

Registered number: NI624790

FULL CIRCLE GENERATION LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

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FULL CIRCLE GENERATION LTD

COMPANY INFORMATION

Directors

B V Ross
J P Harris
N J Wakefield
P J Ireland

Registered number

NI624790

Registered office

7 Irwin Way
Airport Road West
Belfast
Northern Ireland
BT3 9ED

Independent auditor

Azets Audit Services
Chartered Accountants
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Bankers

Bank of Ireland
7th Floor
1 Donegall Square South
Belfast
BT1 5LR

FULL CIRCLE GENERATION LTD

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FULL CIRCLE GENERATION LTD

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2022

Principal activity and business review

The principal activity of the Company during the year was the operation of an Energy from Waste plant in Northern Ireland. The completion of plant construction was achieved in November 2019 with operational takeover established in March 2020.

The refused-derived fuel (RDF) gasification plant is now operational, receiving RDF and generating electricity in order to produce revenue.

Following in depth analysis of the EPC Contractor's performance, the Company took the decision to terminate both the EPC Contractor and the Operation and Maintenance agreements in early July 2021. Thereafter the Company has adopted a self-delivery route by transferring existing staff under a TUPE transfer arrangement and engaging in new direct agreements with the existing subcontractors and suppliers.

During the year, the generated electricity was less than originally forecasted as the plant was subject to several capital and outage related works required to either address identified significant defects or to comply with regulations. Rectification works have also been undertaken in the period and are expected to trigger increased plant availability going forward which is expected to lead to an improvement in financial performance. Whilst the operational revenue has decreased during the year compared with the previous 12 months, the overall turnover has increased by cca £3m mainly due to the recognition of liquidated damages and retention bond income. Nevertheless due to a combination of increased operational and maintenance costs (via the self-delivery route) as well as increased legal fees and shareholders' accrued loan interest, the overall yearly loss position was higher by cca £7m when compared against the prior year. Year-end cash flow position remains consistent and will continue to be monitored.

Post year end £3,900,000 from the additional £14,000,000 loan facility the shareholders have made available remains accessible. Moreover, the shareholders have made available a second additional loan facility of £4,000,000 to provide sufficient cash flow to allow the Company to continue to trade, as demonstrated in the cashflow projections that have been prepared to 31 December 2023.

Principal risks and uncertainties

The Company's revenue is based on long-term fixed price contracts, subject to the quantity of RDF received and the level of electricity produced plus adjustments for retail price index increases. Therefore, profit margins are susceptible to RDF and electricity levels as well as fluctuations in inflation. In order to manage this risk, the Company has ensured that costs are fixed wherever possible (subject to indexation) and contractual mechanisms are in place for various pass-through costs.

Regular reviews take place and are reported to the Board to ensure the plant is managed and performs appropriately and that any issues are identified promptly and addressed.

The Construction and Operation of the Plant were subcontracted out since financial close with significant risks being passed down to the key subcontractor (within limits set out as liability caps). However contractual default by the original EPC and Operation and Maintenance subcontractor for losses breaching the liability caps have transferred the risks back to the Company. Following the adoption of the self-delivery route the Company has been building relationships with new key subcontractors over the last year. However, these relationships remain in a fledgling state with the Company unable to transfer the same degree of risk to the sub-contractors that it had previously benefited from.

Interest accrued on shareholder loans is fixed as per the contractual arrangements in place and as such the Directors take the view that any risk associated with interest rate fluctuations is minimal.

The Company's principal financial asset is cash, which represents the Company's maximum exposure to credit risk in relation to financial assets. This is managed using cash flow forecasts to understand expected cash flows throughout the life of the project.

FULL CIRCLE GENERATION LTD

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022**

Principal risks and uncertainties (continued)

The Company's liquidity risk is managed by periodic assessment and close monitoring of the plant performance and funding requirements and use of fixed rate borrowings where risks cannot be addressed by means of contractual provisions.

