Registered number: NI067348

Belfast Gas Transmission Financing plc

Annual report

for the year ended 31 March 2018

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Belfast Gas Transmission Financing plc

Annual report for the year ended 31 March 2018

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Directors and advisers

Directors

Patrick Larkin	Executive director
Gerard McIlroy	Executive director

Company secretary

Gerard McIlroy

Registered office

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Belfast
BT7 1SH

Principal place of business

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The Arena Building
85 Ormeau Road
Belfast
BT7 1SH

Solicitors

Arthur Cox Northern Ireland
Victoria House
15-17 Gloucester Street
Belfast
BT1 4LS

Bankers

Barclays Bank plc
Donegall House
Donegall Square North
Belfast
BT1 5GB

Independent auditors

KPMG
Chartered Accountants and Statutory Auditors
The Soloist Building
1 Lanyon Place
Belfast
BT1 3LP

The directors manage Belfast Gas Transmission's operations at the Mutual Energy "MEL"-group level. The strategies, KPIs and operations of the Premier Transmission Pipeline System, which includes the Premier Transmission and Belfast Gas Transmission assets, are therefore considered as a whole.

Strategic objectives

Our strategy is made up of three key elements:

Strategy	How we deliver	How we measure success
Safe, cost efficient operation Operate the best model to minimise costs and overheads including outsourcing	We provide a safe, reliable and efficient transmission service to the gas suppliers of Northern Ireland. Delivery is achieved through a competitive tendering process for operational activities and the development of a comprehensive contracting strategy and partnership approach with key contractors. We operate a Health & Safety system based on the Plan, Do, Check, Act approach. Further information on asset operation can be found on pages 4 and 5.	Our success measures include: - availability targets for our assets (KPI 1); - operational savings against forecast (KPI 2); - lost time incidents (KPI 3) and a series of detailed health & safety targets; - detailed maintenance and contracting milestones which are monitored at contract meetings; and - detailed monthly budgets which are monitored over a rolling five year horizon.
Return savings to consumer Deliver savings to all consumers evenly over the life of the assets	Group strategy involves returning all savings or cash surpluses to the generality of Northern Ireland consumers as evenly as possible over the life of the assets. In doing so, where possible, we seek to build up reserves to smooth future cash flows and minimise energy price increases and fluctuations associated with our assets. Where appropriate, reserves will be used to provide capital for future investments. Delivery of savings is discussed in more detail on page 5.	Our measures of success include: - operational savings against forecast (KPI 2); and - cash generated from operations (KPI 4).
Manage market change Manage market changes to minimise risks to NI consumer	Our key focus is to ensure, so far as possible, that changes driven by EU, national or other bodies do not impact negatively on our business, our financing arrangements or energy consumers in Northern Ireland. We seek to achieve this by influencing discussions at EU stakeholder meetings, actively participating in the work of the EU system operator confederations and by assisting the regulators and relevant government departments to identify and address issues particularly relevant to Northern Ireland. The market environment is discussed in more detail on page 6.	Our measures of success include: - avoidance of changes which would compromise the financing structures of the group; - monitoring of individual projects against initial objectives and implementation plans with milestone dates; and - the number of code modifications issued (KPI 5).

Belfast Gas Transmission Financing plc

Strategic report for the year ended 31 March 2018 (continued)

Key Performance Indicators ("KPIs")

Our KPIs are designed to reflect what is important to our stakeholders and we use them to assess the group's development against its strategy and financial objectives.

	Key Performance Indicator	Definition of KPI
	1. Availability The quality of service to our direct customers is determined by the performance of our assets, of which the principal measure is the availability of transmission capacity. A graph showing availability can be found on page 4.	**Availability** Availability is calculated as the number of hours available (excluding upstream outages) x capacity available / total plant capacity under connection agreements x the number of hours in the year.
	2. Operational savings against forecast For the gas businesses cost effectiveness is measured by comparing outturn with the forecast used and submitted in preparing annual gas tariffs. Operational savings vs forecasts for the gas businesses are shown on page 5.	**Operational savings against forecast** The KPI for gas business operational savings is calculated by subtracting the actual agreed revenue for the gas year, calculated in accordance with the gas companies' licences, from the forecast required revenue submitted in advance of the year.
	3. Lost time incidents Our safety is measured by the safe operation of our staff and contractors as noted on page 4.	**Lost time incidents** Lost time incidents are calculated as the number of lost time incidents per 100,000 hours worked by staff and contractors.
	4. Cash generated from operations Cash generated which will be used to avoid future charges to consumers. Cash generated can be seen in the graph on page 5.	**Cash generated from operations** Cash generated in each of the businesses post tax.
	5. Code modifications issued The number of code modifications issued are monitored as these are a measure of progress in implementing the changes required by EU legislation. Code modifications issued can be seen in the graph on page 6.	**Code modifications issued** Code modifications issued is the sum of the code modifications made to each of the gas company's network codes.
	6. Annual Debt Service Cover Ratio The ability to acquire infrastructure at low cost to the consumer is critically dependent upon our track record with the existing asset financing. As well as compliance with the respective financing covenants, the principal requirements of all financiers are the maintenance of Annual Debt Service Cover Ratios (ADSCR) of greater than 1.20. A graph showing these ratios can be found on page 4.	**Annual Debt Service Cover Ratio** The Annual Debt Service Cover Ratios are calculated in accordance with the terms of the bonds for each operational company. The basis of calculation is Available Cash / Debt Service in the next 12 months. In each case Available Cash = the difference between income and expenses in the period + cash in designated bank accounts, where cash in the designated bank accounts is limited to 1x Debt service.

A number of other KPIs are used at a corporate level to monitor other aspects of business performance, including corporate responsibility KPIs. These are included later in this report.

Belfast Gas Transmission Financing plc

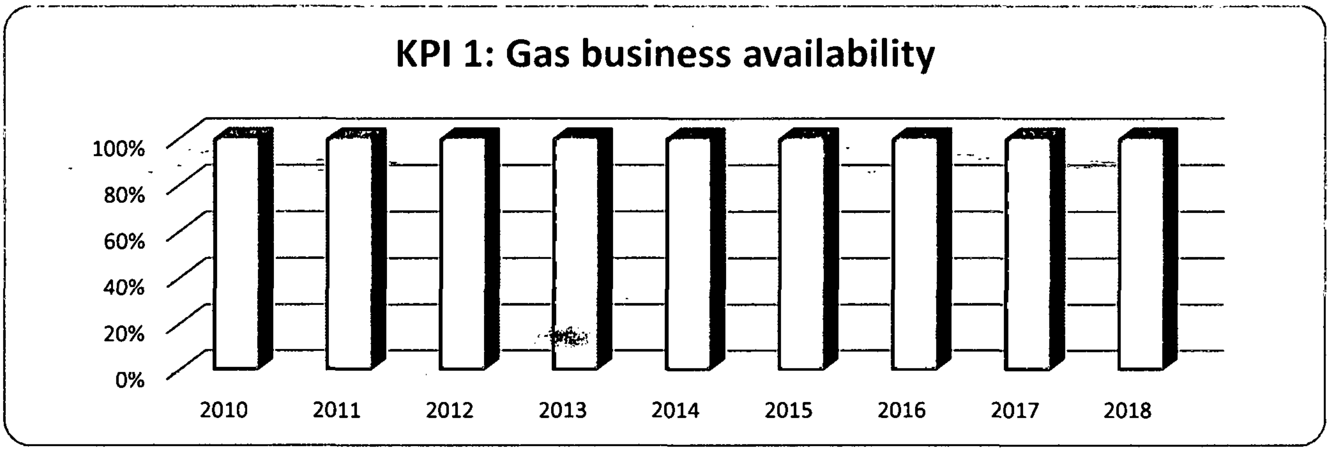
Strategic report for the year ended 31 March 2018 (continued)

Gas business review

Strategic objective: Operate assets safely and cost effectively, outsourcing where appropriate

Operational performance

The gas businesses operated during the year with 100% availability (KPI 1) and no lost time incidents (KPI 3).

