UK GREEN INVESTMENT FCG LIMITED

ANNUAL REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Registered Number: 09838757

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

CONTENTS

DIRECTORS AND ADVISERS

Directors
H B Crossley
P J Ireland

Company registered office
Welken House
10-11 Charterhouse Square
London
England
EC1M 6EH

Auditor
KPMG LLP
15 Canada Square
London
E14 5GL

STRATEGIC REPORT

Principal Activities

The principal activity of the UK Green Investment FCG Limited (the "Company") is to act as the holding company for the investment in Full Circle Generation Holding Company Limited.

Business Review

The Company is a holding entitiy for 35.1% of the share capital in Full Circle Generation Holding Company Limited, a United Kingdom registered entity whose activity is to hold investment in the operational Full Circle Power Energy from Waste project based in Belfast.

The Company's indirect interest in the waste project is valued at fair value as shown in the Statement of Financial Position, with the movement shown in the Statement of Comprehensive Income as described in note 2.

The Directors have considered a number of potential outcomes arising from the UK's exit from the European Union in 2019 and believe that the Company has sufficient reserves and business controls to address any financial impact of these outcomes for the foreseeable future and has decided not to make a specific provision in the accounts. Due to the availability-based nature of our portfolios and focus on contracted cash flows, this means there will be little to no impact on income/cash flows from Brexit. Due to the inflation linkage of asset returns, it is likely that the majority of project distributions should be correlated with inflation. The pipeline of assets that we will acquire are expected to be brownfield investments that are already operating and yielding and there is a fundamental need for infrastructure in the UK, regardless of the ultimate terms of Brexit and secession.

Going Concern

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of current market conditions and concluded that it is appropriate. In reaching this conclusion, the Directors have specifically considered the Company's activity and forecast over the next 12 months and the Company's relationships with its immediate parent. More information is provided in note 1 to the financial statements.

Principal Risks and Uncertainties

The principal risk faced by the Company is credit risk in relation to its investment. Credit risk is mitigated by the Company holding investments in long term infrastructure assets for which the company holds long term contracts with, and mitigated through performance risks passed on to subcontractors.

Key Performance Indicators

The key performance indicators for the Company are primarily client and financially focused; including those listed below:

- tracking the performance and delivery of the services in conjunction with the KPIs set by the local authorities;
- the progress of the individual project company;
- the comparison of actual cash flows costs to those that have been forecast and;
- that the operational project is performing within the restrictions of all project documentation.

Future Developments

The Directors of the Company are not aware of any circumstances by which the principal activity of the Company would alter or cease.

On behalf of the board

P J Ireland
Director
27 September 2019

DIRECTORS' REPORT

The Directors submit their annual report and the audited financial statements for the year ended 31 December 2018.

Directors

The Directors who served throughout the year, except as noted, are shown on page 1.

Results and Dividends

The results for the period are shown on page 7 in the Statement of Comprehensive Income. The Directors have decided to not declare a dividend for the period (2017: nil). The Company's performance reflects the position under the various intercompany agreements that were in place during the period. Refer to the Business Review on page 2 for further information relating to these results.

Employees

The Company had no employees during the year (2017: none).

Financial Risk Management

The Company's management of financial risks including interest rate, credit, performance and liquidity risk during the year are detailed in note 1.

Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that they ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By order of the Board

P J Ireland
Director
27 September 2019

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

The directors are responsible for preparing the Strategic Report, Directors Report and the financial statements in accordance with applicable law and regulations.

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

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the 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 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK GREEN INVESTMENT FCG LIMITED

Opinion

We have audited the financial statements of UK Green Investment FCG Limited ("the Company") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as valuation of investments and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic Report and Directors' Report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report 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 strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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, 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; 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.

Directors' responsibilities
As explained more fully in their statement 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; 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 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 company or to cease operations, or have no realistic alternative but to do so.

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 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 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.

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

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

Henry Todd (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

27 September 2019

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31 December 2018	Period from 1 April 2017 to December 2017
		£'000	£'000
Investment Income		4,228	1,538
Fair value gain/(loss) on investments	8	3,046	(2,907)
Profit/(loss) from operations	4	7,274	(1,369)
Finance costs	6	(4,228)	(1,538)
Profit/(loss) before tax		3,046	(2,907)
Taxation	7	-	-
Profit/(loss) after tax from continuing operations		3,046	(2,907)

All of the above relates to continuing activities.