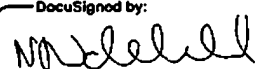
Future Developments

Following capital works in the period a positive revenue trend can be noted towards the end of the financial year and for the proceeding months of the new financial year. The next regulatory mid-year outage is taking place during the first quarter of 2024, including extra capital works as noted above to further stabilise plant performance.

Financial key performance indicators

The Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the performance or position of the Company.

This report was approved by the board and signed on its behalf by:

DocuSigned by:

.....A054A28BE966476.....
N J Wakefield
Director

Date: 16 December 2022

FULL CIRCLE GENERATION LTD

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

The Directors present their report and the financial statements for the year ended 31 March 2022.

Results and dividends

The loss for the year, after taxation, amounted to £27,038,000 (2021 - loss £20,243,000).

Directors

The Directors who served during the year were:

B V Ross
J P Harris
N J Wakefield
P J Ireland
O Omoniwa (resigned 27 January 2022)

Financial instruments

Due to the nature of the Company's business, the only financial risks the Directors consider relevant to this Company are cashflow and liquidity risk. The cash flow risks are mitigated by close monitoring of the financial model and cash flow forecast.

The Company's liquidity risk is principally managed through financing the Company by means of long-term borrowings which have a fixed interest rate.

Directors' indemnity

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for the Directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them that relate to anything done or omitted, or alleged to have been done or omitted by them as Directors or officers of the Company. Appropriate Director's and officer's liability insurance cover is in place in respect of all Directors and officers of the Company.

Going concern

The Shareholders funds at 31 March 2022 are (£38,791,000) (2021 - (£11,753,000)). The Directors have reviewed the year end position and forecasts to 31 December 2023, incorporating the remaining additional loan facility of £3,900,000 made available by its shareholders as well as the second additional loan facility agreed post year end of £4,000,000, and believe that the financial position will improve in the future once the full program of planned capital works is finalised. Furthermore, following the decision to terminate the EPC and Operation and Maintenance Contracts in July 2021 the Company is looking to recover costs and damages for losses incurred by the Company due to the subcontractor not meeting the performance requirements under the contracts. The Company expects that this pursuit will lead to a significant settlement in favour of the Company. Therefore, they consider that it is appropriate to prepare these financial statements on a going concern basis.

Disclosure of information to the auditor

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

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

FULL CIRCLE GENERATION LTD

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022**

Post balance sheet events

Post year-end, the Company rectified identified defects and addressed the majority of the necessary capital works as well as undertaking annual statutory maintenance during the regulatory mid-year outage. The remainder of this work identified will be complete during the next planned outage currently scheduled for the first quarter of 2024.

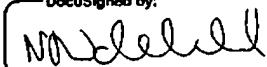
Following the decision to terminate the EPC and Operation and Maintenance Contracts in July 2021 the Company is looking to recover costs and damages for losses incurred by the Company due to the subcontractor failing to meet the performance requirements under the contracts. The Company expects that this pursuit will lead to a significant settlement in favour of the Company.

Since the end of the financial year, after carefully reviewing the activities of the Company and noting a demonstrably positive revenue trend following the mid-year outage, the Shareholders have made available a second additional loan facility of £4,000,000 in order to provide sufficient liquidity to allow the Company to continue to trade.

Auditor

The auditor, Azets Audit Services, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf by:

DocuSigned by:

.....
A05462BBF968476
N J Wakefield
Director

Date: 16 December 2022

FULL CIRCLE GENERATION LTD

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2022**

The Directors are responsible for preparing the Strategic report, the 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 the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice). 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 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

FULL CIRCLE GENERATION LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FULL CIRCLE GENERATION LTD

Opinion

We have audited the financial statements of Full Circle Generation Ltd (the 'Company') for the year ended 31 March 2022, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

FULL CIRCLE GENERATION LTD

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FULL CIRCLE GENERATION LTD
(CONTINUED)**

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

FULL CIRCLE GENERATION LTD

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FULL CIRCLE GENERATION LTD
(CONTINUED)**

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities is available on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

The extent to which the audit was considered capable of detecting irregularities including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the FRC's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the Company, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the company that were contrary to applicable laws and regulations, including fraud.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Company, including the Companies Act 2006 and taxation, data protection, anti-bribery, environmental, employment and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC and the Company's legal advisors.

