Annual report and accounts **2019**

Generating a **Low Carbon** future

www.infinis.com

Infinis is the UK's leading generator of low carbon power from captured landfill and mineral methane.

We are proud to be one of the few UK companies with a net negative carbon emissions footprint, delivering a positive impact against climate change.

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

CONTENTS

HIGHLIGHTS

Revenue	EBITDA before operating exceptional items	Operating profit
£164.0m	£78.3m	£28.2m
(2018: £150.7m)	(2018: £79.1m)	(2018: £29.2m)

Exported power	Reliability [1]	Availability [1]
1,530GWh	95.5%	91.9%
(2018: 1,424GWh)	(2018: 96.9%)	(2018: 94.0%)

RIDDOR accident frequency rate	Net positive climate impact from activities[2]
Zero	10.1mTCO_2
(2018: 0.38)	(2018: 9.3mTCO_2)

[1] Reliability and availability include baseload (CLM & CMM) activity only. CMM is consolidated from 30 September 2018, when the data became available. On a like-for-like basis the FY19 reliability was 96.9% and availability was 93.1%
[2] Net positive impact after extraction of methane in tonnes of carbon dioxide (TCO_2) equivalent

CHAIRMAN'S STATEMENT

We continue to focus on delivering our strategy while being a positive contributor to reducing harmful emissions

Tony Cocker
Chairman

Twelve months on, I am pleased to report that Infinis has continued to make good progress against its strategy.

In April 2018 the Company made the complementary acquisition of Alkane Energy (Alkane), an electricity generator from Captured Mineral Methane (CMM) and Power Response (PR). During the year Alkane has been successfully consolidated onto the Infinis platform.

The acquisition delivered 43MW of baseload generation from CMM, over 100MW of operational PR, and a further 42MW of development pipeline.

During the year, Infinis also continued its organic development of PR sites, utilising spare grid connection capacity from the existing baseload CLM business.

The Infinis platform remains the foundation for optimising the performance of the Company. The in-house engineering expertise and 24/7 logistics centre enabled the smooth integration of the acquired sites as well as realising synergies resulting from these integration activities.

Market developments

In November 2018 the UK's Capacity Market was suspended following a ruling by the European General Court resulting in a loss of £0.6m income. The European Commission is appealing the ruling. In addition, OFGEM is consulting on, and making, a number of changes to embedded benefits and system charges. The Board continues to closely monitor developments in the market and the impact on Infinis' revenue generation and costs.

"The Board is committed to achieving and maintaining the highest standards of health, safety and environmental protection."

People and culture

Safety remains at the forefront of everything we do. The Board is committed to achieving and maintaining the highest standards of health, safety and environmental protection. This is demonstrated through being awarded the British Safety Council International Award for the tenth successive year, retaining the ROSPA presidents award, and achieving twelve months without a RIDDOR reportable accident or incident.

I would like to thank all of our employees for their continued hard work and commitment to delivering positive results and exceptional health and safety standards.

During the year the Board welcomed Keith Reid as Chief Financial Officer, to succeed Michael Holton. Keith brings a proven track record of delivering shareholder value in both national and international private equity backed companies. I would like to take this opportunity to thank Michael for the seven years of service he provided to the Company.

Outlook

The Company continues to be led by a strong senior management team (SMT) who are committed to delivering the strategy. With the continued demonstrable support of our shareholder, 3i Infrastructure plc (3iN), I am confident that the Infinis team will continue to deliver long-term value.

Tony Cocker
Chairman
Infinis Energy Management Limited

CHIEF EXECUTIVE OFFICER'S REVIEW

Infinis is now a leading diversified distributed power producer from methane rich gas with an operating platform spanning three business divisions

Shane Pickering
Chief Executive Officer

A year of transformation

In the past year we have continued to make excellent progress against our strategic plans and I am delighted to present my update to you.

We have successfully integrated the Alkane business, which was acquired in April 2018. The acquisition facilitated the transformation of the business into a leading diversified distributed power producer from methane rich gas with an operating platform spanning three business divisions – renewable baseload Captured Landfill Methane (CLM), baseload Captured Mineral Methane (CMM) and Power Response (PR).

We have continued to grow the PR division organically, adding 34MW of installed operational capacity with a further 14MW under construction.

Infinis now has a total installed capacity of 478MW and we are very proud to be one of the few companies in the UK with a net negative carbon emissions footprint, delivering a positive impact on climate change.

During the year we also successfully refinanced the business on attractive terms, providing flexibility for further growth.

We continue to work collaboratively and retain excellent relationships with our shareholder, 3iN, the Board of Directors and Senior Management Team (SMT) and there has been regular engagement throughout the year.

I was delighted to welcome Keith Reid as our new Chief Financial Officer in the year and I look forward to working with him to help Infinis continue to grow long-term value. I also acknowledge and thank Michael Holton for his support during the last few years and I wish him every success for the future.

Revenue and operating performance

During the year we exported 1,530GWh (FY18: 1,424GWh) of electricity and our Group revenue increased to £164.0m (FY18: £150.7m). This was driven by the acquisition of Alkane as well as a strong operating performance and positive contracted power prices by the baseload CLM business.

> **"We are very proud to be one of the few companies in the UK with a net negative carbon emissions footprint, delivering a positive impact on climate change."**

The reliability and availability of the core business engine fleet remained strong in the year. While availability dropped slightly to 91.9% (FY18: 94.0%) this was mainly due to some initial challenges in the availability of the Alkane sites. We addressed this by bringing forward planned maintenance capital expenditure to bring the acquired Alkane engine fleet up to the Infinis standards.

In our first year of operating the baseload CMM division, we delivered revenue of £10.4m.

The PR division delivered a revenue of £11.4m set against challenging industry-wide market conditions which saw lower peak power price volatility. This was due to extremely benign weather conditions with the hottest summer and winter on record leading to lower peak demand, combined with a robust and well-supplied power market.

Health and safety

The health and safety of our employees and all who may be affected by our activities remains central to all that we do. The Board and SMT are absolutely committed to ensuring that everyone who attends and works for Infinis returns home safely, so they can relish the precious time with their family and friends as well as enjoying their favourite activities and passions.

This year we delivered a tremendous health and safety performance, with a first for Infinis achieving over 1 million hours without incurring a RIDDOR reportable injury. We also retained the President's Award from ROSPA acknowledging eleven years of consecutive gold awards. These are tremendous achievements, and are only made possible with the collective professionalism, focus and diligence of the Infinis team, our contractors and wider stakeholders. I would like to thank our employees for their continued efforts in ensuring safety remains at the heart of everything we do and encourage the continued raising of Safety Observations as they are key to helping prevent significant incidents.

Strategic development

Our strategy to continue to grow and diversify in line with our core expertise has progressed very well, developing the business both organically through the PR division pipeline and through further M&A activity.

Power Response

During the year we continued to grow our organic PR pipeline and division, adding 34MW of installed operational capacity with a further 14MW in construction.

Growing the PR division will continue to be an area of focus as we utilise spare engines and grid connection capacity from our existing CLM and CMM sites to generate future cashflows. However, we move forward with "Cautious Optimism".

"Cautious" due to the on-going negative regulatory developments surrounding embedded benefits and the suspension of the Capacity Market payments, which impact project economics. "Optimism" in the sense that we still firmly believe in the long-term fundamentals of PR, i.e. the need for fast response back-up power to support and meet the needs of grid network system stability and security of supply which will be ever more dominated by intermittent renewables supply from solar and wind.

Acquisitions

Following the acquisition of Alkane in the early part of the year, we continued to evaluate opportunities to support the strategy.

In March 2019 we were delighted to acquire the trade and assets of an additional CLM site that will expand our CLM portfolio and provide further predictable cash flows for the business.

We will continue to review and progress acquisition opportunities where there is strategic alignment with our core expertise and platform.

Outlook

The key focus during the coming year will be consolidating and optimising the core business to enable the next phase of our exciting growth ambition.

As we look further ahead, our strategic direction remains unchanged. We will continue to deliver long-term value through strong, stable cashflows from our existing business while seeking opportunity to grow organically as well as through M&A activity.

People

Our people remain fundamental to the success of the business and our continued strong performance has been achieved by the sheer passion and engagement that we see every day across the business, with many individuals going 'above and beyond' their normal role to ensure that this is achieved.

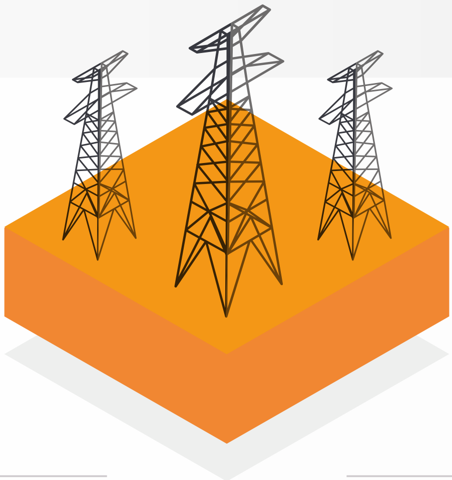
My thanks go out to the Infinis team, and to our shareholder for their continued excellent support and collaboration and to our wider stakeholders for their contribution to another positive year.

Shane Pickering
Chief Executive Officer
Infinis Energy Management Limited

MARKET REVIEW

The market trends that are shaping our future

MARKET DRIVERS



Demand

- Stable electricity consumption levels
- Electrification of heat and transport as drivers of future increased demand
- Smarter responsive demand

Regulatory

- Capacity Market suspension with judicial review and new State Aid clearance decisions pending
- Triad benefits being phased out and embedded benefits under review
- Network charging review ongoing
- Enhancement of locational benefits

Supply

- Thermal plant retirement
- Increasing intermittent renewables
- Tightening reserve margin

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
- Increasing interconnection with non-UK supply and demand
- Evolving markets for services to assist the growing challenge of balancing the system

The UK energy market remains in a period of significant change. During FY19 low carbon generation reached new highs whilst regulatory reviews and legal challenges have kept market mechanisms, benefits and charging structures in focus.

Whilst security of supply, de-carbonisation and power affordability remain key factors, falling technology costs are changing some of the dynamics and are expected to inform future energy policy on which a Government white paper is expected during FY20.

Demand

UK electricity consumption, which excludes the effects of losses and imports and exports of electricity, remained stable at 301TWh[1] between the calendar year 2017 and 2018. Future demand projections range widely, although a trajectory of rising demand in the longer-term is anticipated driven largely by electrification of transport and heat.

Supply[2]

As in 2017, low carbon generation (from nuclear and renewables) represented more than half of UK generation. The share of electricity generated by renewables was a record 33.3% in 2018, up from 29.3% in 2017 based on increasing capacity. Nuclear's share of electricity generation fell to its lowest level since 2014, accounting for 19.5% of generation in 2018, based on plant outages, down from 20.8% in 2017.

The share of electricity generated from fossil fuels has fallen steadily over the past four years, from 60.1% in 2014 to 44.9% in 2018. This has largely been driven by a significant reduction in coal generation, which has fallen from nearly a third of generation in 2014 to 5% in 2018.

The generation mix in 2018 was 5.0% from coal (-1.7pp), 39.4% gas (-1.0pp), 19.5% nuclear (-1.3pp), 33.3% renewables (+1.0pp) and 2.8% 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 CLM and CMM at prices that are pre-agreed ahead of delivery for the season, with small amounts of exposure to the day-ahead market. PR output is sold day-ahead or within-day to take advantage of short-term price signals reflective of supply issues or other market factors impacting pricing.

Power is sold under power purchase agreements with a range of major offtakers. The average selling price (ASP) for wholesale power achieved by Infinis during FY19 through forward contracting of its baseload CLM and CMM output was £47.95/MWh.

During FY19 wholesale power prices trended upwards with the day-ahead baseload price averaging £57.22/MWh (FY18: £46.49/MWh) supported by strong carbon and gas prices. High gas prices were, however, a key factor for PR activity, favouring relatively more efficient combined cycle gas turbines (CCGTs) over smaller engines and prolonging the operation of coal plant. These factors, together with an absence of major plant or system outages and mild weather, resulted in less volatile and lower peak power prices for power response assets.

Networks

Embedded generation and demand response continues to be an area of particular interest for the distribution network operators (DNO) as they seek to cope with an ever-changing network. During FY19, Infinis has been involved in a pilot scheme to provide additional generation for short periods to meet DNO network constraints and avoid costly network reinforcement. Further developments are anticipated in FY20 as DNOs take the first steps in a transition to system operators and the procurement of services from flexible generation and demand to support local networks.

Regulatory

The rapid change in the market has seen increasing political influence, leading Government to adapt or review regulation to ensure it keeps policy objectives balanced, with a particular focus on costs to the consumer.

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 for embedded generation. FY19 saw the first reduction in the embedded export tariffs and FY20 will see another step down before remaining residual values apply from FY21 onwards.

Zonal transmission losses

Zonal transmission losses were introduced in April 2018. This change sought to reduce the amount of electricity lost on the transmission network. As Infinis has a presence across the country, this led to a small enhancement to Infinis' embedded benefits.

Capacity Mechanism

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 (PR and CMM) in the Capacity Market and will seek to secure further contracts. As of November 2018, the UK's Capacity Market was suspended following a ruling by the European General Court (EGC), which annulled the State Aid approval for this mechanism on technical grounds relating to the process followed by the European Commission in giving such approval. The European Commission are appealing the ruling of the EGC and reviewing a new State Aid application. BEIS anticipate that the scheme will be reintroduced by October 2019 and back-payments made. BEIS intends to hold all delayed auctions during FY20 although this too is subject to a legal challenge. As a result of the suspension no Capacity Market revenue was recognised from October 2018.

Network charging

Ofgem continue to review network charges. The Targeted Charging Review, which has the objective of reforming aspects of the charging methodologies for the transmission and distribution networks and removing embedded benefits, is ongoing. A final decision is expected in FY20 and which, based on an interim position published in November 2018, may impact the benefits which are currently received by embedded generators such as Infinis in relation to costs of balancing the electricity network, with the likely earliest date for introduction of changes being April 2021.

Ofgem, through the Charging Futures Forum, are also due to publish initial position papers in relation to the Significant Code Review (SCR) covering Network Access and Forward-Looking Charges in summer 2019. Many aspects of network charging are within scope of the SCR, but of most importance to Infinis will be any that alter the GDUoS embedded benefit. The likely earliest date for introducing any SCR related changes is April 2023.

Other changes

Since the last White Paper in 2007, the UK energy market has changed fundamentally and hence the UK Government is set to publish a White Paper during FY20 to provide welcome clarity on future policy.