The Company has no recognised gains or losses other than those reported above, therefore no separate Statement of Other Comprehensive Income has been presented.

The notes on pages 11 to 24 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	As at 31 December 2018	As at 31 December 2017
		£'000	£'000
Assets			
Non-current assets			
Investments held at fair value	8	44,888	41,140
		44,888	41,140
Current assets			
Receivables	9	5,767	1,538
		5,767	1,538
Total assets		50,655	42,678
Liabilities			
Current liabilities			
Interest Payable	10	(5,767)	(1,538)
Net current assets		-	-
Non-current liabilities			
Borrowings	11	(39,411)	(38,709)
Total liabilities		(45,178)	(40,247)
NET ASSETS		5,477	2,431
Equity			
Share capital	12	-	-
Retained earnings		5,477	2,431
SHAREHOLDER'S EQUITY		5,477	2,431

The notes on pages 11 to 24 form an integral part of the Financial Statements.

The financial statements of UK Green Investment FCG Limited, registered number 09838757, were approved by the Board of Directors and authorised for issue on 27 September 2019 and were signed on its behalf by:

P J Ireland
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2018	-	2,431	2,431
Profit for the year	-	3,046	3,046
Balance as at 31 December 2018	-	5,477	5,477
Balance as at 1 April 2017	-	6,455	6,455
Loss for the period	-	(2,907)	(2,907)
Deemed distribution to shareholders	-	(1,117)	(1,117)
Balance as at 31 December 2017	-	2,431	2,431

The notes on pages 11 to 24 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Year ended 31 December 2018 £'000	Period from 1 April 2017 to 31 December 2017 £'000
Cash flows from operating activities		
Profit / (loss) for the year/period	3,046	(2,907)
Adjustments for:		
Interest Income	(4,228)	(1,538)
Fair value (gain)/loss on investments	(3,046)	2,907
Finance costs	4,228	1,538
Operating cash flows before movements in working capital	-	-
Net cash flows from operating activities	-	-
Investing activities		
Investment in subsidiary	(702)	(3,332)
Net cash used in investing activities	(702)	(3,332)
Financing activities		
Borrowings from parent company	702	3,332
Net cash from financing activities	702	3,332
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year/period	-	-
Cash and cash equivalents at end of year/period	-	-

The notes on pages 11 to 24 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting Policies

a) General information

UK Green Investment FCG Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 2. These financial statements are presented in pounds sterling, being the currency of the primary economic environment in which the Company operates. Monetary amounts are rounded to the nearest £'000.

b) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs"). A summary of the principal accounting policies, all of which have been applied consistently throughout the current year and prior period are set out below.

As a consequence of the Company's parent meeting the criteria to be defined as an Investment Entity under IFRS 10: Consolidated Financial Statements ("IFRS 10"), the Company's results are not consolidated into a parent entity. The Company has considered the need to prepare consolidated financial statements, however, the Company has adopted Fund Management Company status and meets the definition of an Investment Entity under IFRS 10. As such it is required to account for its investments at fair value through profit and loss and hence has not prepared consolidated financial statements.

IFRS 10 requires the Company to measure its interests in subsidiary investments under IFRS 9 'Financial Instruments' ("IFRS 9") and IFRS 13 'Fair Value Measurement' ("IFRS 13"). The investments are valued at fair value with gains or losses on measurement of investments accounted for through profit or loss (see note 8).

The Investment Entities standard introduced an exception to the principle that all subsidiaries should be consolidated. The amendments define an Investment Entity and require a parent entity that is an Investment Entity to measure its subsidiaries at fair value through profit or loss, in accordance with IFRS 9 and IFRS 13 instead of consolidating those subsidiaries. The Company meets the definition of an Investment Entity on the basis of the following criteria:

(i) the Company obtains funds from multiple ultimate investors for the purpose of providing those investors with investment management services;
(ii) the Company commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
(iii) the Company measures and evaluates the performance of substantially all of its investments on a fair value basis.

To determine if the Company meets the definition of an Investment Entity, further consideration is given to the following characteristics of an investment entity that are demonstrated by the Company:

(i) it has more than one investment;
(ii) it has more than one ultimate investor;
(iii) it has ultimate investors that are not related parties;
(iv) it has ownership interests in the form of equity or similar interest; and
(v) it holds investments for a limited period only i.e. it has an exit strategy for its investments.