FULL CIRCLE GENERATION LTD

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FULL CIRCLE GENERATION LTD
(CONTINUED)**

Auditor's responsibilities for the audit of the financial statements (continued)

We assessed the susceptibility of the Company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Use of our report

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, as a body, 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.

Azets Audit Services

**James McBride (Senior statutory auditor)
for and on behalf of
Azets Audit Services
Chartered Accountants
Titanium 1
King's Inch Place
Renfrew
PA4 8WF**

16 December 2022

FULL CIRCLE GENERATION LTD

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022**

	Note	2022 £000	2021 £000
Turnover	3	15,110	12,129
Cost of sales		(19,435)	(14,822)
Gross loss		(4,325)	(2,693)
Administrative expenses		(5,721)	(3,620)
Operating loss	4	(10,046)	(6,313)
Interest receivable and similar income	7	2	2
Interest payable and similar expenses	8	(17,720)	(15,447)
Loss before tax		(27,764)	(21,758)
Tax credit on (loss)	9	726	1,515
Loss for the financial year		(27,038)	(20,243)
Other comprehensive income for the year			
Total comprehensive income for the year		(27,038)	(20,243)

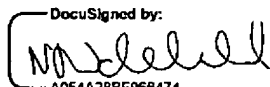
The notes on pages 13 to 26 form part of these financial statements.

FULL CIRCLE GENERATION LTD
REGISTERED NUMBER: NI624790

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Note	2022 £000	2021 £000
Fixed assets			
Tangible assets	10	130,968	135,842
		<u>130,968</u>	<u>135,842</u>
Current assets			
Stocks	13	28	-
Debtors: amounts falling due within one year	12	12,821	8,162
Cash at bank and in hand	14	3,793	4,555
		<u>16,642</u>	<u>12,717</u>
Creditors: amounts falling due within one year	15	(16,209)	(17,036)
Net current assets/(liabilities)		<u>433</u>	<u>(4,319)</u>
Total assets less current liabilities		<u>131,401</u>	<u>131,523</u>
Creditors: amounts falling due after more than one year	16	(163,572)	(135,930)
Provisions for liabilities			
Deferred tax	18	(6,620)	(7,346)
		<u>(6,620)</u>	<u>(7,346)</u>
Net liabilities		<u>(38,791)</u>	<u>(11,753)</u>
Capital and reserves			
Called up share capital	20	1,270	1,270
Profit and loss account	19	(40,061)	(13,023)
		<u>(38,791)</u>	<u>(11,753)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:

 www.A05AA28BF86BA7A.....
N J Wakefield
 Director

Date: 16 December 2022

The notes on page 13 to 26 form part of these financial statements.

FULL CIRCLE GENERATION LTD

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022**

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 April 2021	1,270	(13,023)	(11,753)
Comprehensive income for the year			
Loss for the year	-	(27,038)	(27,038)
Total comprehensive income for the year	-	(27,038)	(27,038)
At 31 March 2022	<u>1,270</u>	<u>(40,061)</u>	<u>(38,791)</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021**

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 April 2020	1,270	7,220	8,490
Comprehensive income for the year			
Loss for the year	-	(20,243)	(20,243)
Total comprehensive income for the year	-	(20,243)	(20,243)
At 31 March 2021	<u>1,270</u>	<u>(13,023)</u>	<u>(11,753)</u>

The notes on pages 13 to 26 form part of these financial statements.

FULL CIRCLE GENERATION LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1. Accounting policies

1.1 Basis of preparation of financial statements

Full Circle Generation Ltd is a private company limited by shares and incorporated in Northern Ireland.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The presentation currency of the Company is Sterling (£) and amounts are rounded to the nearest thousand.

