

OGCI CLIMATE INVESTMENTS LLP
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



OGCI CLIMATE INVESTMENTS LLP

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OGCI CLIMATE INVESTMENTS LLP

LLP INFORMATION

Designated Members	BP Technology Ventures Limited Shell Petroleum Co Limited
Members	Eni UK Limited Equinor New Energy Limited SAEV Guernsey I Limited Repsol Energy Ventures S A Total Holdings UK Limited Petrobras International Braspetro B.V. Chevron Products UK Ltd Oxy Climate Ventures, Inc. ExxonMobil Engineering Europe Limited
LLP registered number	OC415130
Registered office	Suite 1 3rd Floor 11-12 St. James's Square London United Kingdom SW1Y 4LB
Independent auditors	Ernst & Young LLP 1 More London Place London United Kingdom SE1 2AF

OGCI CLIMATE INVESTMENTS LLP

MEMBERS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The members present their annual report together with the financial statements of OGCI Climate Investments LLP ("the LLP") for the year ended 31 December 2019. The LLP was incorporated on 16 December 2016 and its operations, management and governance are governed by the terms of the Members' Agreement ("the Agreement") which was executed on 21 December 2016.

Principal activities

The LLP is the investment fund of the Oil & Gas Climate Initiative ("the OGCI") and was set up with the objective to catalyse the development and deployment of technology and business solutions that show the greatest potential to reduce greenhouse gas emissions.

Areas of focus are:

- Reducing methane leakage: investing in technologies and solutions to reduce methane emissions from source to point of use.
- Reducing carbon dioxide: investing in efficiency solutions that lower the carbon footprint of the energy, industrial and transport sectors.
- Recycling carbon dioxide: investing in breakthrough technologies to capture carbon dioxide emissions and recycle it into products or store it safely; pre-FEED appraisal of projects.

During 2019, the LLP through its subsidiary (OGCI Climate Investments Holdings LLP) invested in six new businesses:

- Boston Metal: Boston Metal is a US-based company that has developed a modular, electrochemical manufacturing process for high-value ferroalloys, and ultimately, for steel. The objective of the company is to cost-competitively produce emissions-free steel.
- Wabash Carbon Services LLC: Wabash is US-based project that is aiming to capture and store carbon dioxide from Wabash Valley Resources' co-located ammonia plant. This is expected to be one of the largest carbon storage projects to date in the USA, storing ca. 1.5 million tonnes of carbon dioxide emissions annually and the first ammonia produced with a very low carbon footprint.
- SeekOps: SeekOps is a US-based company that develops and fields advanced sensor technology for the energy sector to detect, localize, and quantify natural gas emissions through integrated drone-based systems. SeekOps' unique sensor design eliminates false positive readings and localizes emissions source detection to provide actionable data to oil and gas operators.
- XL Hybrids: XL is a US-based company that provides hybrid and plug-in hybrid vehicle solutions that brings the advantages of hybrid vehicle performance to medium and heavy-duty commercial vehicles. The solution is a minimally invasive upgrade that can be ordered on new units or installed on existing fleets.
- Norsepower: Norsepower is a European company that designs and manufactures mechanical rotor sails that provide auxiliary propulsion power for large ships, reducing their fuel consumption and associated emissions. The offering combines a Flettner rotor with machine learning, resulting in a fully autonomous device that is easily installed and operated.
- 75F: 75F is a US-based company that provides a joint hardware and software product to manage the energy consumption of heating, ventilation and air conditioning (HVAC) systems and lighting in commercial buildings. The low-cost solution can be installed quickly in new and existing buildings of any size. The solution is driven by machine learning algorithms to optimize HVAC and lighting.