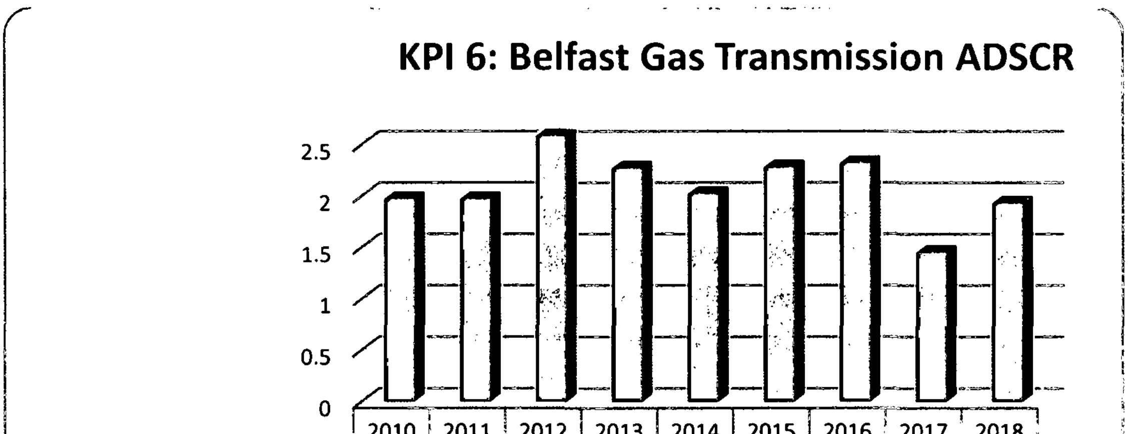


Engineering works were carried out in line with site maintenance plans and statutory examination schedules and a successful in-line inspection of the Belfast Gas Pipeline including the Belfast Lough crossing was carried out in February 2018.

Financial performance

The combined gas business costs for Mutual Energy's subsidiaries (Premier Transmission, Belfast Gas Transmission and West Transmission) for the gas year ending on 30 September 2017 were £3.0m below the forecasts used for predicting tariffs (September 2016: £1.3m below) (KPI 2).

The businesses are cash generative and able to meet their debt service obligations, though because of the bond structures they are not expected to be profitable in the earlier years of the bonds when interest costs incurred are in excess of debt repayments. This situation will then reverse in later years. The Annual Debt Service Cover Ratio (ADSCR) will tend to average towards 2.0. Over-performance above 2.0 in earlier years, will reverse in the future and will result in future ADSCR below 2.0 when this cash is released to the benefit of consumers. The timing of tax payments can have a similar effect and is the cause of Belfast Gas Transmission's lower ADSCR in 2017. The ADSCRs can be seen in the graph below.



	2010	2011	2012	2013	2014	2015	2016	2017	2018
Belfast Gas Transmission	1.97	1.97	2.58	2.27	2.02	2.28	2.32	1.45	1.93

Future development

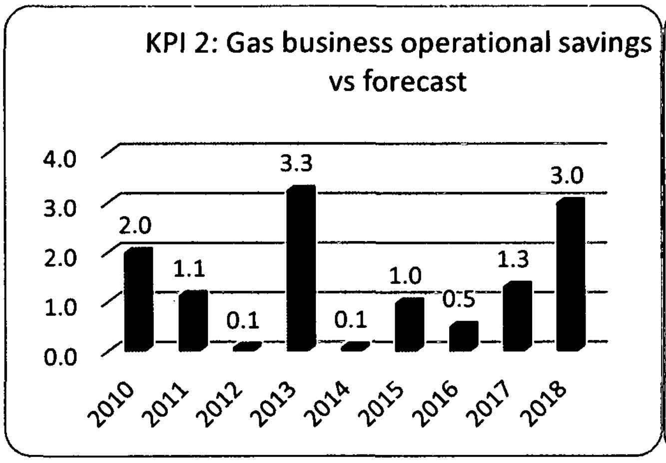
The annual Northern Ireland Gas Capacity Statements published by the Utility Regulator for 2017/18-2026/27 indicated that the overall capability of the existing infrastructure, utilising both the SNIP and South-North Pipeline, well exceeds the ten-year forecast demand scenarios. The report notes that the combination of demand approaching the contractual limit at Twynholm, Scotland, and the need for Transmission System Operators to maintain higher operating pressure requirements to supply the extremities of the network, each signal the imminent expectation that Gormanston, Gas Network Ireland (UK)'s pipeline from the Republic of Ireland to Northern Ireland, will soon need to be commercially utilised by Shippers as a second supply point. The report also forecast an increase in both base case and peak demand due to expected continued growth of the domestic sector and power sector, as well as increasing wind penetration.

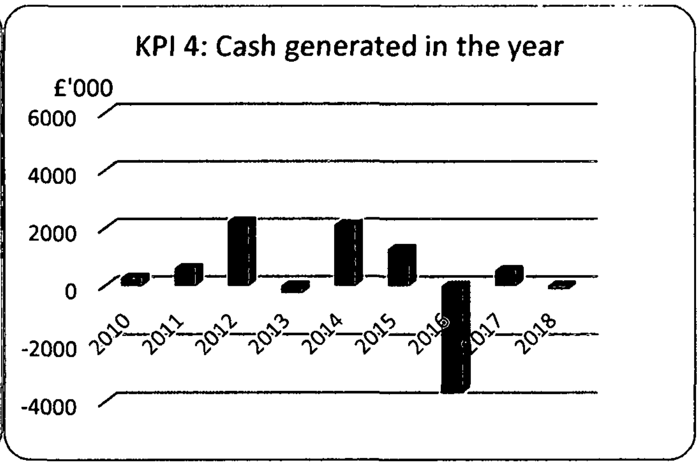
Due to the aging of our assets, and in particular the upstream assets in Scotland owned by Gas Networks Ireland, it is expected that increased costs will be required to refurbish and replace existing plant & machinery as they near the end of their useful life.

Strategic objective: Deliver savings to all consumers evenly over the life of the assets

The main means by which the company delivers savings to the consumers in Northern Ireland is through providing a low cost of capital. The costs of the gas transmission assets are charged to the respective shippers through a "use of system" charge which happens automatically through the postalised transmission system charging methodology. The savings achieved due to our low costs of capital are therefore passed on to shippers, allowing them to charge the end consumer less for their gas. Overall gas business charges recovered from shippers in the 2016-17 gas year (excluding the new West Transmission assets) were 23% lower (2015-16: 13% lower) in real terms than in 2004-5, before the mutualisation of Mutual Energy's gas assets. We continually seek to achieve operational savings and efficiencies.

Year on year the business measures its progress with reference to the annual forecast provided for the tariff calculation, as shown as shown for Premier Transmission, Belfast Gas Transmission and West Transmission combined in the following KPI.





KPI 4 shows a cash outflow in 2015/16 which is the result of timing of payments in relation to tax from prior years. The graph shows the movement in the cash balance from the previous year.

Strategic objective: Manage market changes to minimise risks to the Northern Ireland consumer

European energy regulation

European legislation continues to be a driver for changes in our market arrangements and contracts with shippers. The EU regulation has driven a "Gas Target Model" to be implemented by our gas businesses. The first major deadline for implementation was October 2015, with others following until 2019. This year, the gas businesses took the first steps to implement the Gas Tariff Network Code which came into force in April 2017 by modifying the Network Code and bringing forward the tariff determination and publication dates. Implementation of the Tariff Network Code will remain the focus throughout 2018/19. In conjunction, the gas businesses will continue to implement the Balancing Network Code by monitoring liquidity within the NI market as well as incorporating changes to the NI balancing arrangements as required. It should be expected that there will be further changes coming from the EU over the upcoming years as the work continues to deliver the Gas Target Model.