The following principal accounting policies have been applied:

1.2 Going concern

The Shareholders funds at 31 March 2022 are (£38,791,000) (2021 - (£11,753,000)). The Directors have reviewed the year end position and forecasts to 31 December 2023, incorporating the remaining additional loan facility of £3,900,000 made available by its shareholders as well as the second additional loan facility agreed post year end of £4,000,000, and believe that the financial position will improve in the future once the full program of planned capital works is finalised. Furthermore, following the decision to terminate the EPC and Operation and Maintenance Contracts in July 2021 the Company is looking to recover costs and damages for losses incurred by the Company due to the subcontractor not meeting the performance requirements under the contracts. The Company expects that this pursuit will lead to a significant settlement in favour of the Company. Therefore, they consider that it is appropriate to prepare these financial statements on a going concern basis.

1.3 Revenue

Revenue earned during the year includes operational services related revenue derived from RDF delivered-gate fee income, electricity exported, ROC income, as well as other types of revenues using various contractual recharge mechanisms.

Revenue is not fixed and is dependent on throughput and price agreements negotiated over the contract life.

1.4 Cash flow statement

The Directors have taken advantage of the exemption in FRS 102 from including a cash flow statement in the financial statements on the grounds that the Company is wholly owned and its parent publishes a consolidated cash flow statement.

FULL CIRCLE GENERATION LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1. Accounting policies (continued)

1.5 Finance costs

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets at the rate charged by the loan providers. The commencement of capitalisation begins when both finance costs and expenditure of the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

1.6 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at cost, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

FULL CIRCLE GENERATION LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1. Accounting policies (continued)

1.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Tangible fixed assets are stated at cost less accumulated depreciation less any provision for impairment. Cost includes the original cost of the construction of the waste to energy plant designed and built by the Company, capitalised interest on finance up to the date of Completion Certificate, development costs capitalised and subsequent additions and replacements to the plant. The carrying values of these tangible fixed assets are reviewed by the Directors to determine whether there has been any impairment to their values if events or changes in circumstances indicate that the carrying value of the fixed assets may not be recoverable.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The recorded costs comprise directly attributable costs incurred during the period of construction including construction costs, associated legal and professional fees, insurance as well as capitalised interest costs on loans from the shareholders of Full Circle Generation Holding Company Limited.

The plant has been split between its significant components and each component depreciated over its expected useful life, which ranges from 2 to 25 years, using the straight line method. The main plant is being depreciated over 25 years from the construction compliance date of November 2019.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

The assets' useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

1.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at cost, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

FULL CIRCLE GENERATION LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1. Accounting policies (continued)

1.10 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

1.11 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

FULL CIRCLE GENERATION LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

2. Judgments in applying accounting policies and key sources of estimation uncertainty

Classification of asset

The Directors have considered whether or not a service concession exists under FRS 102, and have concluded that it does not for the following reasons:

- The Grantor is not a public sector body or public benefit entity;
- The facility is not under contract with a public sector body or public benefit entity; and
- The arrangement does not contractually oblige the operator to provide services to, or on behalf of, the Grantor for the benefit of the public.

Associated construction costs were treated as Work in Progress during the construction phase, and once construction was complete the balance was transferred to fixed assets.

Component accounting and depreciation

The plant has been split between its significant components and each component depreciated over its expected useful life, which ranges from 2 to 25 years, using the straight-line method. The main plant including subsequent additions and replacements to the plant are being depreciated over 25 years from the construction compliance date of November 2019.

3. Turnover

	2022 £000	2021 £000
Service Revenue	6,648	9,017
Other Income	8,462	3,112
	<u>15,110</u>	<u>12,129</u>

All turnover arose within the United Kingdom.

4. Operating loss

The operating profit is stated after incurring:

	2022 £000	2021 £000
Audit Fees	20	8
Non audit fee: tax compliance	16	4
Depreciation	6,866	6,767

Audit fees relating to the audit of the Parent Company are born by this Company.

