Viridian Group Investments Limited

Unaudited Interim Consolidated Financial Statements

First Quarter 2018

GROUP FINANCIAL HIGHLIGHTS

Underlying Business Results[1]

First Quarter 2018

- Group pro-forma Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) for First Quarter 2018 was £28.3m (2017 - £22.1m)
- Group pro-forma operating profit for First Quarter 2018 was £20.3m (2017 - £16.8m)

IFRS Results

First Quarter 2018

- Revenue for First Quarter 2018 was £314.7m (2017 - £286.7m)
- Operating profit before exceptional items and certain remeasurements for First Quarter 2018 was £28.8m (2017 - £22.1m)

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

MANAGEMENT REPORT

The director of Viridian Group Investments Limited (VGIL) presents his condensed interim consolidated financial statements for the 3 months ended 30 June 2017 (First Quarter 2018) including comparatives for the 3 months ended 30 June 2016 (First Quarter 2017). All references in this document to 'Group' denote Viridian Group Investments Limited and its subsidiary undertakings and to 'Company' denote Viridian Group Investments Limited, the parent company.

Principal Activities

There were no changes to the principal activities of the Group's businesses during First Quarter 2018. These comprise:

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

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

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

Group pro-forma EBITDA and Operating Profit

The Group's pro-forma EBITDA and operating profit (pre exceptional items and certain remeasurements) by business is shown below:

	EBITDA[1]			Operating Profit[1]		
	First Quarter 2018 £m	First Quarter 2017 £m	Year ended 31 March 2017 £m	**First Quarter 2018 £m**	First Quarter 2017 £m	Year ended 31 March 2017 £m
Energia Group (excluding renewable assets)	**13.9**	13.6	65.1	**9.9**	9.7	48.9
Energia renewable assets	**4.5**	0.7	4.9	**1.0**	0.1	1.8
Power NI	**8.8**	7.3	32.2	**8.4**	6.6	29.6
PPB	**0.9**	0.5	4.0	**0.9**	0.5	4.0
Other	**0.2**	-	1.0	**0.1**	(0.1)	0.6
	28.3	22.1	107.2	**20.3**	16.8	84.9

Energia Group (excluding renewable assets) EBITDA (pre exceptional items and certain remeasurements) increased to £13.9m (2017 - £13.6m) primarily reflecting higher availability and utilisation of Huntstown 1 (including lower operating costs), favourable foreign exchange due to the strengthening of Euro to Sterling during the period compared to the same period last year, higher contributions from renewable PPAs (due to the commissioning of renewable generation capacity and higher wind factors) and higher residential earnings (associated with continued growth in the RoI residential market), partly offset by lower availability and utilisation of Huntstown 2 primarily associated with an outage in June 2017, the revaluation decrease of Huntstown distillate oil stock to current market price (with last year benefitting from a revaluation increase) and lower non-residential earnings (with last year benefitting from lower wholesale prices).

Energia Group (excluding renewable assets) operating profit (pre exceptional items and certain remeasurements) increased to £9.9m (2017 - £9.7m) primarily due to the reasons described above for EBITDA.

Energia renewable assets EBITDA increased to £4.5m (2017 - £0.7m) and operating profit increased to £1.0m (2017 - £0.1m) reflecting the commissioning of new wind farms in March and April 2017.

Power NI EBITDA increased to £8.8m (2017 - £7.3m) and operating profit increased to £8.4m (2017 - £6.6m) primarily reflecting higher unregulated margins (associated with the full deregulation of business customers from 1 April 2017), partly offset by the corresponding reduction in regulated margins and higher contributions from small scale renewable PPAs.

PPB EBITDA and operating profit increased to £0.9m (2017 - £0.5m) reflecting lower operating costs (associated with recovery of I-SEM costs).

[1] *As shown in note 2 to the accounts*

Business Reviews

Energia Group (excluding renewable assets)

KPIs	**First Quarter 2018**	First Quarter 2017	Year end 31 March 2017
Availability (%)			
- Huntstown 1	**100.0**	80.0	89.3
- Huntstown 2	**79.0**	96.3	91.1
Unconstrained utilisation (%)			
- Huntstown 1	**40.3**	-	8.1
- Huntstown 2	**11.7**	42.9	29.0
Incremental impact of constrained utilisation (%)			
- Huntstown 1	**26.2**	2.6	9.7
- Huntstown 2	**0.3**	17.8	13.2
Customer sites (number)			
- Non-residential			
- electricity	**53,400**	53,700	51,800
- gas	**4,500**	5,600	5,300
	57,900	59,300	57,100
- Residental			
- electricity	**112,400**	90,100	106,900
- gas	**39,300**	37,700	38,400
	151,700	127,800	145,300
Energia electricity sales (TWh)	**1.1**	1.1	4.8
Energia gas sales (million therms)	**14.7**	17.6	81.0
Complaints to the CCNI and CER (number)	**1**	1	4
Contracted renewable generation capacity in operation in Northern Ireland and the RoI (MW)			
- average during the period	**1,035**	811	849
- at end of period[1]	**981**	815	1,013

[1] *Operating capacity at 30 June 2017 excludes 54MW of renewable PPA contracted capacity which is in the process of being novated to Power NI.*

Huntstown 1 availability for First Quarter 2018 was 100.0% (2017 – 80.0%) reflecting a 31 day outage in the prior period which commenced on 14 June 2016.

Huntstown 2 availability for First Quarter 2018 was 79.0% (2017 – 96.3%) reflecting an outage which commenced on 14 June 2017 to carry out a weld repair on the high pressure stop valve identified as necessary during last years scheduled outage. The outage was completed on 6 July 2017 and the plant returned to full availability.

Huntstown 1 unconstrained utilisation for First Quarter 2018 was 40.3% (2017 – nil). The incremental impact of constrained utilisation for Huntstown 1 for First Quarter 2018 was 26.2% (2017 – 2.6%).

Huntstown 2 unconstrained utilisation for First Quarter 2018 was 11.7% (2017 – 42.9%). The incremental impact of constrained utilisation for Huntstown 2 for First Quarter 2018 was 0.3% (2017 – 17.8%).

Non-residential electricity customer sites were 53,400 at 30 June 2017 (31 March 2017 – 51,800). Non-residential gas customer sites were 4,500 at 30 June 2017 (31 March 2017 – 5,300).

Residential electricity and gas customer sites increased to 151,700 at 30 June 2017 (31 March 2017 – 145,300).

Total electricity sales volumes were 1.1TWh for First Quarter 2018 (2017 - 1.1TWh). Total gas sales volumes were 14.7m therms for First Quarter 2018 (2017 – 17.6m therms).

During First Quarter 2018 Energia received 1 (2017 – 1) customer complaint.

Energia Group (continued)

Renewable PPA portfolio

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

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

MW	Operating	Under construction	**Total**
NI[1]	416	-	**416**
RoI	565	20	**585**
	981	**20**	**1,001**

[1] *Operating capacity at 30 June 2017 excludes 54MW of renewable PPA contracted capacity which is in the process of being novated to Power NI.*

The average contracted renewable generation capacity in operation during the First Quarter 2018 was 1,035MW (2017 - 811MW) with 30 June 2017 capacity of 981MW (31 March 2017 – 1,013MW).

At 30 June 2017, the operating capacity under contract in Northern Ireland was 416MW (31 March 2017 – 454MW) and the RoI operating capacity was 565MW (31 March 2017 – 559MW). 20MW of contracted capacity in the RoI relates to wind farms which are currently under construction.

Energia renewable assets

KPIs	**First Quarter 2018**	First Quarter 2017	Year end 31 March 2017
Wind generation capacity in operation in Northern Ireland and the RoI (MW)			
- average during the period	**196**	34	43
- at end of period	**202**	34	202
Availability (%)	**96.9**	99.0	97.3
Wind factor (%)	**21.6**	21.8	25.9

Energia renewable assets availability was 96.9% (2017 – 99.0%) with a wind factor of 21.6% (2017 – 21.8%).

The Group currently owns wind farm projects with the following forecast generation capacity as at 30 June 2017:

MW	Operating	Under construction	**Total**
NI	98	75	**173**
RoI	104	-	**104**
	202	**75**	**277**

The average owned wind generation capacity in operation during the First Quarter 2018 was 196MW (2017 - 34MW) with 30 June 2017 capacity of 202MW (31 March 2017 – 202MW).

At 30 June 2017, the owned wind generation capacity in operation in Northern Ireland was 98MW (31 March 2017 – 98MW) and the RoI operating capacity was 104MW (31 March 2017 – 104MW). 75MW of owned wind generation capacity in Northern Ireland relates to wind farms which are currently under construction.