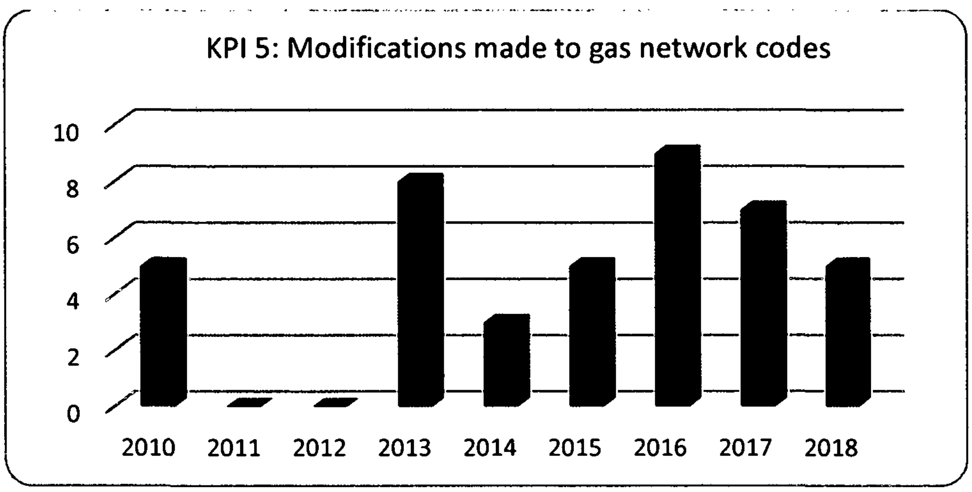
Impact of Brexit

The business is adopting an approach of complying in full with all EU obligations until there is a clear rationale not to. As our assets are fully within the UK, downside risks of Brexit are less than if we were connecting to another EU country at a border (although we do connect to assets in the UK owned by Gas Networks Ireland and Northern Ireland gas is co-mingled with gas destined for the Republic of Ireland). There is an element of uncertainty with regard to EU obligations. Engagement will be required with stakeholders including the European Network of Transmission System Operators for Gas (ENTSOG), National Regulatory Authorities, Adjacent Transporters, Government Departments and Shippers whilst Brexit arrangements are negotiated and finalised. During the year we agreed with our fellow gas transporters in the EU to amend the articles of association of the joint auction platform company known as PRISMA. This will allow us to continue within the European auctioning framework unless this is prohibited by EU law.

Single System Operation

Until 1st October 2017 the gas transmission market was operated by four separate Transmission System Operators: Premier Transmission Limited (PTL), Belfast Gas Transmission Limited (BGTL), West Transmission Limited (WTL) and GNI (UK) Limited. Previously they commercially operated the gas transmission network through four different network codes and two separate IT platforms. Following a determination by the Northern Ireland Utility Regulator (NIAUR) requiring a single system operator, GMO NI (a contractual joint venture between Gas Network Ireland and the three Mutual Energy gas businesses) was set up. The project was delivered in October 2017, on time and within budget. This involved a major IT system implementation, new organisational structure and a full suite of new business processes. Following successful go-live this became the gas market operator for Northern Ireland, managing and administering a single network code and IT platform as a single entity, therefore delivering efficiencies for their customers.

Code modifications are required to implement these changes within our network code and the graph below shows the number of code modifications made in recent years.



Stakeholders, relationships and resources

Customers

All Mutual Energy businesses supply, not to the end consumer, but to the large gas shippers or electricity suppliers and traders in the energy markets. The Premier Transmission Pipeline System provides a service to shippers from Moffat in Scotland to exit points at AES Ballylumford, the connection with Gas Networks Ireland (NI) pipelines at Carrickfergus and Belfast Gas exit points in Belfast and Larne, as well as West Transmission's exit point at Maydown which is an offtake from GNI's pipeline. A total of 16 shippers (2017: 17) are currently registered to use our gas system.

Partners and contractors

There has been no change to the major outsourced contractors in the year with SGN carrying out the routine maintenance, emergency response, and monitoring our system from their gas control centre in Horley, outside London.

Bondholders

The directors are very conscious of their obligations to the bondholders in the finance documents. In addition to complying with their other reporting obligations, they make available to bondholders copies of the Annual Report.

Social, community and human rights issues

The group has a fundamental community focus through its purpose: to own and operate energy infrastructure in the long-term interest of energy consumers in Northern Ireland. This is also reflected through all of our strategic objectives which include cost effective operation to deliver savings and minimise risks of market change to Northern Ireland consumers. More information on how the group delivers these objectives can be found on pages 4 to 6.

The group also continues to consider its impact on the environment and remains committed to reducing our energy consumption and related emissions where possible, as well as reducing our wider impacts such as resource use and waste to landfill. The group ensures robust Health & Safety systems are in place as discussed on page 9, for the benefit of employees, contractors and the wider public. We comply with the Employments Rights Act, Modern Slavery Act and all other applicable UK law as an absolute minimum and recognise the importance of treating all of our employees fairly. We are committed to conducting business in an honest and ethical manner and act according to our Code of Ethics, which is integral to our business and sets out a range of principles we adhere to. We do not tolerate bribery or corruption of any kind and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships.

Risk management

The Mutual Energy group continues to apply a structured approach to risk management throughout the companies in the group, which is designed to ensure that emerging risks are identified and managed effectively.

Risk management structure

The Board approves the overall risk management process, known as the group risk governance framework, and approves all the policies covered by the framework. Responsibility for ensuring compliance with the policies is divided between the Risk Committee and the Audit Committee. The Risk Committee deals with all risks that are inherently operational in nature (including Health & Safety), while the Audit Committee monitors all financial and other risks. The risk register records key risks identified and how they are being managed and is reviewed regularly by the board and the relevant board committees. This process has been in place for the full year ended 31 March 2018 and up to the date of approval of the annual report and financial statements.

Control is maintained through a management structure with clearly defined responsibilities, authority levels and lines of reporting; the appointment of suitably qualified staff in specialised business areas; a comprehensive financial planning and accounting framework and a formal reporting structure. These methods of control are subject to periodic review as to their continued suitability.

During the year the Board held a risk workshop whereby it reviewed its approach to risk recording, management and mitigation. The Board, during its annual review of the effectiveness of the group's internal control and risk management systems, did not identify, nor was advised of, any failings or weaknesses which it has determined to be significant.

Strategic report for the year ended 31 March 2018 (continued)

Risk management (continued)

The principal risks of the group are:

Risk description and potential impact	Mitigation	Assessment of risk movement from March 2017
Operational risk		
Poor operational performance could result in impaired availability, damage to assets and/or reputation, injury to third party and/or employees, loss of revenue, loss of licence.	Experienced qualified maintenance subcontractors are used and are managed through the contractual process, frequent performance monitoring and maintaining a high standard of eligibility for tendered work. Structured maintenance plans are followed. The group promotes a strong health and safety culture, has a well-defined health and safety management system and follows industry standard practices.	→
Financial risk		
Poor financial management could result in breach of financing covenants, compliance failure or financial loss.	The Board reviews and agrees policies for addressing these compliance risks and senior management are specifically delegated the task of ensuring compliance.	→
Inadequate financing, liquidity problems, non-compliance with covenants, market changes or failure of counterparties could lead to failure of financial structure.	Borrowing arrangements align the financing costs to the income allowances. Processes are in place to monitor covenant compliance and there is active management of market changes. Treasury policies are aimed at minimising the risks associated with the group's financial assets and liabilities and financial counterparty failure clauses are included in financing documents. The group has low liquidity risk due to its strong cash flows and the reserve accounts and liquidity facilities required by its financing documents. The required reserve accounts remain fully funded and £6m of liquidity facilities were in place throughout the year. Business planning processes are in place to identify cash requirements in advance.	→
Business environment and market risk, including Brexit risk		
Market changes for gas in Northern Ireland could result in reduced volumes transported through the assets, insufficient revenue recovery, default on bonds, damage to reputation of mutual model or fines.	Licence provisions implementing the postalised charges system in the gas business are designed to offset the impact of such changes. An influencing strategy is in place to positively impact market developments. Recent and future market development are discussed on page 6. Risk has remained relatively constant due to upcoming ISEM changes and remaining possibility of Brexit driven changes.	→
Regulatory and political risk		
As the group consists primarily of regulated businesses it is exposed to regulatory risk. Changes in economic regulation or government policy could have an adverse effect on our financial position.	The group's relationships with the Northern Ireland Authority for Utility Regulation (NIAUR) and DfE are managed at senior level through frequent meetings and correspondence in line with the group's communication strategy. The group coordinates with other EU system operators on EU issues. A proactive approach is taken to consultations on any issue which could affect the group's business interests, with legal advice sought where appropriate. The risk assessment has increased given the ongoing absence of government in NI. Whilst this has had no direct adverse impact in the period the risk assessment is a recognition of potential unforeseen issues in the future.	↑
Corporate strategy and communication risk		
Inadequate corporate strategy and communication with external stakeholders could result in reputational damage, regulatory action, loss of support from members or lost growth opportunities.	The Board retains responsibility for strategy as a reserved matter and manages communications directly in line with its communication plan, using outsourcing as appropriate.	→

The group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Environment and safety

The group continues to put a high value on the Health and Safety of its operations and to recognise the importance of minimising the impact of its activities on the environment, both locally and in the global context. Our gas business runs simulated gas emergency exercises to ensure a robust response plan is in place to manage gas supply emergencies and pipeline incidents. Mutual Energy Limited and the Northern Ireland Network Emergency Co-ordinator (NINEC) coordinated the annual Gas Supply Exercise (October 2017) for the NI gas industry, as they would in the event of an actual Northern Ireland Gas Supply Emergency to manage a gas demand and supply imbalance. Mutual Energy were also a key stakeholder in the HSE(NI) led incident exercise, (November 2017) that simulated an incident on one of Mutual Energy's strategic pipelines.

