review.

The Infinis Group maintains an active dialogue with its shareholder, through direct engagement by the Executive Directors, the Shareholder Directors and the Non-Executive Directors. The Shareholder Directors have weighted voting rights and de facto control of the Boards of the Company and the Governing Company.

The Governing Board believes that effective corporate governance is a key feature of prudent business practice. The Governing Company is committed to achieving high and relevant standards of corporate governance and to comply with the Walker Guidelines for Disclosure and Transparency in Private Equity.

Set out below are further details of the main governance structures of the Infinis Group and key terms of the Corporate Governance Policy. Details of directorships and committee memberships set out below are correct as at the date of this report.

Board composition

Biographies and other details of the members of the Company Board and the Governing Board can be found on pages 36 and 37.

The Company Board comprises the three Executive Directors (Shane Pickering, Chief Executive Officer; Michael Holton, Chief Financial Officer; James Milne, Commercial Director) and one Shareholder Director (Tim Short). The Governing Board comprises the three Executive Directors, the three Shareholder Directors (Daniel Schulenburg; Tim Short; Oscar Tylegard), the Chairman (Tony Cocker), appointed on 1 August 2017, and a Non-executive Director (Scott Longhurst), appointed on 12 May 2017.

Board meetings

The Governing Board meets regularly, generally on a monthly basis, with other meetings being convened where circumstances require.

The following table sets out the total number of Company Board and Governing Board meetings held in the period from incorporation of the Company and the Governing Company to 31 March 2018 and the Directors' attendance at the meetings they were entitled to attend.

Director's name	Infinis Energy Group Holdings Limited	Infinis Energy Management Limited
Tony Cocker[1]	–	6 of 7
Scott Longhurst[2]	–	10 of 10
Tim Short	5 of 5	11 of 11
Daniel Schulenburg	–	9 of 11
Oscar Tylegard	–	10 of 11
Michael Holton	5 of 5	11 of 11
James Milne	5 of 5	11 of 11
Shane Pickering	5 of 5	11 of 11

1 Appointed as Director of the Governing Company on 1 August 2017.
2 Appointed as Director of the Governing Company on 12 May 2017.

Board procedure

The Governing Board conducts a regular review of business issues and key performance metrics in a timely and structured way so as to enable the Company's and the Governing Company's Directors to discharge their responsibilities in accordance with the strategic and business plans of the Infinis Group, provide leadership to the Infinis Group within a framework of prudent and effective controls, and assess and manage risk.

An agenda and briefing pack is prepared for all Board meetings, which includes routine business items for monthly scheduled meetings, including health and safety, financial and operational performance, a review of commercial activities and an overview of operations and development opportunities. All members of the Board receive sufficient information in a timely manner on agenda items, whether or not they are able to attend, and minutes are prepared and approved as an accurate record of proceedings. This ensures a regular update to the Governing Board on all key matters and enables Board members to discharge their duties. Biannual updates on risk management are also given to the Governing Board by the Executive Directors.

The agreed principles of corporate governance applicable to the Infinis Group are set out in the Corporate Governance Policy and record the overarching internal policies by which the Infinis Group should operate, without restricting the legal independence of any Group Company and whilst ensuring that key policy and strategic decisions relating to the Infinis Group are made by the Governing Board. The agreed principles include terms of reference for committees of the Governing Board. The Governing Board's formal schedule of delegated authorities sets out the financial authorities delegated to its committees, the Managing Director and other Directors, officers and employees (the 'Delegated Authorities'). The Delegated Authorities were last revised on 31 January 2018. Matters which must be brought to the Governing Board for approval in accordance with the Delegated Authorities include, but are not limited to, strategy, the annual business plan, the Infinis Group budget, power trading strategy, and major property acquisitions and disposals.

The Company maintains appropriate directors' and officers' liability insurance.

Board committees

The Governing Board has established the Executive Committee, Audit Committee and Remuneration Committee, each of which operates under clearly defined terms of reference and in accordance with the Delegated Authorities.

No one other than the committee chairman and members is entitled to be present at a committee meeting, but others may attend by invitation as referred to below.

The Executive Committee

The Executive Committee comprises the three Executive Directors.

In FY18 there were 12 meetings of the Executive Committee. The table below summarises Executive Committee attendance by committee members during FY18.

Director's name	Attendance
Michael Holton	12 of 12
James Milne	11 of 12
Shane Pickering	12 of 12

This Committee exercises the day-to-day management of the Infinis Group in accordance with the authorities delegated to it by the Governing Board.

Audit Committee

The Audit Committee comprises the Shareholder Directors and the Non-executive Directors. Scott Longhurst was appointed Chairman of the Committee on 27 July 2017. In addition, the Group Governance Policy provides that the Chief Executive Officer has a right to attend meetings but not to vote.

In FY18 there were three meetings of the Audit Committee. The table below summarises Audit Committee attendance by committee members during FY18.

Director's name	Attendance
Tony Cocker	2 of 2
Michael Holton	3 of 3
Scott Longhurst	3 of 3
Tim Short	3 of 3
Daniel Schulenburg	2 of 3
Oscar Tylegard	3 of 3

The Audit Committee has the opportunity to meet with the external auditors without executive management being present.

The Audit Committee is responsible for ensuring that internal and external audit processes are carried out in the best interests of the Infinis Group's shareholder, creditors, employees and customers. In assisting the Governing Board to fulfil its duties, specific duties and responsibilities of the Committee include:

- overseeing the Group's relationship with the external auditors:
  - agreeing the nature and scope of the audit and reviewing the audit plan;
  - advising the Governing Board regarding the appointment and re-appointment of the external auditors of the Company and Group Companies;
  - recommending to the Governing Board the remuneration and terms of engagement of the external auditors of the Company and Group Companies;
  - reviewing with the Governing Company's and any Group Company's external auditors the interim (if any) and the annual financial statements of the Group before submission to the Governing Board; and
  - discussing audit findings with the external auditors, including any major issues or reservations which arose during the course of the audit and their resolution, and recommendations made to management by the auditors and management's response;
- deciding on the implementation of the Group's internal audit programme, ensuring coordination between the internal and external auditors and ensuring that the internal audit function is adequately resourced;
- recommending to the Governing Board appropriate policies of risk and internal control and ensuring that the implementation of such policies is formulated, operated and monitored. Such policies shall help to ensure the quality of internal and external reporting and adoption of suitable risk control measures, and shall specifically include a review by the Committee of the Chief Financial Officer's report on risks affecting the Group (which the Chief Financial Officer shall make no less frequently than once in each year); and
- considering other topics relating to the audit of the financial systems or records of the Group as determined by any member of the Committee.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Since the year end, the Committee met on 26 July 2018, primarily to consider the consolidated report and accounts of the Company and of the Governing Company with focus on: the key financial judgements therein; sensitivities regarding those key judgements; whether the report as a whole was fair, balanced and understandable; and the auditor's report to the Committee which included a discussion on the control environment. The final form of the report and accounts of the Group and Company was approved by the Directors on 26 July 2018.

Auditor tender

During the year, whilst not required under the Walker Guidelines or the Companies Act 2006, the Committee decided to tender the external audit service and appointed a sub-Committee to oversee the tender process. The rationale to review the audit service provider included: (i) to encourage independence and objectivity; (ii) as part of a review of advisor relationships in general following the change in the Company's ownership, corporate structure and leadership team; (iii) to test the market place on service and price; and (iv) the timing of the KPMG LLP mandatory audit partner rotation in FY19.

In October 2017 the 'Big Four' auditing firms were formally invited to tender. Tenders were accepted by the incumbent auditor, KPMG LLP, and from PricewaterhouseCoopers LLP (PwC). Both firms were provided with background information and met with the SMT and the Committee Chairman. Following the receipt of sealed bids and presentations to the sub-Committee, PwC was unanimously selected as the preferred bidder and this was considered by the Committee at its meeting in November 2017. The Committee agreed to recommend to the Board the appointment of PwC as the Company's auditor for FY18 which the Board subsequently approved.

Remuneration Committee

The Remuneration Committee comprises the Shareholder Directors and the Non-executive Directors. The Corporate Governance Policy provides that the Chief Executive Officer shall have the right to attend but not vote at meetings of the Remuneration Committee and any Director may be invited to attend the Remuneration Committee meetings. The Committee meets at least once a year and at such other times as the Governing Board requires. In FY18 the Committee met six times and members' attendance was as follows:

Director's name	Attendance
Tony Cocker	2 of 2
Scott Longhurst	5 of 5
Daniel Schulenburg	5 of 6
Tim Short	6 of 6
Oscar Tylegard	5 of 6

The Remuneration Committee's specific duties and responsibilities include discretions or authorities in respect of:

- the organisational structure of the Governing Company and any Group Company and the Group as a whole;
- the appointment and termination of any Executive Director, senior employee or manager of any Group Company and terms and conditions of appointment or employment;
- any policies and terms and conditions of employment of any employees of the Governing Company or any Group Company;
- any changes to the role of any Executive Director or senior employee;
- any recommendation in respect of the implementation of material redundancies;
- the remuneration and benefits of any Executive Director or senior employee; and
- approval of annual salary increases, bonuses and incentive programmes and overall bonus levels for all staff.

Internal control and risk management

The Board understands its responsibilities to present a fair, balanced and understandable assessment of the Group's position and prospects and to provide the information necessary for the shareholder to assess the Group's performance, business model and strategy.

The Group's approach to risk management is set out in further detail in the risk management section on pages 20 to 23.

The Group's risk management and internal controls processes are designed to ensure that the risks associated with conducting our business activities are effectively controlled in line with the Group's risk appetite. We believe the processes provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board, through the Audit Committee, has reviewed the assessment of risks and the risk management process, and has considered the effectiveness of the system of internal controls for the financial period and up to the date of approval of this report by the Board. There are established procedures and controls in place to identify entities whose results must be consolidated with the Group's results.

We believe that the process followed by the Governing Board in reviewing the system of internal controls accords with the guidance on internal control issued by the Financial Reporting Council and reflects the Board's responsibility for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board provides oversight to help ensure that the Group maintains sound risk management and internal control systems. The Group's system of risk management and internal control has operated throughout the year, with the benefit of an independent review and input into system refinements as further explained in the risk management section, and continues to operate up to the date of approval of this annual report.

By order of the Board

Michael Holton
Director
26 July 2018

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements for the year ended 31 March 2018.