The Energia Group also has a further pipeline of wind generation projects with capacity of 34MW which are in various stages of obtaining planning permission.

In April 2017, the Group completed the acquisition of the 11MW Teiges wind farm development project in Northern Ireland. The total cash flows on acquisition were £2.3m and discounted contingent liabilities of £2.2m were recognised (£2.6m undiscounted).

In April 2017, non-recourse project finance facilities of up to £28.4m were put in place in respect of a 21MW wind farm in Northern Ireland.

Energia renewable assets (continued)

On 14 July 2017, the Group completed the acquisition of Dargan Road Biogas Limited, a 3.6MW anaerobic digestion development project in Northern Ireland. The total cash flows on acquisition were £0.8m and contingent consideration of £2.5m was recognised.

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

Power NI

KPI	**First Quarter 2018**	First Quarter 2017	Year end 31 March 2017
Stage 2 complaints to the Consumer Council (number)	**1**	2	4
Customers (number)			
- Residential	**479,000**	501,000	483,000
- Non-residential	**34,000**	34,000	34,000
	513,000	535,000	517,000
Electricity sales (TWh)	**0.5**	0.6	2.5
Contracted renewable generation capacity in operation (deregulated) (MW)			
- average during the period	**144**	103	112
- at end of period[1]	**207**	105	127

[1] *Operating capacity at 30 June 2017 includes 54MW of renewable PPA contracted capacity which is in the process of being novated from Energia Group.*

During the First Quarter 2018 Power NI received 1 (2017 - 2) Stage 2 complaints.

Residential customer sites decreased to 479,000 at 30 June 2017 (31 March 2017 – 483,000). Non-residential customer sites were 34,000 at 30 June 2017 (31 March 2017 – 34,000).

Electricity sales for First Quarter 2018 decreased to 0.5TWh (2017 – 0.6TWh).

Power NI's deregulated renewable PPA portfolio consists of contracts with small to medium scale renewable generation sites primarily from wind, anaerobic digestion and biomass technologies. The average contracted generation capacity in operation during the year was 144MW (2017 – 103MW) with 30 June 2017 capacity increasing to 207MW (31 March 2017 – 127MW).

On 17 August 2017, Power NI announced a 5.6% increase in its regulated electricity tariff, effective 1 October 2017, reflecting an increase in its expected wholesale energy costs. The tariff increase was agreed with the Utility Regulator.

PPB

As at 30 June 2017 the generation capacity remaining under contract to PPB comprised 600MW at Ballylumford (31 March 2017 – 600MW).

Regulation Update

Single Electricity Market

On 3 July 2017, the SEM Committee published its decision on the Capacity Remuneration Mechanism (CRM) Locational Capacity Constraints Methodology. This confirms Northern Ireland and greater Dublin as capacity constrained areas for the purpose of the first CRM transitional auction on 15 December 2017 which will cover capacity delivery over the period from I-SEM go-live to 30 September 2019.

Capacity pot for calendar year 2018

On 10 July 2017 the SEM Committee published a consultation on the proposed capacity pot for calendar year 2018. As the commencement of I-SEM has been delayed to 23 May 2018, the consultation proposes to use the previously published values for the period October to December 2017. The consultation also proposes two values for the capacity pot for calendar year 2018 (which will be applied for the five month period to 23 May 2018) – Option 1, based on the same indexation methodology as last year, would see the capacity pot increase c.5% to €545.5 million whereas Option 2, which seeks to dilute the impact of the exchange rate of Sterling against the Euro, would see the capacity pot decrease c.10% to €467.9 million. The Group has responded to the consultation in support of the first option, which is in line with previous methodology employed, and a final decision is expected shortly.

Revenue

	First Quarter 2018 £m	First Quarter 2017 £m	Year end 31 March 2017 £m
Energia Group (excluding renewable assets)	**208.3**	189.2	874.4
Energia renewable assets	**6.4**	1.1	7.7
Power NI (based on regulated entitlement)	**70.4**	67.9	335.0
PPB (based on regulated entitlement)	**28.7**	25.2	111.7
Adjustment for over/(under)-recovery	**8.5**	5.3	(0.5)
Inter business elimination	**(7.6)**	(2.0)	(10.7)
Total revenue from continuing operations	**314.7**	286.7	1,317.6

Revenue increased to £314.7m (2017 - £286.7m). The breakdown by business is as follows:

Energia Group (excluding renewable assets) revenue increased to £208.3m (2017 - £189.2m) primarily reflecting the favourable impact of foreign exchange translation (with the strengthening of Euro to Sterling compared to the same period last year), higher residential revenue (associated with continued growth in the RoI residential market), higher renewable PPA revenues (due to the commissioning of renewable generation capacity and higher wind factors) and higher Huntstown plant revenues (reflecting higher availability and utilisation of Huntstown 1, partly offset by lower availability and utilisation of Huntstown 2 due to the outage in June 2017), partly offset by lower non-residential revenues.

Energia renewable assets revenue increased to £6.4m (2017 - £1.1m) reflecting the commissioning of new wind farms in March and April 2017.

Power NI revenue (based on regulated entitlement) increased to £70.4m (2017 - £67.9m) primarily due to higher deregulated revenue (associated with the full deregulation of the business market from 1 April 2017), partly offset by a corresponding decrease in regulated revenue together with a reduction in residential customer numbers.

PPB revenue (based on regulated entitlement) increased to £28.7m (2017 - £25.2m) primarily due to higher availability and utilisation of the Ballylumford plant.

During the First Quarter 2018 the Power NI Energy regulated businesses over-recovered against their regulated entitlement by £8.5m (2017 – £5.3m) and at 30 June 2017 the cumulative over-recovery against regulated entitlement was £23.4m. The over-recovery of regulated entitlement reflects the phasing of tariffs.

Operating costs

Operating costs (pre exceptional items and certain remeasurements) include energy costs, employee costs, depreciation and amortisation and other operating charges.

Energy costs include the cost of wholesale energy purchases from the SEM pool, capacity payments made to the SEM, the cost of natural gas and fixed and variable natural gas capacity costs for the Huntstown plants, emissions costs, use of system charges and costs for third party renewable PPAs. Employee costs include salaries, social security costs and pension costs. Other operating charges include costs such as operating and maintenance costs, insurance, local business taxes, consultancy, marketing, licence fees and Information Technology (IT) services.

Operating costs (pre exceptional items and certain remeasurements) for First Quarter 2018 increased to £285.9m (2017 - £264.6m).

Operating costs (continued)

Energy costs increased to £259.4m (2017 - £238.8m) primarily reflecting the impact of foreign exchange translation (with the strengthening of Euro to Sterling compared to last year), higher residential volumes (associated with continued growth in the RoI residential market), higher utilisation of the Ballylumford plant, higher availability and utilisation of Huntstown 1, higher renewable PPA costs (associated with commissioning of renewable generation capacity and higher wind factors) and the revaluation decrease of Huntstown distillate oil stock to current market price (with last year benefitting from a revaluation increase), partly offset by lower availability and utilisation of Huntstown 2 due to the outage in June 2017 and lower wholesale prices.

Employee costs increased to £6.8m (2017 – £5.7m) reflecting an increase in headcount and the impact of foreign exchange translation (with the strengthening of Euro to Sterling compared to last year).

Depreciation and amortisation increased to £8.0m (2017 – £5.3m) primarily due to higher depreciation of renewable assets which became operational in March and April 2017 and the impact of foreign exchange translation (with the strengthening of Euro to Sterling compared to last year).

Other operating charges decreased to £11.7m (2017 - £14.8m) primarily due to higher operating costs in the prior period associated with the planned outage in Huntstown 1 in June 2016, partly offset by the impact of foreign exchange translation (with the strengthening of Euro to Sterling compared to last year) and higher operating costs for renewable assets.

Group operating profit

	First Quarter 2018 £m	First Quarter 2017 £m	Year end 31 March 2017 £m
Energia Group (excluding renewable assets)	**9.9**	9.7	48.9
Energia renewable assets	**1.0**	0.1	1.8
Power NI	**8.4**	6.6	29.6
PPB	**0.9**	0.5	4.0
Other	**0.1**	(0.1)	0.6
Group pro-forma operating profit	**20.3**	16.8	84.9
Over/(under)-recovery of regulated entitlement	**8.5**	5.3	(0.5)
Operating profit	**28.8**	22.1	84.4

All of the above amounts are pre exceptional items and certain remeasurements as shown in note 2 to the accounts

Operating profit (pre exceptional items and certain remeasurements) increased to £28.8m (2017 - £22.1m) primarily reflecting a higher over-recovery of regulated entitlement of £8.5m (2017 - £5.3m), an increase in Power NI operating profit from £6.6m to £8.4m, an increase in Energia renewable assets operating profit from £0.1m to £1.0m and an increase in PPB operating profit from £0.5m to £0.9m.