Ofgem is also due to report back before winter 2019 with an enduring solution (in light of cost burden) in relation to the Market Maker obligation, which was established via its Secure and Promote license condition in 2014 and from which Infinis benefits with fair and reliable access to wholesale prices to execute its trading strategy.

UK ELECTRICITY GENERATION (TWh)

Renewables	33.3%
Bioenergy contribution to renewables	10.7%
Natural gas	39.4%
Coal	5.0%
Nuclear	19.5%
Other	2.8%

Source: DECC Energy Trends Section 5.1 (for the year ended 31 December 2018, published 28 March 2019).

1 National Statistics Energy Trends: electricity. 2018 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

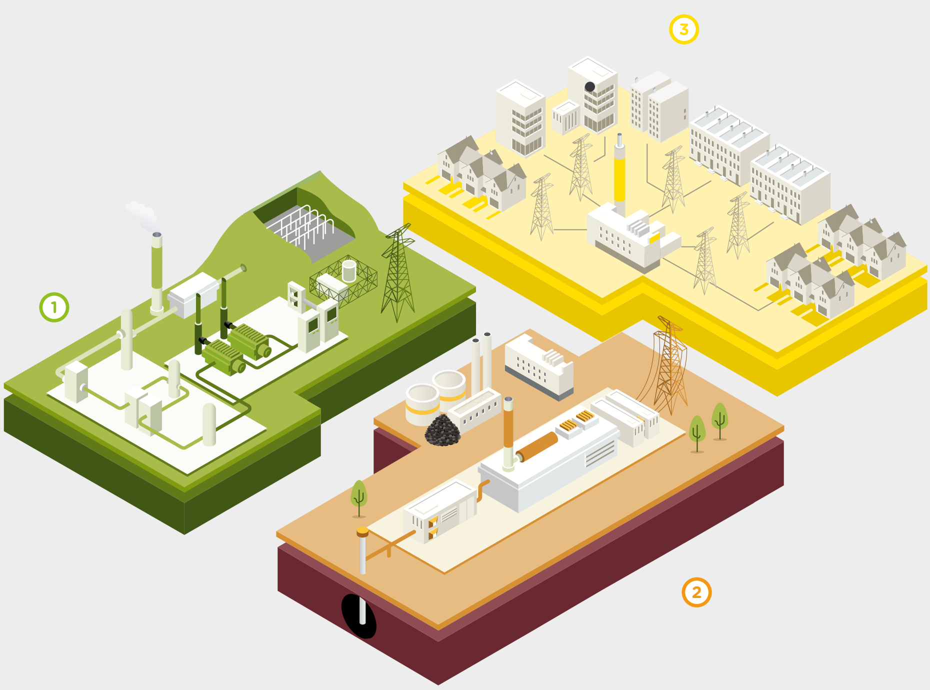
2 All data quoted according to calendar years. National Statistics Energy Trends: electricity. 2018 Final and provisional data tables – Table 5.1 Fuel used in electricity generation and electricity supplied.
Source: https://www.gov.uk/government/statistics/electricity-section-5-energy-trends

OUR BUSINESS MODEL

A utility-standard operating platform spanning three complementary divisions

What we do

Infinis operate three divisions, CLM, CMM and PR, which use reciprocating engines to generate electricity which we then sell to offtakers and export to the electricity markets.



1 CLM Division

Installed capacity
252MW

Exported power
1,298GWh

2 CMM Division

Installed capacity
44MW

Exported power
161GWh

3 PR Division

Installed capacity
182MW

Exported power
71GWh

Logistics Centre

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.

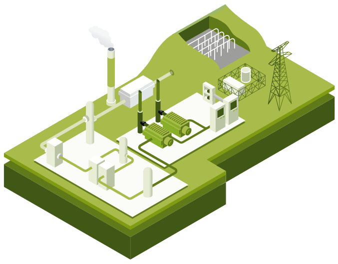
See page 13 for more details.

Centre of Excellence

Our Centre of Excellence in Lancaster houses a dedicated engineering team which ensures that our fleet of over 400 engines is maintained to the highest standards.

See page 12 for more details.

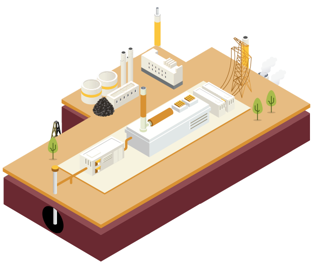
OUR DIVISIONS



CLM
Baseload generation from Captured Landfill Methane

Our CLM Division generates baseload renewable power from across 122 sites through the extraction and combustion of CLM, a naturally occurring gas from the decomposition of organic matter contained in the waste of landfill sites. The generation of power from landfill gas abates the impact of methane emissions on climate change as well as providing an efficient and secure source of local power generation.

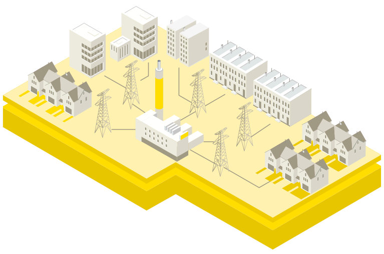
A network of pipelines and gas wells are installed on the landfill site allowing the management and collection of the gas. The gas is delivered into the gas utilisation compound where reciprocating engines use the extracted gas as a fuel source converting thermal energy into mechanical power and electricity. These engines are reliable and well suited for CLM 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.



CMM
Baseload generation from Captured Mineral Methane

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 mines. 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 CLM.

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.



PR
Supporting our growth ambition with Power Response

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 CLM 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, and short-term operating reserve (STOR) contracts with National Grid.

OUR DIVISIONS CONTINUED

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 over 400 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 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).

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

Methane is one of the naturally occurring products of decomposing organic matter in landfill sites and is the gas released from formerly worked mines. By utilising methane to generate electricity we avoid the annual release of circa 0.4 million tonnes into the atmosphere, which in terms of global warming potential is equivalent to 10.1 million tonnes of CO2.

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 CLM, the additional benefits of 'renewable' power (renewable obligation certificates (ROCs)) to the market.

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.

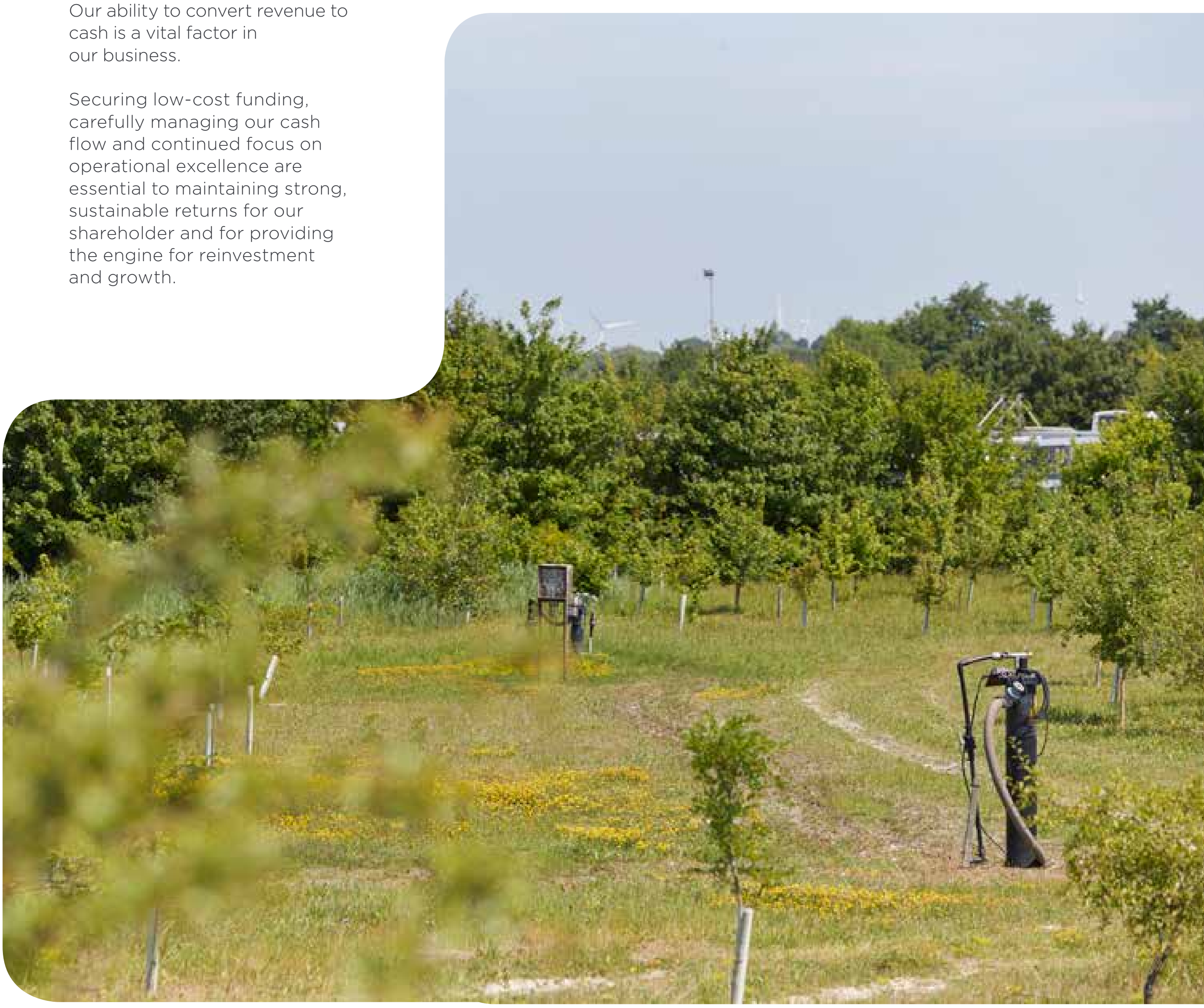
SOCIETY

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 disused mines, we 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.

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.



OUR KEY DIFFERENTIATORS

Lancaster Centre of Excellence
Expanding rebuild capability

The acquisition of the Alkane business in the year added 92 engines to Infinis' fleet. The acquired engines were fuelled by CMM and natural gas and the team has further enhanced its knowledge base during the year through bringing these engines up to Infinis standards.

Expanding capability
Within the acquired Alkane fleet there are 30 MWM engines. Whilst this engine type is new for Infinis there are similarities with the existing Infinis fleet. There is also an additional number of Jenbacher and Caterpillar engines both of which already exist within the Infinis CLM fleet in limited numbers.

Right-sizing
The right-sizing initiative optimises engine size to gas availability. The Lancaster Centre of Excellence (CoE) is well suited to support this by re-deploying smaller generating sets to sites, replacing larger capacity units. This enables the engines to operate higher up their efficiency curve and produce more MWh for the same volume of gas.

Growth preparation
The release of larger capacity engines also provides suitably sized generating sets for re-deployment into the Infinis Power Response portfolio. This requires the Lancaster team to convert engines which were previously running on CLM or CMM to operate on natural gas.

The power response market places increased demands on the reliability of generating sets during startup, synchronisation, full load operation and shutdown. To ensure they are capable of repeatedly fulfilling this duty cycle, an assessment of the generating set condition is undertaken, with overhauls or improvement works completed as required.

Overhauls
The Lancaster CoE continues to be at the forefront of Infinis' operational excellence. 15% of the engine fleet were subject to major overhauls at the Lancaster CoE in the year. Overhauls were carried out in the field for a further one third of the fleet covering both routine and corrective requirements. Field de-cokes were completed on over half of Infinis' engines whereby all cylinder heads were removed and the combustion chambers were cleaned.

Training
Training continues to be a pivotal area for the Lancaster team's future development.

A mothballed engine was removed from Brogborough and is now used for initial learning and training, leading to the development of procedures and establishing the necessary specialist tooling.

This training is an important investment for the future, increasing knowledge and capability.

A strategic asset
The Lancaster CoE is one of Infinis' strategic assets and will remain a key part of our future by continuing the overhauls of our operational generating sets, preparing new units for growth as well as providing engineering support and training.

Third party overhauls
During the year the business continued to expand its capability for overhauling engines outside of the Infinis fleet. The business is working with a number of interested third parties in this area.

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

24/7 Logistics Centre
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 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 manage day-to-day on-site tasks, supported by specialist 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 ability to control assets remotely underpins the PR growth division which requires the business to respond quickly to grid demand. 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.

Our operating performance and profitability has its foundations on our operational excellence. By focussing on continual innovation we are able to optimise performance and maximise 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.

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
High performance safety culture	— Maintain high standards for health and safety compliance and achieve zero RIDDOR incidents	5
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
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
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
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

Principal risk key:

1. Mergers and acquisitions increase risk in the short-term
2. Without diversification the natural decline in CLM 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 17 to 19.

1 Includes Baseload (CLM & CMM) activity only. CMM is consolidated from 30 September 2018, when the data became available.

KPIs	KPI DEFINITION	KPI MEASUREMENTS	2019	2018
RIDDOR accident frequency rate	Reported as the number of instances for every 100,000 hours worked	0.00 (2018: 0.38)	0.00	0.38
Total recordable injury rate	Total reportable lost time and medical treatment injuries for employees	0.11 (2018: 0.64)	0.11	0.64
Installed capacity (MW)	Total power production capacity	478 (2018: 279)	478	279
Exported power (GWh)	Total power sold	1,530 (2018: 1,424)	1,530	1,424
Reliability (%) [1]	Run hours/adjusted dispatched hours	95.5 (2018: 96.9)	95.5	96.9
Availability (%) [1]	The amount of time our sites are available to generate	91.9 (2018: 94.0)	91.9	94.0
Maintenance capital expenditure (£m)	Capital expenditure on maintenance activity in the year	17.6 (2018: 17.1)	17.6	17.1
Average selling price (ASP) [1]	Revenue recognised in the year divided by exported power	98.07 (2018: 97.42)	98.07	97.42
Revenue (£m)	Income from export of electricity and associated benefits	164.0 (2018: 150.7)	164.0	150.7
EBITDA before operating exceptional items (£m)	Earnings before interest, tax, depreciation, amortisation and operating exceptional items	78.3 (2018: 79.1)	78.3	79.1
Operating cashflow (£m)	Operating cashflow generated from operating activities	48.8 (2018: 46.6)	48.8	46.6
Net debt (£m)	External borrowings under the Senior Facilities Agreement net of cash and cash equivalents	232.4 (2018: 207.2)	232.4	207.2
Development capital expenditure (£m)	Capital expenditure on development activity in the year	12.4 (2018: KPI not measured)		
Acquisitions	Acquisition activity in the year	Alkane energy acquisition completed on 11 April 2018 CLM site trade and asset deal completed on 31 March 2019		

A disciplined approach to risk management

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.