Strategic report

The Companies Act 2006 requires us to present a fair, balanced and understandable perspective of the Company's and Group's business during the year ended 31 March 2018 and of the position of the Group at the end of the financial year, together with a description of the principal risks and uncertainties facing the Group. The strategic report can be found on pages 2 to 35.

Corporate governance statement

A corporate governance statement can be found on pages 40 to 42 and is incorporated into the Directors' report by reference.

Private equity ownership

The Company heads a group of companies (the 'Infinis Group') and was incorporated in October 2016 with its subsidiary, Infinis Energy Management Limited, by 3i Infrastructure plc (3iN) to acquire the LFG business and its subsidiary companies from Infinis Energy Limited (a company ultimately owned by funds managed by Terra Firma Investments (GP) 2 Limited).

The Company acquired the Infinis LFG business, the largest LFG generator in the UK, including 121 landfill gas sites and 290 employees, on 8 December 2016. 3iN, part of 3i Group, is an economic infrastructure business which invests for the long term of between 20 and 30 years in utilities, energy, transport and communications and is listed on the London Stock Exchange. The acquisition of the LFG business complemented and continues to complement 3iN's existing portfolio.

Going concern

Having made enquiries (see page 27), the Directors consider that the Company and its subsidiaries have adequate resources to continue in operation for the foreseeable future, and that it is therefore appropriate to adopt the going concern basis in preparing the consolidated and individual financial statements of the Company. The Directors consider that a robust going concern assessment process was undertaken and the results were discussed and challenged by the Audit Committee.

Financial risk management

Details of financial instruments and the Group's approach to capital management and financial risk are provided in note 17a on page 68 to the accounts.

Directors

The Directors of the Company and of the Governing Company who served during the year ended 31 March 2018 and up to the signing of this report are as follows:

The Company

Michael Holton	appointed 13 January 2017
James Milne	appointed 13 January 2017
Shane Pickering	appointed 13 January 2017
Tim Short	appointed 17 October 2016

The Governing Company

Tony Cocker[1]	appointed 1 August 2017
Michael Holton	appointed 13 January 2017
Scott Longhurst[2]	appointed 12 May 2017
James Milne	appointed 13 January 2017
Shane Pickering	appointed 13 January 2017
Daniel Schulenburg	appointed 11 January 2017
Tim Short	appointed 18 October 2016
Oscar Tylegard	appointed 20 January 2017

1 Appointed Non-executive Director and Chairman.
2 Appointed Non-executive Director.

The roles and biographical information of the Directors of the Company as at the date of this report are set out on pages 36 and 37.

Results and dividends

The results for the period ended 31 March 2018 are set out on page 50 to 53. No interim dividend was proposed or paid for the year ended 31 March 2018.

Employees

Details of the Company's policies on employment, training, career development and promotion of disabled persons, and a statement on employee involvement in the financial period, are set out on pages 34 and 35.

Policy and practice on payment of creditors

It is the policy of the Infinis Group to pay its creditors within 30 days of the end of the month in which the invoice was issued.

Political and charitable donations

No political donations were made during the period. The Infinis Group made charitable donations of £17,557 during the year.

Significant agreements

The Infinis Group has several contractual relationships with customers, operational counterparties and banks which are essential to our business and with whom we work proactively.

Customers

The Infinis Group has a relatively small customer base, the majority of which consists of utilities with investment grade ratings.

DIRECTORS' REPORT CONTINUED

Operational counterparties
Our operational counterparties are the waste companies or local authorities with whom we work, most notably FCC Environment (formerly WRG), Veolia, Cory, Biffa and Viridor.

Banks
The Governing Company has a financing facility of £276,700,000, of which £246,500,000 is provided by a syndicate of financial institutions.

Directors' indemnities
The Governing Company has agreed to indemnify past and present Directors in accordance with and subject to the terms of the Corporate Governance Policy for the Infinis Group, against liability and all expenses reasonably incurred or paid by them in connection with any claim, action suit or proceeding in which they become involved in the performance of their duties as a Director and against amounts paid or incurred by them. These are qualifying third party indemnity provisions for the purposes of section 234 of the Companies Act 2006.

The Company has also arranged directors' and officers' liability insurance.

Auditors
Pursuant to section 485 of the Companies Act 2006, PriceWaterhouseCoopers LLP were appointed as auditors of the Company on 28 February 2018. Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

Disclosure of information to auditors
The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Other information
Other information relevant to the Directors' report can be found in the sections of the annual report as per the table below.

The Directors' report of the Company for the year ended 31 March 2018 comprises these pages and the sections of the annual report referred to under the corporate governance report and other information above which are incorporated into the Directors' report by reference.

The Directors' report was approved by the Board on 26 July 2018.

By order of the Board

Michael Holton
Director

Information	Page/s	Location in annual report
Names and roles of Directors	36, 37	Board of Directors
Financial risk management	68–70	Note 17 and the significant accounting policies sections
Future developments	2–35	Strategic report[1]
Greenhouse gas emissions	28–33	CSR report
Movements in share capital	67	Note 16
Subsidiary undertakings in the course of the period	77, 78	Note 24

1 The Board has taken advantage of section 414C(11) of the Companies Act 2006 to include disclosures in the strategic report on these items.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the strategic report, the Directors' report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the shareholder to assess the Company's and Group's position and performance, business model and strategy.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INFINIS ENERGY GROUP HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- Infinis Energy Group Holdings Limited's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the group and parent company statements of financial position as at 31 March 2018; the group statement of comprehensive income, the group statement of cash flows, and the group and parent company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

Other than those disclosed in note 5(a) to the financial statements, we have provided no non-audit services to the group or the parent company in the period from 1 April 2017 to 31 March 2018.

Our audit approach

Overview

- Overall group materiality: £1.9 million, based on 2.5% of EBITDA.
- Overall parent company materiality: £349,000, based on 1% of net assets.

Full scope audit of all of the significant UK companies within the group. Following our assessment of the risks of material misstatement in the Group financial statements:

- certain centralised functions, including those covering, corporate taxation, goodwill and intangible asset impairment assessments.
- The components on which audits of the complete financial information and centralised work was performed accounted for 98% of Group revenue and 98% of EBITDA.

Our assessment of key audit matters also informed our views on the areas of particular focus for our work which are listed below:

- Impairment of goodwill, LFG rights and other intangible assets.
- Accounting for and valuation of recycled ROC's.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill, LFG rights and other intangible assets The value of the intangible assets are material to the financial statements and the carrying value of the intangible assets rely on significant judgements and estimates	— In relation to review of the goodwill impairment, we evaluated the Directors' assumptions and estimates used to determine the recoverable amount. This included assessing management's expert with regard to gas volume data and reviewing short and long-term pricing assumptions. We used PwC valuation specialists to help us assess the reasonableness of the price curves and discount rates used by the Directors. The output of this review is sensitive to the assumptions. We considered the Group's disclosures about the sensitivities of the impairment assessment. — In addition, we performed sensitivity analysis over key assumptions in the model and assessed the potential impact. — We reviewed the Directors assessment for indicators of impairment in relation to the LFG rights and other intangible assets and no indicators were identified. — Based on our analysis we did not identify any material issues with the impairment conclusions and the valuation of the goodwill, LFG rights and other intangible assets.
Accounting for and valuation of recycled ROC's The value of the recycled ROC revenue relies on judgements and assumptions. This includes a number of factors (some of which are unknown at the time of estimating the price), including expected electricity demand, targets set for renewable generation in the UK and estimates of the actual amount of renewable energy generated in the year	— We have considered the accounting for the recognition of the recycled ROC revenue and considered the disclosure of the judgements in this regard. — We have obtained and assessed management's methodology to estimate the ROC recycle price and we have considered the accuracy of management's historical forecasting in this area. — Using both internal an external sources of data, we consider that management have been able to determine an estimate of the ROC recycle value.

We determined that there were no key audit matters applicable to the parent company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF INFINIS ENERGY GROUP HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Overall materiality	£1.9m	£349,000
How we determined it	2.5% of EBITDA.	1% of net assets.
Rationale for benchmark applied	We consider this to be the key financial benchmark of the Group.	We consider this the key measure for the parent company.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £4,700–£1,829,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £96,000 (Group audit) and £17,500 (Parent company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

— the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
— the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.
— However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 45, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 30 November 2017 to audit the financial statements for the year ended 31 March 2018 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Andrew Lyon
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
26 July 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	Note	**Year ended 31 March 2018 £'000**	5 month and 14 day period ended 31 March 2017 £'000
Revenue		150,749	55,271
Cost of sales		(85,510)	(28,410)
Gross profit		**65,239**	**26,861**
Administrative expenses		(36,005)	(17,197)
EBITDA before operating exceptional items		**79,053**	**31,666**
Operating exceptional items	5b	(1,729)	(4,954)
EBITDA		**77,324**	**26,712**
Depreciation and impairment of property, plant and equipment	5a	(24,404)	(8,691)
Amortisation of intangible fixed assets	5a	(23,686)	(8,357)
Operating profit		**29,234**	**9,664**
Finance costs	7	(23,021)	(10,328)
Finance income	7	87	2,632
Net finance costs		**(22,934)**	**(7,696)**
Profit before tax		**6,300**	**1,968**
Tax credit/(charge)	8	322	(774)
Profit for the year/period		**6,622**	**1,194**
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to the profit or loss:			
Net movement in effective cash flow hedges		4,624	(1,931)
Tax on movement in cash flow hedges		(897)	386
Remeasurement of defined benefit liability		74	–
Total comprehensive income/(expense) for the year/period		**10,423**	**(351)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2018

	Note	31 March 2018 £'000	31 March 2017 £'000
Non-current assets			
Property, plant and equipment	9	76,505	81,077
Goodwill	10	19,456	19,456
Other intangible assets	10	331,199	354,885
Derivatives		2,693	–
		429,853	**455,418**
Current assets			
Inventories		2,556	3,241
Trade and other receivables	11	46,266	46,081
Cash and cash equivalents		163,990	35,663
		212,812	**84,985**
Total assets		**642,665**	**540,403**
Non-current liabilities			
Interest-bearing loans and borrowings	12	490,511	391,819
Deferred tax	13	46,761	50,810
Provisions	14	4,204	1,808
		541,476	**444,437**
Current liabilities			
Interest-bearing loans and borrowings	12	26,595	28,733
Trade and other payables	15	29,522	32,584
		56,117	**61,317**
Total liabilities		**597,593**	**505,754**
Net assets		**45,072**	**34,649**
Equity			
Share capital	16	35,000	35,000
Hedging reserve		2,182	(1,545)
Retained earnings		7,890	1,194
Total equity		**45,072**	**34,649**