Group pro-forma operating profit (pre exceptional items and certain remeasurements) for First Quarter 2018 increased to £20.3m (2017 - £16.8m).

Energia Group (excluding renewable assets) operating profit for First Quarter 2018 increased to £9.9m (2017 - £9.7m) primarily reflecting the increase in EBITDA outlined previously.

Energia renewable assets operating profit for First Quarter 2018 increased to £1.0m (2017 - £0.1m) reflecting the increase in EBITDA outlined previously, partly offset by depreciation associated with the commissioning of new wind farms in March and April 2017.

Power NI operating profit increased to £8.4m (2017 - £6.6m) reflecting the increase in EBITDA outlined previously.

PPB operating profit increased to £0.9m (2017 - £0.5m) reflecting the increase in EBITDA outlined previously.

Exceptional items and certain remeasurements

Exceptional items for First Quarter 2018 of £0.1m reflect exceptional costs associated with acquisitions whether successful or unsuccessful. Certain remeasurements for First Quarter 2018 were £2.8m gain (2017 - £13.7m) and reflect the recognition of the fair value movements of derivatives as outlined in note 4 to the accounts.

Net finance costs

Net finance costs (pre exceptional items and certain remeasurements) for First Quarter 2018 increased from £0.3m to £13.2m reflecting a lower benefit from the impact of foreign exchange movements in the period compared to the same period last year.

Tax charge

The total tax charge (pre exceptional items and certain remeasurements) for the First Quarter 2018 was £1.2m (2017 – £0.6m).

Cash flow before acquisitions, disposals, interest and tax

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

	First Quarter 2018 £m	First Quarter 2017 £m	Year end 31 March 2017 £m
Group pro-forma EBITDA (1)	**28.3**	22.1	107.2
Defined benefit pension charge less contributions paid	**-**	-	(1.3)
Net movement in security deposits	**0.5**	(2.2)	8.5
Changes in working capital (2)	**5.8**	2.8	4.1
Over/(under)-recovery of regulated entitlement	**8.5**	5.3	(0.5)
Exceptional items	**(0.1)**	-	(2.4)
Foreign exchange translation	**(0.2)**	2.4	2.0
Cash flow from operating activities	**42.8**	30.4	117.6
Net capital expenditure (3)	**(22.8)**	(41.9)	(147.6)
(Expenditure)/proceeds from sale and purchases of other intangibles	**(3.5)**	0.8	0.8
Cash flow before acquisitions, disposals, interest and tax	**16.5**	(10.7)	(29.2)

(1) Includes EBITDA of renewable wind farm assets for First Quarter 2018 £4.5m (2017 - £0.7m); year ended 31 March 2017 £4.9m.
(2) Includes changes in working capital of renewable wind farm assets for First Quarter 2018 of £0.3m decrease (2017 – £0.5m increase); year ended 31 March 2017 £1.0m increase.
(3) Includes capital expenditure on renewable wind farm assets for First Quarter 2018 £19.9m (2017 - £39.1m); year ended 31 March 2017 £132.3m and software expenditure for First Quarter 2018 £2.4m (2017 - £0.5m); year ended 31 March 2017 £2.9m.

Group cash flow from operating activities for First Quarter 2018 increased to £42.8m (2017 - £30.4m) primarily reflecting an increase in Group pro-froma EBITDA £28.3m (2017 - £22.1m), an over-recovery of regulated entitlement £8.5m (2017 - £5.3m), a decrease in working capital £5.8m (2017 - £2.8m) and a decrease in security deposits of £0.5m (2017 - £2.2m increase).

Net movement in security deposits

The net movement in security deposits for First Quarter 2018 was a decrease of £0.5m (2017 – £2.2m increase). As at 30 June 2017 there were £1.9m (31 March 2017 – £2.4m) of security deposits in place.

Changes in working capital

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

Cash flow before acquisitions, disposals, interest and tax (continued)

Changes in working capital (continued)

Working capital decreased by £5.8m (2017 – £2.8m) due to a decrease in working capital requirements of Power NI, Energia Group (excluding renewable assets), other Viridian holding companies and Energia renewable assets, partly offset by an increase in the working capital requirements of PPB.

Energia Group (excluding renewable assets) working capital decreased by £2.3m (2017 – increase of £6.8m) primarily due to a decrease in trade debtors and accrued income (primarily reflecting the seasonal decrease in sales volumes and prices and a decrease in the REFIT debtor for RoI renewable PPAs) and a decrease in stock (due to the revaluation of Huntstown distillate oil stock to current market price), partly offset by a decrease in trade creditors and accruals (primarily reflecting a seasonal decrease in electricity and gas sale volumes and prices and a decrease in PPA creditors due to lower wind factors in June 2017 compared to March 2017 and lower market prices), a decrease in emissions and energy efficiency liabilities (associated with the annual compliance settlement), a decrease in ROC creditors (associated with lower generation in June 2017 compared to March 2017) and an increase in ROC debtors reflecting settlement timing differences.

Energia renewable assets working capital decreased by £0.3m (2017 – increase of £0.5m) primarily due to an increase in trade creditors and accruals, partly offset by an increase in trade debtors and accrued income reflecting higher output associated with the commissioning of new wind farms in March and April 2017.

Working capital at Power NI decreased by £3.3m (2017 – £8.7m) primarily due to a decrease in trade debtors and accrued income (primarily reflecting lower sales volumes associated with the seasonal decrease in volumes and lower customer numbers) and an increase in the ROC obligation creditor, partly offset by a decrease in trade creditors and accruals (associated with the seasonal decrease in volumes and prices).

Working capital at PPB increased by £0.6m (2017 – decrease of £1.1m) primarily due to an increase in trade debtors and accrued income (due to higher utilisation of the Ballylumford plant), partly offset by an increase in the emissions liability and an increase in trade creditors and accruals (reflecting higher Ballylumford output).

Working capital at other Viridian holding companies decreased by £0.5m (2017 – £0.3m).

Over-recovery of regulated entitlement

As noted previously during First Quarter 2018 the regulated businesses of Power NI and PPB over-recovered against their regulated entitlement by £8.5m (2017 – £5.3m). At 30 June 2017 the cumulative over-recovery against regulated entitlement was £23.4m. The over-recovery of regulated entitlement reflects the phasing of tariffs.

Capital expenditure

Net capital expenditure in respect of tangible fixed assets and intangible software assets for First Quarter 2018 decreased to £22.8m (2017 - £41.9m).

Net capital expenditure at Energia Group (excluding renewable assets) for First Quarter 2018 decreased to £1.6m (2017 - £1.9m) primarily reflecting capital expenditure in First Quarter 2017 on Huntstown 1 in relation to the outage in June 2016, partly offset by capital expenditure on IT systems in relation to the I-SEM project.

Net capital expenditure at Energia renewable assets for First Quarter 2018 decreased to £19.9m (2017 - £39.1m) reflecting the commissioning of new wind farms in March and April 2017.

Net capital expenditure at Power NI increased to £1.0m (2017 - £0.9m) reflecting capital expenditure on IT systems in relation to the I-SEM project, partly offset by capital expenditure in First Quarter 2017 on the billing system upgrade which went live in May 2017.

Net capital expenditure at other Group companies for First Quarter 2018 increased to £0.3m (2017 - £nil).

Other cash flows

Net interest paid

Net interest paid (excluding exceptional finance costs) for First Quarter 2018 decreased to £1.3m (2017 - £1.8m).

Acquisition of subsidiary

Acquisition of subsidiary for First Quarter 2018 of £2.3m (2017 - £1.4m) reflects the acquisition of the 11MW Teiges wind farm development project in Northern Ireland in April 2017.

Dividends

No dividends were paid in First Quarter 2018 (2017 - £nil).

Net debt

The Group's net debt increased during First Quarter 2018 by £13.7m from £597.2m at 31 March 2017 to £610.9m at 30 June 2017 primarily reflecting the adverse impact of foreign exchange translation and an increase in project finance debt (associated with the ongoing construction and development of the wind farm asset portfolio).

Net debt at 30 June 2017 includes project finance net debt of £204.5m (31 March 2017 - £193.8m). Excluding project financed net debt, net debt was £406.4m (31 March 2017 - £403.4m).

Including the fair value of the foreign exchange forward contracts of €225.0m on the Senior secured notes (31 March 2017 - €225.0m), net debt was £582.1m (31 March 2017 - £573.7m) including project finance net debt and £377.6m (31 March 2017 - £379.9m) excluding project finance net debt.