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 page 34. 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 inherent risk, mitigating controls and residual risk after taking account of those 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. 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 2019.

The following table summarises the known principal risks and uncertainties facing the Group. 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 2018:

- 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 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 have been subject to the same scrutiny and rigour, pre-acquisition. HSQE – different operations may result in new health and safety risks and current procedures of the acquired business 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. Post acquisition functional review.	Stayed the same
2 Without diversification the natural decline in CLM and CMM will lead to a shrinking business over time		
Organic growth through investment in development activities 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.	Stayed the same

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

The following key applies, with measurement against the assessment made at March 2018:

- 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		
Captured Landfill and Mineral Methane gas availability across our portfolio may decline faster than anticipated due to inaccurate estimates, changes in waste volumes, waste mix, mine flooding and early site closure, resulting in lower revenues and impairment of the carrying value of assets. Weather may impact landfill methane gas production and/or extraction.	We have developed an in-depth understanding of the composition of Captured Landfill Methane 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. A contingency is applied to our calculated estimates. 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 across the Captured Landfill Methane portfolio has varied between plus and minus 2% compared with budget. Infinis is the largest Captured Landfill Methane 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 Captured Landfill Methane. Captured Mineral Methane gas forecasting of output is data driven and our understanding is based on input from 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. The average remaining lease duration on site leases is 15 years.	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, 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 macro-economic 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 ROC regime, for a significant proportion of our revenues. Changes in this support could have a material impact on our revenues. The ROC regime is set to run until 2027 at which point Infinis' revenues will be adversely impacted. 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 financing 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. 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. During the Brexit process we will remain vigilant of both the opportunities and risks. In March 2019 the business purchased an additional £2m inventory to mitigate potential supply chain delays post Brexit. A majority of Infinis' supply chain is UK based. We have a documented hedging policy for interest rates and our borrowings are currently 75% 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 over 150 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. Periodic third party Cyber audits are completed with improvements identified and implemented.	>
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.	>

OPERATIONAL AND FINANCIAL PERFORMANCE

Infinis delivered a strong financial performance in the year ended 31 March 2019

Revenue

£164.0m

(FY18: £150.7m)

EBTIDA before operating exceptional items

£78.3m

(FY18: £79.1m)

Operating profit

£28.2m

(FY18: £29.2m)

Cash and cash equivalents

£45.6m

(FY18: £164.0m)

Operating cashflow

£48.8m

(FY18: £46.6m)

Maintenance capital expenditure

£17.6m

(FY18: £17.1m)

Development capital expenditure

£12.4m

Payments to shareholders

£60.9m

(FY18: £26.0m)

Trading performance

The acquisition of Alkane in April 2018 diversified the Group's electricity generating capabilities. The Group now operates three reporting segments, renewable baseload Captured Landfill Methane (CLM), baseload Captured Mineral Methane (CMM) and Power Response (PR). Segmental information is included in this report for the first time on page 57.

Exported power and revenue

In FY19 total exported power was 1,530GWh (FY18: 1,424GWh). Like-for-like output was 8.8% below prior year primarily due to the natural decline in CLM on the sites upon which we operate, which are now closed landfills.

The acquired CMM division and PR divisions exported 161GWh and 71GWh of electricity in the year, respectively.

Revenue for the year was £164.0m, an increase of £13.3m on the prior year. CLM revenue decreased by £8.5m in the year to £142.2m. Revenue for the CMM and PR divisions in the year was £10.4m and £11.4m, respectively.

CLM

CLM revenue decreased by 5.6% to £142.2m (FY18: £150.7m). Revenue from traded power in the year was £60.9m (FY18: £63.1m), the 3.5% decrease reflects the volume decrease of 8.8%, offset by improved pricing in the year.

ROC income was £69.6m in the year (FY18: £71.5m). Recycled ROC[1] income, which is a component of ROC income and is estimated during the year of generation but the final value not known until the following year, was £11.5m in the year (FY18: £10.5m).

Recycled ROC income included £3.0m that was recognised in the year relating to the prior year following the announcement by Ofgem of the final associated price for the regulated year to March 2018 (FY18: £5.2m recognised relating to the prior year).

Other revenue of £11.7m (FY18: £16.2m), which includes Triad income, was £4.5m below prior year. 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 £4.9m to other revenue (FY18: £8.2m). The reduction was largely due to the phasing out of the Triad scheme (see Market Review).

CLM EBITDA in the year was £71.3m (FY18: £79.1m) as a result of the reduction in revenue being partially offset by a reduction in the direct cost base. While the cost base is largely variable with revenue, due to a number of strategic and operational initiatives that commenced in the year, an element of additional operational cost was retained.

CMM

Baseload CMM revenue was £10.4m in the year. CMM does not attract ROC income.

ASP received from the sale of electricity in the CMM division was £59.60/MWh. CMM EBITDA for the year was £5.2m.

PR

PR revenue was £11.4m in the year. Revenue from traded power was £6.9m and other revenue was £4.5m.

Other revenue includes Triad income of £3.4m. PR segmental EBITDA was £1.7m.

The PR division makes use of natural gas and other liquefied fuel sources to power its engines. Included within operating expenses was £5.6m of variable fuel costs. The PR business model only operates when the short run marginal contribution of each site is positive. Our operating model differs to that of other competitors by focusing on sites in regions of the UK which are demand dominated and attract GDUoS revenue. While we have experienced benign market conditions in the last year, the GDUoS benefit ensures that our engines can operate profitably, for longer, in a low power price market.

EBITDA

Infinis delivered a strong financial performance with EBITDA before operating exceptional items of £78.3m (FY18: £79.1m), a decrease of £0.8m on the prior year.

Gross profit (excluding depreciation) in the year increased by £2.0m with a decline of £6.9m in CLM being offset by incremental margin from the acquisition of CMM £6.7m and the PR business £2.2m.

Administrative expenses increased by £4.0m in the year to £40.0m. Excluding depreciation and amortisation administrative expenses increased by £2.8m to £13.1m reflecting both the investment in the development team to drive future organic growth, alongside certain incremental cost base increases following the acquisition of Alkane.

The EBITDA margin[2] was 47.7%, 4.7pp lower than the prior year of 52.4%. The dilution on margin is largely due to the acquisition of lower margin divisions (CMM and PR) which do not attract ROC income.

> "Our continued focus on converting profit into cash will enable us to increase our investment in the business while supporting our strategic objectives."
>
> **Keith Reid**
> **Chief Financial Officer**

1 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

2 EBITDA before operating exceptional items expressed as a percentage of revenue

OPERATIONAL AND FINANCIAL PERFORMANCE
CONTINUED

Operating exceptional items

Operating exceptional items were £3.9m (FY18: £1.7m). In FY19 the Group incurred costs of £3.3m relating to the Alkane integration activities.

£0.7m of cost was incurred in M&A activity comprising £0.1m relating to the acquisition of an additional CLM site in March 2019 and a further £0.6m on other strategic activity (FY18: £1.7m comprising Alkane professional services and other fees associated with the acquisition).

Depreciation and amortisation

The depreciation and amortisation charge of £49.1m was £1.0m higher than the prior year charge of £48.1m due to the additional charges arising from the acquired Alkane business.

Operating profit

Operating profit decreased by £1.0m to £28.2m in the year. While the acquisition of Alkane contributed positively to the operating performance of the business the reduction in CLM volumes and increased exceptional costs in the year caused a decline in overall performance for the year.

Net finance costs

Net finance costs increased by £11.1m to £34.0m (FY18: £22.9m).

Exceptional net finance costs of £3.3m were incurred (FY18: nil). In FY19 unamortised loan arrangement fees of £4.9m were written off and income of £1.6m recognised relating to the early settlement of the Group's SWAP arrangements in relation to the refinancing of the banking facility.

Interest on shareholder loans increased by £7.5m to £19.5m in the year as a consequence of the additional £124.7m of shareholder borrowing to fund the Alkane acquisition.

After net finance costs the Group recognised a loss before tax of £5.8m (2018: profit before tax of £6.3m).

Tax

The Group's tax charge of £0.9m (FY18: £0.3m credit) comprised a current tax charge of £3.0m (FY18: £4.6m), offset by a deferred tax credit of £2.1m (FY18: £4.9m).

A £0.6m current tax credit in respect of prior year adjustments was recognised (FY18: £3.0m).

The tax charge of £0.9m (FY18: £0.3m credit) differs from the expected tax credit of £1.1m (FY18: £1.2m charge), using the standard UK rate of Corporation Tax of 19% (FY18: 19%), as not all of the Group's income and expenditure qualifies for tax relief namely an element of the exceptional costs and restriction on shareholder interest expense following the introduction of the new HMRC restrictions on corporation tax relief on interest.

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.

Cashflows

Cashflow from operations was £76.3m (FY18: £80.4m). This includes an inflow of net working capital of £1.9m (FY18: inflow of £3.1m).

Gross capital expenditure in the year was £29.7m (FY18: £17.1m).

Proceeds of £5.1m were received in the year relating to the sale of shares in Egdon Resources plc.

Capital resources

On 15 August 2018 the outstanding banking facility of £246.5m was repaid and was replaced by a new banking facility of £318.0m, consisting of a £278.0m term loan and £40.0m revolving credit facility. The new finance facility matures on 15 August 2023. £208.5m of the term loan value attracts interest at a fixed rate of 3.61% using interest rate swaps. £69.5m of the loan value is at a variable rate of LIBOR +2.35%.

At 31 March 2019 the Group also had £230.3m of interest-bearing subordinated unsecured loan notes in issue to 3i LFG Holdings Limited, the parent company of its immediate parent company. During the year the Group repaid loan notes of £45.7m (FY18: £10.5m).

Shareholder payments of £60.9m (FY18: £26.0m) were made in the year, consisting of £15.3m (FY18: £15.5m) interest payments and £45.7m (FY18: £10.5m) shareholder loan repayments.

Acquisition

On 11 April 2018 the Group acquired 100% of Alkane Energy. The purchase was financed by way of shareholder loan, of £124.7m, issued by the Company to Infinis Energy Management Limited on 10 April 2018 and used to finance the purchase and refinance of the business. Debt acquired of £21.2m was repaid shortly following completion of the acquisition.

Also in the year the Group acquired the trade and assets of an additional CLM site for consideration of £1.5m.

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 31 was approved by the Board of Directors on 25 July 2019 and signed on its behalf by:

Keith Reid
Chief Financial Officer

CORPORATE 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 Social Responsibility (CSR) 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 health, safety, quality and environmental (HSQE) management review undertaken quarterly. The Head of Health, Safety, Quality and Environmental Compliance has responsibility for driving forward our sustainability performance, and reports, through the Chief Executive Officer (CEO), to the Board.

We believe that CSR achieves its maximum potential when it is fully embedded within day-to-day business. HSQE issues are top of every meeting agenda and we work with all our teams across the business, continually encouraging contributions from employees to improve the responsible performance of the Company. Employees are incentivised to focus on HSQE matters.

To further embed our HSQE commitments, we created an Employee HSQE Committee to promote effective communication and provide opportunity for consultation on important HSQE related matters.

The majority of Infinis 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 and maintain a strong compliance track record.

HEALTH AND SAFETY

Health, safety and environmental regulation and enforcement

Following Infinis' acquisition of Alkane Energy in April 2018, its operations and activities were promptly embedded into the business and aligned to Infinis' high standards. Consequently, there has been no adverse impact to Infinis' health and safety performance and its excellent record in this priority area has been maintained.

Over the last three years, Infinis has received no health and safety enforcement notices and has not been subject to any regulatory or enforcement action from the Environment Agency (EA), Natural Resources Wales (NRW) or the Scottish Environment Protection Agency (SEPA).

Performance summary

Period	Number of health, safety and environmental Civil Sanctions[1]
FY19[2]	0
FY18	0
FY17	0

Period	Number of health, safety and environmental Warning Letters and Notices
FY19[2]	0
FY18	0
FY17	0

1 Includes Fixed Penalty Notices, Formal Cautions and Prosecutions
2 Includes Alkane from 11 April 2018

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 CEO, supported by the Head of Health, Safety, Quality and Environmental Compliance. The Infinis Executive team regularly reviews health and safety objectives and targets, and our health, safety and wellbeing 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:

— promote and follow our 10 Golden Safety Rules;
— promote the principle "If you can't do it safely, don't do it";
— place health and safety at the top of every agenda;
— openly communicate all aspects of health and safety performance;
— actively encourage reporting of Safety Observations;
— investigate all near misses, accidents and incidents;
— formally train our staff, including senior staff, on health and safety management;
— pay elements of bonuses for appropriate employees based on health and safety performance;
— pursue continuous improvement in all areas of health, safety and wellbeing;
— have been assessed and certified as meeting the requirements of BS OHSAS 18001.

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 FY19, Infinis continued its embrace of technology to support its drive for continuous improvement and excellence in HSQE performance with the introduction of the HSQE Fingertip module. This smartphone-based application was developed specifically for Infinis to bring a fresh approach to managing and reporting key aspects of HSQE. As well as improving the overall HSQE reporting package, making it quicker and simpler to raise accident, incident and Safety Observation reports, the system links directly with Maximo, Infinis' asset management tool, allowing corrective actions to be assigned directly to reports, providing improved visibility, management and auditability of incidents and records.

This module also introduces two new tools to Infinis' health and safety tool box; a simple daily vehicle inspection for the commercial fleet and a Point of Work Risk Assessment associated with all work orders, that provides a final 'Stop & Think' opportunity before any task is started. These concepts encourage good practice and, as reinforcement of our 10 Golden Safety Rules, act to remind us of our responsibilities to ourselves, our colleagues and others who may be impacted by our activities.

Our health and safety policy commits us to systematically identifying hazards and adequately assessing and controlling risks to which employees and others may be exposed and taking all reasonable steps to prevent accidents. To help deliver on these objectives, Infinis reviewed its policy regarding the use of mobile phones whilst driving and decided to introduce a 'No Mobile, Whilst Mobile' policy which prohibits the making or receiving of any calls whilst driving. We consider this to be an appropriate step to ensure that all Infinis staff are fully focused on road conditions thus improving their safety and that of other road users.