FULL CIRCLE GENERATION LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

5. Directors' remuneration

	2022 £000	2021 £000
Directors' fees	<u>106</u>	<u>111</u>

6. Employees

Staff costs were as follows:

	2022 £000	2021 £000
Wages and salaries	1,212	-
Social security costs	135	-
Cost of defined contribution scheme	48	-
	<u>1,395</u>	<u>-</u>

The average monthly number of employees during the year was as follows:

	2022	2021
Number	Number	Number
33	<u>-</u>	<u>-</u>

7. Interest receivable

	2022 £000	2021 £000
Bank Interest receivable	1	-
Other interest receivable	1	2
	<u>2</u>	<u>2</u>

FULL CIRCLE GENERATION LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

8. Interest payable and similar expenses

	2022 £000	2021 £000
Bank charges	25	18
Interest payable on parent undertaking	17,568	15,302
Amortisation of shareholders' loan arrangement fees	127	127
	17,720	15,447

9. Taxation

	2022 £000	2021 £000
Total current tax	-	-
Deferred tax		
Deferred tax in the year	(726)	(1,515)
Total deferred tax	(726)	(1,515)
Taxation on (loss) on ordinary activities	(726)	(1,515)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021 - *higher than*) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £000	2021 £000
Loss on ordinary activities before tax	(27,764)	(21,758)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(5,275)	(4,134)
Effects of:		
Expenses not deductible for tax purposes	2,365	2,022
Fixed asset differences	(25)	92
Re-measurement of deferred tax for changes in tax rates	1,588	-
Other differences	-	(35)
Group relief	621	540
Total tax (credit) for the year	(726)	(1,515)

FULL CIRCLE GENERATION LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

9. Taxation (continued)**Factors that may affect future tax charges**

The Chancellor announced in the Budget on 3 March 2022 that there would be an increase in the top rate of corporation tax to 25% for companies generating taxable profits of more than £250,000. A corporation tax rate of 19% will apply to companies generating taxable profits of less than £50,000. A marginal rate will be applied for profits between these taxable profit bandings. On 14 October 2022, the UK Government confirmed that this measure is to be applied as proposed. This change becomes effective in respect of taxable profits arising after 31 March 2023.

10. Tangible fixed assets

	2022	2021
	£000	£000
Cost		
At 1 April 2021	145,394	145,300
Additions	2,082	-
Disposals	(429)	-
	<u>147,047</u>	<u>145,300</u>
Net book value		
At 1 April 2021	(9,552)	(2,785)
Depreciation for the year	(6,866)	(6,767)
Disposals	339	-
	<u>(16,079)</u>	<u>(9,552)</u>

Tangible fixed assets include capitalised loan note interest of £38,403,000 (2021: £40,104,000). The interest capitalised in the year was £Nil (2021: £Nil).

11. Contingent Asset

Following the decision to terminate the EPC and Operation and Maintenance Contracts in July 2021 the Company is looking to recover costs and damages for losses incurred by the Company due to the subcontractor not meeting the performance requirements under the contracts.

At the Statement of Financial Position date, it is not certain as to the value of any monies that will be recovered by the Company and as such no total amount has been accrued at the year end and instead this has been disclosed as a contingent asset.

FULL CIRCLE GENERATION LTD

**NOTES TO THE FINANCIAL STATEMENTS
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12. Debtors

	2022	2021
	£000	£000
Trade debtors	6,102	2,120
Other debtors	1,478	537
Prepayments and accrued income	5,241	5,505
	<u>12,821</u>	<u>8,162</u>

13. Stocks

	2022	2021
	£000	£000
Raw materials and consumables	28	-
	<u>28</u>	<u>-</u>

14. Cash and cash equivalents

	2022	2021
	£000	£000
Cash at bank and in hand	3,793	4,555
	<u>3,793</u>	<u>4,555</u>

15. Creditors: Amounts falling due within one year

	2022	2021
	£000	£000
Amounts owed to parent undertaking	10,755	10,562
Trade creditors	2,374	3,971
Arrangement Fees	(127)	(127)
Other amounts owed to parent undertaking	318	318
Accruals and deferred income	2,889	2,312
	<u>16,209</u>	<u>17,036</u>