Defined benefit pension liability

The pension liability in the Group's defined benefit scheme under IAS 19 was £0.2m at 30 June 2017 (31 March 2017 – £nil).

Treasury

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

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

	As at 30 June 2017 £m	As at 30 June 2016 £m	Year end 31 March 2017 £m
Investments	**1.3**	1.3	1.4
Cash and cash equivalents	**128.0**	96.0	106.8
Senior secured notes	**(521.6)**	(491.8)	(507.6)
Interest accruals – Senior secured notes	**(13.2)**	(12.5)	(3.2)
Other interest accruals	**(0.9)**	(0.7)	(0.8)
Net debt excluding project finance facilities	**(406.4)**	(407.7)	(403.4)
Project finance cash	**17.4**	12.8	13.4
Project finance bank facility (RoI)	**(107.5)**	(68.7)	(103.6)
Project finance bank facility (NI)	**(112.6)**	(50.7)	(103.6)
Project finance interest accruals	**(1.8)**	(0.7)	-
Net debt	**(610.9)**	(515.0)	(597.2)
Foreign exchange forward contracts on Senior secured notes	**28.8**	20.6	23.5
Pro-forma net debt	**(582.1)**	(494.4)	(573.7)

The Group is financed through a combination of retained earnings, medium term bond issuance and both medium term and long term bank facilities. A summary of the Group's net debt is set out above and in note 16. Liquidity, including short term working capital requirements, is managed through committed Senior revolving credit bank facilities together with available cash resources.

The Group continues to assess options to optimise its capital structure such as buy back or refinancing of its Senior secured notes.

On 18 August 2017, the Group issued a redemption notice for 10% of the €600.0m Senior secured notes at a redemption price of 103%, with redemption to take effect on 29 August 2017.

Pro-forma net debt includes the fair value movement of foreign exchange forward contracts of €225.0m (31 March 2017 - €225.0m) which were put in place to hedge the foreign exchange risk of the Euro denominated Senior secured notes associated with the forecast sterling cash generation of the Group. The foreign exchange forward contracts were £28.8m in the money at 30 June 2017 (31 March 2017 - £23.5m).

In April 2017 non-recourse project finance facilities of up to £28.4m were put in place in respect of a 21MW wind farm in Northern Ireland. Project financing for the remaining 54MW of capacity in construction is expected to be put in place and it is intended that future wind farm projects will also be financed on a non-recourse basis.

The Group can have significant movements in its liquidity position due to working capital variations such as the movements in commodity prices, the seasonal nature of the business and regulatory under-recoveries. Short term liquidity is reviewed daily by the treasury function and Group cash forecasts, covering a rolling two year period, are reviewed monthly. This monitoring includes reviewing the minimum EBITDA covenant and, from September 2016, the drawn Senior secured net leverage financial covenant, required to be reported quarterly under the Senior revolving credit facility, to ensure sufficient headroom is maintained. The project financed facilities have one main covenant, a debt service cover ratio, which measures available cash against the debt service requirements on an historic annual basis.

Treasury (continued)

At 30 June 2017, the Group had letters of credit issued out of the Senior revolving credit facility of £90.0m resulting in undrawn committed facilities of £135.0m (31 March 2017 - £130.6m). Cash drawings under the Senior revolving credit facility at 30 June 2017 were £nil (31 March 2017 - £nil).

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

At 30 June 2017, there was £17.4m (31 March 2017 - £13.4m) of restricted cash in the project financed wind farms which is subject to bi-annual distribution debt service requirements.

There have been no other significant changes in the Group's exposure to interest rate, foreign currency, commodity and credit risks. A discussion of these risks can be found in the Risk Management and Principal Risks and Uncertainties section of the consolidated financial statements for the year ended 31 March 2017.

CONSOLIDATED INCOME STATEMENT
for the three month period ended 30 June 2017

Continuing operations	Notes	Results before exceptional items and certain re-measurements First Quarter 2018 Unaudited £m	Exceptional items and certain re-measurements (note 4) First Quarter 2018 Unaudited £m	Total First Quarter 2018 Unaudited £m	Results before exceptional items and certain re-measurements First Quarter 2017 Unaudited £m	Exceptional items and certain re-measurements (note 4) First Quarter 2017 Unaudited £m	Total First Quarter 2017 Unaudited £m	Results before exceptional items certain re-measurements Year ended 31 March 2017 Audited £m	Exceptional items and certain re-measurements (note 4) Year ended 31 March 2017 Audited £m	Total Year ended 31 March 2017 Audited £m
Revenue	*2*	314.7	-	314.7	286.7	-	286.7	1,317.6	-	1,317.6
Operating costs	*3*	(285.9)	(2.6)	(288.5)	(264.6)	3.4	(261.2)	(1,233.2)	(0.8)	(1,234.0)
Operating profit/(loss)	*2*	28.8	(2.6)	26.2	22.1	3.4	25.5	84.4	(0.8)	83.6
Finance (costs)/income	*5*	(13.4)	5.3	(8.1)	(9.1)	10.3	1.2	(36.8)	13.2	(23.6)
Finance income	*5*	0.2	-	0.2	8.8	-	8.8	9.6	-	9.6
Net finance (cost)/income		(13.2)	5.3	(7.9)	(0.3)	10.3	10.0	(27.2)	13.2	(14.0)
Share of loss in associates		(0.3)	-	(0.3)	(0.4)	-	(0.4)	(1.0)	-	(1.0)
Profit before tax		15.3	2.7	18.0	21.4	13.7	35.1	56.2	12.4	68.6
Taxation	*6*	(1.2)	0.3	(0.9)	(0.6)	(0.4)	(1.0)	(1.0)	(0.2)	(1.2)
Profit for the period		14.1	3.0	17.1	20.8	13.3	34.1	55.2	12.2	67.4

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
for the three month period ended 30 June 2017

	First Quarter 2018 Unaudited £m	First Quarter 2017 Unaudited £m	Year ended 31 March 2017 Audited £m
Profit for the period	**17.1**	34.1	67.4
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**(6.4)**	(19.0)	(30.0)
Net (loss)/gain on cash flow hedges	**(3.8)**	(1.5)	2.5
Transferred loss from equity to income statement on cash flow hedges	**0.7**	4.3	3.5
Share of associates net gain/(loss) on cash flow hedges	**0.1**	(0.3)	0.1
Income tax effect	**1.1**	(1.2)	(1.2)
	(1.9)	1.3	4.9
	(8.3)	(17.7)	(25.1)
Items that will not be reclassified to profit or loss:			
Remeasurement loss on defined benefit scheme	**(0.1)**	(0.3)	(1.1)
Income tax effect	**-**	0.1	0.2
	(0.1)	(0.2)	(0.9)
Other comprehensive expense for the period, net of taxation	**(8.4)**	(17.9)	(26.0)
Total comprehensive income for the period	**8.7**	16.2	41.4

CONSOLIDATED BALANCE SHEET
as at 30 June 2017

ASSETS	Notes	30 June 2017 Unaudited £m	30 June 2016 Unaudited £m	31 March 2017 Audited £m
Non-current assets:				
Property, plant and equipment		**511.8**	386.0	497.9
Intangible assets		**562.0**	525.8	552.6
Investment in associates		**6.1**	5.6	6.2
Derivative financial instruments	14	**24.3**	21.3	20.0
Other non-current financial assets	8	**0.1**	0.1	0.1
Deferred tax assets		**29.0**	25.2	27.3
		1,133.3	964.0	1,104.1
Current assets:				
Inventories		**4.4**	4.6	4.8
Trade and other receivables	10	**131.4**	135.5	150.1
Derivative financial instruments	14	**10.0**	10.8	10.1
Other current financial assets	8	**3.2**	14.4	3.8
Cash and cash equivalents	11	**145.4**	108.8	120.2
		294.4	274.1	289.0
TOTAL ASSETS		**1,427.7**	1,238.1	1,393.1
LIABILITIES				
Current liabilities:				
Trade and other payables	12	**(239.6)**	(235.5)	(262.2)
Income tax payable		**(2.4)**	(2.9)	(1.7)
Financial liabilities	13	**(30.0)**	(15.8)	(17.6)
Derivative financial instruments	14	**(12.4)**	(10.8)	(9.6)
Deferred income		**-**	(0.3)	-
		(284.4)	(265.3)	(291.1)
Non-current liabilities:				
Financial liabilities	13	**(746.8)**	(609.3)	(717.7)
Derivative financial instruments	14	**(12.9)**	(16.5)	(11.4)
Net employee defined benefit liabilities		**(0.2)**	(0.4)	-
Deferred tax liabilities		**(17.6)**	(13.8)	(16.8)
Provisions		**(12.4)**	(13.3)	(11.4)
		(789.9)	(653.3)	(757.3)
TOTAL LIABILITIES		**(1,074.3)**	(918.6)	(1,048.4)
NET ASSETS		**353.4**	319.5	344.7
Equity				
Share capital		**-**	-	-
Share premium		**660.6**	660.6	660.6
Retained earnings		**(384.7)**	(434.3)	(401.7)
Capital contribution reserve		**161.5**	161.5	161.5
Hedge reserve		**(15.8)**	(17.5)	(13.9)
Foreign currency translation reserve		**(68.2)**	(50.8)	(61.8)
TOTAL EQUITY		**353.4**	319.5	344.7