The group has a comprehensive Health and Safety Management System (HSMS) which is based on HSE's HSG 65 'Successful Health and Safety Management' and the revised joint Institute of Directors / Health & Safety Executive guidance "Leading Health and Safety at Work". HSG 65 was substantially revised in December 2013 and re-titled 'Managing for Health and Safety' and is now based on the Plan, Do, Check, Act approach which achieves a balance between the systems and behavioural aspects of management. It also treats Health and Safety management as an integral part of good management generally, rather than a stand-alone system.

Further work to build on the recommendations from the 2015 British Safety Council Five-Star Occupational Health and Safety Audit was carried out through the year and to plan for a further external audit.

The group is committed to environmental performance, with no breach of any environmental licence or permit recorded in the year. Usage of gas for pre heating is monitored to help target improvements.

Greenhouse gas emissions reporting

The table below sets out our greenhouse gas (GHG) emissions for the Premier Transmission Pipeline System in the current and prior year:

	Tonnes of CO_2e	
Emissions from:	**2018**	**2017**
Usage of gas in operations	1,307	2,874
Emissions per GWh energy transmission	0.08	0.19

Methodology
We have reported on all the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. Emissions have been calculated using UK Government guidelines for conversion of natural gas and grid electricity.

Forward-looking statements

The Strategic report contains forward-looking statements. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, the actual results of operations, financial position and liquidity may differ materially from those expressed or implied by these forward-looking statements.

By order of the Board

Gerard McIlroy
Director
21 June 2018

Directors' report for the year ended 31 March 2018

The directors present their annual report and the audited financial statements of the group and parent company for the year ended 31 March 2018.

General information on the company can be found on page 1 and within note 1 to the financial statements.

Results and dividends

The group's loss for the year is £6,073,000 (2017: £2,505,000). The directors do not recommend the payment of a dividend (2017: £nil).

A review of our operational and financial performance, research and development activity, current position and future developments is included in our Strategic report and is included in this report by cross-reference.

Post balance sheet events

There are no events after the reporting date requiring adjustment or disclosure in the financial statements.

Going concern

The group has recurring accounting losses and accordingly net liabilities. In view of the structure of the group from its initial set up, including the acquisition of Belfast Gas Transmission Limited and the issuing of a bond, the group will make losses in earlier years, and profits in later years. It is expected that the group will become profitable in around 15 years' time, at which point the net liabilities position will begin to reverse. The group is, however, cash generative and is forecast to remain cash positive over that 15 year period. The forecast cash generated is adequate to meet the group's liabilities as they fall due over the next 12 months including the scheduled partial repayment of bond capital and interest. In the unlikely event that a change in circumstances results in the group being short of adequate cash to service the bond the market arrangements approved by the Northern Ireland Authority for Utility Regulation would ensure bond payments are made. Accordingly, in view of the above the directors consider it appropriate to adopt the going concern basis in the preparation of the financial statements.

Directors

The directors who served the group during the year, and up to the date of signing the financial statements, were:

Patrick Larkin
Gerard McIlroy

Financial risk management

Please refer to note 1 to these financial statements for a description of the financial risks that the group faces and how it addresses those risks.

Directors' indemnities

The group has made a qualifying third party indemnity provision for the benefit of its directors during the year and it remained in force at the date of this report.

Corporate Governance

The company is subject to and complies with UK law comprising the Companies Act 2006 and the Disclosure and Transparency Rules, and the Listing Rules of the UK Listing Authority. The company does not apply additional requirements to those required by the above. Each of the service providers engaged by the company is subject to their own corporate governance requirements.

The directors are responsible for establishing and maintaining adequate internal control and risk management systems of the company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process.

For further details, refer to the notes to the financial statements, particularly note 1 on financial risk management.

Political donations

Neither the company nor any of its subsidiaries have made any political contributions or incurred any political expenditure in the year.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on pages 4 to 6.

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the annual report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements on the same basis.

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 parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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, and 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report that complies with that law and those regulations.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

- the strategic report and directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Auditor

In accordance with section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG as auditor of the company is to be proposed at the forth-coming Annual General Meeting.

Statement of disclosure of information to auditors

So far as each of the directors in office at the date of approval of the directors' report is aware:

- there is no relevant audit information of which the group and parent company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the group and parent company's auditors are aware of that information.

On behalf of the Board

Gerard McIlroy

Gerard McIlroy
Director
21 June 2018

Independent auditors' report to the members of Belfast Gas Transmission Financing plc

1 Our opinion is unmodified

We have audited the financial statements of Belfast Gas Transmission Financing plc ("the Company") for the year ended 31 March 2018 which comprise the Group statement of comprehensive income, Group and parent company balance sheet, Group and parent company statement of changes in equity, Group and parent company cash flow statement, and the related notes, including the accounting policies in note 1. The financial reporting framework that has been applied in their preparation is UK Law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section of our report. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the directors on 25 November 2016. The period of total uninterrupted engagement is for two years for the year ended 31 March 2018. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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 were addressed, and our results are based on procedures undertaken, 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.

Independent auditors' report to the members of Belfast Gas Transmission Financing plc (continued)

2 Key audit matters: our assessment of risks of material misstatement ***(continued)***

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Group recoverability of intangible assets £84,545k (2017 - £87,032k)

Parent Company recoverability of investment in subsidiary £112,384k (2017 - £112,384k)

Refer to pages 23 and 24 (accounting policy) and pages 30 and 31 (financial disclosures)

Description of the key audit matter	***How the matter was addressed in our audit***
67% of the Group's total assets (by value) consist of intangible assets in relation to consolidation of its subsidiary, Belfast Gas Transmission Limited, for which no quoted market prices are available. 79% of the Parent Company's total assets (by value) consist of investment in its subsidiary for which no quoted market prices are available. There is a risk of recoverability of the Group's intangible assets and the Parent Company's investments due to the carrying values not being supported by performance of the investment where economic conditions have negatively affected profitability, or where there are poor trading conditions. The Directors assess the intangible assets and investment of subsidiary for indicators of impairment annually.	The procedures we undertook included but were not limited to: Assessing the Group and Parent Company's assessment of indicators of impairment. Management have assessed there to be no indicators of impairment in respect of Groups intangible assets and the Parent Company's investment in the subsidiary. In assessing whether an indicator exists, the context of the overall lifecycle of the investment is relevant. We have assessed management's assessment that the funding mechanisms in place result in the operations of the Group and subsidiary (being the transmission of gas) returning at least a break even position over the life of the operations. We found that the judgements and assumptions made in relation to the recoverability of the Group's intangible assets and the Parent Company's investment in its subsidiary and the related disclosures to be reasonable

3 Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £148k (2017: £123k), determined with reference to a benchmark of total expenses, of which it represents 1% (2017: 1%). We consider total expenses to be the most appropriate benchmark as the Group operates a 'Not for Profit' model whereby the revenue earned is cost driven through the pass-through license agreements with the regulatory authorities.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £6k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Materiality for the parent company financial statement as a whole was set at £96k (2017: £80k) determined by reference to total assets, and represents 0.07% of the Company's total assets (2017: 0.06%).

The Group team approved the component materialities, which ranged from £96k to £118k (2017: £80k - £95k).

The work on the components was performed by the Group team, including the audit of the parent company, at the group's offices in Belfast.