FULL CIRCLE GENERATION LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

16. Creditors: Amounts falling due after more than one year

	2022	2021
	£000	£000
Amounts owed to parent undertaking	166,314	138,799
Arrangement Fees	(2,742)	(2,869)
	<u>163,572</u>	<u>135,930</u>

Amounts owed to parent undertaking comprises wholly of loan notes payable to the parent company, Full Circle Generation Holding Company Limited. The loan notes comprise of an initial capital investment of £106,000,000 generating interest of 10.80% and an additional shareholder loan of £10,140,000 generating interest of 15.00%.

Arrangement fees are amortised over the expected life of the loans, once draw down is complete. The loans have an expected life of 25 years.

17. Loans

	2022	2021
	£000	£000
Amounts falling due within one year		
Amounts owed to parent undertaking - shareholders loan	10,755	10,562
Amounts falling due 1-2 years		
Amounts owed to parent undertaking - shareholders loan	21,522	10,087
Amounts falling due 2-5 years		
Amounts owed to parent undertaking - shareholders loan	38,746	22,666
Amounts falling due after more than 5 years		
Amounts owed to parent undertaking - shareholders loan	<u>106,046</u>	<u>106,046</u>
	<u>177,069</u>	<u>149,361</u>

The sub debt is contractually due to the shareholders as disclosed. However due to the financial position of the Company, the shareholders have agreed to delay repayment of the sub debt until the Company is in a position to resume repayments and after any drawdown of the £14m additional loan facility has been repaid. Although the current value of the additional shareholder loan received in the year is showing as falling due less than one year, post year end an amendment to the loan agreement was made to alter the repayment date to 31 October 2024 or such other date as the parties agree.

FULL CIRCLE GENERATION LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

18. Deferred taxation

	2022	2021
	£000	£000
At beginning of year	(7,346)	(8,861)
Credit/(charged) to profit or loss	726	1,515
At end of year	(6,620)	(7,346)

The provision for deferred taxation is made up as follows:

	2022	2021
	£000	£000
Accelerated capital allowances	(18,841)	(13,442)
Tax losses carried forward	12,220	6,096
Short term timing difference	1	-
	(6,620)	(7,346)

19. Reserves**Profit and loss account**

The profit and loss reserve includes all current and prior period retained profit and losses.

20. Share capital

	2022	2021
	£000	£000
Allotted, called up and fully paid		
1,270,363 (2021 - 1,270,363) Ordinary shares of £1.00 each	1,270	1,270

All issued shares rank pari passu with each other and have equal rights to dividends.

FULL CIRCLE GENERATION LTD

**NOTES TO THE FINANCIAL STATEMENTS
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21. Capital commitments

	2022	2021
	£000	£000
Contracted for but not provided in these financial statements	412	-
	412	-

As at 31 March 2022, the Company has capital commitments of £412,000 (2021 - £Nil) relating to plant & machinery works. These amounts will pass through as additions to the Company's fixed asset register to be depreciated in line with the Company's existing depreciation policy.

22. Related party transactions

The Company's immediate parent entity is Full Circle Generation Holding Company Limited. The following entities are considered to be related parties under the definition of FRS 102 - Related party disclosures:

- UK Green Investment FCG Limited (Shareholder)
- Equitix Concessions 3 Ltd (Shareholder)
- River Ridge Energy Ltd (Shareholder)
- P3P NI LP (Shareholder)
- Equitix Capital Eurobond 4 Limited (virtue of indirect shareholding in the Company)
- Equitix Capital Eurobond 3 (virtue of indirect shareholding in the Company)
- P3P Partners LLP (virtue of indirect shareholding in the Company)
- River Ridge Holdings Limited (virtue of indirect shareholding in the Company)
- Merseyside Pension Fund (virtue of indirect shareholding in the Company)
- Pioneer Fuels Limited (as controlled by entities who are indirect shareholders in Full Circle Holdings Company Limited)
- River Ridge Recycling (Portdown) Limited (as controlled by entities who are indirect shareholders in Full Circle Holdings Company Limited)
- Equitix Management Services (as controlled by entities who are indirect shareholders in Full Circle Holdings Company Limited)