The condensed interim consolidated financial statements were approved by the Board and authorised for issue on 25 August 2017.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three month period ended 30 June 2017

	Note	Share capital £m	Share premium £m	Retained earnings £m	Capital contribution reserve £m	Hedge reserve £m	Foreign currency translation reserve £m	Total equity £m
At 1 April 2016		**-**	**510.0**	**(457.8)**	**115.2**	**(18.8)**	**(31.8)**	**116.8**
Profit for the period		-	-	34.1	-	-	-	34.1
Other comprehensive (expense)/income		-	-	(0.2)	-	1.3	(19.0)	(17.9)
Total comprehensive income/(expense)		-	-	*33.9*	-	*1.3*	*(19.0)*	*16.2*
VGHL/VGIL merger	*21*	-	150.6	(10.4)	46.3	-	-	186.5
At 30 June 2016		**-**	**660.6**	**(434.3)**	**161.5**	**(17.5)**	**(50.8)**	**319.5**
At 1 April 2016		**-**	**510.0**	**(457.8)**	**115.2**	**(18.8)**	**(31.8)**	**116.8**
Profit for the year		-	-	67.4	-	-	-	67.4
Other comprehensive (expense)/income		-	-	(0.9)	-	4.9	(30.0)	(26.0)
Total comprehensive income/(expense)		-	-	*66.5*	-	*4.9*	*(30.0)*	*41.4*
VGIL/VGHL merger	*21*	-	150.6	(10.4)	46.3	-	-	186.5
At 31 March 2017		**-**	**660.6**	**(401.7)**	**161.5**	**(13.9)**	**(61.8)**	**344.7**
Profit for the period		-	-	17.1	-	-	-	17.1
Other comprehensive expense		-	-	(0.1)	-	(1.9)	(6.4)	(8.4)
Total comprehensive income/(expense)		-	-	17.0	-	(1.9)	(6.4)	8.7
At 30 June 2017		**-**	**660.6**	**(384.7)**	**161.5**	**(15.8)**	**(68.2)**	**353.4**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the three month period ended 30 June 2017

	Notes	**First Quarter 2018 Unaudited £m**	First Quarter 2017 Unaudited £m	Year ended 31 March 2017 Audited £m
Cash generated from operations before working capital movements	15	**36.7**	27.4	103.0
Working capital adjustments:				
Decrease/(increase) in inventories		**0.4**	(1.0)	(1.2)
Decrease in trade and other receivables		**18.7**	25.2	10.6
Decrease/(increase) in security deposits		**0.5**	(2.2)	8.5
Decrease in trade and other payables		**(13.3)**	(21.4)	(5.3)
Effects of foreign exchange		**(0.2)**	2.4	2.0
		42.8	30.4	117.6
Interest received		**-**	-	0.2
Interest paid		**(1.3)**	(1.8)	(48.8)
		(1.3)	(1.8)	(48.6)
Income tax (paid)/received		**(0.1)**	0.6	0.1
Net cash flows from operating activities		**41.4**	29.2	69.1
Investing activities				
Purchase of property, plant and equipment		**(20.4)**	(41.4)	(144.7)
Purchase of intangible assets		**(25.6)**	(21.5)	(91.5)
Proceeds from sale of intangible assets		**19.7**	21.8	89.4
Disposal of subsidiary, net of cash disposed		**(0.2)**	(0.2)	(0.2)
Dividends received from associates		**-**	0.2	0.2
Interest received from associates		**0.2**	0.1	0.1
Acquisition of subsidiary		**(2.3)**	(1.4)	(13.9)
Net cash flows used in investing activities		**(28.6)**	(42.4)	(160.6)
Financing activities				
Proceeds from issue of borrowings		**11.6**	45.7	144.1
Repayment of borrowings		**(0.7)**	(1.2)	(11.9)
Issue costs of new long term loans		**(0.7)**	(0.8)	(1.9)
Net cash flows from financing activities		**10.2**	43.7	130.3
Net increase in cash and cash equivalents		**23.0**	30.5	*38.8*
Net foreign exchange difference		**2.2**	1.8	4.9
Cash and cash equivalents at period start	11	**120.2**	76.5	76.5
Cash and cash equivalents at period end	11	**145.4**	108.8	120.2

1. BASIS OF PREPARATION

The condensed interim consolidated financial statements of the Group have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

The accounting policies applied by the Group in these condensed interim consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 March 2017.

A number of amendments to existing standards are effective for periods beginning on or after 1 April 2017. However, none of these have a material, if any, impact on the annual or condensed interim consolidated financial statements of the Group in 2017/18.

2. SEGMENTAL ANALYSIS

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

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

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

(a) Revenue by segment

	First Quarter 2018 Unaudited £m	First Quarter 2017 Unaudited £m	Year ended 31 March 2017 Audited £m
Energia Group (excluding renewable assets)	**208.3**	189.2	874.4
Energia renewable assets	**6.4**	1.1	7.7
Power NI	**70.4**	67.9	335.0
PPB	**28.7**	25.2	111.7
Inter-group eliminations	**(7.6)**	(2.0)	(10.7)
Group	**306.2**	281.4	1,318.1
Adjustment for over/(under)-recovery	**8.5**	5.3	(0.5)
Total	**314.7**	286.7	1,317.6

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

2. SEGMENTAL ANALYSIS (continued)

(b) Operating Profit

	First Quarter 2018 Unaudited £m	First Quarter 2017 Unaudited £m	Year ended 31 March 2017 Audited £m
Segment Pro-Forma EBITDA			
Energia Group (excluding renewable assets)	**13.9**	13.6	65.1
Energia renewable assets	**4.5**	0.7	4.9
Power NI	**8.8**	7.3	32.2
PPB	**0.9**	0.5	4.0
Other	**0.2**	-	1.0
Group Pro-Forma EBITDA	**28.3**	22.1	107.2
Adjustment for over/(under)-recovery	**8.5**	5.3	(0.5)
Group EBITDA	**36.8**	27.4	106.7
Depreciation/amortisation			
Energia Group (excluding renewable assets)	**(4.0)**	(3.9)	(16.2)
Energia renewable assets	**(3.5)**	(0.6)	(3.1)
Power NI	**(0.4)**	(0.7)	(2.6)
Other	**(0.1)**	(0.1)	(0.4)
Group depreciation and amortisation	**(8.0)**	(5.3)	(22.3)
Operating profit pre exceptional items and certain remeasurements			
Energia Group (excluding renewable assets)	**9.9**	9.7	48.9
Energia renewable assets	**1.0**	0.1	1.8
Power NI	**8.4**	6.6	29.6
PPB	**0.9**	0.5	4.0
Other	**0.1**	(0.1)	0.6
Group Pro-Forma operating profit	**20.3**	16.8	84.9
Adjustment for over/(under)-recovery	**8.5**	5.3	(0.5)
Operating profit pre exceptional items and certain remeasurements	**28.8**	22.1	84.4
Exceptional items and certain remeasurements			
Energia Group (excluding renewable assets)	**(2.5)**	3.4	1.3
Energia renewable assets	**-**	-	(0.4)
Other	**(0.1)**	-	(1.7)
Group operating profit post-exceptional items and certain remeasurements	**26.2**	25.5	83.6
Finance cost	**(8.1)**	1.2	(23.6)
Finance income	**0.2**	8.8	9.6
	(7.9)	10.0	(14.0)
Share of loss in associates	**(0.3)**	(0.4)	(1.0)
Profit on ordinary activities before tax	**18.0**	35.1	68.6

