Registered company number 09838757

Green
Investment
Bank

UK GREEN INVESTMENT FCG LIMITED

AUDITED FINANCIAL STATEMENTS

For the seventeen months to 31 March 2017

Contents

Directors' Report

The directors present their report and audited financial statements for the period of the seventeen months to 31 March 2017.

Incorporation

UK Green Investment FCG Limited (the "Company") is a private limited company (limited by shares) and was incorporated in England and Wales on 23 October 2015. The Company's registered address is 13th Floor, 21-24 Millbank Tower, Millbank, London SW1P 4QP, United Kingdom and its registered company number is 09838757. The Company does not have any branches outside the United Kingdom. The Company's parent is UK Green Investment Bank Limited ("GIB").

Financial Performance

The results for the period are dealt with on page 8 of the financial statements. During the period under consideration, the profit for the period was £1,115,890. The position of the Company at 31 March 2017 is provided on page 9 of the financial statements. Net assets at 31 March 2017 were £1,115,990. The income in respect of the arrangement fee was received upon completion of the Full Circle Generation deal. The company's purpose is a holding company for investing in a waste plant in Northern Ireland.

Directors of the Company

Directors in office during the period and up to the date of signing the financial statements were as follows:

Alexander Bremner, appointed on 23 October 2015 and resigned on 30 June 2017
John Isherwood, appointed on 23 October 2015
John Stuart, appointed on 30 June 2017

Leo Thorn Gent was appointed Company secretary on 23 October 2015.

Directors' emoluments

None of the executive directors were paid fees for their services.
Expenses related to attendance at Board meetings are reimbursed by the parent company.

Directors Report (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

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

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue to operate for the foreseeable future given the terms of the shareholder loan agreement. The nature of the investment by GIB is long-term with a total commitment of £48m of which only £35m has been drawn. The financial statements are, therefore, prepared on a going concern basis.

Independent Auditors

PricewaterhouseCoopers LLP were appointed as the Company's first auditors on 4 July 2017. The Board will evaluate the effectiveness of audit services on an annual basis or more frequently if required by changing conditions.

Dividends

During the seventeen months to 31 March 2017 the Company did not make any dividend payments. The Company does not propose to pay any dividends in respect of the period under review.

Directors Report (continued)

Directors' indemnities

The Company has granted third party indemnities to each of its directors in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities as directors to the extent permitted by the 2006 Act and the Company's constitution. In addition, directors are covered by Directors' and Officers' liability insurance. These indemnities were in place during the period and also to the date of signing.

Future developments of the Company

The Company was established during the period as a direct holding company. The Company will continue to operate under this basis.

Events after the reporting period

On 20 April 2017 the UK Government announced that they had agreed to sell the UK Green Investment Bank Limited ("GIB") to a Macquarie-led consortium. This does not have a financial reporting impact.

On behalf of the Board of Directors

John Isherwood

Director

20 July 2017

Independent Auditors' report to the Shareholders of UK Green Investment FCG Limited

Our opinion

In our opinion, UK Green Investment FCG Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit and cash flows for the 17 month period (the "period") then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 March 2017;
- the Statement of Profit or Loss and Comprehensive Income for the period then ended;
- the Statement of Cash Flows for the period then ended;
- the Statement of Changes in Equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Independent Auditors' report to the Shareholders of UK Green Investment FCG Limited (continued)

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.
We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Shujaat Khan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
20 July 2017

Statement of Profit or Loss and Other Comprehensive Income

Period from 23 October 2015 to 31 March 2017

	Note	Period from 23.10.15 to 31.03.17
		£
Operating Income		
Fee income	5	1,394,862
Total operating income		**1,394,862**
Direct investment costs		-
Net operating income		**1,394,862**
Operating Expenses		
General and administrative expenses		-
Total operating expenses		-
Profit before tax		1,394,862
Tax charge	6	(278,972)
Profit for the period		**1,115,890**
Items that may be reclassified subsequently to profit or loss		-
Other comprehensive income for the period, net of tax		-
Total comprehensive income for the period		**1,115,890**

The profit of £1,115,890 is wholly attributable to the owners of the Company. All results are derived from continuing operations.