Health and safety performance

As a result of our extremely high standards and relentless focus, we have achieved and maintained an outstanding performance in health and safety. Our ultimate aim has always been zero RIDDOR[1] reportable incidents, something we accomplished throughout FY19, and in March 2019, we exceeded one million person-hours without a RIDDOR[1] reportable incident. This outstanding performance was only possible with the collective professionalism, focus and diligence of all employees, contractors and wider supply chain.

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. As with RIDDOR, performance in this area has been commendable, with only a single Recordable Injury for the whole of FY19.

Our achievements in this field continue to be recognised by expert organisations. In the internationally-renowned RoSPA Health and Safety Awards (the longest-running industry awards scheme in the UK), Infinis has been awarded its second prestigious President's Award for health and safety practices in recognition of 11 years of consecutive Golds Awards, acknowledging Infinis' 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 of not only employees but all those who interact with us.

Additionally, for the tenth year running, Infinis also 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 2018 calendar year.

1 The Reporting of Injuries, Disease and Dangerous Occurrences Regulations

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

THE ENVIRONMENT

The extraction and combustion of CLM and CMM, that would otherwise emit into the atmosphere, is a positive contribution on the environment that must be recognised. Methane (CH_4) is around 25 times more harmful than carbon dioxide (CO_2) as a greenhouse gas. By actively collecting and then combusting these methane rich gases in our engines and flares, we are converting harmful methane rich gases to less harmful carbon dioxide.

The acquisition of Alkane during the year has driven a step change in the operational carbon footprint of the business for the purpose of generating electricity. In providing a PR service which supplements the intermittency of the renewable sector, Infinis now utilises a more significant volume of natural gas and other combustible fuels in the generation of electricity. However, far more significant by volume and by impact, are the methane rich gases that are collected from CLM and CMM.

Infinis has been assessed and certified as meeting the requirements of ISO 14001.

Captured Landfill Methane (CLM)

CLM consists predominantly of methane (55%) and carbon dioxide (45%). We generate the vast majority of our electricity by converting methane into carbon dioxide through combustion; thereby preventing methane from eventually being released to the atmosphere. Through this we avoid the annual release of in excess of 360,000 tonnes of methane, which in terms of global warming potential is equivalent to 9.0 million tonnes of CO_2[1]. This number continues to reduce from previous years as the UK continues to send less waste to landfill and, therefore, the amount of methane being produced at the sites on which Infinis operates is falling. On a few sites where electricity generation is not viable, we carry out flaring, which also transforms methane into less harmful carbon dioxide.

Approximately 4.9% of the electricity we generate from CLM is used to power our engines and related facilities.

Captured Mineral Methane (CMM)

Although not attracting the same renewable marque as CLM, CMM also consists predominantly of methane. Similar to our CLM activities, we generate electricity at our CMM sites by converting methane into carbon dioxide through combustion; thereby preventing methane generated from disturbed coal seams from eventually entering the atmosphere. During FY19 Infinis collected and utilised in excess of 44,000 tonnes of methane from its CMM activities, which in terms of global warming potential is equivalent to 1.1 million tonnes of CO_2[2].

Approximately 10.0% of the electricity we generate from CMM is used to power our engines and related facilities.

Natural Gas

Our PR division generates electricity predominantly using mains natural gas to feed reciprocating engines. The conversion to electricity is the same as with CLM and CMM. We have seen a change from the impact of the use of natural gas on our operational carbon footprint in FY19 following the acquisition of the Alkane activities earlier in the year. However, this negative impact is more than compensated by the positive benefits of the methane capture associated with our CLM and CMM activities. PR output was 70MWh in FY19 and equated to 5% of total output.

Other fuels

Infinis also uses small amounts of diesel, propane and kerosene in a small number of its PR engines.

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

Electricity

Since FY15, Infinis has purchased all of its import power from EDF under its 'Blue for business' scheme which is purchased from its nuclear power stations and is, therefore, considered zero emissions.

All import power across the ex-Alkane sites is also 100% renewable and sourced from wind farms or other renewable sources.

1 Calculated by Infinis on the amount of methane captured from landfill and combusted in flares and engines
2 Calculated by Infinis on the amount of methane extracted from disused mines and combusted in engines

OUR VALUES

Our values underpin how we do business.

Excellence **Innovation** **Responsibility**

Fulfilment **Commitment** **Openness**

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

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 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 8.4 million tonnes of CO_2[4] equivalent in FY19.

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 CLM engine. As a result, our oil use efficiency and engine reliability have continued to improve. We have also 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. Innovations like 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 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.

Year	**Carbon intensity of operations** (g CO_2 equivalent emission per kWh generated)	**Net positive climate impact from activities[4]** (m tonnes CO_2)
FY19[3]	44.0	10.1
FY18	1.6	9.3
FY17	1.7	9.4

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

Scope[1]	Type[2]	FY19[3]	FY18	FY17
1	Road mileage for our company vehicles	**1,599**	1,534	1,695
1	Fuel we purchase to combust in our Power Response activities	**67,663**	-	-
2	Electricity we purchase to run our business (offices and sites)	**3,797**	2,603	3,169
3	Road mileage in employee owned cars on company business	**286**	281	308
3	Business travel (e.g. flights)	**3**	3	3
Total		**73,348**	4,421	5,175

1 Scope 1, 2 and 3 are as defined in the international accepted Greenhouse Gas Protocol (www.ghgprotocol.org)
2 We have reported on emission sources required under the Companies Act 2006 (Strategic report and Directors' Reports) Regulations 2013. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from UK Government's Greenhouse gas reporting: conversion factors 2018. 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 Figures stated include Alkane from 11 April 2018
4 Net positive climate impact after extraction of methane measured as methane toxicity relative to carbon dioxide (25:1) using list of greenhouse gases with corresponding GWP (www.gov.uk). Prior period comparatives are restated for most recent Government guidance

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

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:

1. Operating a central resource planning function to optimise the efficiency of site visits and fleet journeys;
2. Incentivising employee car ownership towards vehicles with the lowest Vehicle Excise Duty bands (determined by CO_2 emissions);
3. Introducing enhanced vehicle telematics to our commercial fleet to encourage efficient driving and reducing fuel usage;
4. Providing real time visibility of onsite electricity usage and setting challenging targets for electricity usage reduction;
5. Promoting carbon efficient communication through the use of telephone conferences and on-line meetings as an alternative to business travel; and
6. Installing recycling facilities in our offices.

Supporting the community

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, safety and wellbeing 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.

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 (e.g. 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
Infinis continues to be an active supporter of charities and good causes through our innovative Charity Challenge. Every Near-Miss and 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. Further details on our charitable activities in the year are set out on pages 29 to 31.

OUR PEOPLE

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. We continue to communicate the mission and vision of the organisation and people are committed to achieving the organisation's goals, motivated by 'delivering on the base' and support our growth ambition. Staff understand that their efforts will be recognised and rewarded, so they aspire to do more and see a correlation between their efforts and business results.

Our core values are the foundation of the way we work. Through our annual appraisal programme we reinforce the importance of the values with staff.

We will continue to promote the values at company events, team meetings, and in our day to day business to focus on their importance and reinforce 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.

As part of this commitment to communication within the business, we undertook an employee survey in January and February this year. The survey was an opportunity for all staff to confidentially give their opinion on a range of topics within the organisation, including how they feel about working for Infinis, the culture and values, the organisations leadership and their individual teams and local management.

There was an extremely high response rate of 86% of staff completing the survey. We will use the feedback to further develop and drive employee engagement in the future.

Further editions of Energize, the Company's staff e-zine, were distributed this year featuring 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 an all-employee conference along with management conferences, 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 our sector, we face challenges in attracting a diverse work force. We recognise this challenge and have taken steps to ensure that people managers and recruiting managers within Infinis are 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.

"We give full and fair consideration to all job applicants."

Where circumstances change, for example with regard to disability, efforts are made to continue to support the individual. This could be by modifying or adjusting their work or working practices or by redeploying individuals to suitable alternative roles alongside individuals wherever possible.

We have continued our focus on gender diversity, with the publication of our second Gender Pay Report. We have identified some key steps that we will take to address some of the underlying causes of our gender pay gap to support our commitment to talking this challenge. The steps identified to address and reduce this gap further include partnering with the Employers Network for Equality and Inclusion (enei) and Business in the Community (BITC), reviewing our bonus incentive schemes to ensure parity across all parts of the organisation, seeking more diverse recruitment shortlists and continuing the promotion of our policies that encourage parents back to the workplace.

Welfare
At Infinis, we recognise the importance of supporting staff both within and away from the workplace.

This year we launched a mental health and wellbeing initiative with the aim to review and, where appropriate, extend the support we offer to all of our staff and their families.

A range of activities were undertaken as part of the project. This included developing and launching a staff feedback survey on mental health and wellbeing using the information gained through this survey to identify where improvements could be implemented. This resulted in an awareness campaign highlighting the support provided through our Employee Assistance Programme which ranges from wellbeing resources, advisory services, to confidential home-life support and counselling. In addition, we have engaged an external partner to introduce mental health first aid training across the business.

OUR PEOPLE CONTINUED

Apprentices
During the year, we continued to support and develop our future talent through our apprentices. We utilised our Apprentice Levy funds to provide training to our apprentices within both head office and operational teams. We aspire to continue to support young people in building excellent careers with Infinis. Further details on our apprentice programmes are set out on page 35.

Training and Development
At Infinis, we are passionate about providing opportunities to our employees to enable them to develop skills, ensuring not only that they are expert in their role, but also to prepare individuals to adapt to any future challenges and to progress within the business when opportunities arise.

Our core training plan is shared with line managers to ensure that essential skills, including health and safety certification, are kept up to date.

Our internally developed training suite continues to expand, and we provide a broad range of specialist training utilising both our in-house training facility at our Centre of Excellence in Lancaster and the specialist knowledge of our in-house experts.

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.

Organisational Change
During the year there have been a number of changes to our organisational structure.

In line with our growth ambition our staff base has grown along with the business. FY19 saw the expansion of our development team to support our growth ambitions. The team was restructured, with additional resource, both through internal promotions and recruitment of new employees to build team capacity and ensure that the team was well placed to meet the challenge of our growth ambition.

The acquisition of Alkane at the start of the year required the development of a structured integration plan, which included extensive activities to integrate staff into the business, culture and operational structure.

In addition, as a result of the integration of Alkane assets and in line with our goal to build an organisational structure able to deliver on our base, we added resource within the unscheduled maintenance team.

Volunteering in Practice
Corporate volunteering has continued to play a big part in our approach to community support at Infinis. The Volunteering in Practice (VIP) scheme was launched in 2015. Since then over 35 events have taken place across the country, with a diverse range of staff from all teams giving their time to support some very worthy causes.

Diversity: gender (% as at end of FY19)

	2019		2018		2017	
	Employees	Senior management	Employees	Senior management	Employees	Senior management
Male	**89.5**	**100.0**	88.4	100.0	88.6	100.0
Female	**10.2**	**0.0**	11.2	0.0	11.0	0.0
Other	**0.3**	**0.0**	0.4	0.0	0.4	0.0

Diversity: age (% as at end of FY19)

	2019	2018	2017
Under 30	**10**	8	11
30-39	**27**	26	29
40-49	**30**	33	32
Over 50	**33**	33	30

Diversity: ethnic diversity (% as at end of FY19)

	2019	2018	2017
White (UK)	**94**	94	95
White (Other)	**3**	3	3
Black (African)	**1**	1	1
Black (Caribbean)	**1**	1	0
Other (Mixed background)	**1**	1	1

Employee turnover (average %)
(excludes employees who were employed by the Alkane employing companies and left as part of the business integration)

	2019	2018	2017
Total	**9.4**	18.3	9.7
Voluntary	**6.7**	13.9	8.3

This year we helped five organisations with a variety of activities including undertaking maintenance tasks in a forest garden providing a relaxing area for people with mental illness to visit, preparing and serving Christmas lunch for disadvantaged and homeless people and helping to create a safe and educational outside space at a respite centre for children and young adults with disabilities and special educational needs.

Charity

At Infinis, we aim to make a positive contribution to our local communities, to build strong relationships and be a 'good neighbour'. We are committed to this aim and operate a number of initiatives to make a positive impact.

Our Charity Challenge programme has been running since 2008, providing support to charities and good causes nominated by employees. The programme combines three key elements of our business:

1. Delivering on our wider sustainability objectives through community investment;
2. Reinforcing the importance of health and safety within our culture, with a contribution of £25 made to the scheme for each safety observation and near-miss reported sending a clear message of the importance of reporting; and
3. Creating a sense of employee engagement and ownership with the scheme, driven by the support for employee nominated charities and good causes.

Through the Charity Challenge we have donated in excess of £200,000 since the programme was launched in 2008, with donations to 150 charities and good causes.

In the last year we have supported over 20 different charities and good causes, donating over £14,000 to a range of organisations from local schools and sports clubs along with donations to charities such as Clic Sargent, Anthony Nolan and Dementia UK.

Our charity of the year, nominated by a member of the Infinis team, is 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 of the disorder. Through a combination of activities, including money raised through the Charity Challenge, corporate fundraising and individual employee fundraising activities, we donated over £25,000 throughout the year.

CASE STUDY

Joseph's Goal - Charity of the Year.

Joseph's Goal was set up to raise funds for research into Non-Ketotic Hyperglycinemia (NKH) and is the only charity in the UK supporting this condition. NKH is a life limiting genetic condition which is caused by an excess of glycine on the brain. It is a very rare condition, with only about 35 children in the UK living with NKH, and less than five hundred worldwide.

The aim of the charity is to support families affected by NKH, raise funds to support research into treatments for those living with NKH and to raise awareness of the condition.

The nomination for Joseph's Goal to be charity of the year was made by Andrew Hulance, Head of Engineering Support Services, whose grandson Mikaere, Kai for short, was born with NKH. On his nomination, Andrew described the impact that being named as charity of the year would have 'Infinis's support for this cause would be significant and very welcome in continuing to maintain hope for families with children born with NKH. In addition, through their continued efforts and the efforts of those who support this cause, a cure will be forthcoming to benefit children born with NKH.'

Over the year, more than £20,000 has been raised and donated through the Charity Challenge, with additional funds totalling £5,000 raised through corporate and team fundraising, individual fundraising activities and donations collected within our Head Office.

Whilst fundraising is important, another key part of our partnership with Joseph's Goal and #TeamMikaere has been raising awareness of this rare condition. We've been able to support this through our promotion of our partnership with Joseph's Goal internally with posters in several Infinis locations, articles in our internal newsletter and through engagement with Kai's family, including Mum, Elly, and Dad, Sam.