3. OPERATING COSTS

	First Quarter 2018 Unaudited £m	First Quarter 2017 Unaudited £m	Year ended 31 March 2017 Audited £m
Operating costs are analysed as follows:			
Energy costs	**259.4**	238.8	1137.8
Employee costs	**6.8**	5.7	25.4
Depreciation, amortisation and impairment	**8.0**	5.3	22.3
Other operating charges	**11.7**	14.8	47.7
Total pre exceptional items and certain remeasurements	**285.9**	264.6	1233.2
Exceptional costs and certain remeasurements:			
Energy costs/(income)	**2.5**	(3.4)	(1.6)
Other operating costs	**0.1**	-	2.4
Total exceptional costs and certain remeasurements	**2.6**	(3.4)	0.8
Total operating costs	**288.5**	261.2	1234.0

3.1 Depreciation, amortisation and impairment

	First Quarter 2018 Unaudited £m	First Quarter 2017 Unaudited £m	Year ended 31 March 2017 Audited £m
Depreciation	**7.2**	4.5	18.7
Associated release of contributions in respect of property plant & equipment	**(0.1)**	(0.1)	(0.3)
Amortisation of intangible assets	**0.9**	0.9	3.9
	8.0	5.3	22.3

3.2 Energy costs

	First Quarter 2018 Unaudited £m	First Quarter 2017 Unaudited £m	Year ended 31 March 2017 Audited £m
Write down of inventories recognised as expense/(income):			
Reversal of write down of distillate oil stock	**-**	(0.9)	(0.9)
Write down of distillate oil stock	**0.4**	-	-
	0.4	(0.9)	(0.9)

4. EXCEPTIONAL ITEMS AND CERTAIN REMEASUREMENTS

	First Quarter 2018 Unaudited £m	First Quarter 2017 Unaudited £m	Year ended 31 March 2017 Audited £m
Exceptional items in arriving at profit from continuing operations:			
Acquisition costs[1]	**(0.1)**	-	(2.4)
	(0.1)	-	(2.4)
Certain remeasurements in arriving at profit			
Net (loss)/profit on derivatives at fair value through operating costs[2]	**(2.5)**	3.4	1.6
Net profit on derivatives at fair value through finance costs[3]	**5.3**	10.3	13.2
	2.8	13.7	14.8
Exceptional items and certain remeasurements before taxation	**2.7**	13.7	12.4
Taxation on exceptional items and certain remeasurements	**0.3**	(0.4)	(0.2)
Exceptional items and certain remeasurements after taxation	**3.0**	13.3	12.2

[1] Exceptional acquisition costs of £0.1m (2017 - £nil) relate to costs associated with acquisitions whether successful or unsuccessful.

[2] Net loss on derivatives at fair value through operating costs for First Quarter 2018 of £2.5m (2017 - £3.4m profit) primarily relates to fair value movements in commodity swap contracts and foreign exchange forward contracts relating to commodity purchases.

[3] Net profit on derivatives at fair value through finance costs for First Quarter 2018 of £5.3m (2017 - £10.3m) relates to fair value movements in foreign exchange forward contracts in respect of the Senior secured notes.

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

	First Quarter 2018 Unaudited £m	First Quarter 2017 Unaudited £m	Year ended 31 March 2017 Audited £m
Fair valued derivatives through profit & loss	**0.3**	**(0.4)**	(0.2)
	0.3	**(0.4)**	(0.2)

5. FINANCE COSTS/INCOME

	Results before exceptional items and certain remeasure-ments First Quarter 2018 Unaudited £m	Exceptional items and certain remeasure-ments First Quarter 2018 Unaudited £m	Total First Quarter 2018 Unaudited £m	Results before exceptional items and certain remeasure-ments First Quarter 2017 Unaudited £m	Exceptional items and certain remeasure-ments First Quarter 2017 Unaudited £m	Total First Quarter 2017 Unaudited £m	Results before exceptional items and certain remeasure-ments Year ended 31 March 2017 Audited £m	Exceptional items and certain remeasure-ments Year ended 31 March 2017 Audited £m	Total Year ended 31 March 2017 Audited £m
Finance costs									
Interest on external bank loans and borrowings	(3.0)	-	(2.8)	(2.3)	-	(2.3)	(10.1)	-	(10.1)
Interest on Senior secured notes	(9.6)	-	(9.8)	(8.8)	-	(8.8)	(37.7)	-	(37.7)
Interest payable to parent undertaking	-	-	-	(5.9)	-	(5.9)	(5.9)	-	(5.9)
Total interest expense	(12.6)	-	(12.6)	(17.0)	-	(17.0)	(53.7)	-	(53.7)
Amortisation of financing charges	(0.5)	-	(0.5)	(0.6)	-	(0.6)	(2.0)	-	(2.0)
Unwinding of discount on decommissioning provision	(0.1)	-	(0.1)	(0.1)	-	(0.1)	(0.3)	-	(0.3)
Unwinding of discount on contingent liabilities	(0.4)	-	(0.4)	-	-	-	(0.5)	-	(0.5)
Unwinding of discount on shareholder loan	-	-	-	(7.3)	-	(7.3)	(7.3)	-	(7.3)
Other finance charges	(0.1)	-	(0.1)	-	-	-	(0.1)	-	(0.1)
Total other finance charges	(1.1)	-	(1.1)	(8.0)	-	(8.0)	(10.2)	-	(10.2)
Net exchange gain on net foreign currency borrowings	0.2	-	0.2	14.4	-	14.4	20.4	-	20.4
Net gain on financial instruments at fair value through profit or loss	-	5.3	5.3	-	10.3	10.3	-	13.2	13.2
Less interest capitalised in qualifying asset	0.1	-	0.1	1.5	-	1.5	6.7	-	6.7
Total finance costs	(13.4)	5.3	(8.1)	(9.1)	10.3	1.2	(36.8)	13.2	(23.6)
Finance income									
Interest income on loan to an associate	0.2	-	0.2	0.2	-	0.2	0.9	-	0.9
Unwinding of discount on junior asset	-	-	-	8.5	-	8.5	8.5	-	8.5
Interest income on bank deposits	-	-	-	0.1	-	0.1	0.2	-	0.2
Total finance income	0.2	-	0.2	8.8	-	8.8	9.6	-	9.6

The average capitalisation rate applied in determining the amount of borrowing costs to be capitalised in First Quarter 2018 was 5.0% (First Quarter 2017 – 5.3%).

6. INCOME TAX

The major components of the tax (charge)/credit for the periods ended 30 June 2017, 30 June 2016 and 31 March 2017 are:

	Results before exceptional items and certain remeasure-ments First Quarter 2018 Unaudited £m	Exceptional items and certain remeasure-ments First Quarter 2018 Unaudited £m	Total First Quarter 2018 Unaudited £m	Results before exceptional items and certain remeasure-ments First Quarter 2017 Unaudited £m	Exceptional items and certain remeasure-ments First Quarter 2017 Unaudited £m	Total First Quarter 2017 Unaudited £m	Results before exceptional items and certain remeasure-ments Year ended 31 March 2017 Audited £m	Exceptional items and certain remeasure-ments Year ended 31 March 2017 Audited £m	Total Year ended 31 March 2017 Audited £m
Current tax:									
Current tax (charge)/credit	(1.1)	0.3	(0.8)	(0.6)	(0.4)	(1.0)	-	(0.2)	(0.2)
Adjustments on respect of prior years	-	-	-	-	-	-	(0.1)	-	(0.1)
Total current tax (charge)/credit	(1.1)	0.3	(0.8)	(0.6)	(0.4)	(1.0)	(0.1)	(0.2)	(0.3)
Deferred tax:									
Adjustments in respect of current year	(0.1)	-	(0.1)	-	-	-	1.8	-	1.8
Adjustments in respect of prior years	-	-	-	-	-	-	(2.2)	-	(2.2)
Effect of decreased rate on opening liability	-	-	-	-	-	-	(0.5)	-	(0.5)
Total deferred tax	(0.1)	-	(0.1)	-	-	-	(0.9)	-	(0.9)
Total taxation (charge)/credit	(1.2)	0.3	(0.9)	(0.6)	(0.4)	(1.0)	(1.0)	(0.2)	(1.2)

7. CAPITAL EXPENDITURE

	Capital additions to property, plant and equipment		
	First Quarter 2018 Unaudited £m	First Quarter 2017 Unaudited £m	Year ended 31 March 2017 Audited £m
Energia Group (excluding renewable assets)	**0.1**	1.8	5.5
Energia renewable assets	**13.3**	39.2	145.0
Power NI	**-**	0.8	3.5
Other	**0.3**	-	1.2
Total	**13.7**	41.8	155.2

	Capital additions to intangible assets		
	First Quarter 2018 Unaudited £m	First Quarter 2017 Unaudited £m	Year ended 31 March 2017 Audited £m
Energia Group (excluding renewable assets)	**11.7**	6.9	43.8
Power NI	**12.9**	9.4	52.3
Other	**-**	0.2	0.7
Total	**24.6**	16.5	96.8

8. OTHER FINANCIAL ASSETS

	30 June 2017 Unaudited £m	30 June 2016 Unaudited £m	31 March 2017 Audited £m
Loans and receivables:			
Security deposits	**1.9**	13.1	2.4
Short term managed funds	**1.3**	1.3	1.4
Total loans and receivables	**3.2**	14.4	3.8
Financial instruments held to maturity:			
Viridian Growth Fund	**0.1**	0.1	0.1
Total other financial assets	**3.3**	14.5	3.9
Total non-current	**0.1**	0.1	0.1
Total current	**3.2**	14.4	3.8

9. BUSINESS COMBINATIONS AND DISPOSALS

Acquisitions in First Quarter 2018
In April 2017, the Group acquired 100% of the shares of Teiges Mountain Wind Farm Limited (Teiges), an unlisted wind farm company in Northern Ireland. Total consideration for the acquisition comprised £1.6m discounted contingent consideration (£1.9m undiscounted).