Independent auditors' report to the members of Belfast Gas Transmission Financing plc (continued)

4 We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5 We have nothing to report on the other information in the annual report

The directors are responsible for the other information presented in the annual report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information

- we have not identified material misstatements in the strategic and directors' report;
- in our opinion, the information given in the strategic and directors' report is consistent with the financial statements;
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2006.

6 We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 11, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report to the members of Belfast Gas Transmission Financing plc (continued)

7 Respective responsibilities ***(continued)***

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities, or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect
Our audit aimed to detect non-compliance with relevant laws and regulations (irregularities) that could have a material effect on the financial statements. In planning and performing our audit, we considered the impact of laws and regulations in core areas such as financial reporting and company and taxation legislation. In addition, we considered the specific areas of Utility regulation, due to the regulation of the sector in which the group operates.

We identified these areas and considered the extent of compliance with those laws and regulations; as part of our procedures on the related financial statement items.; through discussion with the directors and other management (as required by auditing standards); from our sector experience; and from inspection of the group's/company's regulatory, licensing and legal correspondence.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

8 The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

John Poole

John Poole
for and on behalf of KPMG
Chartered Accountants, Statutory Audit Firm
The Soloist Building
1 Lanyon Place
Belfast
BT1 3LP

25 June 2018

Group statement of comprehensive income for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Revenue – continuing operations		**7,938**	7,998
Operating costs	2	**(6,450)**	(5,931)
Operating profit		**1,488**	2,067
Finance income	4	**16**	18
Finance costs	4	**(8,329)**	(6,429)
Finance costs – net	4	**(8,313)**	(6,411)
Loss before income tax		**(6,825)**	(4,344)
Income tax credit	5	**752**	1,839
Loss and total comprehensive income for the year attributable to the owners of the parent	13	**(6,073)**	(2,505)

The notes on pages 21 to 35 are an integral part of these consolidated financial statements.

Group and parent company balance sheets as at 31 March 2018

		Group		Company	
	Note	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Assets					
Non-current assets					
Property, plant and equipment	7	**26,468**	27,740	-	-
Intangible assets	8	**84,545**	87,032	-	-
Investment in subsidiary undertaking	9	-	-	**112,384**	112,384
		111,013	114,772	**112,384**	112,384
Current assets					
Trade and other receivables	10	**2,364**	1,487	**30,359**	25,750
Cash and cash equivalents	11	**9,628**	9,747	**50**	62
		11,992	11,234	**30,409**	25,812
Total assets		**123,005**	126,006	**142,793**	138,196
Equity and liabilities					
Equity attributable to the owners of the parent					
Ordinary shares	12	**50**	50	**50**	50
Retained earnings	13	**(34,206)**	(28,133)	**10,234**	9,145
Total equity		**(34,156)**	(28,083)	**10,284**	9,195
Liabilities					
Non-current liabilities					
Borrowings	14	**130,789**	127,458	**130,789**	127,458
Deferred income tax liabilities	15	**16,964**	17,464	-	-
Government grant	16	**5,758**	6,046	-	-
		153,511	150,968	**130,789**	127,458
Current liabilities					
Trade and other payables	17	**1,646**	1,305	**4**	15
Borrowings	14	**1,716**	1,528	**1,716**	1,528
Government grant	16	**288**	288	-	-
		3,650	3,121	**1,720**	1,543
Total liabilities		**157,161**	154,089	**132,509**	129,001
Total equity and liabilities		**123,005**	126,006	**142,793**	138,196

The notes on pages 21 to 35 are an integral part of these consolidated financial statements.

The group financial statements on pages 17 to 35 were authorised for issue by the Board of Directors on 21st June 2018 and were signed on its behalf by:

Patrick Larkin
Director

Gerard McIlroy
Director

Group and parent company statement of changes in equity for the year ended 31 March 2018

Group	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 April 2016	50	(25,628)	(25,578)
Total comprehensive expense for the year	-	(2,505)	(2,505)
At 31 March 2017	50	(28,133)	(28,083)
Total comprehensive expense for the year	-	(6,073)	(6,073)
At 31 March 2018	**50**	**(34,206)**	**(34,156)**

Company	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 April 2016	50	7,867	7,917
Total comprehensive income for the year	-	1,278	1,278
At 31 March 2017	50	9,145	9,195
Total comprehensive income for the year	-	1,089	1,089
At 31 March 2018	**50**	**10,234**	**10,284**

The notes on pages 21 to 35 are an integral part of these consolidated financial statements.

Group and parent company cash flow statements for the year ended 31 March 2018

	Note	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Cash flows from operating activities					
Loss before income tax		**(6,825)**	(4,344)	**-**	-
Adjustments for:					
Finance costs/(income) - net		**8,313**	6,411	**(15)**	(13)
Depreciation of property, plant and equipment		**1,272**	1,263	**-**	-
Amortisation of government grant		**(288)**	(288)	**-**	-
Amortisation of intangible assets		**2,487**	2,487	**-**	-
Movement in trade and other receivables		**(920)**	(577)	**(2)**	(3)
Movement in trade and other payables		**341**	19	**(11)**	10
Income tax received		**295**	491	**295**	508
Net cash generated from operating activities		**4,675**	5,462	**267**	502
Cash flows from investing activities					
Interest received		**16**	18	**-**	-
Amounts received from related parties		**-**	-	**4,476**	4,046
Purchase of fixed assets		**-**	(387)	**-**	-
Net cash generated from/(used in) investing activities		**16**	(369)	**4,476**	4,046
Cash flows from financing activities					
Interest paid		**(3,230)**	(3,148)	**(3,175)**	(3,095)
Repayment of borrowings		**(1,580)**	(1,406)	**(1,580)**	(1,406)
Net cash used in financing activities		**(4,810)**	(4,554)	**(4,755)**	(4,501)
Movement in cash and cash equivalents		**(119)**	539	**(12)**	47
Cash and cash equivalents at the beginning of the year	11	**9,747**	9,208	**62**	15
Cash and cash equivalents at the end of the year	11	**9,628**	9,747	**50**	62

The notes on pages 21 to 35 are an integral part of these consolidated financial statements.

Notes to the financial statements for the year ended 31 March 2018

1 Accounting policies, financial risk management and critical accounting estimates/judgements

General information

The group's principal activity during the year was the financing and operation through its subsidiary of the Belfast Gas Transmission Pipeline which transports gas from Ballylumford to Greater Belfast and Larne. The company is a public company incorporated, registered and domiciled in Northern Ireland.

The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated. All of the group and company's assets and liabilities are denominated in Sterling. The group financial statements were authorised for issue by the Board of Directors on 21st June 2018 and were signed on their behalf by Patrick Larkin and Gerard McIlroy. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated and parent company financial statements of Belfast Gas Transmission Financing plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed on pages 27 to 28.

Going concern

The group has recurring accounting losses and accordingly net liabilities. In view of the structure of the group from its initial set up, including the acquisition of Belfast Gas Transmission Limited and the issuing of a bond, the group will make losses in earlier years, and profits in later years. It is expected that the group will become profitable in around 15 years' time, at which point the net liabilities position will begin to reverse. The group is, however, cash generative and is forecast to remain cash positive over that 15 year period. The forecast cash generated is adequate to meet the group's liabilities as they fall due over the next 12 months including the scheduled partial repayment of bond capital and interest. In the unlikely event that a change in circumstances results in the group being short of adequate cash to service the bond the market arrangements approved by the Northern Ireland Authority for Utility Regulation would ensure bond payments are made. Accordingly, in view of the above the directors consider it appropriate to adopt the going concern basis in the preparation of the financial statements.

Statement of compliance with IFRSs

The financial statements of Belfast Gas Transmission Financing plc have been prepared in accordance with EU Endorsed International Financial Reporting Standards (IFRS), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The company has availed of the exemption permitted by Section 408 of the Companies Act 2006, and so the parent company's statement of comprehensive income has not been included in these financial statements.