We are proud to be able to support such a worthy cause and their continuing efforts to maintain hope for families with children born with NKH and support medical research into this condition.

BOARD OF DIRECTORS

The Board of Infinis Energy Group Holdings Limited consists of one Shareholder Director and the three Executive Directors.

The Board of Infinis Energy Management Limited (the Governing Company) consists of two Shareholder Directors, the three Executive Directors, the Chairman and the Non-executive Directors.

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

Shane Pickering
Chief Executive Officer

Committee membership E

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

Infinis Energy Management Limited – 13 January 2017

Other key appointments
None

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

Shane's previous roles with the Central Electricity Generating Board, Power Gen, 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.

James Milne
Commercial Director

Committee membership E

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

Infinis Energy Management Limited – 13 January 2017

Other key appointments
None

James was appointed on 8 December 2016 following the acquisition of the CLM 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.

Keith Reid
Chief Financial Officer

Committee membership E

Appointed to the Board
Infinis Energy Group Holdings Limited – 25 April 2019

Infinis Energy Management Limited – 26 March 2019

Other key appointments
None

Keith joined Infinis as Chief Financial Officer on 18 March 2019. He was appointed to the board of Infinis Energy Management Limited on 26 March 2019 and to the Company Board on 25 April 2019.

Keith is a chartered accountant with a proven track record as a CFO of effective operational and strategic financial management in both UK and International private equity based organisations. Keith started his career with KPMG where he worked for eight years specialising in audit and corporate advisory work.

Tim Short
Shareholder Director

Committee membership R A

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

Infinis Energy Management Limited – 18 October 2016

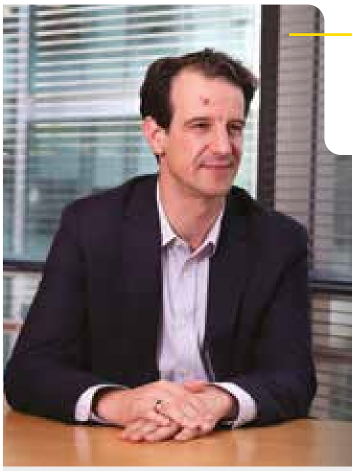
Other key appointments
None

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

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.

Daniel Schulenburg
Shareholder Director

Committee membership A R



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

Other key appointments
None

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 CLM 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.

Tony Cocker
Non-executive Director

Committee membership A R

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.

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.

Scott Longhurst
Non-executive Director

Committee membership A R

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.

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.

SENIOR MANAGEMENT TEAM

The Senior Management Team (SMT) manages the day-to-day business of the Infinis Group within the 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 CLM Manager. Andrew is currently Chairman of the Captured Landfill Methane Group.

2
Shane Pickering
Chief Executive Officer

Full biographies for Shane Pickering, Keith Reid and James Milne can be found on page 32.

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 Operations

Robert was appointed Head of CLM 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
Keith Reid
Chief Financial Officer

7
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 CLM management team. Prior to that, he was a marine engineer with Shell Petroleum Company.

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.

OUR APPRENTICES

Succession planning is the key motivation behind the Infinis apprenticeship programme.

Infinis have been employing apprentices for over 10 years and currently have four apprentices, as well as a number of other individuals benefitting from apprentice levy funded training.

Three of our current apprentices are developing their careers at our Northampton offices.

Pam Bennett started life wanting a career in medicine. Half way through her A-Levels, she decided university wasn't the route she wanted to take. She became interested in an apprenticeship working in finance at Infinis and began working for the Company in April 2017. Pam has been working through the AAT qualification since joining Infinis and has successfully balanced this with a young family and her daily work commitments.

Jack Kitchener applied for an apprenticeship role at Infinis through the Government National Apprenticeship Website and secured an Executive Administrator role. He supports the Senior Management Team (including the Chief Executive Officer and Board Directors) with everything from travel arrangements to organising conferences and exhibitions.

Initially Jack had a place deferred at university, however after experiencing the benefits of learning on the job he didn't see university as necessary, although he still aims to complete a degree in the future. Jack has completed the Level 3 NVQ in Business Administration and now aims to complete an HNC in Business.

Laura Skewis became an apprentice after initially embarking on a degree in Accounting and Finance at university and after 7 months decided university life and the course was not for her.

Laura applied for an apprenticeship in HR and Health and Safety. Since joining as an apprentice, Laura acknowledges that the main benefit is learning on the job and is pleased with how her confidence has developed. Laura is working on completing a CIPD foundation degree in HR.

The Apprentice Levy funds have also been utilised to provide development opportunities for existing employees by providing further education and professional qualification training, thereby further supporting our staff to develop, grow and progress within the business.

Pam Bennett & Jack Kitchener pictured

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 32 and 33.

The Company Board comprises the three Executive Directors (Shane Pickering, Chief Executive Officer; Keith Reid, Chief Financial Officer (appointed 25 April 2019); James Milne, Commercial Director) and one Shareholder Director (Tim Short). The Governing Board comprises the three Executive Directors, the two Shareholder Directors (Daniel Schulenburg; Tim Short), the Non-executive Director and Chairman (Tony Cocker), and a Non-executive Director (Scott Longhurst).

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 year to 31 March 2019 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	–	11 of 11
Michael Holton[1]	4 of 4	10 of 10
Scott Longhurst	–	11 of 11
James Milne	3 of 4	10 of 11
Shane Pickering	3 of 4	11 of 11
Keith Reid[2]	-	1 of 1
Daniel Schulenburg	–	11 of 11
Tim Short	1 of4	10 of 11
Oscar Tylegard[3]	–	11 of 11

1 Resigned as Director of the Company and of the Governing Company on 1 March 2019
2 Appointed as Director of the Governing Company on 26 March 2019 and of the Company on 25 April 2019
3 Resigned as Director of the Governing Company on 28 May 2019

Board procedure

The Governing Board conducts a regular review of business issues and key performance metrics in a timely and structured way 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 are 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. Regular 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 Chief Executive Officer and other directors, officers and employees (the 'Delegated Authorities'). The Delegated Authorities were last revised on 30 January 2019. 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 FY19 there were 12 meetings of the Executive Committee. The table below summarises Executive Committee attendance by committee members during FY19.

Director's name	Attendance
Michael Holton[1]	11 of 11
James Milne	9 of 12
Shane Pickering	12 of 12

1 Resigned as Director of the Company and of the Governing Company on 1 March 2019

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. In addition, the Group Governance Policy provides that the Executive Directors may be invited to attend meetings but may not to vote.

In FY19 there were three meetings of the Audit Committee. The table below summarises Audit Committee attendance by committee members during FY19.

Director's name	Attendance
Tony Cocker	3 of 3
Scott Longhurst	3 of 3
Daniel Schulenburg	3 of 3
Tim Short	3 of 3
Oscar Tylegard[1]	2 of 3

1 Resigned as Director of the Company and of the Governing Company on 28 May 2019

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 25 July 2019, primarily to consider the consolidated report and accounts of the Company and of the Governing Company with focus on: the key financial judgments therein; sensitivities regarding those key judgments; 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 25 July 2019.

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. The Committee meets at least once a year and at such other times as the Governing Board requires. In FY19 the Committee met seven times and members' attendance was as follows:

Director's name	Attendance
Tony Cocker	7 of 7
Scott Longhurst	7 of 7
Daniel Schulenburg	7 of 7
Tim Short	7 of 7
Oscar Tylegard	7 of 7

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 16 to 19.

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 year 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

Keith Reid
Director
25 July 2019

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements for the year ended 31 March 2019.

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 2019 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 31.

Corporate governance statement

A corporate governance statement can be found on pages 36 to 38 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 companies comprising the CLM business.

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 CLM business complemented and continues to complement 3iN's existing portfolio.

Going concern

The Company's statement of financial position shows a retained earnings deficit. The Company generated a loss in the year due to shareholder loan interest which is paid at the Company's discretion using cash received from cross-guaranteed subsidiaries.

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.

Financial risk management

Details of financial instruments and the Group's approach to capital management and financial risk are provided in note 20 on page 66 to the accounts.

Directors

The Directors of the Company and of the Governing Company who served during the year ended 31 March 2019 and up to the signing of this report are as follows:

The Company

Michael Holton	appointed 13 January 2017 resigned 1 March 2019
James Milne	appointed 13 January 2017
Shane Pickering	appointed 13 January 2017
Keith Reid	appointed 25 April 2019
Tim Short	appointed 17 October 2016

The Governing Company

Tony Cocker	appointed 1 August 2017
Michael Holton	appointed 13 January 2017 resigned 1 March 2019
Keith Reid	appointed 26 March 2019
Scott Longhurst	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 resigned 28 May 2019

The roles and biographical information of the Directors of the Company as at the date of this report are set out on pages 32 and 33.

Results and dividends

The results for the year ended 31 March 2019 are set out on page 46 to 49. No dividend was proposed or paid for the year ended 31 March 2019 (FY18:nil).

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 year, are set out on pages 29 and 31.

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 year. The Infinis Group made charitable donations of £35,206 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.

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 total financing facility of £318,000,000 which is provided by a syndicate of financial institutions.

Directors' indemnities
During the financial year 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 and are in place at the date of approval of the Directors' report.

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

Auditors
The auditors, PricewaterhouseCoopers LLP ("PwC"), have indicated their willingness to continue in office and, pursuant to section 487 of the Companies Act 2006, PwC are deemed to be reappointed as auditors and 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 2019 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 25 July 2019.

By order of the Board

Keith Reid
Director

Information	Page/s	Location in annual report
Names and roles of Directors	32, 33	Board of Directors
Financial risk management	66–68	Note 20 and the significant accounting policies sections
Future developments	2–31	Strategic report[1]
Greenhouse gas emissions	24-28	CSR report
Movements in share capital	65	Note 19
Subsidiary undertakings	75, 76	Note 27

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 Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2019 and of the Group's loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the 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.

We have audited the financial statements, included within the Annual report and accounts (the "Annual Report"), which comprise: the consolidated and the company statements of financial position as at 31 March 2019; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and 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.

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 entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

- Overall group materiality: £1.9 million (2018: £1.9 million), based on 2.5% of EBITDA after exceptional items and other gains.
- Overall company materiality: £1.8 million (2018: £1.9 million), based on 1% of total assets.

- The group financial statements are a consolidation of a number of reporting companies comprising of the Group's operating businesses, centralised functions and non-trading Group companies.
- We performed full scope audits of all significant UK companies within the Group.
- This included the audit of 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 99% of Group revenue and 99% of EBITDA.

The key audit matters are:

- Impairment of goodwill, CLM and CMM gas rights and other intangible assets
- Valuation of recycle ROC's
- Acquisition accounting

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 judgements, 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 judgement, 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, CLM and CMM gas 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 audit of the goodwill impairment, we evaluated and challenged the Directors' allocation of goodwill, the assumptions and estimates used to determine the recoverable value of the goodwill, CLM and CMM gas rights and other intangible assets. — This included assessing management's experts with regard to gas volume data and short and long-term pricing assumptions. We tested these assumptions by reference to third party documentation where available, such as power price forecasts and consultation with operational management. — 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 the impairment review is sensitive to the assumptions. — We tested and challenged the disclosed sensitivities to ensure appropriate judgement had been applied. We performed further sensitivities around key drivers of cash flow forecasts, including output volumes, power prices, operating costs and expected life of assets. In addition, we reviewed and challenged the Group's disclosures about the sensitivities of the impairment assessment. — Based on our analysis we did not identify any material issues with the impairment conclusions and the valuation of the goodwill, CLM and CMM gas rights and other intangible assets.
Valuation of recycle 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 assessed and challenged management's methodology to estimate the ROC recycle price, including the 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 accuracy of management's historical forecasting in this area and we have reviewed and challenged the disclosure in relation to the ROC recycle revenue in the annual report and accounts. — Using both internal and external sources of data, we consider that management have been able to determine a reasonable estimate of the ROC recycle value.
Acquisition accounting The Group made two acquisitions in the year. In relation to the material acquisition of Alkane Energy in April 2018, our work focused on the acquisition accounting which is inherently judgemental as it requires the Directors to exercise judgement and use estimates in order to value consideration, identify and value intangible assets and assess the fair value of other assets and liabilities, as well as the calculation of associated goodwill.	— We read the sale and purchase agreements for the acquisition of Alkane Energy in April 2018 to understand the nature of the transaction and ensure that the Directors had considered relevant clauses that affect the accounting. — We tested the fair values ascribed to intangible assets by understanding, assessing and challenging the assumptions adopted in the valuation models. — We evaluated and challenged the assumptions, utilising the work of our valuation experts where appropriate, and confirmed that the Directors have adopted reasonable assumptions in each circumstance. For the remaining fair values of other assets and liabilities, we evaluated and challenged the assessment and calculation of material assets and provisions to confirm that they are accurate and reflect information that was known in relation to events that existed at the transaction date.

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

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF INFINIS ENERGY GROUP HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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 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.