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

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

Assets acquired and liabilities assumed
The fair values of the identifiable assets and liabilities of Teiges acquired in First Quarter 2018 and the identifiable assets and liabilities of Dargan Road acquired post 30 June 2017 were:

	Fair value recognised on acquisition in Q1 2018 £m	Fair value recognised on acquisitions post balance sheet £m
Assets		
Property, plant and equipment	3.4	-
Other receivables	0.2	-
	3.6	-
Liabilities		
Other payables	(2.2)	-
Other loans and borrowings	(1.4)	-
Total identifiable net assets at fair value	-	-
Intangible assets (development assets) arising on acquisition	1.6	3.3
Purchase consideration transferred	1.6	3.3
Purchase consideration made up of:		
Cash	-	0.8
Contingent consideration	1.6	2.5
	1.6	3.3
Analysis of cash flows on acquisition:		
Cash	-	0.8
Discharge of liabilities	2.3	-
Net cash flows on acquisition	2.3	0.8

No transaction costs were expensed in First Quarter 2018.

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

Contingent consideration
On acquisition of Teiges contingent consideration of £1.6m was recognised and reflects the fair value of the maximum amount payable of £1.9m, with the minimum payable being £nil. Contingent consideration relates to the accreditation for Northern Ireland Renewable Obligation Certificates (NIROCs) and earnouts relating to the capital expenditure incurred during the course of the construction of the wind farms and are anticipated to be paid in 2018/19. On acquisition of Dargan Road contingent consideration of £2.5m was recognised and reflects the maximum amount payable, with the minimum amount payable being £nil. Contingent consideration relates to the accreditation for NIROCs, together with the execution of a lease option and the grant of planning and are anticipated to be paid in 2017/18 and 2018/19.

10. TRADE AND OTHER RECEIVABLES

	30 June 2017 Unaudited £m	30 June 2016 Unaudited £m	31 March 2017 Audited £m
Trade receivables (including unbilled consumption)	**108.7**	97.9	124.2
Prepayments and accrued income	**20.8**	31.9	25.5
Other receivables	**1.9**	5.7	0.4
	131.4	135.5	150.1

11. CASH AND CASH EQUIVALENTS

	30 June 2017 Unaudited £m	30 June 2016 Unaudited £m	31 March 2017 Audited £m
Cash at bank and on hand	**36.4**	39.2	33.4
Short−term bank deposits	**109.0**	69.6	86.8
	145.4	108.8	120.2

12. TRADE AND OTHER PAYABLES

	30 June 2017 Unaudited £m	30 June 2016 Unaudited £m	31 March 2017 Audited £m
Trade creditors	**50.3**	51.7	49.9
Other creditors	**35.6**	32.5	35.2
Amounts owed to associate	**1.6**	1.3	2.1
Payments received on account	**24.1**	25.9	24.7
Tax and social security	**7.9**	8.8	9.0
Accruals	**120.1**	115.3	141.3
	239.6	235.5	262.2

13. FINANCIAL LIABILITIES

	30 June 2017 Unaudited £m	30 June 2016 Unaudited £m	31 March 2017 Audited £m
Current financial liabilities:			
Senior secured notes interest payable	**13.2**	12.5	3.2
Other interest payable	**0.9**	0.7	0.8
Project financed bank facilities (NI)	**3.9**	1.6	3.8
Project financed bank facilities (RoI)	**10.2**	0.3	9.8
Project financed interest accruals	**1.8**	0.7	-
Total current financial liabilities	**30.0**	15.8	17.6
Non-current financial liabilities:			
Senior secured notes	**521.6**	491.8	507.6
Project financed bank facilities (NI)	**108.7**	49.1	99.8
Project financed bank facilities (RoI)	**97.3**	68.4	93.8
Contingent consideration	**15.9**	-	13.9
Other payables	**3.3**	-	2.6
Total non−current financial liabilities	**746.8**	609.3	717.7
Total current and non-current financial liabilities	**776.8**	625.1	735.3

The Senior secured notes are denominated in Euro €600.0m (31 March 2017 - €600.0m) and interest, which is payable semi−annually, is charged at a fixed rate coupon of 7.5% (31 March 2017 – 7.5%). The Senior secured notes are repayable in one instalment on 1 March 2020.

In June 2016 the Group put in place a further €75.0m foreign exchange forward contracts to hedge the foreign exchange risk on the Euro denominated Senior secured notes associated with the forecast sterling cash generation of the Group. The total foreign exchange forward contracts in place at 30 June 2017 was €225.0m (31 March 2017 - €225.0m).

The Senior secured notes includes an option for the period to 1 September 2017 to redeem annually up to 10% of the original principal at a redemption price of 103%. On 18 August 2017, the Group issued a redemption notice for 10% of the €600.0m Senior secured notes at a redemption price of 103%, with redemption to take effect on 29 August 2017.

At 30 June 2017, the Group had letters of credit issued out of the Senior revolving credit facility of £90.0m resulting in undrawn committed facilities of £135.0m (31 March 2017 - £130.6m). There were no cash drawings under the Senior revolving credit facility at 30 June 2017 (31 March 2017 - £nil). Interest is charged under the Senior revolving credit facility at floating interest rates based on Libor and Euribor.

Project financed bank facilities

The project financed bank loan facilities are repayable in semi-annual instalments to 2035 and are secured on a non-recourse basis over the assets and shares of the specific project finance companies. Interest on the project finance bank loan facilities has been predominantly fixed through interest rate swaps resulting in an effective rate of interest of 4.20% on project financed bank facilities NI and 2.79% in the project financed bank facilities RoI.

Contingent consideration

On acquisition of Cornavarrow, Slieveglass and Teiges, contingent consideration of £15.1m was recognised reflecting the fair value of the maximum amount payable of £17.9m, with the minimum payable being £nil. Contingent consideration relates to the accreditation for Northern Ireland Renewable Obligation Certificates (NIROCs) and earnouts relating to the capital expenditure incurred during the course of the construction of the wind farms and are anticipated to be paid in 2018/19.

13. FINANCIAL LIABILITIES (continued)

Other payables

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

14. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Derivative financial assets

Derivatives at fair value through other comprehensive income	**30 June 2017 Unaudited £m**	30 June 2016 Unaudited £m	31 March 2017 Audited £m
Cash flow hedges:			
Foreign exchange forward contracts	**0.5**	4.8	1.5
Commodity swap contracts	**0.4**	2.9	1.2
Interest rate swap contracts	**2.6**	0.4	1.7
Total derivatives at fair value through other comprehensive income	**3.5**	8.1	4.4
Derivatives at fair value through profit and loss			
Derivatives not designated as hedges:			
Foreign exchange forward contracts	**28.9**	21.4	23.7
Commodity swap contracts	**1.9**	2.6	2.0
Total derivatives at fair value through profit and loss	**30.8**	24.0	25.7
Total derivative financial assets	**34.3**	32.1	30.1
Total non-current	**24.3**	21.3	20.0
Total current	**10.0**	10.8	10.1

14. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Derivative financial liabilities

Derivatives at fair value through other comprehensive income	**30 June 2017 Unaudited £m**	30 June 2016 Unaudited £m	31 March 2017 Audited £m
Cash flow hedges:			
Foreign exchange forward contracts	**(5.7)**	**(7.3)**	*(3.2)*
Commodity swap contracts	**(2.6)**	**(2.1)**	(2.0)
Interest rate swap contracts	**(12.7)**	**(16.2)**	(13.4)
Total derivatives at fair value through other comprehensive income	**(21.0)**	**(25.6)**	(18.6)
Derivatives at fair value through profit and loss			
Derivatives not designated as hedges:			
Foreign exchange forward contracts	**(0.5)**	**(0.9)**	(0.4)
Commodity swap contracts	**(3.8)**	**(0.8)**	(2.0)
Total derivatives at fair value through profit and loss	**(4.3)**	**(1.7)**	(2.4)
Total derivative financial liabilities	**(25.3)**	**(27.3)**	(21.0)
Total non-current	**(12.9)**	**(16.5)**	(11.4)
Total current	**(12.4)**	**(10.8)**	(9.6)