New standards, amendments or interpretations

There were no additional standards, amendments and interpretations that had a material impact on the Group and Company's financial statements during the year. The following standards, amendments and interpretations were effective for accounting periods beginning on or after 1 April 2017 and these have been adopted in the Group and Company financial statements where relevant:

- Amendments to IAS 7: *Disclosure Initiative*
- Amendments to IAS 12: *Recognition of deferred tax assets for unrealised losses*

Notes to the financial statements for the year ended 31 March 2018

1 Accounting policies, financial risk management and critical accounting estimates/judgements (continued)

New standards, amendments or interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2018 and have not been applied in preparing these financial statements. The standards and interpretations not adopted are outlined below:

- IFRS 15 Revenue from contracts with customers including amendments to IFRS 15: Effective date of IFRS 15 (Mandatory for the year commencing on or after 1 January 2018)
- IFRS 9 Financial Instruments (Mandatory for the year commencing on or after 1 January 2018)
- Clarifications to IFRS 15 Revenue from Contracts with Customers (Mandatory for the year commencing on or after 1 January 2018)
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Mandatory for year commencing 1 January 2018)
- IFRS 16: Leases (Mandatory for the year commencing on or after 1 January 2019)
- IFRS 17 Insurance Contracts (Mandatory for the year commencing on or after 1 January 2021)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (Mandatory for the year commencing on or after 1 January 2018)
- IFRS 23 Uncertainty over Insurance Tax Treatments (Mandatory for the year commencing on or after 1 January 2019)
- Amendments to IFRS2 Classification and measurement of share based payment transactions (Mandatory for year commencing 1 January 2018)
- Annual Improvements to IFRS Standards 2014-2016 Cycle (Mandatory for the year commencing on or after 1 January 2018)
- Amendments to IAS 40: Transfers of Investment Properties (Mandatory for year commencing 1 January 2018)
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (Mandatory for the year commencing on or after 1 January 2019)
- Amendments to IAS 28 Long-term interests in Associates and Joint Ventures (Mandatory for the year commencing on or after 1 January 2019)
- Annual Improvements to IFRS Standards 2015-2017 Cycle (Mandatory for the year commencing on or after 1 January 2019)

With the exception of IFRS 9, IFRS 15 and IFRS 16, the directors do not expect that the adoption of the standards and interpretations listed above will have material impact on the Group and Company financial statements.

IFRS 9 will be effective for the group starting 1 April 2018 and will replace the current requirements of IAS 39 'Financial Instruments: Recognition and Measurement'. The main changes introduced by the new standard are new classification and measurement requirements for certain financial assets, a new expected loss model for the impairment of financial assets, revisions to the hedge accounting model and amendments to disclosures. The changes are generally to be applied retrospectively. The group and company expects limited impact on the financial statements.

IFRS 15 will be effective for the group and company starting 1 April 2018. The standard permits a choice of two possible transition methods for the initial application of the requirements of the new standard: (1) retrospectively to each prior reporting period presented in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), or (2) retrospectively with the cumulative effect of initially applying the standard recognised on the date of initial application, being 1 April 2018 for the group and company (the "cumulative catch-up" approach). The group and company will adopt IFRS15 for the first time in the year ending 31 March 2019 and, where applicable, expects to adopt the retrospective transition method with the cumulative effect of initially applying the standard reflected as an adjustment to the opening balance of retained earnings as of 1 April 2018.

Revenue earned from contracts with customers will be recognised based on a five-step model which requires the transaction price for each identified contract to be apportioned to separate performance obligations arising under the contract and recognised either when the performance obligation in the contract has been performed (point in time recognition) or over time as control of the performance obligation is transferred to the customer. Overall, the group and company expects that adoption of IFRS15 will not impact on how revenue is currently accounted for.

IFRS 16 will change lease accounting mainly for lessees, and will replace the existing standard IAS 17. An asset for the right to use the leased item and a liability for future lease payments will be recognised for all leases, subject to limited exemptions for short-term leases and low-value lease assets. The costs of leases will be recognised in profit or loss split between depreciation of the lease asset and a finance charge on the lease liability. This is similar to the existing accounting for finance leases, but substantively different to the existing accounting treatment for operating leases under which no lease asset or lease liability is recognised and rentals payable.

Notes to the financial statements for the year ended 31 March 2018

1 Accounting policies, financial risk management and critical accounting estimates/judgements (continued)

Basis of consolidation

The consolidated financial statements consolidate the financial statements of Belfast Gas Transmission Financing plc and its subsidiary undertaking drawn up to 31 March 2018. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group 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. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The fair value of consideration paid is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the fair value of consideration over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the fair value of consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit and loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Segment reporting

The group has one business segment, the selling of capacity for the transmission of gas to Greater Belfast and Larne and one geographical segment, the United Kingdom. Accordingly segment reporting is not deemed to be applicable.

Revenue

Revenue comprises the fair value of the consideration received or receivable from the sale of capacity on the Belfast Gas Transmission Pipeline which transports gas to Greater Belfast and Larne. All revenue is generated within the United Kingdom. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group. Revenue is recognised over the period for which capacity is provided, using a straight line basis over the term of the agreement. The group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Finance costs comprise: interest expense on borrowings and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Intangible assets

Licences acquired on acquisitions are recognised initially at fair value. Licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives. The remaining estimated useful lives of the licences are 34 years.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises purchase cost plus any costs directly attributable to bringing the asset into operation and an estimate of any decommissioning costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

1 Accounting policies, financial risk management and critical accounting estimates/judgements (continued)

Property, plant and equipment (continued)

The charge for depreciation is calculated so as to write off the depreciable amount of assets over their estimated useful economic lives on a straight line basis. The useful economic lives of each major class of depreciable asset are as follows:

Pipeline	43 years
Plant and machinery	15 years

The assets' residual values and useful economic lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An asset is derecognised upon disposal or when no future economic benefit is expected to arise from the asset.

Investments

Investments in subsidiaries are recognised initially at fair value and subsequently measured at amortised cost less impairment using the effective interest method.

Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

Classification of financial assets

The group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The group classifies its financial liabilities as other financial liabilities held at amortised cost.

Loans and receivables (financial instruments)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' on the balance sheet.

(a) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade and other receivables with a maturity of more than twelve months from the balance sheet date are shown as non-current trade and other receivables.

(b) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Notes to the financial statements for the year ended 31 March 2018

1 Accounting policies, financial risk management and critical accounting estimates/judgements (continued)

Impairment of financial assets
The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is 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 (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including i) adverse changes in the payment status of borrowers in the portfolio; and ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The group first assesses whether objective evidence of impairment exists. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in an allowance account and in the statement of comprehensive income in operating costs. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. If a financial asset is considered uncollectible, it is written off against the allowance account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income as a credit to operating costs.

Ordinary shares

Ordinary shares are classified as equity.

Other financial liabilities at amortised cost (financial instruments)

(a) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.
Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(b) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.
Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the financial statements for the year ended 31 March 2018

1 Accounting policies, financial risk management and critical accounting estimates/judgements (continued)

Current income tax and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit and loss when it relates to items recognised in profit and loss and in other comprehensive income or equity when it relates to items recognised in other comprehensive income or equity.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither an accounting nor a taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to property, plant and equipment are included in current and non-current liabilities as deferred government grants and are credited to profit or loss on a straight line basis over the expected useful economic lives of the related assets.

Operating lease commitments

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

Financial risk management

Financial risk factors

The group operates the gas pipeline which links the gas transmission systems of Ballylumford and the Greater Belfast and Larne areas under a licence agreement with the Northern Ireland Authority for Utility Regulation. Under the licence agreement the company, together with its parent undertaking, receives revenue that allows full recovery of their operating expenses, financing costs and repayment of borrowings. Accordingly, the company has limited financial risk.

Notes to the financial statements for the year ended 31 March 2018

1 Accounting policies, financial risk management and critical accounting estimates/judgements (continued)

Financial risk management (continued)

(a) Market risk

The group's interest rate risk arises from its long term borrowings. The group issued its long term borrowings to refinance its transmission assets at the lowest possible rates in order to reduce the costs of transmission to the consumers of Northern Ireland. Its long term borrowings were issued at rates linked to the Retail Price Index. The group's long term borrowings are therefore susceptible to changes in the Retail Price Index. A change in the Retail Price Index by 1% would have increased/decreased finance costs, loss and equity during the year by £1,318,000 (2017: £1,299,000).

Under the terms of its licence agreement the group receives sufficient revenue to settle its operating costs and its repayments of borrowings. Accordingly the group does not need to actively manage its exposure to interest rate risk.