The financial statements on pages 50 to 73 were approved by the Board of Directors on 26 July 2018 and were signed on its behalf by:

M D Holton
Director

S S Pickering
Director

Company number: 10432005

The notes on pages 54 to 73 form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Share capital £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000
At date of incorporation (17 October 2016)	–	–	–	–
Profit for the period	–	–	1,194	1,194
Net movement in effective cash flow hedges	–	(1,931)	–	(1,931)
Tax on movement in cash flow hedges	–	386	–	386
Total comprehensive income/(expense)	**–**	**(1,545)**	**1,194**	**(351)**
Transactions with owners of the Company				
Issue of ordinary shares	35,000	–	–	35,000
Total transactions with owners of the Company	**35,000**	**–**	**–**	**35,000**
At 31 March 2017	**35,000**	**(1,545)**	**1,194**	**34,649**
At 1 April 2017	35,000	(1,545)	1,194	34,649
Profit for the year	–	–	6,622	6,622
Net movement in effective cash flow hedges	–	4,624	–	4,624
Tax on movement in cash flow hedges	–	(897)	–	(897)
Remeasurement of defined benefit liability	–	–	74	74
Total comprehensive income	**–**	**3,727**	**6,696**	**10,423**
Total transactions with owners of the Company	**–**	**–**	**–**	**–**
At 31 March 2018	**35,000**	**2,182**	**7,890**	**45,072**

The notes on pages 54 to 73 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

	Year ended 31 March 2018 £'000	5 month and 14 day Period ended 31 March 2017 £'000
Cash flow from/(used in) operating activities		
Profit for the year/period	6,622	1,194
Adjustments for:		
Depreciation and impairment of tangible fixed assets	24,404	8,691
Amortisation of intangible fixed assets	23,686	8,357
Finance costs	23,021	10,328
Finance income	(87)	(2,632)
Taxation	(322)	774
Operating cash flow before changes in working capital and provisions	**77,324**	**26,712**
Increase in trade and other receivables	(8)	(6,710)
Decrease/(increase) in inventories	685	(483)
Increase in trade and other payables	2,958	4,380
Decrease in provisions	(530)	(106)
Cash generated from operations	**80,429**	**23,793**
Interest paid	(23,635)	(13,861)
Tax paid	(7,193)	(1,444)
Net cash inflow from operating activities	**49,601**	**8,488**
Cash flow from/(used in) investing activities		
Interest received	87	56
Acquisition of subsidiaries, net of cash acquired	-	(86,221)
Acquisition of property, plant and equipment	(17,091)	(4,027)
Net cash outflow from investing activities	**(17,004)**	**(90,192)**
Cash flow from/(used in) financing activities		
Proceeds from issue of share capital	-	35,000
Proceeds from other borrowings	-	276,700
Proceeds from shareholder loans	136,400	150,000
Repayment of other borrowings	(30,200)	(350,000)
Repayment of shareholder loans	(10,470)	-
Redemption fees on other borrowings	-	(6,125)
Arrangement fees on new loans	-	(8,538)
Proceeds from related party debt at acquisition	-	20,330
Net cash generated from financing activities	**95,730**	**117,367**
Net increase in cash and cash equivalents	**128,327**	**35,663**
Cash and cash equivalents at the beginning of the year/period	35,663	-
Cash and cash equivalents at the end of the year/period	**163,990**	**35,663**

The notes on pages 54 to 73 form part of these financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

1. Accounting policies

Infinis Energy Group Holdings Limited (the 'Company') is a private company, incorporated and domiciled in the UK. The Company was incorporated on 17 October 2016 as 3i LFG Midco Limited. On 28 February 2017 the Company changed its name to Infinis Energy Group Holdings Limited. The Company's registered office is First Floor, 500 Pavilion Drive, Northampton Business Park, Northampton, NN4 7YJ.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group'), and present the results for the year ended 31 March 2018. The comparative period covers the 5 month and 14 day period ended 31 March 2017. The Company financial statements present information about the Company as a separate entity and not about its Group.

1.1 Basis of preparation and consolidation

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") including interpretations issued by the IFRS interpretations committee and in accordance with the Companies Act 2006. The Company has elected to prepare its Company financial statements in accordance with FRS 101. These are presented on pages 74 to 79. Having made enquiries, the Directors consider that the Company and its subsidiaries have adequate resources to continue in operation for the foreseeable future and it is therefore appropriate to adopt the going concern basis in preparing these financial statements.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealised income and expense arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The principal accounting policies set out below have been applied consistently throughout the current financial year. The financial statements are prepared on the historical cost basis except for certain financial instruments which are stated at their fair value. All values are rounded to the nearest thousand (£'000) except where otherwise indicated.

1.2 Alternative Performance Measures ("APM")

The Group presents APMs on the face of the Income Statement that are not defined terms under IFRS. The Directors believe that these APMs provide useful additional information on business performance. These measures are used for internal performance reporting purposes.

EBITDA – this is defined as earnings before interest, tax, depreciation and amortisation; and
EBITDA before operating exceptional items - exceptional items are material exceptional charges or income which the Directors consider not to relate to underlying business performance.

2. New standards and interpretations

Standards, amendments and interpretations applicable

The Group has adopted the following IFRSs in these financial statements:

- Amendments to IAS 7 Disclosure Initiative require disclosure of information about changes in liabilities arising from financing activities, including cash flows and non-cash changes. The Group complies with the new disclosure requirements.
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses. These amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments have no material impact on the Group financial statements.
- Annual improvements to IFRSs 2014-2016 Cycle — Amendments to IFRS 12. In the context of its Annual Improvements Process the IASB published changes to certain IFRSs and their associated Bases for Conclusions. The revisions affect standards IFRS 1, IFRS 12 and IAS 28. The amendments to IFRS 12 are to be applied retrospectively for fiscal years beginning on or after 1 January 2017. The amendments have no material impact on the Group financial statements.

2. New standards and interpretations continued

Standards, amendments and interpretations in issue but not yet effective

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers are effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

IFRS 16 Leases is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted provided that IFRS 15 Revenue from Contracts with Customers is also applied. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e. the customer ('lessee') and the supplier ('lessor'). The Group has not early adopted any of these Standards and an initial assessment of the potential impact on the Group's financial statements, resulting from their future application, is presented below.

IFRS 9 Financial Instruments

i. Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). The Standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, amounts owed by related parties and other receivables that are managed on a fair value basis.

ii. Impairment – Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward looking 'expected credit loss' (ECL) model. This will require judgment about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets. Under IFRS 9, loss allowances will be measured on either of the following bases:

— 12-month ECLs: these are the ECLs that result from possible default events within 12 months after the reporting date; and
— Lifetime ECLs: these are the ECLs that result from all possible default events over the expected lift of the financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component. This is also the case in respect of amounts owed by related parties and other receivables.

In general impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model but in terms of the Group the impact is not expected to be material. The Group sells the generation output and related products to a very small number of UK counterparties and historically the counterparties have proved to be creditworthy; losses have not been incurred as a result of default events. Cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+. The estimated impairment on cash and cash equivalents has been calculated based on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

iii. Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

— the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
— the remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities as FVTPL and it has no current intention to do so. The Group's assessment did not indicate any material impact regarding the classification of financial liabilities at 1 April 2018.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2018

2. New standards and interpretations continued

iv. Hedge accounting

When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9. The Group has chosen to apply the new requirements of IFRS 9. IFRS 9 requires the Group to ensure that the hedge accounting relationships are aligned with the Group's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. IFRS 9 also introduces new requirements on rebalancing hedge relationships and prohibits voluntary discontinuation of hedge accounting. Under the new model, it is possible that more risk management strategies, particularly those involving hedging a risk component (other than foreign currency risk) of a non-financial item, will be likely to qualify for hedge accounting. The Group does not currently undertake hedges of such risk components. The Group currently only enters into and designates interest rate swaps as hedges of the variability of cash flows attributable to interest rate risk. The Group does not anticipate any material impact from the changes to hedge accounting.

The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) change and the new hedge accounting requirements will be applied prospectively.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers completely revises the rules for revenue recognition and establishes a comprehensive framework for determining whether, when and how revenue is recognised. IFRS 15 replaces the current standards and interpretations, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. A five stage model will be used to determine in what amount, at what time and for how long revenue is to be recognised.

The Group's revenue streams can be grouped into three main categories:

- sale of wholesale electricity exported (traded power and NFFO);
- sale of Renewable Obligation Certificates (ROCs; a product related to government initiatives to encourage investment in renewable energy sources) and;
- other revenue.

Each of the revenue streams has been examined in line with the requirements of IFRS 15. Revenue relating to the sale of electricity is recognised at the point in time that electricity is exported i.e. when the customer obtains control. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the supply.

ROCs are certificates issued where electricity has been sourced from renewable energy sources. Revenue arises from two elements; the sale of the certificate itself called the "Buy Out" price (almost always to the customer purchasing the electricity) and a share of a central fund comprising aggregate penalty payments Ofgem receives from electricity suppliers who did not meet their obligations to obtain supply from renewable sources, called the "Recycle" price. Revenue from Buy Out certificates is recognised as exported. The customer is not in receipt of the certificate until confirmation is received from Ofgem but contractually the risks and rewards relating to the certificate pass from the Group at export and the customer is contractually obliged to accept it.

Recycle Buy Out revenue is also recognised on monthly basis in line with exported power. Whilst the Recycle Buy Out is separately identified as a component of revenue it is intrinsically linked to the generation of power and is therefore recognised as it accrues. The obligation of the customer to settle any penalty calculated by Ofgem is contractually and legislatively based. Under IFRS 15, Recycle Buy Out revenue will be recognised to the extent that it is probable that a significant reversal in the amount of cumulative revenue will not occur. The Group considers that Recycle Buy Out revenue can be estimated reliably given its market knowledge and experience. The final Recycle Buy Out value is not known until the October following the end of the financial year when Ofgem announce the final associated price. Any difference between the estimate and the final amount will give rise to an 'out of period' variance.