Statement of Financial Position

As at 31 March 2017

	Note	31.03.17
		£
Assets		
Non-current assets		
Investments in associate	7	35,376,935
Total non-current assets		**35,376,935**
Current assets		
Other receivables	8	1,394,962
Total current assets		1,394,962
Total assets		**36,771,897**
Liabilities		
Current liabilities		
Creditors	9	35,376,935
Corporation tax liability		278,972
Total current liabilities		**35,655,907**
Total liabilities		**35,655,907**
Equity		
Issued capital	10	100
Retained earnings	11	1,115,890
Total equity		**1,115,990**
Total equity and liabilities		**36,771,897**

The financial statements on pages 8 to 10 were approved by the Board of Directors on 20 July 2017 and signed on its behalf by:

John Isherwood

Director

The notes on pages 11 to 17 form part of these financial statements

Statement of Changes in Equity

Period from 23 October 2015 to 31 March 2017

	Note	Issued Capital	Retained earnings	Total Equity
		£	£	£
Profit for the period		-	1,115,890	1,115,890
Total comprehensive income for the period		-	1,115,890	1,115,890
Issue of ordinary shares	10	100	-	100
Balance at 31 March 2017		**100**	**1,115,890**	**1,115,990**

Statement of Cash Flows

Period from 23 October 2015 to 31 March 2017

	Period from 23.10.15 to 31.03.17
	£
Cash flows from operating activities	
Profit for period after tax	1,115,890
Changes in:	
Other receivables	(1,394,962)
Current - creditors, accruals and other liabilities	278,972
Net cash used in operating activities	**(100)**
Cash flows from investing activities	
Payments to acquire investments	(35,376,935)
Net cash used in investing activities	**(35,376,935)**
Cash flows from financing activities	
Receipt of shareholder loan	35,376,935
Issue of new shares	100
Net cash generated financing activities	**35,377,035**
Net increase in cash and cash equivalents	-
Cash and cash equivalents at beginning of the period	-
Cash and cash equivalents at the end of the period	-

Notes to the financial statements

Period from 23 October 2015 to 31 March 2017

1 Authorisation of the financial statements

The financial statements of UK Green Investment FCG Limited (the "Company") for the period from 23 October 2015 to 31 March 2017 were approved and authorised for issue in accordance with a resolution of the directors on 20 July 2017.

The Company is a private limited company incorporated and registered in England and Wales. It is unlisted and wholly-owned by UK Green Investment Bank Limited ("GIB") whose ultimate parent is the Secretary of State for the Department for Business, Energy and Industrial Strategy.

2 Principal Activity

The Company's principal activity is an investment holding company.

3 Accounting Policies

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applied in accordance with the provisions of the Companies Act 2006 applicable to Companies reporting under IFRS.

Where IFRS permit a choice of accounting policy, we have selected the accounting policy which is judged to be most appropriate to the particular circumstances of the Company for the purpose of giving a true and fair view.

These Financial Statements have been prepared under the historical cost convention and are presented in pounds sterling.

Associates

Associates are all entities over which the Company has significant influence, but not control, over the financial and operating policies. Investments in associates consist of equity which is measured at cost and loan notes which are initially recognised at fair value and subsequently measured at amortised cost. The Company determines on an ongoing basis whether there is any objective evidence that the investment in an associate is impaired.

Taxation

Tax expense or benefit for the period comprises current tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in comprehensive income or directly in equity.

Current tax is recognised as an expense or benefit in the period in which the profits or losses arise and is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date.

Equity

Ordinary shares are classified as equity and have been issued at par in the period to 31 March 2017.

Notes to the financial statements (continued)

Period from 23 October 2015 to 31 March 2017

3 Accounting Policies (continued)

Income

The recognition of fee revenue excluding VAT is determined by the purpose of the fee.

Expenses

Fees payable to the Company's auditors for the audit of the Company's annual financial statements were £12,000. This amount is payable by the parent company and will not be recharged.

None of the executive directors were paid fees for their services. Expenses related to attendance at Board meetings are reimbursed by the parent company.

Critical accounting estimates and judgments

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

Assessment of impairment

IFRS require companies to carry out impairment testing on any assets which show indications of impairment. In carrying out this assessment, we have exercised judgement in considering future cash flows as well as other information in accordance with the accounting policy to determine the true and fair value of an asset. The assessment includes the analysis of a discounted cash flow model and impairment reviews for all asset types.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue to operate for the foreseeable future. The financial statements are, therefore, prepared on a going concern basis. In forming this view, we have reviewed the Company's budgets, plans and cash flow forecasts. We have also considered the potential impact of credit risk and liquidity risk as detailed in Note 12.