(b) Credit risk

The group has limited exposure to credit risk as its customers are high profile gas suppliers, who are reliant on the use of the group's transmission assets. Given the nature of the industry in which the group operates, its customers are regulated by the Northern Ireland Authority for Utility Regulation. The group's trade and other receivables are not impaired or past due and management does not expect any losses from non-performance by its customers.

(c) Liquidity risk

Under the group's licence agreement it receives revenue that compensates the group for its operating expenses, financing costs and repayment of borrowings. Accordingly the group has limited liquidity risk. The cash reserves of the group are held in interest-bearing accounts or invested in fixed term deposits of up to one year spread across a panel of approved banks and financial institutions having high credit ratings to manage short term liquidity risk. The undiscounted contractual maturity profile of the group's borrowings is shown in note 20.

Capital risk management

The group has no obligation to increase member's funds as the company's ultimate parent undertaking is a company limited by guarantee. The group's management of its borrowings and credit risk is referred to in the preceding paragraphs.

Fair value estimation

The following fair value measurement hierarchy has been used by the group for calculating the fair value of financial instruments:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The group's financial instruments fair valued (for disclosure purposes only) under level 2 are the group's loans and receivables and the group's borrowings. The fair value of these financial instruments is determined by discounting future cash flows using a suitable discount rate. These discount rates are based on Bank of England UK gilt yield curve data for a term that is similar to the financial instrument.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below:

Notes to the financial statements for the year ended 31 March 2018

1 Accounting policies, financial risk management and critical accounting estimates/judgements (continued)

Estimate of useful economic life of assets

The group assesses the useful economic life of assets on an annual basis. The remaining useful economic life of the pipeline was determined as approximately 22 (2017: 23) years at the beginning of the year. If the remaining useful economic life had been assessed at 23 (2017: 24) years depreciation would have decreased by £54,000 (2017: £52,000) and if the remaining useful economic life had been assessed at 21 (2017: 22) years depreciation would have increased by £59,000 (2017: £56,000).

2 Expenses by nature - operating costs

Group	**2018** **£'000**	2017 £'000
Depreciation and amortisation	**3,759**	3,750
Amortisation of deferred government grant	**(288)**	(288)
Operating lease payments	**15**	15
Auditors' remuneration:		
Audit of these financial statements	**3**	3
Audit of financial statements of subsidiary	**3**	3
Other services	**2**	2
Other expenses	**2,956**	2,446
Total operating costs	**6,450**	5,931

Other expenses include costs for engineering works, licence fees, maintenance and emergency response, rates, insurance, regulatory work and group overheads, together with administrative costs.

3 Employee benefit expense

The group and company have no employees other than its directors (2017: none). The group's directors were not remunerated for their services to the group (2017: £nil) but instead received emoluments for their services to the Mutual Energy group of companies. The directors do not believe that it is practicable to apportion this amount between services as a director of the group and services as a director of other group companies.

4 Finance income and costs

Group	**2018** **£'000**	2017 £'000
Interest expense:		
Bank charges	**55**	53
Borrowing (including borrowing fees)	**8,274**	6,376
Finance costs	**8,329**	6,429
Interest income:		
Short-term bank deposits	**(16)**	(18)
Finance income	**(16)**	(18)
Finance costs - net	**8,313**	6,411

Notes to the financial statements for the year ended 31 March 2018

5 Income tax credit

Group	2018 £'000	2017 £'000
Current income tax:		
Group relief surrendered	**(252)**	(294)
Adjustments in respect of previous periods	**-**	(1)
Total current income tax	**(252)**	(295)
Deferred income tax:		
Origination and reversal of temporary differences	**(500)**	(489)
Reduction in rate of corporation tax on deferred tax liabilities	**-**	(1,056)
Adjustments in respect of previous periods	**-**	1
Total deferred income tax (note 15)	**-**	(1,544)
Income tax credit	**(752)**	(1,839)

The income tax credit in the statement of comprehensive income for the year differs from the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are reconciled below:

	2018 £'000	2017 £'000
Loss before income tax	**(6,825)**	(4,344)
Tax calculated at the UK standard rate of corporation tax of 19% (2017: 20%)	**(1,297)**	(869)
Effects of:		
Reduction in rate of corporation tax on deferred tax liabilities	**-**	(1,056)
Other timing differences	**58**	86
Deferred tax asset not recognised on loss carried forward	**487**	-
Income tax credit	**(752)**	(1,839)

Future tax changes

Reduction in the UK corporation tax rate from 19% to 18% (effective 1 April 2020) was enacted on 26 October 2015. Finance Bill 2016 further reduced the 18% rate to 17% from 1 April 2020, following substantial enactment on 6 September 2016. This will reduce the company's future tax charges accordingly.

6 Profit/(loss) attributable to members of the parent company

As permitted by Section 408 the Companies Act 2006, the parent company's statement of comprehensive income has not been included in these financial statements. The profit dealt with in the financial statements of the parent company is £1,089,000 (2017: £1,278,000).

Notes to the financial statements for the year ended 31 March 2018

7 Property, plant and equipment

Group	Pipeline £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 April 2016	38,480	80	38,560
Additions	-	387	387
At 31 March 2017 and **at 31 March 2018**	**38,480**	**467**	**38,947**
Accumulated depreciation			
At 1 April 2016	9,930	14	9,944
Provided during the year	1,241	22	1,263
At 31 March 2017	11,171	36	11,207
Provided during the year	1,241	31	1,272
At 31 March 2018	**12,412**	**67**	**12,479**
Net book value			
At 31 March 2018	**26,068**	**400**	**26,468**
At 31 March 2017	27,309	431	27,740
At 31 March 2016	28,550	66	28,616

Depreciation expense of £1,272,000 (2017: £1,263,000) has been fully charged to operating costs. Borrowings are secured on the property, plant and equipment of the group.

8 Intangible assets

Group	Licences £'000
Cost	
At 1 April 2016, 31 March 2017 and **at 31 March 2018**	**109,413**
Accumulated amortisation	
At 1 April 2016	19,894
Provided during the year	2,487
At 31 March 2017	22,381
Provided during the year	2,487
At 31 March 2018	**24,868**
Net book value	
At 31 March 2018	**84,545**
At 31 March 2017	87,032
At 31 March 2016	89,519

Licences include intangible assets acquired through business combinations. Licences have been granted for a minimum of 44 years. The group has concluded that these assets have a remaining useful economic life as at 31 March 2018, of 34 years.

Amortisation expense of £2,487,000 (2017: £2,487,000) has been fully charged to operating costs.

Notes to the financial statements for the year ended 31 March 2018

9 Investment in subsidiary undertaking

Company	£'000
Cost and carrying amount	
At 1 April 2016, 31 March 2017 and **at 31 March 2018**	**112,384**

Investments in subsidiary undertakings are recorded at cost, which is the fair value of the consideration paid.

The company's subsidiary undertaking, which is incorporated in Northern Ireland and whose registered address is First Floor, The Arena Building, 85 Ormeau Road, Belfast, BT7 1SH, is:

Name of company	Holding	Proportion held	Nature of business
Belfast Gas Transmission Limited	Ordinary shares	100%	Operation of Belfast Gas Transmission pipeline

10 Trade and other receivables

	Group		Company	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Trade receivables	**854**	180	**-**	-
Amounts owed by related parties	**370**	413	**30,230**	25,623
Prepayments	**190**	274	**127**	125
Accrued income	**950**	620	**2**	2
	2,364	1,487	**30,359**	25,750

All of the group's and company's trade and other receivables are denominated in sterling.

None of the group's or company's trade and other receivables are impaired or past due. The group and company have no history of default in respect of its trade and other receivables. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The fair value of the group's and company's trade and other receivables is not materially different to their carrying values.

Amounts owed by related parties are unsecured and repayable on demand. Included within amounts owed by related parties within the company is an amount of £29,860,000 (2017: £24,227,000) which carries interest at a rate of 2.207%. All other amounts owed to related parties are interest free.

11 Cash and cash equivalents

	Group		Company	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Cash at bank and in hand	**9,628**	9,747	**50**	62

Cash and cash equivalents earn interest at a range of Bank of England base rate less 0.20%.