2. New standards and interpretations continued

Other revenue includes embedded benefits such as Triad, Generator Distribution Use of System (GDUoS), Balancing Services Use of System (BSUoS) and Capacity Market Supplier Charge (CMSC) income. Triad periods are the three 30 minute time periods with the highest energy demand across the grid between the start of November and the end of February each year. National Grid incentivises high power production during these periods. Prices for the year are announced by National Grid in March and attract a significant income premium. Triad income is recognised once the Triad periods and the associated prices are announced. GDUoS income is received for generating in the local network and revenue is recognised in line with exported power. BSUoS income is received for the avoidance of charges levied on electricity suppliers who use National Grid to transmit their electricity from one point in the UK to another to fund National Grid's balancing services. Revenue is recognised on delivery in line with recognition of traded power as it is contractual income with the customer. CMSC income is a one-off (for the year ended 31 March 2018) embedded benefit received due to legislative changes. Revenue is recognised as it accrues and is adjusted in line with actual prices announced pre 31 March.

Based on the Group's assessment, the Group does not expect the application of IFRS 15 to result in a significant impact on the timing of revenue recognition in its financial statements. The Group plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 April 2018). As a result, the Group will not apply the requirements of IFRS 15 to the comparative period presented.

IFRS 16 Leases

IFRS 16 replaces existing guidance on leases, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognised exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

The Group has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 will depend on future economic conditions, including the Group's borrowing rate as at 1 April 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions. So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of properties, including Head Office, and vehicles. As at 31 March 2018, the Group's future minimum lease payments under non-cancellable operating leases amounted to £4,379,000, on an undiscounted basis (see note 19). In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating expense with depreciation for the right-of-use assets and interest expense for lease liabilities.

As a lessee, the Group can apply the standard using either a:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Group plans to apply IFRS 16 initially on 1 April 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 April 2019, with no restatement of comparative information. When applying the modified retrospective approach, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2018

3. Accounting estimates and judgments

In the process of applying the Group's accounting policies, management necessarily makes judgments and estimates that have a significant impact on the values recognised in the financial statements. Changes in the assumptions underlying these judgments and estimates could result in a significant impact to the financial statements. The most critical of these accounting judgments and estimates are explained below.

Acquisition accounting

When the Group completes a business combination the date of acquisition is the date at which control of the acquired business passes to the Group. This can involve a degree of judgment. The fair values of the identifiable assets and liabilities acquired, including intangible assets, are recognised at their fair value. The determination of the fair value of acquired assets and liabilities is based, to a considerable extent, on management's judgment. In estimating fair value, particularly in relation to identifiable intangible assets, management is required to estimate the useful economic life of each asset and the future cash flows expected to arise from each asset and apply a suitable discount rate.

LFG rights acquired are initially valued based on the net present value of expected cash flows from electricity generation. A number of assumptions are made in arriving at such a valuation which include price, method and uniformity of gas production, gas availability and methane content. The judgments applied, and the assumptions underpinning them, are considered to be appropriate at the time of valuation.

The carrying value of the intangible assets is disclosed in note 10 and the initial determination of the assets and liabilities acquired is disclosed in note 18.

Impairment

In assessing impairment, judgment is required to establish whether there have been any indicators of impairment, either internal or external, for all amortising and depreciating non-current assets. Goodwill is tested annually for impairment.

Where there is the need to determine the recoverable value of an asset, this requires judgments and assumptions similar to those used when performing a valuation of acquired LFG rights and therefore could significantly impact the financial statements. Further details regarding impairment testing can be found in note 10.

ROC Recycle

Revenue includes an estimate for the recycled price of ROCs sold during the financial year. This price is variable and is estimated based on a number of factors including UK electricity demand, targets set for renewable generation in the UK and the actual amount of UK renewable energy generation achieved.

Provision for decommissioning costs

The Group recognises provisions for decommissioning assets and restoring sites at the end of their expected useful life. These provisions are the discounted estimated costs of the work required at the expected date of decommissioning. Significant judgments and estimates are required about both the costs and the expected dates. The Group's estimates are based on limited experience of actual decommissioning to date.

4. Significant accounting policies

Business combinations

The Group accounts for business combinations, using the acquisition method, when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any gain on a bargain purchase is recognised in the income statement immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Revenue

Revenue is the amount derived from the sale of electricity and associated renewable certificates and embedded benefits in the normal course of business, measured at the fair value of consideration received or receivable, net of value added tax. All revenue is generated in the United Kingdom.

Revenue (except for the recycled element of the ROC price) is recognised where there is a signed unconditional contract of sale and is based upon the quantity of electricity exported and the contracted rate on the date of generation.

Revenue includes an estimate for the recycled price of ROCs sold during the financial year. This price is variable and is estimated based on a number of factors including UK electricity demand, targets set for renewable generation in the UK and the actual amount of UK renewable energy generation achieved.

4. Significant accounting policies continued

Royalty payments

Royalty payments to landlords are recognised in the statement of comprehensive income as they accrue, based on the level of electricity generation at each site.

Finance costs

Finance costs are recognised in the statement of comprehensive income as they accrue, using the effective interest method.

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are ready for use. Where instruments have been taken out to hedge against interest rate risk, capitalised borrowing costs will reflect the interest rate after taking into account the effect of the hedging instrument.

Costs incurred in raising finance are capitalised and amortised over the length of the borrowing. Additional costs incurred due to the redemption of a facility are charged to the income statement in the year in which they are incurred.

Finance income

Finance income arises on cash deposits and funds invested and is recognised in the income statement as it accrues, using the effective interest method.

Inventories

Stock is measured at the lower of cost and net realisable value. Cost is based on average costs and includes expenditure in acquiring the stocks and bringing them to their existing location and condition. Costs comprise direct fees, materials, direct internal labour and attributable production overheads.

Employee benefits

Pension arrangements

The Group provides pension arrangements for employees and certain Directors who are members of the Aviva Stakeholder or Aviva Group Personal defined contribution schemes. Contributions for this scheme are charged to the income statement as they accrue.

The Group has obligations under a defined benefit pension scheme which requires contributions to be made to a separately administered fund. The actuarial gains and losses which arise from a valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are taken to the statement of other comprehensive income for the year. This scheme is closed to new entrants and is immaterial to the Group.

Tax

Tax comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the year end.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and attributable borrowing costs during its construction. During the construction phase these assets are held separately with depreciation commencing once the asset is commissioned and ready for use.

Depreciation is charged to the income statement on a straight-line basis, with no residual value, over the estimated useful life of the asset.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2018

4. Significant accounting policies continued

The cost of replacing an item of property, plant and equipment is recognised if it is probable that the future economic benefits will flow to the Group. The carrying amount of the asset replaced is then de-recognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

The estimated useful lives are as follows:

Plant and equipment (except engine overhauls)	Over the shorter of the minimum lease term of each specific operating site and the expected life of the asset, being 2–20 years
Decommissioning	Over the expected life of the operating site
Engine overhauls	2–4 years

Intangible assets and goodwill

Goodwill on acquisition is initially measured as the excess of the cost of the business combination over the fair value of the net assets acquired.

Goodwill is stated at cost less any accumulated impairment. Goodwill forms part of the single cash generating unit (CGU) of the business and is not amortised but is tested annually for impairment.

Other intangible assets are stated at cost less accumulated amortisation and impairment. Other intangible assets include the LFG rights, technology and brand. Details of the accounting estimates and judgments made in the valuation of these assets are disclosed in note 3.

Amortisation of intangible assets

Amortisation of LFG rights allocates the cost of the asset over its estimated useful life using a profile that reflects the decline in available gas reserves. Technology and brand are amortised on a straight-line basis over five and ten years, respectively.

Impairment

The carrying amounts of the Group's non-current non-financial assets, other than goodwill and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment, based on judgment techniques explained in note 3. Where an indication of impairment exists on such assets, testing for impairment is undertaken. Further details regarding impairment testing can be found in note 10.

Provisions

Provisions are determined by discounting the future expected cash flows at a pre-tax rate that reflects the time value of money. The unwinding of the discount is recognised as a finance cost.

Provisions for the decommissioning of assets and site restoration are recognised where a legal or contractual obligation exists. An equivalent amount of the provision is captured within property, plant and equipment. Given recent experience the Directors consider they have sufficient information to estimate the costs required and timing for decommissioning and restoration on a reasonable basis. The recognition has been accounted for as a change in estimate and applied prospectively. The amount capitalised within property, plant and equipment has been treated as subsequent expenditure and will be depreciated, in accordance with the Group's depreciation policy, prospectively from April 2018.

Operating leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognised over the term of the lease.

Financial instruments

Derivative financial instruments

The Group utilises derivative financial instruments in the normal course of business to hedge its exposure to fluctuations in interest rates.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement.

4. Significant accounting policies continued

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the income statement in the same year that the hedged item impacts the income statement.

The Group adopts a policy of ensuring that it is not exposed to changes in interest rates on borrowings by ensuring 100% of its debt is on a fixed rate basis, taking into account assets with exposure to changes in interest rates. The Group enters into and designates interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments, trade and other receivables, cash and cash equivalents, loans and borrowings, trade and other payables, and provisions. Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, they are measured as described below:

Trade and other receivables are carried at original invoice amount less any allowance for uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off in the income statement when identified.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose only of the cash flow statement. Cash and cash equivalents include restricted cash balances, which principally relate to the debt service requirements of certain borrowings undertaken by the Group.

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis.

Trade and other payables are carried at cost.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the year end, taking into account the risks and uncertainties surrounding the obligation. If the effect of the time value of money is material, discounting is applied.