Standards issued but not yet effective

The standards and interpretations relevant to the Company that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards when they become effective. The Company has not sought early adoption of any standards or amendments.

IAS 1 Disclosure Initiative – Amendments to IAS 1. Effective for annual periods beginning on or after 1 January 2016.

The amendments to IAS 1 *Presentation of Financial Statements* clarify:

• The materiality requirements in IAS 1

• That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated

• That entities have flexibility as to the order in which they present the notes to financial statements

The amendments to IAS 1 will impact only the presentation and disclosure of the financial statements.

Notes to the financial statements (continued)

Period from 23 October 2015 to 31 March 2017

3 Accounting Policies (continued)

Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers. Effective for annual periods beginning on or after 1 January 2018.

IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Company will assess the effect of the revenue recognition requirements per IFRS 15 compared with IAS 18 which is currently applied in the preparation of the financial statements in future accounting periods.

IFRS 9 Financial Instruments. Effective for annual periods beginning on or after 1 January 2018.

The amendments introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

Classification and Measurement
IFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

Impairment
IFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

Hedge accounting
IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements.

The key elements of the standard have been identified and a preliminary method for projecting impairments has been developed. We will bring the method into line with the standard and validate our approach with our external auditors.

4 Segmental Reporting

The Company has determined that there is only one operating segment for the period ended 31 March 2017.

The Company operates in one geographical location, being the UK.

5 Fee Income

Fee Income of £1,394,862 relates to fee for supporting Full Circle Generation Limited. This fee is a non-refundable arrangement fee which was payable by Full Circle Generation Holding Company Limited on the first drawdown.

Notes to the financial statements (continued)

Period from 23 October 2015 to 31 March 2017

6 Tax charge

	Period from 23.10.15 to 31.03.17
	£
Current tax:	
Current tax expense on profits in the year	(278,972)
Tax per income statement	**(278,972)**

Reconciliation of tax charge	Period from 23.10.15 to 31.03.17
	£
Profit before tax	1,394,862
Profit before tax multiplied by UK corporation tax of 20%	(278,972)
Tax expense for the period	**(278,972)**

7 Investments in associate

	31.03.17
	£
Balance at 23 October 2015	-
Additions	35,376,935
Balance at 31 March 2017	**35,376,935**

The Company owns 35.10% of Full Circle Generation Holding Company Limited ("FCG HoldCo"). FCG HoldCo is a financial leasing company incorporated on 16 October 2015 whose registered address is 10-11 Charterhouse Square, London, EC1M 6EH.

There are four other investors in FCG Holdco and they are all bound by the shareholder agreement which was signed on 3 November 2015, the date on which FCG HoldCo became an associate of the Company.

FCG Holdco has one undertaking, its sole investment in Full Circle Generation Ltd, an energy from waste plant based in Belfast. FCG HoldCo is a strategic investment for the Company, allowing its parent to continue its investment within the renewable energy sector.

Of the total investment £35,376,935, £557,945 relates to equity holding and the remaining balance relates to a shareholder loan. The Company believes that this level of funding it has significant influence over the financial and operational activities of FCG HoldCo, and therefore classes it as an associate which is in line with the accounting policy.

Notes to the financial statements (continued)

Period from 23 October 2015 to 31 March 2017

7 Investments in associate (continued)

Financial Information for FCG Holdco is presented in the table below.

	2017 (unaudited) £m	2016 (audited) £m
Assets	95.7	73.7
Liabilities	94.2	72.2
Revenues for year to 31 March	0.0	0.0
Profit for the year to 31 March	0.0	0.0
Share Capital	1.5	1.5

8 Other receivables

The other receivables balance at 31 March 2017 of £1,394,962 is amounts due from the immediate parent company.

9 Creditors

The Company has been funded through a loan from its parent company. This loan is interest free and repayable on demand. The total loan commitment from the parent company is £48m.

	31.03.17 Due < 1 yr
	£
Shareholder loan	35,376,935
Total	**35,376,935**

10 Issued Capital

	Number of Shares	Nominal value of Shares
		£
Ordinary shares	100	100
Balance at 31 March 2017	**100**	**100**

100 ordinary shares of £1 were issued on 23 October 2015. The authorised share capital is consistent with the issued share capital.