Joint ventures are those entities over which the Company has significant influence and joint control as defined in IAS 28 'Investments in Associates and Joint Ventures' ("IAS 28"). By virtue of the Company meeting the definition of a fund management company and the wholly owned subsidiary of an investment fund and the exemption provided by IAS 28, investments in such entities are designated upon initial recognition to be accounted for at fair value through profit and loss, in accordance with the equivalent measurement exception under IAS 28 and IFRS 13, with changes in fair value recognised in profit or loss in the period of charge.

c) Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Strategic Report on page 2.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting Policies (continued)

d) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. It is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. In relation to the fair value exercise, interest revenue is adjusted to remove any double counting of cash flows.

Income from participating interests is recognised when the shareholders' rights to receive payment have been established.

e) Taxation

The tax expense represents the sum of tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arises from the initial recognition of goodwill or from the initial recognition (other that in a business combination) of other assets and liabilities in a transaction that affect neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable difference arising on investments, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and the rates that have been enacted at the Statement of Financial Position date. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on the same taxable company, and the Company intends to settle its current tax assets and liabilities on a net basis.

f) Financial Instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of an instrument. Financial assets are derecognised when the contractual rights to the cash flows from the instrument expire or the asset is transferred and the transfer qualifies for derecognition in accordance with IFRS 9.

Financial assets

Financial assets, are classified in the following categories: fair value through profit and loss and measured at ammortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting Policies (continued)

f) Financial Instruments (continued)

(i) *Investments at fair value through profit or loss*
Investments at fair value through profit or loss are designated upon initial recognition as financial assets at fair value through profit or loss. The Company's policy is to fair value both the equity and subordinated debt ("sub debt") investments in infrastructure assets together. Both elements are exposed to the same primary risk, being performance risk. This performance risk is taken into consideration when determining the discount rate applied to the forecast cash flows. In determining fair value observable transactions are considered and fair value is measured using assumptions that market participants would use when pricing assets including assumptions regarding risk. The sub debt and equity are considered to have the same risk characteristics. As such, the debt and equity form a single class of financial instrument for the purposes of this disclosure. The Company measures its investments as a single class of financial asset at fair value in accordance with IFRS 13 'Fair Value Measurement'. Subsequent to initial recognition, the investments are measured on a combined basis at fair value with changes recognised within the Statement of Comprehensive Income.

Investments in subsidiaries
The Company is required as an Investment Entity (Amendments to IFRS 10, IFRS 12, IAS 27) to measure its investments in subsidiaries at fair value through profit or loss, except where the subsidiary provides investment-related services or activities. The Company measures its investments in infrastructure companies that are subsidiaries at fair value in accordance with IFRS 9 and IFRS 13, with changes in fair value recognised in profit or loss in the period of the charge.

Investments in joint ventures and associates
The Company meets the definition in IAS 28 (May 2011) Investments in Associates and joint Ventures of a venture capital organisation or similar entity and upon initial recognition has designated its investment in joint ventures and associates at fair value through profit or loss. The Company therefore measures its interest in joint ventures and associates at fair value through profit or loss in accordance with IFRS 9 and IFRS 13, with changes in fair value recognised in profit or loss in the period of the charge.

(ii) *Loans and receivables*
Trade receivables, loans and other receivables that are non derivative financial assets and that have fixed or determinable payments that are not quoted in an active market are classified as 'measured at ammortised cost'. Loans and other receivables are measured at amortised cost using the effective interest method, less any impairment. They are included in current assets, except where maturities are in greater than 12 months after the Statement of Financial Position date which are classified as non current assets. The Company's loans and receivables comprise 'trade and other receivables' in the Statement of Financial Position.

Impairment of financial assets
Financial Assets are assessed for impairment under the expected credit loss model ("ECL"). Assessment for impairment is based on a three-stage approach based on changes in credit risk since initial recognition, with each stage representing a change in the credit risk of Financial Assets. If a significant increase in credit risk is identified, the financial instrument is moved from stage one to stage two but is not yet deemed to be credit impaired; financial instruments that are deemed to be credit impaired are moved to stage three. The expected credit loss for stage one financial instruments is equal to the portion of lifetime expected credit losses that result from default events within the next twelve months. The expected credit loss for stage two and three financial instruments is equal to expected credit losses on a lifetime basis. ECLs are recognised in the Statement of Comprehensive Income. Amounts receivable from Financial Assets are written off, when the Company concludes that there is no longer any realistic prospect of recovery of part or all of the receivable. Amounts receivable from Financial Assets are reviewed regularly and write off will be prompted by insolvency, adverse changes in operations and similar events associated with the Financial Asset.