5. Expenses

(a) Operating expenses

Included in operating profit are the following:

	Year ended 31 March 2018 £'000	5 month and 14 day period ended 31 March 2017 £'000
Depreciation and impairment of property, plant and equipment	24,404	8,691
Amortisation of intangible fixed assets	23,686	8,357
Payments to landlords for royalties	24,417	8,557

(b) Operating exceptional items

The Group has adjusted for the following exceptional items to provide a measure of its underlying profitability:

	Year ended 31 March 2018 £'000	5 month and 14 day period ended 31 March 2017 £'000
Acquisition costs	1,729	4,954
Total operating exceptional items	**1,729**	**4,954**

Acquisition costs in the year to 31 March 2018 are primarily external advisors' fees and other external costs relating to the acquisition of the Alkane Group (see note 22). Acquisition costs in the period to 31 March 2017 related to external advisors' fees on the acquisition of the LFG business by 3iN. The Directors consider these costs to be unusual in nature.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2018

5. Expenses continued

A reconciliation from operating profit (a GAAP measure) to EBITDA before operating exceptional items (an alternative performance measure) is presented in the table below:

	Year ended 31 March 2018 £'000	5 month and 14 day period ended 31 March 2017 £'000
EBITDA before operating exceptional items	**79.053**	**31,666**
Operating exceptional items	(1,729)	(4,954)
EBITDA	**77,324**	**26,712**
Depreciation and impairment of property, plant and equipment	(24,404)	(8,691)
Amortisation of intangible fixed assets	(23,686)	(8,357)
Operating profit	**29,234**	**9,664**

c) Auditor remuneration

	Year ended 31 March 2018 £'000	5 month and 14 day period ended 31 March 2017 £'000
Fees payable to the Company's auditor for the audit of the Company and the consolidated financial statements of Infinis Energy Group Holdings Limited	42	51
Audit of the financial statements of subsidiaries	149	182
Other services (including due diligence and tax advice services)	354	18
	545	**251**

Auditors remuneration for the period ended 31 March 2017 related to amounts paid the Group's previous auditors, KPMG LLP.

6. Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year/period, analysed by category, was as follows:

	Year ended 31 March 2018 Number	Period ended 31 March 2017 Number
Operational staff	213	217
Administration and management	63	73
	276	**290**

The aggregate payroll costs of these persons was as follows:

	Year ended 31 March 2018 £'000	Period ended 31 March 2017 £'000
Charged to operating expenses		
Wages and salaries	14,532	4,962
Social security	1,750	670
Pension	577	178
	16,859	**5,810**

Pensions and other post employment benefit plans

The Group operates a number of defined contribution pension schemes on behalf of eligible employees. The total expenses and amounts owed relating to these plans was as follows:

	Year ended 31 March 2018 £'000	5 month and 14 day period ended 31 March 2017 £'000
Pension scheme contributions	577	178
Outstanding pension scheme contributions	84	68

The assets of the scheme are held separately from those of the Group in independently administered funds.

7. Finance costs and income

	Year ended 31 March 2018 £'000	5 month and 14 day period ended 31 March 2017 £'000
Finance costs		
Interest on secured loans	8,105	1,079
Interest on bond financing	–	5,178
Interest on shareholder loans	12,030	3,813
Amortisation of arrangement fees	2,886	258
Total finance costs	**23,021**	**10,328**
Finance income		
Bank and other interest receivable	(87)	(56)
Other non-recurring net finance income*	–	(2,576)
Total finance income	**(87)**	**(2,632)**
Net finance costs	**22,934**	**7,696**

* Other non-recurring net finance income in the period to 31 March 2017 was £2,576,000 and related to the difference in the carrying value of a high yield bond and the redemption amount paid to settle the liability in February 2017, offset by an early redemption fee payable on settlement of £6,125,000 and a commitment fee of £484,000 payable on the new bank facility. The Directors consider all these items to be exceptional in nature.

8. Tax

Recognised in the statement of comprehensive income:

	Year ended 31 March 2018 £'000	5 month and 14 day period ended 31 March 2017 £'000
Current tax		
Current year/period	(7,652)	(776)
Adjustments in respect of prior periods	3,028	–
Total current tax charge	**(4,624)**	**(776)**
Deferred tax		
Origination and reversal of temporary differences	5,957	2
Adjustments in respect of prior periods	(977)	–
Reduction in tax rate	(34)	–
Total deferred tax credit	**4,946**	**2**
Total tax credit/(charge)	**322**	**(774)**
Reconciliation of effective tax rate		
Profit before tax	6,300	1,968
Tax charge at the UK corporation tax rate of 19% (2017: 20%)	(1,197)	(394)
Non-deductible expenses	(498)	(380)
Adjustments in respect of prior years	2,051	–
Impact of change in corporation tax rate	(34)	–
Total tax credit/(charge)	**322**	**(774)**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2018

9. Property, plant and equipment

	Plant & equipment £'000	Assets under construction £'000	Total £'000
Cost			
At date of incorporation	–	–	–
Acquisition of subsidiaries	80,628	4,816	85,444
Additions	–	4,324	4,324
Transfers between classes	6,698	(6,698)	–
At 31 March 2017	**87,326**	**2,442**	**89,768**
At 1 April 2017	87,326	2,442	89,768
Additions	–	17,091	17,091
Impairment	–	(218)	(218)
Transfer to current assets	–	(185)	(185)
Decommissioning costs	2,926	–	2,926
Transfers between classes	11,576	(11,576)	–
At 31 March 2018	**101,828**	**7,554**	**109.382**
Depreciation and impairment			
Charge for the period	8,691	–	8,691
At 31 March 2017	**8,691**	–	**8,691**
At 1 April 2017	8,691	–	8,691
Charge for the year	24,186	–	24,186
At 31 March 2018	**32,877**	**–**	**32,877**
Net book value			
At 31 March 2018	**68,951**	**7,554**	**76,505**
At 31 March 2017	**78,635**	**2,442**	**81,077**

10. Intangible assets

	Goodwill £'000	LFG rights £'000	Other £'000	Total £'000
Cost				
At date of incorporation	–	–	–	–
Acquisition of subsidiaries	19,456	353,098	10,144	382,698
At 31 March 2017 & 31 March 2018	**19,456**	**353,098**	**10,144**	**382,698**
Amortisation				
Charge for the period	–	7,896	461	8,357
At 31 March 2017	**–**	**7,896**	**461**	**8,357**
At 1 April 2017	–	7,896	461	8,357
Charge for the year	–	22,305	1,381	23,686
At 31 March 2018	**–**	**30,201**	**1,842**	**32,043**
Net book value				
At 31 March 2018	**19,456**	**322,897**	**8,302**	**350,655**
At 31 March 2017	**19,456**	**345,202**	**9,683**	**374,341**

At the end of each financial year, the Group assesses assets for impairment as described in note 4. Impairment assessments for goodwill, gas rights, technology and brand are assessed at a Group level, which is considered to be an appropriate CGU, given the interdependencies of the cash flows. Property, plant and equipment are separately tested at an individual asset level when there is an impairment trigger. Impairment assessments compare the carrying value of the CGU to the net present value of the future cash flows it is expected to generate, discounted at a rate that management has determined reflects the specific risks relating to the CGU. The Group forecasts CGU cash flows to the end of the CGU's useful life. Future cash flows comprise those related to existing LFG core operations and growth opportunities arising from existing spare grid and engine capacity. The post tax discount rate used was 6%.

10. Intangible assets continued

An impairment loss is recognised if the carrying amount of the single CGU exceeds its recoverable amount, which is equal to the value of the future discounted cash flows. Any impairment losses are recognised in the statement of comprehensive income. Any impairment loss previously recorded in respect of goodwill is not reversed. For all other assets, an impairment loss is reversed only to the extent that the CGU's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Key assumptions used in the calculation of recoverable amounts are gas generation, pricing of exported output and inflation. The values assigned to the key assumptions represent management's assessment of future trends and were based on both external and internal sources (prospective and historical data). Management has an in-depth understanding of the composition of gas field sites which enables a data driven approach to forecasting gas output. These forecasts are updated on a regular basis. Pricing assumptions are driven by available short-term market information and for the longer term by industry forecasts and models.

Cash flow projections used for the value in use modelling are by their nature subject to inherent uncertainties:

- the discount rate used is based on a weighted average cost of capital calculation which requires a series of assumptions related to the risk profile of the business, target gearing and market risk; and
- the assumptions related to generation and pricing are subject to risks which are explained in the strategic report.

Management has considered the impact of sensitivity of the key assumptions. With all other parameters remaining constant, it would require an increase of over 1% in the discount rate or a decrease of over 2% in forecast sales prices or of over 6% in gas generation before the recoverable amount is less than the CGU's carrying value.

11. Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	3,578	5,327
Accrued income	37,763	34,006
Prepayments	1,282	1,524
Amounts owed by related parties	–	21
Other receivables	3,643	5,203
	46,266	**46,081**

12. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. Information relating to interest rates and liquidity is included in note 17.

Interest-bearing loans and borrowings:

	2018 £'000	2017 £'000
Non-current		
Secured loans	214,581	239,888
Shareholder loans	275,930	150,000
Derivative financial liabilities	–	1,931
	490,511	**391,819**
Current		
Secured loans	26,595	28,733
	26,595	**28,733**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2018

12. Interest-bearing loans and borrowings continued

The Group has a secured bank facility with a carrying value at 31 March 2018 of £241.2 million (31 March 2017: £268.6 million). The facility matures on 13 February 2022 with bi-annual capital repayments (due on 30 September and 31 March) and a final repayment of £154.4 million due on maturity. It attracts interest at an average rate 3.485% over the term of the facility with the interest fixed using interest rate swaps. The carrying value of the loan is stated net of unamortised issue costs of £5.5 million (31 March 2017: £8.3 million). These costs are being allocated to the statement of comprehensive income over the term of the facility.

During the year the Company issued interest-bearing subordinated unsecured loan notes to 3i LFG Holdings Limited, the parent company of its immediate parent company, 3i LFG Topco Limited as follows: £11.7 million on 28 November 2017, to be used by the Group for capital expenditure on development projects; £124.7 million on 28 March 2018, to be used by the Group to fund the purchase of the Alkane Group (see note 22). The new loan notes were issued under the same terms as the £150.0 million loan notes issued on 6 December 2016, they are due for repayment in 2045 and attract interest of 8%, payable at half yearly intervals. During the year the company repaid loan notes of £10.5 million.

On 9 June 2017 the initial issue of £150.0 million loan notes were listed on the Channel Islands stock exchange (TISE), the loan notes issued during the year were listed on the TISE on 11 June 2018.

13. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2018 £'000	2017 £'000
Liabilities		
Property, plant and equipment	169	469
Intangible assets	46,313	50,866
Other timing differences	279	–
Total	**46,761**	**51,335**
Assets		
Other timing differences	–	(525)
Total	**–**	**(525)**
Net deferred tax liability	**46,761**	**50,810**

Movement in deferred tax assets and liabilities during the year/period:

	At beginning of the year/date of incorporation £'000	Acquisition of subsidiaries £'000	Recognised in reserves £'000	Temporary differences in the year/period £'000	Rate change £'000	At end of the year/period £'000
31 March 2018						
Property, plant and equipment	469	–	–	(465)	165	169
Intangibles	50,866	–	–	(4,422)	(131)	46,313
Other timing differences	(525)	–	897	(93)	–	279
Total	**50,810**	**–**	**897**	**(4,980)**	**34**	**46,761**
31 March 2017						
Property, plant and equipment	–	1,125	–	(656)	–	469
Intangibles	–	52,537	–	(1,671)	–	50,866
Other timing differences	–	(2,464)	(386)	2,325	–	(525)
Total	**–**	**51,198**	**(386)**	**(2)**	**–**	**50,810**

The Finance (No. 2) Act 2015 introduced legislation reducing the rate of corporation tax from 20% at 1 April 2016 to 19% from 1 April 2017 and to 18% from 1 April 2020. The Finance Bill 2017 (which was substantively enacted on 6 September 2016), further reduced the corporation tax rate to 17% from 1 April 2020. These rates, including the further reduction in the future corporation tax rates from 19% to 17%, have been used in the calculation of deferred tax assets and liabilities for the year ended 31 March 2018.

14. Provisions

	Decommissioning provisions £'000	Other provisions £'000	Total £'000
At 1 April 2017	–	1,808	1,808
Additional provisions	2,926	–	2,926
Utilisation of provisions	–	(64)	(64)
Provisions released	–	(466)	(466)
At 31 March 2018	**2,926**	**1,278**	**4,204**
At date of incorporation	–	–	–
Acquisition of subsidiaries	–	1,914	1,914
Utilisation of provisions	–	(6)	(6)
Provisions released	–	(100)	(100)
At 31 March 2017	**–**	**1,808**	**1,808**

During the year the Group reassessed provisions in respect of its liabilities for the decommissioning of operating assets and the restoration of LFG sites. As explained in the accounting policies note provisions increased at 31 March 2018 and are at a discounted value of expected future costs.

Other provisions relate primarily to remediation costs and aftercare costs. The remediation costs relate to known issues at various sites and the aftercare costs relate to one site within Infinis (Re-Gen) Limited, a subsidiary of the Group. These provisions are classified as non-current.

15. Trade and other payables

	2018 £'000	2017 £'000
Trade payables	7,639	4,436
Accruals and deferred income	18,696	18,136
Amounts payable to a related party	310	3,813
Other creditors	2,328	3,079
Corporation tax creditor	549	3,120
	29,522	**32,584**

16. Share capital

Share capital

	Issued share capital 2018 Number	Issued share capital 2017 Number	**Aggregate nominal value 2018 £'000**	Aggregate nominal value 2017 £'000
Allotted, called up and fully paid				
At beginning of the year/date of incorporation (ordinary shares of £1 each)	35,000,001	1	35,000	–
Shares issued during the year/period for cash (ordinary shares of £1 each)	–	35,000,000	–	35,000
At 31 March	**35,000,001**	**35,000,001**	**35,000**	**35,000**

On 6 December 2016 the Company issued 35,000,000 to the sole shareholder 3i LFG Topco Limited for £35,000,000. All ordinary shares rank equally with regards to the Company's residual assets.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2018

17. Financial instruments

Capital management

The Group's policies seek to match long-term assets with long-term finance and to ensure that there is sufficient working capital to meet the Group's commitments as they fall due, comply with the loan covenants and continue to sustain trading. Management will continue to monitor actual cash flows against approved cash flow forecasts. The Group continues to be a highly cash generative business that is able to support the financing arrangements that are secured on those individual businesses.

Financial instruments

Financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, interest rate swaps, trade and other payables, amounts payable to related parties and provisions. Financial instruments give rise to credit, liquidity and interest rate risks. Information about these risks and how they are managed is set out below.

(a) Financial risk management – measurement

Financial instruments are classified into the following levels based upon the degree to which fair value is obtainable:

Level 1 – fair values from quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – those fair values derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – those fair values derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of derivative financial instruments is based on broker quotes and classified as Level 2. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

For all other financial instruments the carrying amount is deemed to be a reasonable approximation of the fair value as amounts are either repayable on demand or are short-term in nature.

The following table presents the carrying values and the fair values of financial instruments subsequent to initial recognition.

	Carrying value 2018 £'000	**Fair value 2018 £'000**	Carrying value 2017 £'000	Fair value 2017 £'000
Financial assets				
Cash and cash equivalents	163,990	163,990	35,663	35,663
Loans and receivables:				
Trade receivables	3,578	3,578	5,327	5,327
Amounts owed by related parties	–	–	21	21
Other receivables	3,643	3,643	5,203	5,203
Derivative financial instruments:				
Interest rate swap	2,693	2,693	–	–
Total financial assets	**173,904**	**173,904**	**46,214**	**46,214**
Financial liabilities				
Trade and other payables	29,522	29,522	32,584	32,584
Interest-bearing loans	517,106	517,106	418,621	418,621
Provisions	4,204	4,204	1,808	1,808
Derivative financial instruments:				
Interest rate swap	–	–	1,931	1,931
Total financial liabilities	**550,832**	**550,832**	**454,944**	**454,944**

(b) Financial risk management – credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

17. Financial instruments continued

Credit quality of financial assets and impairment losses

The ageing of trade receivables at the year/period end was:

	2018 £'000 Gross	2018 £'000 Provisions	2017 £'000 Gross	2017 £'000 Provisions
Not past due	3,578	–	4,388	–
Past due 1–3 months	–	–	939	–
	3,578	**–**	**5,327**	**–**

(c) Financial risk management – liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Short-term liquidity is reviewed daily by the Group's treasury function, while the longer-term liquidity position is reviewed on a regular basis by the Board. The Group's treasury function is also responsible for managing the banking requirements of the Group, managing interest rate risk and managing credit risk relating to the banking counterparties with which it transacts, including ensuring compliance with any banking covenants. The Group can have significant movements in its liquidity position due to movements in electricity prices and working capital requirements.

The Group's policy is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Group's reputation. The Group finances activities with a combination of external bank facilities, related party borrowings and cash from operating activities. Based on management forecasts, the Group has adequate headroom and will continue to meet liabilities as they fall due.

The following are the contractual maturities of financial liabilities and assets (all sterling denominated), including estimated interest payments and excluding the effect of netting agreements:

	Nominal interest rate	Year of maturity	Carrying value £'000	Cash inflows/ (outflows) £'000	In less than one year £'000	Between one and two years £'000	Between two and five years £'000	In more than five years £'000
As at 31 March 2018								
Non-derivative financial liabilities								
Trade payables	–	2018–2019	7,639	(7,639)	(7,639)	–	–	–
Bank loan	2.6%	2022	241,176	(272,911)	(36,155)	(30,498)	(206,258)	–
Amounts payable to related parties	8%	2045	276,240	(895,018)	(22,099)	(22,099)	(66,298)	(784,522)
Total			**525,055**	**(1,175,568)**	**(65,893)**	**(52,597)**	**(272,556)**	**(784,522)**
Derivative financial assets								
Derivatives	0.865%	2022	2,693	(1,497)	(460)	(409)	(628)	–
Total			**2,693**	**(1,497)**	**(460)**	**(409)**	**(628)**	**–**
As at 31 March 2017								
Non-derivative financial liabilities								
Trade payables	–	2017–2018	4,436	(4,436)	(4,436)	–	–	–
Bank loan	2.6%	2022	268,621	(305,598)	(36,175)	(34,376)	(235,047)	–
Amounts payable to related parties	8%	2045	153,813	(486,814)	(12,814)	(12,000)	(36,000)	(426,000)
Total			**426,870**	**(796,848)**	**(53,425)**	**(46,376)**	**(271,047)**	**(426,000)**
Derivative financial liabilities								
Derivatives	0.865%	2022	1,931	(9,088)	(2,300)	(2,096)	(4,692)	–
Total			**1,931**	**(9,088)**	**(2,300)**	**(2,096)**	**(4,692)**	**–**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2018

17. Financial instruments continued

(d) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments.

Market risk – interest rate risk

The Group adopts a policy of ensuring that it is not exposed to changes in interest rates on borrowings. The Group enters into and designates interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk.

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the year end would not affect the statement of comprehensive income.

18. Acquisition of subsidiaries

On 8 December 2016 3i Infrastructure plc (3iN) acquired the LFG business and its subsidiaries of the Infinis Energy Limited group of companies (the 'Infinis Group') for total cash consideration of £158.0 million, from Infinis Energy Holdings Limited. The acquisition perimeter that was acquired was Infinis plc (now Infinis Limited), Infinis Alternative Energies Limited, Infinis Energy Services Limited, Infinis China (Investments) Limited, Infinis Hydro Holdings Limited and Novera Acquisitions Limited together with all of their direct and indirect subsidiaries, together 'Infinis' (see note 24 for a full list of entities). The acquiring company was Infinis Energy Management Limited (then 3i LFG Limited), the sole subsidiary of the Company, and 100% of the share capital of the entities listed was acquired.

Although legal transfer of the Novera Acquisitions Limited sub-group of companies was delayed until 11 May 2017, pending Australian withholding tax clearance and final completion steps, the entities have been consolidated from the acquisition date of 8 December 2016 as management has determined that the Group controlled these entities from this point onwards.

The rationale for the acquisition by 3iN was that they acquired a mature business with strong cash flow generative capabilities and the acquisition was in line with 3iN's strategy to (1) invest in infrastructure and greenfield projects in developed economies, principally in Europe, and (2) invest in businesses and projects that generate long-term yield and capacity growth. 3iN also recognised that there may be opportunities to monetise spare engine and grid connection capacity in light of the decline in gas and electricity output from the current LFG portfolio. No quantifiable synergies were identified in the transaction.

If the acquisition had occurred on 17 October 2016 (date of incorporation) consolidated revenue would have been £71.9 million and consolidated profit before tax for the period would have been £4.8 million.

The Group incurred acquisition related costs of £4,954,000 on legal fees and due diligence costs. These costs have been included in operating exceptional items (see note 5b).

18. Acquisition of subsidiaries continued

The following table summarises the consideration paid for Infinis and the fair value of assets acquired and liabilities assumed at the acquisition date.