12 Ordinary shares

	2018	2017
Group and company	**£'000**	£'000
Allotted , called up and fully paid		
50,000 ordinary shares of £1 each	**50**	50

The holders of ordinary shares are entitled to receive dividends, as declared from time to time, and are entitled to one vote per share at meetings of the company.

Notes to the financial statements for the year ended 31 March 2018

13 Retained earnings

Group	£'000
At 1 April 2016	(25,628)
Total comprehensive loss for the year	(2,505)
At 31 March 2017	(28,133)
Total comprehensive loss for the year	(6,073)
At 31 March 2018	**(34,206)**

Company	£'000
At 1 April 2016	7,867
Total comprehensive income for the year	1,278
At 31 March 2017	9,145
Total comprehensive income for the year	1,089
At 31 March 2018	**10,234**

14 Borrowings

Group and company	2018 £'000	2017 £'000
Non-current		
2.207% Index linked guaranteed secured bond	**130,789**	127,458
Current		
2.207% Index linked guaranteed secured bond	**1,716**	1,528
Total borrowings	**132,505**	128,986

The 2.207% Index linked guaranteed secured bonds 2048 were issued to finance the acquisition of Belfast Gas Transmission Limited and are linked to the Retail Price Index. The bond is secured by fixed and floating charges over all the assets of the group, and also by way of an unconditional and irrevocable financial guarantee given by Assured Guaranty (Europe) Limited as to scheduled payments of principal and interest, including default interest. In return for this guarantee, every six months the group pays an index linked fee of 0.18% of the outstanding balance of the bond. The fair value of the bond is £183,517,000 (2017: £181,065,000). This fair value has been calculated by discounting the future cash flows using a discount rate of 0.14% (2017: 0.13%) that reflects the maturity profile of the group's and the company's borrowings. The current effective interest rate of the bond is 2.18%. The undiscounted maturity profile of the group's and the company's borrowings are shown in note 20.

15 Deferred income tax liabilities

The gross movement on the deferred income tax account is as follows:

Group	£'000
At 1 April 2016	19,008
Income statement credit for the year	(1,544)
At 31 March 2017	17,464
Income statement credit for the year	(500)
At 31 March 2018	**16,964**

Notes to the financial statements for the year ended 31 March 2018

15 Deferred income tax liabilities (continued)

The movement in deferred tax assets and liabilities during the year is as follows:

Group	Accelerated capital allowances £'000	Valuation of intangible assets £'000	Total £'000
At 1 April 2016	2,895	16,113	19,008
Income statement credit for the year	(226)	(1,318)	(1,544)
At 31 March 2017	2,669	14,795	17,464
Income statement credit for the year	(78)	(422)	(500)
At 31 March 2018	**2,591**	**14,373**	**16,964**

The group and company have £13,583,656 (2017: £11,027,166) of tax losses available for carry forward against future taxable profits arising from the same trade. The related deferred tax asset of £2,309,222 (2017: £1,874,618) has not been recognised as it is more likely than not that the group and company will not make sufficient taxable profits from the same trade, from which the tax losses can be deducted.

The portion of the group's deferred tax liability arising from intangible assets that is expected to fall due after more than 12 months is £13,951,000 (2017: £14,372,000). It is not possible to determine the portion of the group's deferred tax liability arising from accelerated capital allowances that is expected to fall due after more than 12 months as this is dependent on future profits and management decisions.

16 Government grant

Group	£'000
At 1 April 2016	6,622
Amortised during the year	(288)
At 31 March 2017	6,334
Amortised during the year	(288)
At 31 March 2018	**6,046**

The government grant was provided to the group for the purpose of its expenditure on its property, plant and equipment. The current portion of the government grant is £288,000 (2017: £288,000) and the non-current portion is £5,758,000 (2017: £6,046,000).

17 Trade and other payables

	Group		Company	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Trade payables	**4**	25	-	12
Amounts owed to related parties	**977**	486	-	-
Other tax and social security	**409**	544	-	-
Other payables	**10**	5	-	-
Accruals	**246**	245	**4**	3
	1,646	1,305	**4**	15

The fair value of trade and other payables is not materially different from their carrying value.

Amounts owed to related parties are unsecured, interest free and are repayable on demand.

Notes to the financial statements for the year ended 31 March 2018

18 Commitments

Operating lease commitments

The group has entered into a commercial lease on land which expires on 31 December 2051. There are no restrictions placed upon the lessee by entering into these leases. The lease expense charged to profit and loss during the year is disclosed in note 2.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Group	2018 £'000	2017 £'000
Not later than one year	15	14
After one year but not more than five years	60	57
After five years	423	415
	498	486

19 Related party transactions

The ultimate controlling parties of the group are the members of Mutual Energy Limited.

During the year the group entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, and balances outstanding at 31 March with related parties, are as follows:

	Amount owed to/from related party	
Group	2018 £'000	2017 £'000
Parent undertakings – current assets	158	38
Fellow subsidiary undertakings – current assets	212	375
Parent undertakings – current liabilities	(25)	(29)
Fellow subsidiary undertakings – current liabilities	(952)	(457)

		Value of transaction	
Group	Nature of transaction	2018 £'000	2017 £'000
Parent undertakings	Charges payable	(341)	(296)
Parent undertakings	Group relief surrendered	120	-
Fellow subsidiary undertakings	Group relief surrendered	132	294
Fellow subsidiary undertakings	Charges payable	(1,501)	(1,559)

	Amount owed (to)/from related party	
Company	2018 £'000	2017 £'000
Subsidiary undertaking – current assets	29,860	25,210
Parent undertaking – current assets	158	38
Fellow subsidiary undertakings – current assets	212	375

		Value of transaction	
Company	Nature of transaction	2018 £'000	2017 £'000
Parent undertaking	Group relief surrendered	120	-
Fellow subsidiary undertakings	Group relief surrendered	132	294
Subsidiary undertaking	Group relief surrendered	837	984
Subsidiary undertaking	Interest receivable	8,289	6,389

Key management compensation

Key management personnel are considered to be the directors, being those persons having authority and responsibility for planning, directing and controlling the activities of the Group, both directly and indirectly. Key management compensation is given in note 3.

Notes to the financial statements for the year ended 31 March 2018

20 Financial instruments

The group's and company's financial instruments are classified as follows:

Assets and liabilities	Category of financial instrument
Trade and other receivables	Loans and receivables
Cash and cash equivalents	Loans and receivables
Borrowings	Financial liabilities at amortised cost
Trade and other payables	Financial liabilities at amortised cost

The group's and company's contractual undiscounted cash flows (including principal and interest payments) of its financial liabilities are as follows:

As at 31 March 2018 Group	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	More than 5 years £'000	Total £'000
2.207% bond	4,456	4,544	4,635	4,727	4,824	157,538	180,724
Trade and other payables	1,646	-	-	-	-	-	1,646
	6,102	4,544	4,635	4,727	4,824	157,538	182,370

As at 31 March 2017 Group	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	More than 5 years £'000	Total £'000
2.207% bond	4,367	4,456	4,544	4,635	4,727	162,362	185,091
Trade and other payables	1,305	-	-	-	-	-	1,305
	5,672	4,456	4,544	4,635	4,727	162,362	186,396

As at 31 March 2018 Company	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	More than 5 years £'000	Total £'000
2.207% bond	4,456	4,544	4,635	4,727	4,824	157,538	180,724
Trade and other payables	4	-	-	-	-	-	4
	4,460	4,544	4,635	4,727	4,824	157,538	180,728

As at 31 March 2017 Company	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	More than 5 years £'000	Total £'000
2.207% bond	4,367	4,456	4,544	4,635	4,727	162,362	185,091
Trade and other payables	15	-	-	-	-	-	15
	4,382	4,456	4,544	4,635	4,727	162,362	185,106

21 Ultimate parent undertaking

The immediate parent undertaking is Belfast Gas Transmission Holdings Limited, a company incorporated in Northern Ireland and whose registered address is First Floor, The Arena Building, 85 Ormeau Road, Belfast, BT7 1SH. Group financial statements for this company are not prepared.

The ultimate parent undertaking, and the only group of undertakings for which group financial statements are prepared, is Mutual Energy Limited, a company incorporated in Northern Ireland. Copies of the group financial statements are available to the public from First Floor, The Arena Building, 85 Ormeau Road, Belfast, BT7 1SH.