Fair value estimation
The fair value of financial instruments that are not traded in an active market with unobservable inputs, is derived in one of the following ways:

(i) Investments at fair value through profit or loss
Fair value is calculated by discounting future cash flows, from investments in both equity and subordinated loans (interest and repayments), at an appropriate discount rate. In determining the discount rate, regard has been given to risk free rates and risk premia that are specific to the individual concessions and recent market transactions. The discount rate that has been applied to the financial assets at 31 December 2018 was 9.90% (2017: 10.11%). Movements in fair value are attributed in full to the equity investment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting Policies (continued)

f) Financial Instruments (continued)

(ii) Receivables
Receivables are held at fair value, which is measured using the amortised cost approach. The carrying value less impairment provision of trade receivables are assumed to approximate the fair values.

Financial liabilities and equity
Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities, including borrowings, are classified as 'other financial liabilities' and are initially measured at fair value. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

g) Financial risk management
The Company has loans from Equitix Infrastructure 4 Ltd, the Company's immediate parent, with fixed interest rates. These loans, including accrued interest, are repayable when the Company has sufficient surplus cash. The value of the loans shown on the Statement of Financial Position represent the value of the loans as at the Statement of Financial Position date.

The Company does not have any other borrowings, loans or overdrafts that expose the Company to financial risks.

h) Share capital
Ordinary shares are classified as equity.

i) Expenses
All expenses are accounted for on an accruals basis. The Company's fees, finance costs and all other expenses are charged through the income statement.

j) Assessable risks
Credit risk
The principal risk faced by the Company is credit risk in relation to its investment. Credit risk is mitigated by the Company holding investments in long term infrastructure assets for which the Company holds long term contracts with and through performance risks passed on to subcontractors.

Liquidity risk
The Company adopts a prudent approach to liquidity management and maintains sufficient cash reserves at group level to meet its obligations.

Foreign exchange risk
The Company does not currently have any exposure to foreign currency exchange risk, nor does it have any immediate plans to geographically deviate its focus.

Performance risk
The Company mitigates performance risk through a robust asset management process, and passes on risks of non-performance to service providers and subcontractors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Inter-company agreements - Interest Rate
The Company's loan agreements with its immediate parent Equitix Infrastructure 4 Ltd carry an interest rate of 10.80%, reflecting the market rate attributable to similar instruments within the Group, therefore the Directors believe that the loan note value in these financial statements reflects fair value at the Statement of Financial Position date.

The judgements, estimates and assumptions that have the most significant effect on the carrying value of assets and liabilities of the Company as at 31 December 2018 are discussed below.

<u>Investments at fair value through profit or loss</u>
By virtue of the Company's status as an Investment Entity and the associated requirment of IFRS 10, investments in joint ventures and subsidiaries are designated upon initial recognition and subsequently to be accounted for at fair value through profit or loss.

The fair values of unlisted investments, which are not traded in an active market, are determined using valuation techniques. The Directors principally use discounted cash flow analysis to make their best estimation of the fair value. The estimate of fair value may vary from the price achieved in an actual sale as potential acquirers may use different valuation criteria for their own strategic reasons.

The principal drivers of internally prepared valuations are therefore:
i) expected future net cash flows; and
ii) the discount rate to be applied.

The fair value estimation takes into account the future distributions to be received by the Company from its investments.

Future distributions involve a degree of uncertainty in terms of their amount and timing. Cash flows in the underlying investments are exposed to risks in relation to deductions that may be made by the relevant Government Authority in relation to performance conditions and inflation.

If the expected future net cash flows were decreased or increased by 10%, with all other variables held constant, the impact on the value of financial assets would be a loss/gain of £4,489k (2017: £4,114k).

The discount rate is determined in relation to the particular risks for each investment. All relevant risks such as interest rate risk, credit risk and liquidity risk are incorporated in the fair value of the investments by adjusting the expected cash flows or discount rate used for the valuation of investments. The discount rate used for the 2018 valuation was 9.90% (2017: 10.11%). If the discount rate used in the valuation were increased or decreased by 100 bps, the impact on the value of the financial assets would be a loss of £4,310k (2017: £4,230k) or a gain of £4,899k (2017: £4,904k) respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

A significant portion of the fair value of investments shown on the Statement of Financial Position is attributed to the future disposal proceeds of project assets. The fair value ascribed to these assets has been independently verified by a recognised industry expert, and is based upon the current asset use continuing at the point of realisation and beyond.