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

	Group financial statements	**Company financial statements**
Overall materiality	£1.9 million (2018: £1.9 million).	£1.8 million (2018: £349,000).
How we determined it	2.5% of EBITDA.	1% of total assets.
Rationale for benchmark applied	We consider this the key financial benchmark of the Group.	We consider this the key financial benchmark for the 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 The range of materiality allocated across components was between £500 and £1,900,000. 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) (2018: £96,000) and £91,000 (Company audit) (2018: £17,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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 Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

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 2019 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 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 Statement of Directors' Responsibilities set out on page 41, 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 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 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 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 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 Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Andrew Lyon
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
25 July 2019

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 £'000	2018 £'000
Revenue	6	163,982	150,749
Cost of sales		(98,775)	(85,510)
Gross profit		**65,207**	**65,239**
Administrative expenses		(40,011)	(36,005)
EBITDA before operating exceptional items		**78,251**	**79,053**
Operating exceptional items	7b	(3,933)	(1,729)
EBITDA		**74,318**	**77,324**
Depreciation and impairment of property, plant and equipment	7a	(26,471)	(24,404)
Amortisation of intangible fixed assets	7a	(22,651)	(23,686)
Other gains	7c	3,003	–
Operating profit		**28,199**	**29,234**
Finance costs	9	(35,882)	(23,021)
Finance income	9	1,844	87
Net finance costs (including net exceptional finance costs of £3,276,000)	9	**(34,038)**	**(22,934)**
(Loss)/profit before tax		**(5,839)**	**6,300**
Income tax	10	(884)	322
(Loss)/profit for the year		**(6,723)**	**6,622**

The notes on pages 50 to 71 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	2019 £'000	2018 £'000
(Loss)/profit for the year	**(6,723)**	**6,622**
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to the profit or loss:		
Recycling of discontinued cash flow hedges	(1,565)	–
Amounts recycled to profit and loss	655	–
Fair value movement on cash flow hedges	(4,508)	4,624
Tax on movement in cash flow hedges	1,002	(897)
Remeasurement of defined benefit liability	12	74
Total comprehensive (expense)/income for the year	**(11,127)**	**10,423**

The notes on pages 50 to 71 form part of these financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Share capital £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000
At 31 March 2017	**35,000**	**(1,545)**	**1,194**	**34,649**
Profit for the year	–	–	6,622	6,622
Fair value movement on 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**
At 31 March 2018	**35,000**	**2,182**	**7,890**	**45,072**
Loss for the year	–	–	(6,723)	(6,723)
Recycling of discontinued cash flow hedges	–	(1,565)	–	(1,565)
Amounts recycled to profit and loss	–	655	–	655
Fair value movement on cash flow hedges	–	(4,508)	–	(4,508)
Tax on movement in cash flow hedges	–	1,002	–	1,002
Remeasurement of defined benefit liability	–	–	12	12
Total comprehensive income	**-**	**(4,416)**	**(6,711)**	**(11,127)**
At 31 March 2019	**35,000**	**(2,234)**	**1,179**	**33,945**

The notes on pages 50 to 71 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
Non-current assets			
Property, plant and equipment	11	140,520	76,505
Goodwill	12	68,230	19,456
Other intangible assets	12	324,101	331,199
Derivatives	20	–	2,693
		532,851	**429,853**
Current assets			
Inventories	13	4,788	2,556
Trade and other receivables	14	51,737	46,266
Cash and cash equivalents		45,640	163,990
		102,165	**212,812**
Total assets		**635,016**	**642,665**
Current liabilities			
Interest-bearing loans and borrowings	15	39	26,595
Trade and other payables	18	41,237	29,522
		41,276	**56,117**
Non-current liabilities			
Interest-bearing loans and borrowings	15	503,157	490,511
Deferred tax	16	44,335	46,761
Provisions	17	8,811	4,204
Derivatives	20	2,725	–
Other payables	18	767	–
		559,795	**541,476**
Total liabilities		**601,071**	**597,593**
Net assets		**33,945**	**45,072**
Equity			
Share capital	19	35,000	35,000
Hedging reserve		(2,234)	2,182
Retained earnings		1,179	7,890
Total equity		**33,945**	**45,072**

The financial statements on pages 46 to 71 were approved by the Board of Directors on 25 July 2019 and were signed on its behalf by

K Reid
Director

S S Pickering
Director

Company number: 10432005

The notes on pages 50 to 71 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

	2019 £'000	2018 £'000
Cash flow from/(used in) operating activities		
(Loss)/profit for the year	(6,723)	6,622
Adjustments for:		
Depreciation and impairment of tangible fixed assets	26,471	24,404
Amortisation of intangible fixed assets	22,651	23,686
Gain on disposal of assets	(3,003)	–
Finance costs	35,882	23,021
Finance income	(1,844)	(87)
Taxation	884	(322)
Operating cash flow before changes in working capital and provisions	**74,318**	**77,324**
Decrease/(increase) in trade and other receivables	4,621	(8)
(Increase)/decrease in inventories	(1,994)	685
(Decrease)/increase in trade and other payables	(465)	2,958
Decrease in provisions	(215)	(530)
Cash generated from operations	**76,265**	**80,429**
Interest paid	(24,363)	(23,635)
Tax paid	(3,069)	(7,193)
Net cash inflow from operating activities	**48,833**	**46,601**
Cash flow from/(used in) investing activities		
Interest received	1,846	87
Proceeds from sale of investments and non current assets	5,305	–
Acquisition of businesses, net of cash acquired	(56,218)	–
Acquisition of property, plant and equipment	(29,691)	(17,091)
Net cash outflow from investing activities	**(78,758)**	**(17,004)**
Cash flow from/(used in) financing activities		
Proceeds from borrowings	278,000	–
Proceeds from shareholder loans	–	136,400
Repayment of borrowings	(246,500)	(30,200)
Repayment of shareholder loans	(45,650)	(10,470)
Repayment of debt acquired	(21,153)	–
Repayment of finance leases	(431)	–
Arrangement fees on new loans	(5,984)	–
Repayment of related party debt at acquisition	(46,707)	–
Net cash (used in)/generated from financing activities	**(88,425)**	**95,730**
Net (decrease)/increase in cash and cash equivalents	**(118,350)**	**128,327**
Cash and cash equivalents at the beginning of the year	163,990	35,663
Cash and cash equivalents at the end of the year	**45,640**	**163,990**

The notes on pages 50 to 71 form part of these financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1. Accounting policies

Infinis Energy Group Holdings Limited (the 'Company') is a private company, incorporated and domiciled in the UK.

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 2019. 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 the Companies Act 2006 as applicable to companies using International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") including interpretations issued by the IFRS interpretations committee. The Company has elected to prepare its Company financial statements in accordance with FRS 101. These are presented on pages 72 to 77. 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

New and amended standards adopted by the group – Accounting policies applied from 1 April 2018

A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies as a result of adopting the following standards:

— IFRS 9 Financial Instruments, and
— IFRS 15 Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are set out in this note.

2. New standards and interpretations continued

IFRS 9 Financial Instruments

i. Investments and other financial assets

Impairment

As at 31 March 2018, financial assets were assessed for impairment using the IAS 39 incurred loss model. Following the adoption of IFRS 9, this was replaced with the expected credit loss model which requires expected credit losses and changes to expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Financial assets measured at amortised cost or fair value to other comprehensive income ('FVOCI') will be subject to the impairment provisions of IFRS 9. The Group applies the simplified model to recognise lifetime expected credit losses for its trade receivables and other receivables by making an accounting policy election.

ii. Derivatives and hedging

Hedging

The hedge accounting requirements of IFRS 9 align hedge accounting relationships with the Group's risk management objectives and strategy and lead to the application of a more qualitative and forward-looking approach to assessing hedge effectiveness. The Group uses derivatives to manage interest rate risk. The Group's hedge relationships under the previous IAS 39 continue to qualify as accounting hedges upon the adoption of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

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

- sale of electricity produced by its' baseload and peaking operations (traded power);
- sale of Renewable Obligation Certificates (ROCs; a product related to Government initiatives to encourage investment in renewable energy sources), and;
- other revenue.

i. Traded power

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.

ii. Renewable Obligation Certificates

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 control relating to the certificates pass from the Group at export and the customer is contractually obliged to accept it.

Recycle Buy Out revenue is also recognised on a 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. Recycle Buy Out revenue is recognised based on the most likely amount and 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.

iii. Other Revenue

Other revenue includes embedded benefits such as Triad, Generator Distribution Use of System (GDUoS) and Balancing Services Use of System (BSUoS).

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.

2. New standards and interpretations continued

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.

Impact of adoption

IFRS 9 Financial Instruments

Classification and measurement - The new classification requirements do not have a material impact on the Group's accounting for trade receivables, amounts owed by related parties and other receivables that are managed on a fair value basis.

Impairment - 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 financial assets measured at amortised cost 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. There has been no impact on opening reserves of the Group at 1 April 2018.

Hedge accounting - The Group currently only enters into and designates interest rate swaps as hedges of the variability of cash flows attributable to interest rate risk. There is no impact on opening reserves of the Group at 1 April 2018.

IFRS 15 Revenue from Contracts with Customers

The impact of the adoption of IFRS 15 by the Group does not impact the timing of revenue recognition.

Standards, amendments and interpretations in issue but not yet effective

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 IFRS 16 and an initial assessment of the potential impact on the Group's financial statements, resulting from the future application, is presented below.

The Group has completed an initial assessment of the expected impact on its financial statements. At the reporting date, the Group has non-cancellable operating lease commitments of £4.3m. The Group expects to recognise right-of-use assets and lease liabilities of approximately £3.3m on 1 April 2019. The Group expects that in the year to 31 March 2020 operating costs will decrease by approximately £1.0m with a corresponding increase in EBITDA. Depreciation will increase by a similar amount of £0.9m. A finance cost will be recognised of approximately £0.2m.

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

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

The Group plans to apply IFRS 16 initially on 1 April 2019, using the modified retrospective approach.

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.

Estimates

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.

Gas 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 12 and the initial determination of the assets and liabilities acquired is disclosed in note 21.

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 CLM rights and therefore could significantly impact the financial statements. Further details regarding impairment testing can be found in note 12.

ROC Recycle revenue

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.

Judgments

There are no additional material judgments in the financial statements.

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

The accounting policies for the Group's revenue from contracts with customers are explained in Note 2.

Royalty payments

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

4. Significant accounting policies continued

Finance costs

Finance costs are recognised in the income statement 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 material and third party transport costs to site.

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.

Long-term incentives

The group recognises a provision in respect of long-term incentives as the amount of the future benefit that employees have earned in return for their service in the current and prior periods. Obligations are measured at their present value.

Exceptional items

Exceptional items are income and expenditure that, because of the nature of the item, merit separate presentation in the income statement to allow a better understanding of the Group's financial performance by facilitating comparisons with prior periods and assessments of trends in financial performance.

Exceptional items may include, but are not limited to, significant reorganisation costs, profits or losses on discontinued operations, significant impairments of tangible or intangible assets, income/expenditure from re-financing and acquisition related activity.

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.

4. Significant accounting policies continued

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.

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.

Plant and equipment include plant, equipment and gas assets used in running the operating sites. The cost of decommissioning the sites is included within plant and equipment. Engines are subject to overhauls and are depreciated over the period between each overhaul.

The estimated useful lives are as follows:

Plant, equipment and gas assets (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 is allocated to the relevant 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 gas 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 gas 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. Any impairment loss is expensed immediately to the income statement. Further details regarding impairment testing can be found in note 12.

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.

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2019

4. Significant accounting policies continued

Financial instruments

Derivative financial instruments

The classification and subsequent measurement of the Group's financial assets depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The group classifies financial assets as either of the following:

— Financial assets held at amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are subsequently measured at amortised cost.
— Financial assets held at fair value through profit and loss: Assets that are held with the purpose of selling the financial asset, or where the assets' cash flows do not represent solely payments of principal and interest, are subsequently measured at fair value and movements are recognised within the profit and loss account.

The group classifies and subsequently measures all financial liabilities at amortised cost, unless they are required to be measured at fair value through profit or loss.

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.

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 has limited exposure 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.

Non-derivative financial instruments

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

(ii) 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.

(iii) 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.

(iv) 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 income statement over the period of the borrowings on an effective interest basis.

(v) 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.Segmental Information

Following the acquisition of Alkane Energy, the Group now reports three divisions, Captured Landfill Methane (CLM), Captured Mineral Methane (CMM) and Power Response (PR). Information regarding the results of each operating segment is included below and is reported information provided to the Senior Management Team and the Board for the reportable segments for the year ended 31 March 2019:

£'000	Captured Landfill Methane	Captured Mineral Methane	Power Response	2019 Total	2018 Total [1]
Traded power	60,877	8,865	6,857	76,599	63,056
Renewable Obligation Certificates	69,649	–	–	69,649	71,485
Other revenue	11,657	1,550	4,527	17,734	16,208
Total revenue	**142,183**	**10,415**	**11,384**	**163,982**	**150,749**
Operating expenses	(59,716)	(3,711)	(9,182)	(72,609)	(61,383)
Gross profit excluding depreciation	**82,467**	**6,704**	**2,202**	**91,373**	**89,366**
Administrative expenses (excluding depreciation and amortisation)	(11,154)	(1,482)	(486)	(13,122)	(10,313)
Segment EBITDA	**71,313**	**5,222**	**1,716**	**78,251**	**79,053**
Maintenance capital expenditure	(12,693)	(2,924)	(1,998)	(17,615)	(17,091)
Segment EBITDA after maintenance capital expenditure	**58,620**	**2,298**	**(282)**	**60,636**	**61,962**

Reconciliation to the income statement:

Segment EBITDA	**71,313**	**5,222**	**1,716**	**78,251**	**79,053**
Amounts not allocated to segments :					
Operating exceptional items				(3,933)	(1,729)
Other gains				3,003	0
Depreciation and amortisation				(49,122)	(48,090)
Operating profit				**28,199**	**29,234**

1 FY18 comparative data includes CLM only. The CMM and PR divisions were only separately identified following the acquisition of Alkane on 11 April 2018

Prior year comparative data is not provided as the CMM and PR division were only separately identified following the acquisition of Alkane Energy on 11 April 2018.

Other gains, depreciation, amortisation, interest income and operating exceptional items are not allocated to segments as this type of activity is driven centrally, and not reported segmentally.

Maintenance capital expenditure is allocated to each segment.

Assets and liabilities are managed centrally and have therefore not been allocated to segments.

6.Contract with customers

A description of the principal revenue streams and the reportable segments is set out in the accounting policies. All revenue is generated in the UK.

The Group recognises all revenue from the transfer of goods and services at a point in time in the following revenue types:

Revenue from contracts with customers by type

	2019 £'000	2018 £'000
Traded power	76,599	63,056
Renewable Obligation Certificates	69,649	71,485
Other revenue	17,734	16,208
Total	**163,982**	**150,749**

FINANCIAL STATEMENTS

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2019

7. Expenses

(a) Operating expenses

Included in operating profit are the following:

	2019 £'000	2018 £'000
Depreciation and impairment of property, plant and equipment	26,471	24,404
Amortisation of intangible fixed assets	22,651	23,686
Inventories recognised as an expense	3,497	3,491
Payments to landlords for royalties	25,862	24,417

(b) Operating exceptional items

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

	2019 £'000	2018 £'000
Acquisition integration and restructuring costs	3,261	–
Acquisition costs	672	1,729
Total operating exceptional items	**3,933**	**1,729**

Acquisition integration and restructuring costs in the year to 31 March 2019 comprise costs incurred in integrating the acquired Alkane business. Acquisition costs of £0.6m relate to other M&A activity in the year and legal fees of £0.1m incurred in the acquisition of the trade and assets (see note 21) of an CLM site. Acquisition costs in the year to 31 March 2018 are primarily external advisors' fees and other external costs relating to the acquisition of Alkane (see note 21).