FAIR VALUES

As indicated in note 3(d) in the consolidated financial statements for the year ended 31 March 2017, the Group uses the hierarchy as set out in IFRS 7 Financial Instruments: Disclosures for categorising financial instruments. A summary of the fair values of the financial assets and liabilities of the Group together with their carrying values shown in the balance sheet and their fair value hierarchy is as follows:

	30 June 2017		**30 June 2016**		**31 March 2017**	
	Carrying value £m	**Fair value £m**	**Carrying value £m**	**Fair value £m**	**Carrying value £m**	**Fair value £m**
Level 1						
Non-current liabilities						
Senior secured notes	**(521.6)**	**(550.5)**	(491.8)	(518.3)	(507.6)	(541.2)
Level 2						
Non-current assets						
Viridian Growth Fund	**0.1**	**0.1**	0.1	0.1	0.1	0.1
Non-current liabilities						
Project financed bank facilities (NI)	**(108.7)**	**(108.7)**	(49.1)	(49.1)	(99.8)	(99.8)
Project financed bank facilities (ROI)	**(97.3)**	**(97.3)**	(68.4)	(68.4)	(93.8)	(93.8)
Level 3						
Non-current liabilities						
Financial liabilities (contingent consideration)	**(15.9)**	**(15.9)**	-	-	(13.9)	(13.9)
Other payables	**(3.3)**	**(3.3)**	-	-	(2.6)	(2.6)

14. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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

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

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

The fair value of contingent consideration is considered by the Director to fall within the level 3 fair value hierarchy and is measured using the present value of the pay-out associated with the accreditation for NIROCs and earnouts set out in the relevant purchase agreement. The carrying value of £15.9m is estimated to approximate to its fair value determined by using discounted cash flows based on the Company's borrowing rate.

15. NOTES TO GROUP CASH FLOW STATEMENT

	First Quarter 2018 Unaudited £m	First Quarter 2017 Unaudited £m	Year ended 31 March 2017 Audited £m
Operating activities			
Profit before tax from continuing operations	**18.0**	35.1	68.6
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment	**7.2**	4.5	18.7
Amortisation and impairment of intangible assets	**0.9**	0.9	3.9
Amortisation of contributions in respect of property, plant and equipment	**(0.1)**	(0.1)	(0.3)
Derivatives at fair value through income statement	**(2.8)**	(13.7)	(14.8)
Net finance costs	**13.2**	0.3	27.2
Defined benefit charge less contributions paid	**-**	-	(1.3)
Share of loss in associates	**0.3**	0.4	1.0
Cash generated from operations before working capital movements	**36.7**	27.4	103.0

16. ANALYSIS OF NET DEBT

	Cash and cash equivalents £m	Short term managed funds £m	Debt due within one year £m	Debt due after more than one year £m	Junior bank facility asset £m	**Total £m**
At 1 April 2016	76.5	1.4	(4.7)	(927.5)	199.4	(654.9)
Net increase/(decrease) in cash and cash equivalents	30.5	(0.1)	-	-	-	30.4
Proceeds from issue of borrowings	-	-	-	(45.7)	-	(45.7)
Repayment of borrowings	-	-	1.2	-	-	1.2
Issue costs on new long term loans	-	-	-	0.8	-	0.8
(Increase)/decrease in interest accruals	-	-	(10.1)	1.2	-	(8.9)
Amortisation	-	-	(0.2)	(0.4)	-	(0.6)
Reclassifications	-	-	(1.5)	1.5	-	-
Capitalisation of interest on shareholder loan	-	-	-	(7.1)	-	(7.1)
Translation difference	1.8	-	(0.1)	(24.8)	4.5	(18.6)
Unwinding of discount on shareholder loan	-	-	-	(7.3)	-	(7.3)
Unwinding of discount on junior bank facility asset	-	-	-	-	8.5	8.5
Merger with VGHL	-	-	(0.4)	400.0	(212.4)	187.2
At 30 June 2016	108.8	1.3	(15.8)	(609.3)	-	(515.0)
At 1 April 2016	**76.5**	**1.4**	**(4.7)**	**(927.5)**	**199.4**	**(654.9)**
Net increase in cash and cash equivalents	38.8	-	-	-	-	38.8
Proceeds from issue of borrowings	-	-	-	(144.1)	-	(144.1)
Repayment of borrowings	-	-	11.9	-	-	11.9
Issue costs on new long term loans	-	-	-	1.8	-	1.8
(Increase)/decrease in interest accruals	-	-	(0.2)	1.2	-	1.0
Amortisation	-	-	(0.4)	(1.6)	-	(2.0)
Reclassifications	-	-	(23.7)	23.7	-	-
Capitalisation of interest on shareholder loan	-	-	-	(7.1)	-	(7.1)
Translation difference	4.9	-	(0.1)	(40.3)	4.5	(31.0)
Unwinding of discount on shareholder loan	-	-	-	(7.3)	-	(7.3)
Unwinding of discount on junior bank facility asset	-	-	-	-	8.5	8.5
Merger with VGHL	-	-	(0.4)	400.0	(212.4)	187.2
At 31 March 2017	**120.2**	**1.4**	**(17.6)**	**(701.2)**	**-**	**(597.2)**
Net increase/(decrease) in cash and cash equivalents	23.0	(0.1)	-	-	-	22.9
Proceeds from issue of borrowings	-	-	-	(11.6)	-	(11.6)
Repayment of borrowings	-	-	0.7	-	-	0.7
Issue costs on new long term loans	-	-	-	0.7	-	0.7
Increase in interest accruals	-	-	(11.9)	-	-	(11.9)
Amortisation	-	-	(0.1)	(0.4)	-	(0.5)
Reclassifications	-	-	(0.1)	0.1	-	-
Translation difference	2.2	-	(1.0)	(15.2)	-	(14.0)
At 30 June 2017	**145.4**	**1.3**	**(30.0)**	**(727.6)**	**-**	**(610.9)**

17. CAPITAL COMMITMENTS

At 30 June 2017 the Group had contracted future capital expenditure in respect of tangible fixed assets of £42.8m (31 March 2017 - £18.6m).

18. DISTRIBUTIONS MADE AND PROPOSED

No dividends have been paid or proposed for the First Quarter 2018 (2017 - £nil).

19. RELATED PARTY TRANSACTIONS

The nature and type of related party transactions for the First Quarter 2018 do not differ significantly from those in the consolidated financial statements for the year ended 31 March 2017.

20. SEASONALITY OF OPERATIONS

Certain activities of the Group are affected by weather and temperature conditions and seasonal market price fluctuations. As a result of this, the amounts reported for the interim period may not be indicative of the amounts that will be reported for the full year due to seasonal fluctuations in customer demand for gas and electricity, the impact of weather on demand, renewable generation output and commodity prices, market changes in commodity prices and changes in retail tariffs. In retail supply, notable seasonal effects include the impact on customer demand of warmer temperatures in the first half of the financial year. In wholesale generation, there is the impact of lower customer demand on commodity prices, the weather impact on renewable generation and other seasonal effects. The impact of temperature on customer demand for gas is more volatile than the equivalent demand for electricity.

21. MERGER

On 28 June 2016 VGIL merged with its immediate parent VGHL, with VGIL becoming the surviving entity. As a result of this merger the Group assumed VGHL's Junior bank facility B liability at its fair value of £225.5m, and in doing so fully extinguished this liability against the Junior bank facility asset held by the Group of £213.1m. In addition, this merger resulted in the full extinguishment of the shareholder loan of £399.6m owed by the Group to VGHL. The net gain of £186.5m arising from this merger has been recognised as part of the capital contribution reserve within equity.

A loss of £10.4m has been reclassified from the capital contribution reserve to retained earnings representing the original net loss recognised within the capital contribution reserve on initial recognition of the shareholder loan owed to VGHL and the Junior bank facility asset owed by VGHL at their fair values.

As part of the merger VGIL assumed the share capital structure of VGHL, including the issue of shares at a premium. As a consequence £150.6m of the £186.5m gain referred to above has been reclassified from the capital contribution reserve to share premium.

The net impact of the merger is a £150.6m increase in share premium, a £46.3m increase in the capital contribution reserve and £10.4m reduction in retained earnings at 30 June 2016.