Fair value estimation
The fair value of financial instruments traded in active markets is based on quoted market prices at the Statement of Financial Position date. The fair value of financial instruments that are not traded in active markets is derived in one of the following ways:

i) *Financial assets at fair value through profit and loss*
Financial assets are recognised initially at fair value. Subsequent to initial recognition, the financial assets are measured at fair value using the discounted cash flow methodology. In determining the discount rate, regard is had to risk free rates and risk premia that are specific to the individual concession.

ii) *Loans, receivables, and payables*
The carrying value less impairment provision of trade receivables and payables are assumed to approximate to their fair values.

iii) *Borrowings*
Intercompany loans are held at amortised cost.

3 International Financial Reporting Standards ("IFRS") - Adoption of New and Revised Standards

The following Adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements:

• IFRS 16 Leases (January 2019); and
• Annual Improvements to IFRS Standards 2014-2016 Cycle

The Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB. This includes the adoption of IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15") and IFRS 9 'Financial Instruments' ("IFRS 9").

Given the nature of the business activities in which the Company operates, IFRS 15 does not have a material impact on the Company.

The requirements of IFRS 9 represent a significant change from IAS 39. The key changes to the Company's accounting policies resulting from its adoption of IFRS 9 are summarised below.

Classification of financial assets and liabilities
IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

The financial assets and liabilities of the Company are now classified as amortised cost or fair value through profit or loss. Classification is based on the characteristics of the financial asset. All disclosures have been updated where applicable to reflect the requirements of IFRS 9.

Impairment of financial assets
IFRS 9 replaces the "incurred loss" model in IAS 39 with an expected credit loss ("ECL") model. The new impairment model also applies to certain loan commitments and financial guarantee contracts, but not to equity investments.

The new impairment model applies to debt instruments and financial guarantee contracts issued that are not measured at FVTPL. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The Company has determined that the application of IFRS 9's impairment requirements had no material impact on the allowance for impairment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

4 Operating Profit

The operating profit of the Company is attributable to the principal activity of the Company, all of which was carried out in the United Kingdom.

The audit fee for UK Green Investment FCG Limited of £2,100 (2017: £2,600) has been borne by Equitix Fund IV LP, who will not seek compensation from the Company. There were no non-audit fees (2017: nil).

5 Directors' Remuneration

No staff were directly employed by the Company (2017: none).

No Directors received any remuneration for services to the Company during the year (2017: £nil). The Company is managed by secondees from Equitix Limited. No recharge for services rendered has been made during the year (2017: £nil).

6 Finance Costs

Finance costs are included in the Statement of Comprehensive Income and comprise of the following:

	2018 £'000	2017 £'000
Interest expense on loans from immediate parent company	4,228	1,538
Total finance cost	4,228	1,538

7 Tax Charge on Profit from Ordinary Activities

Taxation is based on profit for the year/period and comprises:

	2018 £'000	2017 £'000
UK corporation tax at a rate of 19% (2017: 19%)		
Current year/period	-	-
Tax Charge	-	-

The differences between the total current tax shown above and the amount calculated by applying the average rate of UK corporation tax to the profit before tax are as follows:

	2018 £'000	2017 £'000
Profit / (loss) on ordinary activities before tax	3,046	(2,907)
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19%)	579	(552)
Income and fair value movements not subject to taxation	(579)	552
Total current tax charge for the year/period	-	-

A deferred tax asset has not been recognised in respect of timing differences relating to excess management expenses for the period as there is insufficient evidence that the asset will be recovered.

A reduction in the UK corporation tax rate from 19% to 18% (effective 1 April 2020) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

8 Investments at Fair Value through Profit or Loss

	2018 £'000	2017 £'000
Carrying value	44,888	41,140
Cost	39,410	38,708

Reconciliation of value of investment

	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Opening balance		41,140		40,716
Additions		702		3,332
Capital Repayments		-		-
Return on Investment	-		-	
Unwind of discount rate and other movements	2,070		(2,908)	
Discount rate movement	(737)		-	
Change in Risk Free Rate	1,713		-	
Fair value gain/loss on investments	3,046		(2,908)	
Carrying amount at 31 December 2018		44,888		41,140

The Directors have satisfied themselves as to the methodology used, the discount rates applied and the valuation. Further detail is given in note 2.