11 Retained earnings

	31.03.17
	£
Profit for the period from 23 October to 31 March 2017	1,115,890
Balance at 31 March 2017	**1,115,890**

12 Risk disclosure

Principal Risks

The company is exposed to a number of principal risks. These may arise at the level of the underlying assets managed by the investment manager, or within the operations of the investment manager or GIB. Their impact could affect the performance of the Company and thus the returns it generates for GIB.

Notes to the financial statements (continued)

Period from 23 October 2015 to 31 March 2017

12 Risk disclosure (continued)

Principal Risks (continued)

Principal risks may include:

- Deployment risk in which the manager is unable to deploy capital as intended, such that the expected returns to GIB are not realised.
- Resource risk in which appropriate feedstock resource is not available at the level expected.
- Construction or technology risk in which some physical aspect of an investment project does not perform as intended.
- Green risk in which the expected green and sustainability benefits are not realised, potentially due to resource or technology risk, or where there is an unintended negative environmental effect, such as destruction of local
- habitats.
- Credit and counterparty risk in which an external party either fails to pay a direct obligation to an investment, or fails to provide a service in a manner that affects an investment.
- Market risk in which external market rates and prices move in a manner that adversely affects investments. This may include low power prices, low inflation in settings where earnings are indexed or increased interest rates in settings where these are used as a discount rate.
- Operational risk in which some failure of people, process or technology at the level of the investment manager or an individual investment leads to cost and loss of value.
- Liquidity risk in which cash for investment or some other purpose is not available in a timely manner, such that a cost arises.
- Reputational risk in which the activities of the manager or an investment are perceived to be inappropriate in a manner that adversely affects the interests of the Company.

Credit risk

The amount of exposure, before taking into account any collateral or security, is limited to the amount invested at any given point in time.

Management of risk does not occur at Company level. Rather this is delegated to the investment manager, with oversight at the level of GIB. Please refer to the annual report of GIB for further details.

Arrangements for risk monitoring at the level of GIB include:

- Monitoring of commitments, draw-downs and construction for individual investments.
- Portfolio reporting from the investment manager, including operational, financial and green performance of investments, along with reports on health and safety and regulatory compliance.
- Monitoring of GIB payment processes, and associated controls, in order to ensure they do not create a liquidity risk for the investment process.
- Assessment of the operational performance of the investment manager, including in providing timely and accurate information, as a means of understanding operational risk arising within the activities of the manager.

Capital Management

Risks to the capital of the Company arise via risks to either the principal underlying asset, its equity stake in FCG HoldCo or risks to cash holdings or transfers. To manage the former, the Portfolio Investment Management (PIM) team of GIB, acting on behalf of the Company monitors an extensive set of management information on FCG HoldCo and makes such determinations as are permitted under investment agreements to maximise the value of the asset. To manage the latter, the PIM and Finance teams of GIB monitor and manage cash payments on behalf of the Company, maintain sufficient cash balances and operate system-enforced multiple control over payments.

Notes to the financial statements (continued)

For the seventeen months to 31 March 2017

13 Commitments

	< 1 yr	1 – 5yrs	> 5yrs	Subject to project requirements	Cancelled post period end	Total
	£	£	£	£	£	£
Investment commitments	11,756,622	-	-	-	-	11,756,622
Total	**11,756,622**	**-**	**-**	**-**	**-**	**11,756,622**

The commitments relate to the future funding committed to the Company's associate, FCG HoldCo.

14 Related Parties

UK Green Investment FCG Limited is 100% owned by the UK Green Investment Bank Limited ("GIB"). The ultimate parent is the UK Government. The Company is consolidated within the financial statements of GIB, whose accounts are available at www.greeninvestmentbank.com.

The Company has been funded through a loan from GIB. This loan is interest free and no repayments are expected in the next twelve months (Note 9).

During the period the Company received fee income of £1,394,862 relating to an arrangement fee from its associate Full Circle Generation Holding Company Limited.
The balances outstanding with related parties at 31 March 2017 are disclosed below:

	31.03.17
	£
UK Green Investment Bank Ltd	33,981,973
Total	**33,981,973**

15 Events after the reporting period

On 20 April 2017 the UK Government announced that they had agreed to sell GIB to a Macquarie-led consortium. This does not have a financial reporting impact.