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

	2019 £'000	2018 £'000
EBITDA before operating exceptional items	**78,251**	**79,053**
Operating exceptional items	(3,933)	(1,729)
EBITDA	**74,318**	**77,324**
Depreciation and impairment of property, plant and equipment	(26,471)	(24,404)
Amortisation of intangible fixed assets	(22,651)	(23,686)
Other gains	3,003	–
Operating profit	**28,199**	**29,234**

(c) Other gains

The group realised a gain on the disposal of non-trading assets during the year:
The Group acquired an investment in Egdon Resources plc as part of its acquisition of the Alkane group. This investment was sold on 13 July 2018 realising a profit, after disposal costs and fees, of £2.8m. The group also realised a £0.2m gain on the sale of land.

(d) Auditor remuneration

	2019 £'000	2018 £'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	43	42
Audit of the financial statements of subsidiaries	264	149
Other services (including due diligence and tax advice services)	168	354
	475	**545**

8. Staff numbers and costs

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

	2019 number	2018 number
Operational staff	229	213
Administration and management	65	63
	294	**276**

The aggregate payroll costs of these persons was as follows:

	2019 £'000	2018 £'000
Charged to operating expenses		
Wages and salaries	16,674	14,532
Social security	1,887	1,750
Pension	797	577
	19,358	**16,859**

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:

	2019 £'000	2018 £'000
Pension scheme contributions	797	577
Outstanding pension scheme contributions	–	84

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

9. Finance costs and income

	2019 £'000	2018 £'000
Finance costs		
Interest on secured loans	8,953	8,105
Interest on shareholder loans	19,506	12,030
Amortisation of arrangement fees	7,294	2,886
Provisions: unwinding of discount	129	–
Total finance costs	**35,882**	**23,021**
Finance income		
Bank and other interest receivable	(279)	(87)
Impact of discontinued cashflow hedges	(1,565)	–
Total finance income	**(1,844)**	**(87)**
Net finance costs	**34,038**	**22,934**

During the year the group re-financed its borrowing facility (note 15). Consequently, amortisation of arrangement fees includes £4.9m of arrangement fees write off and other finance income, of £1.6m was recognised on the early redemption of interest rate swap derivatives. Due to the one off nature of these items they are treated as exceptional.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2019

10. Tax

Recognised in the income statement:

	2019 £'000	2018 £'000
Current tax		
Current year	(3,555)	(7,652)
Adjustments in respect of prior periods	592	3,028
Total current tax charge	**(2,963)**	**(4,624)**
Deferred tax		
Origination and reversal of temporary differences	3,465	5,957
Adjustments in respect of prior periods	(1,386)	(977)
Reduction in tax rate	–	(34)
Total deferred tax credit	**2,079**	**4,946**
Total tax (charge)/credit	**(884)**	**322**
Reconciliation of effective tax rate		
(Loss)/profit before tax	(5,839)	6,300
Tax credit/(charge) at the UK corporation tax rate of 19% (2018: 19%)	1,109	(1,197)
Non-taxable income	532	–
Non-deductible expenses	(1,731)	(498)
Adjustments in respect of prior years	(794)	2,051
Impact of change in corporation tax rate	–	(34)
Total tax (charge)/credit	**(884)**	**322**

11. Property, plant and equipment

	Plant & equipment £'000	Assets under construction £'000	Total £'000
Cost			
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**
Acquisitions (Note 21)	60,553	–	60,553
Additions	292	29,691	29,983
Disposals	(50)	–	(50)
Transfers	22,766	(22,766)	–
At 31 March 2019	**185,389**	**14,479**	**199,868**
Depreciation and impairment			
At 1 April 2017	8,691	–	8,691
Charge for the year	24,186	–	24,186
At 31 March 2018	**32,877**	**–**	**32,877**
Charge for the year	26,471	–	26,471
Disposals	–	–	–
At 31 March 2019	**59,348**	**–**	**59,348**
Net book value			
At 31 March 2019	**126,041**	**14,479**	**140,520**
At 31 March 2018	**68,951**	**7,554**	**76,505**

12. Intangible assets

	Goodwill £'000	CLM and CMM Gas Rights £'000	Other £'000	Total £'000
Cost				
At 31 March 2017 & 31 March 2018	**19,456**	**353,098**	**10,144**	**382,698**
Acquisitions (Note 21)	48,774	11,526	4,027	64,327
At 31 March 2019	**68,230**	**364,624**	**14,171**	**447,025**
Amortisation				
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**
Charge for the year	–	20,670	1,981	22,651
At 31 March 2019	**–**	**50,871**	**3,823**	**54,694**
Net book value				
At 31 March 2019	**68,230**	**313,753**	**10,348**	**392,331**
At 31 March 2018	**19,456**	**322,897**	**8,302**	**350,655**

The Group tests the carrying amounts of goodwill annually as described in note 4.

A value in use model is used to determine the recoverable amount of assets subject to impairment testing. The discounted estimated future operating cash flows are compared to the net carrying value of the cash generating unit's (CGUs) assets. The Group's operating segments, as reported internally to management, form the basis of determining the CGU's for the assessment, with allocations required for unallocated costs (e.g. overheads).

Property, plant and equipment are separately tested at an individual asset level when there is an impairment trigger.

The Group forecasts CGU cash flows to the end of the CGU's useful life. Future cash flows comprise those related to existing core operations and growth opportunities arising from existing spare grid and engine capacity. The post tax discount rate used for each CGU was CLM: 5.5%, CMM: 6.0% and PR: 6.5% (FY18: CLM 6%).

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.

The impairment tests for goodwill are based on the FY20 budget and Long Term Plan, modified as appropriate to reflect the latest conditions, and incorporate the following assumptions:

- gas volumes and pricing of exported output are estimated with reference to third party market data;
- operational costs are calculated as a cost per megawatt hour (MWh) to ensure the cost base appropriately flexes up or down on a site by site level based on forecast gas volumes;
- capital expenditure is based on historic maintenance CAPEX averaged over the MWh exported over the historical period. This average is then projected forward in line with the MW forecast to be exported. Capital expenditure excludes development spend for which there is no corresponding forecast income or expenditure in the projections; and
- the discount rate used is based on Infinis' estimated weighted average cost of capital. The discount rate has been adjusted by specific risk premiums associated with the individual risk profile of each CGU.

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.

CLM projections are based on a portfolio of 122 sites. While there is an element of the pareto principle, the projections in CLM are not sensitive to any site and the portfolio effect mitigates the risk from single sites differing, notably from the projections due to specific site issues which could occur.

12. Intangible assets continued

The CMM portfolio is a newer portfolio albeit has largely the same gas exportation and operational characteristics as CLM. Due to a smaller portfolio of 15 sites, the projections in CMM are more dependent on the top 5 sites and site specific factors i.e. early flooding of a major site, could materially impact the projections. This risk is offset by differing gas field characteristic across the portfolio which results in the gas only being extracted when the engines are operating. In the event of engine failure the gas is simply stored and extracted at a later date thus ensuring forecasts are less sensitive to gas volume variances than CLM, where gas is flared in the event of engine failure.

PR is a new operating model for the business. PR represents a long-term strategy which aligns with the macro trend of both (i) growing intermittency of UK electricity supply caused by traditional thermal power plants closure which are replaced by renewables in the form of wind and solar; and (ii) increasing electric demand caused by the increased electrification of transport. The projections of the business are based on an increasingly growing demand, which results in gradually increasing short-term peak power prices, over a thirty year period. These projections are based on industry experts and economist's macro forecasts and projections for overall power supply together with a specific subset used for the PR market. The near-term performance of the business, while important in delivering shareholder returns, is less of a factor in assessing the carrying value of assets. The deliverability of the forecasts is instead more dependent on the long-term macro electricity supply trends and the forecast development expenditure invested. The Directors continue to work closely with industry experts and remain comfortable that despite the benign market conditions experienced in the last year for PR, the long-term macro trends and forecasts remain largely unaltered. The projections used assume a reinstatement of the Capacity Market mechanism from October 2019 (with no back dated payments covering the period October 2018 - October 2019). Were the Capacity Market, or a similar mechanism, not to be re-introduced then industry analysts forecast a reduction in building of new dispatchable plant which would consequently result in increased pricing volatility above that forecast. Should the projected increase not fully compensate income lost from the Capacity Market then there is an increased risk of an impairment in the future.

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. To reflect the risks posed by the current market conditions, a series of sensitivities, outlined below, have been ran against the forecast projections.

Sensitivities

CGU	CLM	CMM	PR
Increase of 1% in discount rate	No impairment	No impairment	No impairment
5% decline in baseload gas volume	No impairment	No impairment	N/a
5% decrease in forecast power prices	No impairment	No impairment	No impairment
PR margin does not increase in future years	N/a	N/a	Impairment of £66.2m

13. Inventories

	2019 £'000	2018 £'000
Parts and spares	4,112	2,326
Lubricants	676	230
	4,788	**2,556**

14. Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	5,892	3,578
Accrued income	43,054	37,763
Prepayments	1,773	1,282
Other receivables	1,018	3,643
	51,737	**46,266**

15. 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 20.

Interest-bearing loans and borrowings:

	2019 £'000	2018 £'000
Non-current		
Secured loans	272,877	214,581
Shareholder loans	230,280	275,930
	503,157	**490,511**
Current		
Secured loans	–	26,595
Finance lease liabilities	39	–
	39	**26,595**

On 15 August 2018 the existing finance facility of £246.5m was repaid and replaced with a new facility of £318.0m, consisting of a £278.0m term loan and a £40.0m Revolving Credit Facility.

The new finance facility matures on 15 August 2023 and the term loan is repayable at that date. £208.5m of the term loan value attracts interest at a fixed rate of 3.61% after interest rate swaps are considered. £69.5m of the loan value is at a variable rate of LIBOR +2.35%.

The carrying value of the loan at 31 March 2019 of £272.9m (31 March 2018: £241.2m) is stated net of unamortised issue costs of £5.1m (31 March 2018: £5.5m). These costs are being amortised to the income statement over the term of the facility.

At 31 March 2019 the Company had in issue £230.3m (31 March 2018: £275.9m) interest bearing subordinated unsecured loan notes to 3i LFG Holdings Limited, the parent company of its intermediate parent company, 3i LFG Topco Limited. The loan notes are due for repayment in 2045 and attract interest at a rate of 8%, payable at half yearly intervals and are listed on the International Stock Exchange. The Company repaid £45.7m (2018: £10.5m) of the loan notes in the year ended 31 March 2019.

16. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2019 £'000	2018 £'000
Liabilities		
Property, plant and equipment	8,162	169
Intangible assets	44,786	46,313
Other timing differences	–	279
Total	**52,948**	**46,761**
Assets		
Losses	(7,354)	–
Other timing differences	(1,259)	–
Total	**(8,613)**	**-**
Net deferred tax liability	**44,335**	**46,761**

Movement in deferred tax assets and liabilities during the year:

	At beginning of the year £'000	Acquisition of subsidiaries £'000	Recognised in reserves £'000	Temporary differences in the year £'000	Rate change £'000	At end of the year £'000
31 March 2019						
Property, plant and equipment	169	5,716	–	2,277	–	8,162
Intangibles	46,313	1,560	–	(3,087)	–	44,786
Losses	–	(6,325)	–	(1,029)	–	(7,354)
Other timing differences	279	(296)	(1,002)	(240)	–	(1,259)
Total	**46,761**	**655**	**(1,002)**	**(2,079)**	**-**	**44,335**
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**

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2017 (on September 2017). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted rates and reflected in these financial statements.

17. 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**
Acquisition of subsidiaries	4,401	–	4,401
Unwinding of discount	129	–	129
Additional provision charged to plant and equipment	292	–	292
Utilisation of provisions	(63)	(37)	(100)
Provisions released	–	(115)	(115)
At 31 March 2019	**7,685**	**1,126**	**8,811**

During the year to 31 March 2018 the Group reassessed provisions in respect of its liabilities for the decommissioning of operating assets and the restoration of CLM sites. As explained in the accounting policies note provisions increased at 31 March 2018 and are at a discounted value of expected future costs. During the year to 31 March 2019 these provisions were revised for changes in assumptions relating to discount rate and the unwinding of discount.

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.

All provisions are classified as non-current.

18. Trade and other payables

	2019 £'000	2018 £'000
Amounts due within one year		
Trade payables	3,921	7,639
Accruals and deferred income	29.861	18,696
Amounts payable to a related party	4,543	310
Other creditors	2,599	2,328
Corporation tax creditor	313	549
	41,237	**29,522**
Amounts due after one year		
Other payables	**767**	–
	767	**-**

19. Share capital

Share capital

	Issued share capital 2019 Number	Issued share capital 2018 Number	**Aggregate nominal value 2019 £'000**	Aggregate nominal value 2018 £'000
Allotted, called up and fully paid				
At beginning of the year (ordinary shares of £1 each)	35,000,001	35,000,001	35,000	35,000
At 31 March	**35,000,001**	**35,000,001**	**35,000**	**35,000**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2019

20. 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 observable market data and classified as Level 2. Valuations are performed, 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 2019 £'000	**Fair value 2019 £'000**	Carrying value 2018 £'000	Fair value 2018 £'000
Financial assets				
Financial assets at amortised cost:				
Cash and cash equivalents	45,640	45,640	163,990	163,990
Trade receivables	5,892	5,892	3,578	3,578
Accrued income	43,054	43,054	37,763	37,736
Other receivables	1,018	1,018	3,643	3,643
Financial assets at fair value through profit and loss:				
Interest rate swap	–	–	2,693	2,693
Total financial assets	**95,604**	**95,604**	**211,667**	**211,667**
Financial liabilities				
Financial liabilities at amortised cost:				
Trade and other payables	41,691	41,691	29,522	29,522
Interest-bearing loans	503,157	503,157	517,106	517,106
Provisions	8,811	8,811	4,204	4,204
Financial liabilities at fair value through profit and loss:				
Interest rate swap	2,725	2,725	–	–
Total financial liabilities	**556,384**	**556,384**	**550,832**	**550,832**

(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.

The group holds trade receivables and accrued income at amortised cost, which are therefore subject to the expected credit loss model. While cash and cash equivalents and other receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was minimal.