The following economic assumptions were used in the discounted cash flow valuations:

	2018	2017
UK inflation rates	3.2%*	3.0%
UK deposit interest rates	0.63%**	0.5%
UK corporation tax rate	19.00%***	19.00%

* long term assumption 3%
** long term assumption 1.7%
*** long term assumption 17%

Investments are generally restricted on their ability to transfer funds to the Company under the terms of the senior funding arrangement for that investment. Significant restrictions include:

- Historic and projected debt services and loan life cover ratios exceed a given threshold;
- Required cash reserve account levels are met;
- Project performance is in compliance with the terms of the senior funding arrangements; and
- Senior lenders have approved the annual budget for the Company

A list of principal investments of the Company can be found on page 24 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

9 Receivables

	2018 £'000	2017 £'000
Interest receivable	5,767	1,538
	5,767	1,538

10 Payables

	2018 £'000	2017 £'000
Interest Payable	5,767	1,538
	5,767	1,538

11 Loans and Borrowings

	2018 £'000	2017 £'000
Loans from parent company	39,411	38,709
	39,411	38,709
Included on the Statement of Financial Position as follows:		
Current	-	-
Non-current	39,411	38,709
	39,411	38,709

The loan from Parent Company is repayable in line with repayments schedules. Interest is charged on the loan at a fixed rate of 10.80%.

12 Share Capital

		Authorised	Issued and unpaid
Ordinary shares of £1 each	2018 Number	2018 £	2018 £
As at 31 December 2018	100	100	-

		Authorised	Issued and unpaid
Ordinary shares of £1 each	2017 Number	2017 £	2017 £
As at 31 December 2017	100	100	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

13 Financial Instruments

Capital risk management

The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Company borrowings are as disclosed in note 11, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity and note 12. The Company is not subject to any externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Categories of financial instruments	**2018**	**2017**
Financial assets	**£'000**	**£'000**
Fair value through profit and loss		
Investments	**44,888**	**41,140**
Loans and receivables held at amortised cost		
Interest receivable	**5,767**	**1,538**
	50,655	**42,678**
Financial liabilities at amortised cost		
Borrowings	**39,411**	**38,709**
Interest payable	**5,767**	**1,538**
	45,178	**40,247**

Financial Risk Management

Risk management objectives

The Directors provide advice to the Company on all risks faced and manage the financial risks relating to the operations of the Company through internal risk reports which analyse the exposures faced by degree and magnitude of risk consequences. These risks include market risk, credit risk and liquidity risk.

The Company does not enter into financial derivative contracts.

Market risk

The Company's activities expose it primarily to the financial risks of interest rates.

Interest rate risk management

The Company has limited exposure to interest rate risk as the underlying borrowings are fixed rate loans. Therefore the Company is not exposed to cash flow risk due to changes in interest rates over variable rate borrowings. The fixed rate borrowings are carried at amortised cost and hence not exposed to fair value movements due to changes in interest rates.

The Company has no exposure to interest rate risk on the loans held with Equitix Infrastructure 4 Ltd because the loans have a fixed interest rate of 10.80%.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from defaults. For cash and cash equivalents the Company only transacts with entities that are rated the equivalent to investment grade and above. Other financial assets consist of amounts receivable from related parties. Credit risk is generated through the overall performance risk of the projects, deterioration of which might impact their ability to service equity payments. This risk is mitigated through the infrastructure asset contract structure, whereby deductions are passed down to the facilities management and construction sub contractors.

13 Financial Instruments (continued)

Liquidity risk management
Ultimate responsibility for liquidity risk management rests with the board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short-term, medium-term and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

Performance risk management
Performance risk management refers to the risk that the underlying project companies will not perform in line with expectations, and as such the Company will not receive forecast cashflows as expected. To mitigate this risk, the projects are closely managed by the asset management team and risks of non-performance are passed on to service providers and subcontractors by the infrastructure asset contract structure, leaving the infrastructure investment insulated from issues of non-performance.