Recognised amounts of identifiable assets acquired and liabilities assumed	Pre-acquisition carrying amounts £'000	Fair value adjustments £'000	Recognised values on acquisition £'000
Property, plant and equipment	85,444	–	85,444
Intangible assets	279,280	83,962	363,242
Inventories	2,758	–	2,758
Trade and other receivables	39,576	–	39,576
Loans to related parties	20,330	–	20,330
Cash and cash equivalents	71,794	–	71,794
Loans and borrowings	(347,803)	(11,626)	(359,429)
Deferred tax liabilities	(25,542)	(25,656)	(51,198)
Provisions	(1,914)	–	(1,914)
Trade and other payables	(31,826)	(218)	(32,044)
Total identifiable net assets acquired	**92,097**	**46,462**	**138,559**
Consideration transferred			158,015
Goodwill			**19,456**

The goodwill of £19.5 million arising from the acquisition is attributable to the workforce and speculative opportunities such as the potential to extend the life of landfill sites, the potential existence of future Government schemes that will aid renewable energy producers, and spare engine and grid connection capacity. Identifiable intangible assets were recognised for landfill gas rights of £353.1 million, technology of £3.6 million and brand of £6.5 million. The landfill gas rights will be amortised in line with a profile that reflects the decline in available gas reserves. Intangibles relating to technology are assumed to have a five year life; the Infinis brand is assumed to have a ten year life.

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Property plant and equipment

Cost technique: The valuation model considers depreciated replacement cost and reflects adjustments for physical deterioration as well as functional and economic obsolescence.

Intangible assets

Multi-period excess earnings method (LFG rights); a blended approach comprising the relief-from-royalty and a discounted cost savings method (technology) and the relief-from-royalty method (brand). The multi-period excess earnings method considers the present value of net cash flows expected to be generated, excluding any cash flows relating to contributory assets. The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the intangible. The discounted cost savings method considers the cost savings achieved as a result of the intangible.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

THE YEAR ENDED 31 MARCH 2018

19. Operating leases and commitments

Operating leases

Non-cancellable operating lease rentals for the Group are payable as follows:

	2018 £'000	2017 £'000
Less than one year	1,258	1,267
Between one and five years	2,396	1,377
More than five years	725	190
	4,379	**2,834**

Capital commitments

During the year/period, the Group entered into various contracts relating to the purchase of capital equipment:

	2018 £'000	2017 £'000
Capital commitments contracted but not provided for	4,260	987
	4,260	**987**

20. Related parties

(a) Transactions with key management personnel

Key management personnel comprise the Directors of the Company and the Directors of the Governing Company.

Directors' shareholdings

None of the Directors had an interest in the shares of the Company.

Remuneration

The remuneration of key management personnel (including the Directors) was as follows:

	Year ended 31 March 2018 £'000	5 month and 14 day period ended 31 March 2017 £'000
Key management emoluments including social security costs	**1,472**	253
Post employment benefits	**42**	10
	1,514	**263**

The aggregate of emoluments and amounts receivable under long-term incentive schemes and post employment benefits of the highest paid Director of the Group were as follows:

	Year ended 31 March 2018 £'000	5 month and 14 day period ended 31 March 2017 £'000
Aggregate emoluments	**641**	108
Post employment benefits	**25**	6

20. Related parties continued

(b) Other related party transactions

3i Infrastructure plc (3iN), a company incorporated in the Channel Islands, is the Company's ultimate parent company. 3iN therefore has the ability to exercise a controlling influence through its shareholding in each of the wholly-owned subsidiaries (the '3i Holding Companies') through which it owns the entire issued share capital of the Company. The Directors therefore consider 3iN and each of the 3i Holding Companies to be related parties.

Related party transactions occurring during the year/period and balances outstanding at the year/period end are as follows:

	Value of transactions 2018 £'000	Value of transactions 2017 £'000	Outstanding (payable)/ receivable 2018 £'000	Outstanding (payable)/ receivable 2017 £'000
3i LFG Holdings Limited	(148,430)	(153,798)	(276,240)	(153,798)
3i LFG Topco Limited	(6)	6	–	6
	(148,436)	**(153,792)**	**(276,240)**	**(153,792)**

On 6 December 2016 the Company issued £150.0 million interest-bearing subordinated unsecured loan notes to 3i LFG Holdings Limited, the parent company of its immediate parent company, 3i LFG Topco Limited. Further loan notes were issued during the current year, £11.7 million on 28 November 2017 and £124.7 million on 28 March 2018. The loan notes are due for repayment in 2045 and attract interest of 8%, payable at half yearly intervals. Transactions for the year comprise the issued loan notes and associated interest. Transactions in 2017 also include professional fees incurred which were later settled by the Company. There were no other transactions between the Company and either 3iN or any of the 3i Holding Companies during the year/period, there were no other balances outstanding between the Company and either 3iN or any of the 3i Holding Companies at the year/period end.

21. Ultimate parent company and parent company of larger Group

3i LFG Topco Limited, a company registered in the Channel Islands, is the Company's immediate parent and sole shareholder. The ultimate parent and controlling entity is 3i Infrastructure plc, a company registered in the Channel Islands.

22. Subsequent events

On 11 April 2018, the Group acquired 100% of Alkane Energy, the largest power generator from coal mine methane ("CMM") in the UK. In addition to CMM, Alkane has a significant number of operational peaking generators contributing to a total installed capacity of c. 160MW operating across 32 UK sites, predominantly in Nottinghamshire, Derbyshire and Yorkshire. The purchase was financed by way of shareholder loan, of £124.7 million, issued by the Company to Infinis Energy Management Limited on 10 April 2018 and used to finance the purchase and pay down bank loans in the acquired business.

The Group is currently undertaking an exercise to determine the fair values of the assets and liabilities acquired.

COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2018

	Note	31 March 2018 £'000	31 March 2017 £'000
Non-current assets			
Investments	24	186,230	185,000
		186,230	**185,000**
Current assets			
Cash and cash equivalents		124,724	–
Trade and other receivables	25	228	3,834
		124,952	**3,834**
Total assets		**311,182**	**188,834**
Non-current liabilities			
Trade and other payables	26	275,930	150,000
		275,930	**150,000**
Current liabilities			
Trade and other payables	26	310	3,834
		310	**3,834**
Total liabilities		**276,240**	**153,834**
Net assets		**34,942**	**35,000**
Equity			
Called up share capital	27	35,000	35,000
Retained earnings		(58)	–
Total equity		**34,942**	**35,000**

The Company reported a loss of £58,000 for the year ended 31 March 2018 (£nil for the period ended 31 March 2017).

The financial statements were approved by the Board of Directors on 26 July 2018 and were signed on its behalf by:

M D Holton
Director

S S Pickering
Director

Company number: 10432005

The notes on pages 76 to 79 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Share capital £'000	Retained earnings £'000	Total equity £'000
Total comprehensive income			
At date of incorporation (17 October 2016)	**–**	**–**	**–**
Profit for the period	–	–	–
Total comprehensive income	**–**	**–**	**–**
Transactions with owners, recorded directly in equity			
Issue of ordinary shares	35,000	–	35,000
Total transactions with owners, recorded directly in equity	**35,000**	**–**	**35,000**
At 31 March 2017	**35,000**	**–**	**35,000**
Balance at 1 April 2017	35,000	–	35,000
Loss for the year	–	(58)	(58)
Total comprehensive expense	**–**	**(58)**	**(58)**
Transactions with owners, recorded directly in equity			
Total transactions with owners, recorded directly in equity	**–**	**–**	
At 31 March 2018	**35,000**	**(58)**	**34,942**

The notes on pages 76 to 79 form part of these financial statements.

NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Accounting policies

Basis of preparation

Infinis Energy Group Holdings Limited (the 'Company') is a private company incorporated and domiciled in the UK. The Company was incorporated on 17 October 2016 as 3i LFG Midco Limited and subsequently changed its name on 28 February 2017. The Company's registered office is First Floor, 500 Pavilion Drive, Northampton Business Park, Northampton, NN4 7YJ.

The Company has adopted Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') in these financial statements.

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

The Company is included in the consolidated financial statements of Infinis Energy Group Holdings Limited. The consolidated financial statements of Infinis Energy Group Holdings Limited are prepared in accordance with IFRSs and are available to the public and may be obtained from the Company Secretary, First Floor, 500 Pavilion Drive, Northampton Business Park, Northampton, NN4 7YJ.

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

- A Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Infinis Energy Group Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

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

The accounting policies set out below have, unless otherwise stated, been applied consistently for the year ended 31 March 2018.

Measurement convention

The financial statements have been prepared under the historic cost basis.

Going concern

The financial statements have been prepared on the going concern basis.

Profit and loss account

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year ended 31 March 2018 (comparative period 5 month and 14 day period ended 31 March 2017).

Tax

Current tax is provided at amounts expected to be paid (or recovered) using tax rates that have been enacted or substantively enacted by the year/period end. Taxable profit differs from net profit in the profit and loss account because it excludes items of income or expenditure that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Impairment

Financial assets (including trade and other receivables)

A financial asset not carried at fair value through profit or loss is assessed at each year end to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the year end. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Accounting policies continued

Investments

Fixed asset investments reflect investments in subsidiaries and are shown at cost less any provision for impairment.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments, trade and other debtors, cash and cash equivalents and trade and other creditors. Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition they are measured as described below:

Trade and other debtors

Trade and other debtors are carried at original invoice amount less any allowance for uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off in the income statement when identified.

Trade and other creditors

Trade and other creditors are carried at cost.

Key judgments and sources of estimation uncertainty

In the process of applying the Company's accounting policies, management necessarily makes judgments and estimates that have a significant impact on the values recognised in the financial statements. Changes in the assumptions underlying these judgments and estimates could result in a significant impact to the financial statements. The most critical of these accounting judgments and estimates are explained below.

Impairment of investments

In assessing impairment, judgment is required to establish whether there has been any indicators of impairment, either internal or external. Where there is a need to determine the recoverable value of an investment this requires judgments and assumptions related to the expected future cash flows to be derived from the investment.

23. Directors and employees

None of the Directors received any remuneration or benefits from the Company during the current year or prior period. The Company had no employees during the year or prior period.