20. Financial instruments continued

To measure the expected credit losses, trade receivables and accrued income have been grouped based on shared credit risk characteristics and the days past due. The accrued income relates to unbilled exported power and has substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 2 months before 31 March 2019 or 1 April 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 March 2019 or 1 April 2018 (on adoption of IFRS 9) was determined as follows for both trade receivables and accrued income:

The closing provision for trade receivables and accrued income as at 31 March 2019 reconciles to the opening provision as follows:

	2019 £'000
Opening provision at 1 April - Calculated under IFRS 9	–
Increase in provision recognised in profit or loss during the year	129
Receivables written off during the year as uncollectible	–
Unused amount reversed	–
Closing provision at 31 March	**129**

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments when the debtor is significantly past due. Impairment losses on trade receivables and contract assets are presented within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

	2019 £'000 Gross	2019 £'000 Expected credit loss	2018 £'000 Gross	2018 £'000 Expected credit loss
Not past due	48,946	–	41,341	–
Past due > 12 months	129	(129)	–	–
	49,075	**(129)**	**41,341**	**-**

(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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

THE YEAR ENDED 31 MARCH 2019

20. Financial instruments continued

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 2019								
Non-derivative financial liabilities								
Trade payables	–	2019–2020	3,921	(3,921)	(3,921)	–	–	–
Bank loan	2.35%+libor	2023	272,877	(318,853)	(8,930)	(9,458)	(300,465)	–
Finance Lease	10%	2020	39	(39)	(39)	–	–	–
Amounts payable to related parties	8%	2045	234,623	(732,226)	(18,422)	(18,422)	(55,267)	(640,115)
Total			**511,460**	**(1,055,039)**	**(31,312)**	**(27,880)**	**(355,732)**	**(640,115)**
Derivative financial liabilities								
Derivatives	1.26%	2023	2,725	(2,788)	(899)	(840)	(1,049)	–
Total			**2,725**	**(2,788)**	**(899)**	**(840)**	**(1,049)**	**-**
As at 31 March 2018								
Non-derivative financial liabilities								
Trade payables	–	2018–2019	7,639	(7,639)	(7,639)	–	–	–
Bank loan	2.6%+libor	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**	**-**

(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 limiting exposure 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. At 31 March 2019 75% (2018: 100%) of the Group's term loan is subject to an interest rate swap.

Profit or loss is sensitive to higher/lower interest costs from changes in interest rates as a result of the element of the Group's term loan that is not hedged. The impact of an increase/decrease in interest rates of 1% is a decrease/increase in the Group's profit before tax of £0.7m (2018: nil).

21. Acquisitions

(a) Alkane

On 11 April 2018 the Group acquired the Alkane Energy group of companies ("Alkane"). Alkane is the largest power generator from Captured Mineral Methane ("CMM") in the UK and has a number of power peaking generators.

The total cash consideration of £106.2m was used to repay related party debt of £46.7m. The net cash outflow for the acquisition of businesses of £56.2m is the net of cash acquired of £4.7m and includes the acquisition of Waterbeach. The acquisition was financed by way of a shareholder loan of £124.7m, this loan also financed the settlement of existing loans and debt in the acquired business.

The rationale for the acquisition was to complement the Group's existing business platform, recognising that the existing business and Alkane share many common commercial and operational aspects, with the potential for synergies and growth opportunities. The acquisition was also 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.

The Group incurred acquisition related costs of £1.5m on legal fees and due diligence costs. A majority of these costs were expensed to the income statement in the year ended 31 March 2018. These costs have been included in operating exceptional items (see note 7b).

The following table summarises the consideration paid for Alkane 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	62,578	(3,175)	59,403
Intangible assets	13,407	1,841	15,248
Held for sale investment	2,252	–	2,252
Inventories	391	(153)	238
Trade and other receivables	10,222	–	10,222
Cash and cash equivalents	4,678	–	4,678
Loans to related parties	(46,707)	–	(46,707)
Loans and borrowings	(20,684)	–	(20,684)
Deferred tax liabilities	(989)	334	(655)
Provisions	(4,401)	–	(4,401)
Trade and other payables	(8,797)	(127)	(8,924)
Total identifiable net assets acquired	**11,950**	**(1,280)**	**10,670**
Consideration transferred			59,444
Goodwill			**48,774**

The goodwill of £48.8m million arising from the acquisition is attributable to the workforce, the potential existence of future Government schemes that will aid renewable energy producers, synergies from using the shared Infinis platform and spare engine and grid connection capacity.

Identifiable intangible assets were recognised for CMM rights of £11.2m and contracts of £4.0m. The CMM rights will be amortised in line with a profile that reflects the decline in available gas reserves. Intangibles relating to contracts will be amortised in line with the revenue profile arising from the contracts.

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

A multi-period excess earnings method was used to value the intangible assets.

21. Acquisitions continued

(b) CLM site

On the 31 March 2019 Infinis Limited, a group subsidiary company acquired the Captured Landfill Methane generation business at the Waterbeach landfill site in Cambridgeshire. The acquisition comprised the contracts and licences related to the generation and sale of electricity at the site together with all the operational plant and other assets. The purchase consideration was £1.4m, £1.1m attributed to plant and machinery and £0.3m attributable to intangibles relating to the gas rights and contracts. Acquisition costs incurred were £0.1m, these have been charged through exceptional costs in the income statement (see note 7(b)).

22. Operating leases and commitments

Operating leases

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

	2019 £'000	2018 £'000
Less than one year	1,159	1,258
Between one and five years	2,575	2,396
More than five years	540	725
	4,274	**4,379**

Capital commitments

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

	2019 £'000	2018 £'000
Capital commitments contracted but not provided for	1,724	4,260
	1,724	**4,260**

The Group has other commitments that are outside the scope of IAS 17 and IFRS 16 relating to site access. These commitments have a duration of between 6 months and 23 years and are a mix of fixed and variable rentals. The cash outflows in the year were £1.5m (FY18: £0.4m).

23. 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 key management personnel of the Group are considered to be the Directors of the Company and the Directors of the Governing Board their remuneration was as follows:

	2019 £'000	2018 £'000
Short-term employee benefits (including employer national insurance)	**1,213**	1,472
Post-employment benefits	**43**	42
Termination benefits	**176**	–
	1,432	**1,514**

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:

	2019 £'000	2018 £'000
Aggregate emoluments	**498**	641
Post employment benefits	**25**	25

23. 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 and balances outstanding at the year end are as follows:

	Value of transactions 2019 £'000	Value of transactions 2018 £'000	Outstanding (payable)/ receivable 2019 £'000	Outstanding (payable)/ receivable 2018 £'000
3i LFG Holdings Limited	(60,923)	(148,430)	(234,823)	(276,240)
3i LFG Topco Limited	–	(6)	–	–
	(60,923)	**(148,436)**	**(234,823)**	**(276,240)**

Transactions for the year comprise repaid loan notes together with associated interest. There were no other transactions between the Company and either 3iN or any of the 3i Holding Companies during the year, there were no other balances outstanding between the Company and either 3iN or any of the 3i Holding Companies at the year end.

In the year ended 31 March 2019 the Company repaid loan notes totalling £45.7m (2018: £10.5m). The Company paid interest of £15.3m (2018: £15.5m).

In the year ended 31 March 2018 the Company issued £136.4m interest-bearing subordinated unsecured loan notes to 3i LFG Holdings Limited, the parent company of its immediate parent company, 3i LFG Topco Limited. £124.7m of these loan notes were used to finance the acquisition of Alkane (see note 21(a)).

24. 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.

Infinis Energy Group Holdings Limited is the largest and smallest group for which consolidated financial statements are prepared of which the Company is a member.

25. Subsequent events

There were no subsequent events.

COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
Non-current assets			
Investments	27	265,280	186,230
		265,280	**186,230**
Current assets			
Cash and cash equivalents		100	124,724
Trade and other receivables	28	4,342	228
		4,442	**124,952**
Total assets		**269,722**	**311,182**
Non-current liabilities			
Trade and other payables	29	230,280	275,930
		230,280	**275,930**
Current liabilities			
Trade and other payables	29	6,133	310
		6,133	**310**
Total liabilities		**236,413**	**276,240**
Net assets		**33,309**	**34,942**
Equity			
Called up share capital	30	35,000	35,000
Retained earnings		(1,691)	(58)
Total equity		**33,309**	**34,942**

The Company reported a loss of £1,633,000 for the year ended 31 March 2019 (2018: £58,000). The financial statements were approved by the Board of Directors on 25 July 2019 and were signed on its behalf by:

K Reid
Director

S S Pickering
Director

Company number: 10432005

The notes on pages 74 to 77 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2017	**35,000**	**–**	**35,000**
Loss for the year	–	(58)	(58)
Total comprehensive income	**–**	**(58)**	**(58)**
Total transactions with owners, recorded directly in equity	**–**	**–**	**–**
At 31 March 2018	**35,000**	**(58)**	**34,942**
Balance at 1 April 2018	35,000	(58)	34,942
Loss for the year	–	(1,633)	(1,633)
Total comprehensive expense	**–**	**(1,633)**	**(1,633)**
Total transactions with owners, recorded directly in equity	**–**	**–**	**–**
At 31 March 2019	**35,000**	**(1,691)**	**33,309**

The notes on pages 74 to 77 form part of these financial statements.

NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

Accounting policies

Basis of preparation

Infinis Energy Group Holdings Limited (the 'Company') is a private company limited by shares and incorporated in England in the UK. 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 2019.

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 2019.

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.

Amounts owed by Group undertakings

For amounts owed by group undertakings, the Company first determines the 12 month expected credit loss, with the lifetime expected credit loss being recognised in the event of a significant increase in default risk. If external or internal rating information is available, the expected credit loss is determined based on the basis of this data. If no rating information is available, the Company determines default ratios on the basis of historical default rates, taking into account forward-looking information on economic developments. The estimates and assumptions used to determine the level of expected credit losses are reviewed periodically to determine if there is a significant increase in default risk.

In the prior year under IAS 39, amounts owed by group undertakings were assessed to determine whether there was objective evidence that an impairment was required. Impairment losses were incurred only if there was objective evidence that an impairment was required. Impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event had an impact on the estimated future cash flows of the financial asset that could be reliably estimated.

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

Accounting policies continued

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.

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. There are no critical accounting judgments. The key 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.

26. Directors and employees

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

27. Investments

	Shares in group undertakings £'000	Amounts owed by group undertakings £'000	Total £'000
Cost			
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**
Additions	**–**	**79,050**	**79,050**
At 31 March 2019	**35,000**	**230,280**	**265,280**
Provisions			
At 31 March 2018	–	–	–
At 31 March 2019	**–**	**–**	**–**
Net book value			
At 31 March 2019	**35,000**	**230,280**	**265,280**
At 31 March 2018	**35,000**	**151,230**	**186,230**

Amounts owed by Group undertakings comprise loan notes and 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 2019

27. Investments continued

At 31 March 2019 the Company had the following investments in subsidiaries, associates and jointly controlled entities:

Directly held by the Company:		
Infinis Energy Management Limited		
Indirectly held by the Company:		
Alkane Biogas Limited	Acquired 11 April 2018	
Alkane Energy CM Holdings Limited	Acquired 11 April 2018	
Alkane Energy CM Limited	Acquired 11 April 2018	
Alkane Energy Limited	Acquired 11 April 2018	
Alkane Energy UK Limited	Acquired 11 April 2018	
Alkane Services Limited	Acquired 11 April 2018	
Aveley Methane Limited		
Barbican Bidco Limited	Acquired 11 April 2018	
Barbican Holdco Limited	Acquired 11 April 2018	
Bidston Methane Limited	50% owned	
Blackborough End Energy Limited		
Costessey Energy Limited		
CPL Polska Sp. z o.o	Incorporated in Poland, 80% owned	
Gengas Limited		
Infinis (Re-Gen) Limited		
Infinis Alternative Energies Limited		
Infinis China (Investments) Limited		
Infinis Energy Hong Kong Limited	Incorporated in Hong Kong	
Infinis Energy Services Limited		
Infinis Hydro Holdings Limited		
Infinis (COE) Limited (previously Infinis Hydro Limited)		
Infinis Limited (previously 'Infinis plc')		
Leven Power Limited	Acquired 11 April 2018	
Mayton Wood Energy Limited		
MW Renewables Limited	Acquired 11 April 2018	
Infinis Acquisitions Limited	Previously Novera Acquisitions Limited	
Novera Energy Limited		In liquidation
Novera Energy Generation No. 1 Limited		
Novera Energy Generation No. 2 Limited		
Novera Energy Generation No. 3 Limited		
Novera Energy (Holdings 1) Limited		In liquidation
Novera Energy (Holdings 2) Limited		
Novera Energy Operating Services Limited		
Novera Energy Pty Limited	Incorporated in Australia	
Novera Energy Services UK Limited		
Novera Ventures Limited		In liquidation
Regent Park Energy Limited	Acquired 11 April 2018	
Renewable Power Generation Limited		
Rhymney Power Limited	Acquired 11 April 2018	
Scottish BioFuel Limited	Incorporated in Scotland	In liquidation
Scottish BioPower Limited	Incorporated in Scotland	In liquidation
Seven Star Natural Gas Limited	Acquired 11 April 2018	

The subsidiary undertakings operate and were incorporated in England and Wales, and were 100% owned, unless otherwise stated, as at 31 March 2019. 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:
KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

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

28. Trade and other receivables

	2019 £'000	2018 £'000
Amounts owed by Group companies	4,342	214
Corporation tax recoverable	–	14
	4,342	**228**
Current	**4,342**	228

29. Trade and other payables

	2019 £'000	2018 £'000
Corporation tax payable	1,590	–
Amounts owed to related parties	234,823	276,240
	236,413	**276,240**
Non-current	230,280	275,930
Current	6,133	310

Amounts owed to related parties are detailed in note 23.

30. Called up share capital

	Issued share capital 2019 Number	Issued share capital 2018 Number	Aggregate nominal value 2019 £'000	Aggregate nominal value 2018 £'000
Allotted, called up and fully paid				
At beginning of the year– ordinary share of £1	35,000,001	35,000,001	35,000	35,000
At 31 March	**35,000,001**	**35,000,001**	**35,000**	**35,000**

31. 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 23 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 revenue recognised in the year 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 £318,000,000 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
Act	the UK Companies Act 2006
CLM	Captured Landfill Methane
CMM	Captured Mineral 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 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
FY18	the financial year ended 31 March 2018
FY19	the financial year ending 31 March 2019
FY20	the financial year ending 31 March 2020
GAAP	Generally Accepted Accounting Practice
Governing 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 Management Limited group of companies
Infinis Group	the Company and its subsidiaries
IT	information technology
kWh	kilowatt hour
M&A	Mergers and acquisitions
MW and MWh	megawatt and megawatt hour
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 and Daniel Schulenburg
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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Infinis Energy Group Holdings Limited
First Floor, 500 Pavilion Drive
Northampton Business Park
Northampton NN4 7YJ

T +44 (0) 1604 662 400

Learn more online, at
www.infinis.com