Fair value of financial instruments
The fair value of financial assets and liabilities is determined as follows:

The fair value of non-derivative financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

The fair value of other non-derivative financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The Directors consider that the carrying amounts of financial assets, recorded at fair value through profit or loss, and financial liabilities, recorded at amortised cost in the financial statements, are appropriately approximated at their fair values.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up on undiscounted cash flows of financial liabilities based on the earliest date the Company could be required to satisfy borrowing repayments. The table includes principal repayment and assumed interest cash flows:

Liabilities

2018	Less than 1 year £'000	1-2 years £'000	3-5 years £'000	5+ years £'000	Total £'000
Loans from related parties	-	-	-	39,411	39,411
	-	-	-	39,411	39,411

2017	Less than 1 year £'000	1-2 years £'000	3-5 years £'000	5+ years £'000	Total £'000
Loans from related parties	-	-	-	38,709	38,709
	-	-	-	38,709	38,709

Loans from related parties comprise inter-company loan agreements entered into between the Company and Equitix Infrastructure 4 Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

13 Financial Instruments (continued)

Fair value of financial instruments

The Company holds a number of financial instruments on the statement of financial position at their fair values. The following hierarchy classifies each class of financial asset or liability depending upon the valuation technique applied in determining its fair value.

i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities, where inputs are observable;

ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) where inputs are directly or indirectly observable; and

iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data, where the inputs are unobservable.

There have been no transfers between these categories in the current or preceding year.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

	2018 Level 1 £'000	2018 Level 2 £'000	2018 Level 3 £'000	2018 Total £'000
Investments at fair value through profit or loss	-	-	44,888	44,888
	-	-	44,888	44,888

	2017 Level 1 £'000	2017 Level 2 £'000	2017 Level 3 £'000	2017 Total £'000
Investments at fair value through profit or loss	-	-	41,140	41,140
	-	-	41,140	41,140

The key assumptions used in determining the fair values of level 3 investments and a sensitivity analysis is disclosed in note 2. The reconciliation below quantifies the impact of the key unobservable inputs, being the discount rates, on the value of the investments:

Level 3 Reconciliation - Investments at fair value through profit or loss

An analysis of the movement between opening to closing balances of the investments at fair value through profit or loss is given in note 8. For financial assets at fair value through profit or loss, changing the discount rate used to value the underlying instruments would alter the fair value.

Gearing ratio The gearing ratio at the year end is as follows:	2018 £'000	2017 £'000
Debt	39,411	38,709
Cash and cash equivalents	-	-
Net debt	39,411	38,709
Shareholder's Equity	5,477	2,431
Net debt to equity ratio	88%	94%

Debt is defined as long-term and short-term borrowings (excluding derivatives) as detailed in note 11.

Equity includes all capital and reserves of the Company that are managed as capital.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

14 Related Party Transactions

The following transactions took place between the Company and its related parties during the year.

Profit and loss account transactions	2018 £'000 Interest income	2018 £'000 Interest expense	2017 £'000 Interest income	2017 £'000 Interest expense
Related Party				
Equitix Infrastructure 4 Limited	-	4,228	-	1,538
Full Circle Generation Holding Company Limited	4,228	-	1,538	-
	4,228	4,228	1,538	1,538

Statement of Financial Position	2018 £'000 Amounts owed by related parties	2018 £'000 Amounts owed to related parties	2017 £'000 Amounts owed by related parties	2017 £'000 Amounts owed to related parties
Related Party				
Equitix Infrastructure 4 Limited	-	45,178	-	40,246
Full Circle Generation Holding Company Limited	45,178	-	40,246	-
	45,178	45,178	40,246	40,246

15 Ultimate Parent Undertaking

The Company's immediate parent company is Equitix Infrastructure 4 Limited, a company incorporated in the United Kingdom. The Company's ultimate parent and controlling entity, is Equitix Fund IV LP, a limited partnership registered in England and Wales. The Company's results are not consolidated as the Company and its parent entities meet the criteria of Investment Entities under IFRS 10. Copies of Equitix Infrastructure 4 Limited accounts can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

16 Subsidiaries as at 31 December 2018

Company name	Percentage of shares held	Principal activity	Registered Address
Full Circle Generation Holding Company Limited	35%*	Parent company for the Full Circle Generation Limited	5th Floor, 120 Aldersgate Street, London, England, EC1A 4JQ
Full Circle Generation Limited	35%**	Project company which covers the operation and management of the waste facilities	56 Craigmore Road, Garvagh, Coleraine, County Derry, BT51 5HF

* Designates investments that are held directly.

** Designates investments that are held indirectly.