24. Investments

	Shares in group undertakings £'000	Amounts owed by group undertakings £'000	Total £'000
Cost			
At date of incorporation	–	–	–
Acquisitions	35,000	150,000	185,000
At 31 March 2017	**35,000**	**150,000**	**185,000**
Additions	**–**	**1,230**	**1,230**
At 31 March 2018	**35,000**	**151,230**	**186,230**
Provisions			
At 31 March 2017	–	–	–
At 31 March 2018	**–**	**–**	**–**
Net book value			
At 31 March 2018	**35,000**	**151.230**	**186,230**
At 31 March 2017	**35,000**	**150,000**	**185,000**

The Company's sole subsidiary, Infinis Energy Management Limited was incorporated on 18 October 2016. On 8 December 2016 Infinis Energy Management Limited acquired the subsidiaries listed in the table overleaf, from Infinis Energy Holdings Limited.

On 6 December 2016 Infinis Energy Management Limited issued £150.0 million interest bearing subordinated unsecured loan notes to the Company. During the year Infinis Energy Management Limited repaid £10.5 million of these loan notes.

On 28 November 2017 Infinis Energy Management Limited issued a further £11.7 million interest bearing subordinated unsecured loan notes to the Company.

All the loan notes are due for repayment in 2045 and attract interest at a rate of 8%, payable at half yearly intervals.

NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2018

24. Investments continued

At 31 March 2018 the Company had the following investments in subsidiaries, associates and jointly controlled entities:

Directly held by the Company:	
Infinis Energy Management Limited	Incorporated on 18 October 2016
Indirectly held by the Company:	
Aveley Methane Limited	Acquired 8 December 2016, 100% owned from 4 January 2018, 50% owned previously
Bidston Methane Limited	Acquired 8 December 2016, 50% owned
Blackborough End Energy Limited	Acquired 8 December 2016
Costessey Energy Limited	Acquired 8 December 2016
CPL Polska Sp. z o.o	Acquired 8 December 2016, incorporated in Poland, 80% owned
Gengas Limited	Acquired 8 December 2016
Infinis (Re-Gen) Limited	Acquired 8 December 2016
Infinis Alternative Energies Limited	Acquired 8 December 2016
Infinis China (Investments) Limited	Acquired 8 December 2016
Infinis Energy Hong Kong Limited	Acquired 8 December 2016, incorporated in Hong Kong
Infinis Energy Services Limited	Acquired 8 December 2016
Infinis Hydro Holdings Limited	Acquired 8 December 2016
Infinis (COE) Limited (previously Infinis Hydro Limited)	Acquired 8 December 2016
Infinis Limited (previously 'Infinis plc')	Acquired 8 December 2016
Mayton Wood Energy Limited	Acquired 8 December 2016
Novera Acquisitions Limited	Acquired on 11 May 2017
Novera Energy Limited	Acquired on 11 May 2017
Novera Energy Generation No. 1 Limited	Acquired 8 December 2016
Novera Energy Generation No. 2 Limited	Acquired 8 December 2016
Novera Energy Generation No. 3 Limited	Acquired 8 December 2016
Novera Energy (Holdings 1) Limited	Acquired on 11 May 2017
Novera Energy (Holdings 2) Limited	Acquired 8 December 2016
Novera Energy Operating Services Limited	Acquired 8 December 2016
Novera Energy Pty Limited	Acquired on 11 May 2017, incorporated in Australia
Novera Energy Services UK Limited	Acquired 8 December 2016
Novera Ventures Limited	Acquired on 11 May 2017
Renewable Power Generation Limited	Acquired 8 December 2016
Scottish BioFuel Limited	Acquired 8 December 2016, incorporated in Scotland
Scottish BioPower Limited	Acquired 8 December 2016, incorporated in Scotland

The subsidiary undertakings operate and were incorporated in England and Wales, and were 100% owned, unless otherwise stated, as at 31 March 2018. The voting rights are the same as the percentage holding. The registered office addresses of the subsidiaries are as follows:

England and Wales:
First Floor
500 Pavilion Drive
Northampton Business Park
Northampton
NN4 7YJ

Scotland:
c/o Brodies LLP
15 Atholl Crescent
Edinburgh
EH3 8HA

Hong Kong:
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

Australia:
17 Carter Street
Cammeray NSW
2062 Australia

Poland:
Ul. Lwowska 10/21
00-107 Warszawa
Poland

25. Trade and other receivables

	2018 £'000	2017 £'000
Amounts owed by Group companies	214	3,813
Amounts owed by related parties	–	21
Corporation tax recoverable	14	–
	228	**3,834**
Current	**228**	3,834

26. Trade and other payables

	2018 £'000	2017 £'000
Amounts owed to Group companies	–	21
Amounts owed to related parties	276,240	153,813
	276,240	**153,834**
Non-current	275,930	150,000
Current	310	3,834

During the year the Company issued interest-bearing subordinated unsecured loan notes to 3i LFG Holdings Limited, the parent company of its immediate parent company, 3i LFG Topco Limited as follows: £11.7 million on 28 November 2017, to be used by the Group for capital expenditure on development projects; £124.7 million on 28 March 2018, to be used by the Group to fund the purchase of the Alkane Group (see note 22). The new loan notes were issued under the same terms as the £150.0 million loan notes issued on 6 December 2016, they are due for repayment in 2045 and attract interest at a rate of 8%, payable at half yearly intervals. During the year the company repaid loan notes of £10.5 million.

On 9 June 2017 the initial issue of £150.0 million loan notes were listed on the Channel Islands stock exchange (TISE), the loan notes issued during the year were listed on the TISE on 11 June 2018.

27. Called up share capital

	Issued share capital 2018 Number	Issued share capital 2017 Number	Aggregate nominal value 2018 £'000	Aggregate nominal value 2017 £'000
Allotted, called up and fully paid				
At beginning of the year/date of incorporation – ordinary share of £1	35,000,001	1	35,000	–
Shares issued during the year/period for cash – ordinary shares of £1 each	–	35,000,000	–	35,000
At 31 March	**35,000,001**	**35,000,001**	**35,000**	**35,000**

On 2 December 2016 the Company issued 35,000,000 to the sole shareholder 3i LFG Topco Limited for £35,000,000. The holder of the ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company.

28. Related party disclosures

3i LFG Topco Limited, a company registered in the Channel Islands, is the Company's immediate parent and sole shareholder. The ultimate controlling entity is 3i Infrastructure plc, a company registered in the Channel Islands. Refer to note 20 for further details in relation to related parties.

GLOSSARY/DEFINITIONS

The following definitions apply throughout the annual report and accounts unless the context requires otherwise:

3iN	3i Infrastructure plc, the Company's ultimate shareholder
3i/3i Group	3i plc and the group of companies of which 3i Group plc is the parent or for which any such company is investment adviser
AFR	accident frequency rate
ASP	average selling price defined as RO and NFFO revenue recognised in the period divided by exported power. It includes an element of ROC revenue, known as the recycled element, which is received following the publication of the recycle price by Ofgem
Audit Committee	the audit committee of the Board
Bank facility	bank facility of £276,700,000 provided by a number financial institutions to the Governing Company
BEIS	Department for Business, Energy and Industrial Strategy
Board	the Board of Directors of the Company
CFO	Chief Financial Officer
CGU	cash generating unit
CMM	Coal Mine Methane
Act	the UK Companies Act 2006
CMM	Coal mine methane
Company or Infinis	Infinis Energy Group Holdings Limited, a Company incorporated in England and Wales with registered number 10432005 whose registered office is First Floor, 500 Pavilion Drive, Northampton Business Park, Northampton, NN4 7YJ
Corporate Governance Policy	formal policy of the governance arrangements of the Infinis Group approved by the Board and 3iN
CSR	corporate and social responsibility
Directors	the Executive and Non-executive Directors of the Company
EBITDA	earnings before interest, tax, depreciation, amortisation and impairment
EBITDA before operating exceptional items	earnings before interest, tax, depreciation, amortisation, impairment, and before operating exceptional items
European Union or EU	an economic and political union of 27 Member States which are located primarily in Europe
Executive Committee	the Executive Committee of the Board
FCA	the UK Financial Conduct Authority
FY17	the financial year ended 31 March 2017
FY18	the financial year ended 31 March 2018
FY19	the financial year ending 31 March 2019
GAAP	Generally Accepted Accounting Practice
Board	the Board of Directors of the Governing company
Governing Company	Infinis Energy Management Limited
Government	the government body of the UK
Group	the Company and its subsidiaries within the meaning of section 1162 of the Companies Act 2006
GWh	gigawatt hour
HS&E	health, safety and environmental
HSQ&EC	health, safety, quality and environmental compliance
IAS	International Accounting Standard
IFRSs	International Financial Reporting Standards as adopted by the European Commission for use in the European Union

Infinis Energy Group	the Infinis Energy Limited group of companies
Infinis Group	the Company and its subsidiaries
IT	information technology
kWh	kilowatt hour
LFG	Landfill gas
M&A	Mergers and acquisitions
MW and MWh	megawatt and megawatt hour
NFFO	Non-Fossil Fuel Obligation
Ofgem	Office of Gas and Electricity Markets
Ordinary shares	the ordinary shares with a nominal value of £1 each in the capital of the Company
PR	Power response
Relevant Interest	(i) 10% or more of the ordinary shares; (ii) 10% or more of the shares in any parent undertaking of the Company; or (iii) 10% or more of the voting power in the Company or any parent undertaking of the Company, and for the purposes of calculating a Relevant Interest, the holding of shares or voting power of a person includes any shares or voting power held by another person, if they are acting in concert
Remuneration Committee	the remuneration committee of the Board or a sub-committee of it
RIDDOR	the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013
RO	Renewables Obligation, the financial mechanism by which the Government incentivises the deployment of large-scale renewable electricity generation by placing a mandatory requirement on licensed UK electricity suppliers to source a specified and annually increasing proportion of electricity they supply to customers from eligible renewable sources or pay a penalty
ROC	Renewables Obligation Certificate
RoSPA	Royal Society for the Prevention of Accidents
Senior management	as defined in section 414(C) of the Companies Act 2006
Senior Management Team (SMT)	the team of individuals who have the day-to-day responsibilities of managing the Company
Shareholder	a holder of ordinary shares
Shareholder Directors	Tim Short, Daniel Schulenburg and Oscar Tylegard
TWh	terawatt hour
UK	the United Kingdom of Great Britain and Northern Ireland
VAT	value added tax
Walker Guidelines	The Walker Guidelines for Disclosure and Transparency in Private Equity published by the Private Equity Reporting Group
Website	www.infinis.com

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