The extent of transactions with these parties during the year consisted of director fees and shareholders' loan interest payments and are summarised below:

	2022	2021
	£000	£000
Director fees to Equitix Capital Eurobond 4 Limited	37	45
Director fees to Equitix Capital Eurobond 3 Limited	23	22
Director fees to P3P Partners LLP	23	22
Director fees to River Ridge Holdings Limited	23	22
Full Circle Generation Holding Company Limited	17,568	15,302

FULL CIRCLE GENERATION LTD

**NOTES TO THE FINANCIAL STATEMENTS
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22. Related party transactions (continued)

During the year £106,000 (2021: £111,000) directors fees were recognised in the Statement of Comprehensive Income and £Nil (2021: £Nil) were capitalised on the Statement of Financial Position.

During the year £17,568,000 (2021: £15,302,000) shareholders' loan interest costs were recognised in the Statement of Comprehensive Income and £Nil (2021: £Nil) was capitalised on the Statement of Financial Position.

Equitix Management Services Limited invoiced £347,000 (2021: £332,000) in respect of management service provider fees during the year. At the end of the year £36,000 (2021: £31,000) was outstanding.

£4,401,000 (2021: £5,465,000) in respect of gate fees and Biomass LDs have been invoiced to Pioneer Fuels Limited during the year. At the end of the year £Nil (2021: £762,000) was outstanding. At the end of the year £679,000 (2021: £740,000) was included within accrued income in respect of amounts due from Pioneer Fuels Limited.

River Ridge Recycling (Portdown) Limited invoiced £4,217,000 (2021: £3,204,000) in respect of service provider fees. At the end of the year £77,000 (2021: £1,055,000) was outstanding. At the end of the year £Nil (2021: £635,000) was included within accruals in respect of amounts due to River Ridge Recycling (Portdown) Limited.

A creditor of £318,000 is recognised in the Statement of Financial Position for the sweat equity amount, owed to the parent undertaking.

The following amounts are recorded in the Statement of Financial Position relating to the balance of the shareholders loans, including capitalised interest:

	2022 £000	2021 £000
Full Circle Generation Holding Company Limited	(177,069)	(149,361)
	<u>(177,069)</u>	<u>(149,361)</u>

23. Controlling party

The Company's parent company is Full Circle Generation Holding Company Limited. The smallest and largest group into which results of the Company are consolidated is Full Circle Generation Holding Company Limited, a company registered in England and Wales (under registered number NI 09828278 and with the registered address at 3rd Floor, South Building, 200 Aldersgate Street, London, England, EC1A 4HD).

In the opinion of the Directors, at 31 March 2022, the ultimate parent company and ultimate controlling party is Full Circle Generation Holding Company Limited.

FULL CIRCLE GENERATION LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

24. Post balance sheet events

Post year-end, the Company rectified identified defects and addressed the majority of the necessary capital works as well as undertaking annual statutory maintenance during the regulatory mid-year outage. The remainder of this work identified will be complete during the next planned outage currently scheduled for the first quarter of 2024.

Following the decision to terminate the EPC and Operation and Maintenance Contracts in July 2021 the Company is looking to recover costs and damages for losses incurred by the Company due to the subcontractor failing to meet the performance requirements under the contracts. The Company expects that this pursuit will lead to a significant settlement in favour of the Company. Therefore, they consider that it is appropriate to prepare these financial statements on a going concern basis.

Since the end of the financial year, after carefully reviewing the activities of the Company and a demonstrably positive revenue trend following the mid-year outage, the Shareholders have made available a second additional loan facility of £4,000,000 in order to provide sufficient liquidity to allow the Company to continue to trade.