OGCI CLIMATE INVESTMENTS LLP

MEMBERS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

In addition, we completed follow-on investments in five of our existing portfolio companies:

- **Econic:** Econic is a UK-based company that uses pioneering catalyst technology to incorporate carbon dioxide as a raw material into polyols, the basis of all polyurethanes.
- **GHGSat:** GHGSat is a Canadian-based company that provides low-cost greenhouse gas monitoring data and services covering sites around the world. GHGSat launched its first demonstration satellite in 2016, proving the potential to accurately measure facility-level emissions of both carbon dioxide and methane.
- **Svante (previously known as Inventys):** Svante is a Canadian-based company that aims to significantly reduce the cost of carbon capture through its modular, scalable technology, while creating demand for carbon dioxide on a gigaton scale by building a physical marketplace.
- **Kairos Aerospace:** Kairos is a US-based company that provides actionable data on major sources of methane emissions from aerial surveys. Their patented sensors and proprietary software make continual monitoring of methane emissions over large areas of land cost-effective.
- **Kelvin:** Kelvin is a US-based company that uses artificial intelligence to deliver safe, secure, and sustainable control of complex physical systems. Kelvin is working with leading oil and gas companies to transform processes and systems in drilling, well completions and production to reduce methane emissions, while improving economic performance.

In total for 2019, \$54m was invested into these 11 companies by the wholly owned subsidiary (OGCI Climate Investments Holdings LLP).

In addition, we continue, to progress our Net Zero Teesside Project ('NZE'), previously known as Clean Gas Project. NZE is a Carbon Capture, Utilisation and Storage (CCUS) project, based in Teesside in the North East of England. In partnership with local industry and committed partners, it aims to decarbonise a cluster of carbon-intensive businesses by as early as 2026. When operational, the project plans to capture up to 6 million tonnes of CO₂ emissions annually.

Piloting or deploying our investee company technologies within our member companies to catalyse and accelerate commercial development, is also a critical element of the LLP's activities. Over the past year, there have been over 20 pilots or deployments that have been completed or are in progress, supporting our investees to develop their businesses.

During the period, the LLP incurred costs relating to the management of the business and in relation to the acquisition of investments held by OGCI CI Holdings LLP.

Designated Members

BP Technology Ventures Limited and Shell Petroleum Co Limited were designated members of the LLP throughout the year.

Members

In addition to the Designated Members, Eni UK Limited, Repsol Energy Ventures S A, SAEV Guernsey I Limited, Equinor New Energy Limited, Total Holdings UK Limited, Petrobras International Braspetro B.V., Chevron Products UK Ltd, Oxy Climate Ventures, Inc. and ExxonMobil Engineering Europe Limited were members of the LLP throughout the year.

OGCI CLIMATE INVESTMENTS LLP

MEMBERS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Members' capital and interests

Each member is required to subscribe to the LLP in accordance with the provisions of the Agreement to fund investments of and costs incurred by the LLP. Capital subscribed is repayable by the LLP when the underlying investment to which the capital was applied is realised. Upon realisation of an investment, funds can be reinvested by the LLP at the discretion of the members.

Details of changes in members' capital in the period ended 31 December 2019 are set out in the financial statements.

The profits and losses of the LLP are automatically allocated under the terms of the Agreement to the members according to their individual capital shares, except for investment income profits which are divided according to the investment income shares for the investment in question. Investment income profit shares will be distributed within 90 days of the end of the financial year of the LLP and all other profit shares will be distributed within 90 days of the relevant amounts being received by the LLP.

Management

The Board oversees the operation of the LLP and subsidiaries, which is carried out on a day to day basis by the CEO and Executive Team. The Board also reviews the Strategic Investment Plan on an annual basis, sets targets for the LLP and approves individual investment and divestment decisions which are above the authority level delegated to the CEO.

Board members are appointed nominees of the member companies of the LLP, with sufficient seniority and experience to make a significant contribution to the effectiveness of the Board and success of the LLP.

Board members during the period were:

Director	Nominating Member	Dates
David Eyton	BP Technology Ventures Ltd	January to December
Barbara Burger	Chevron	January to December
Giuseppe Bellussi	Eni UK Ltd	January to July
Roberto Dall'Omo	Eni UK Ltd	August to December
Elisabeth Kvalheim	Equinor ASA	January to December
Vijay Swarup	Exxon Mobil	January to December
Richard Jackson	Occidental Petroleum	January to December
Orlando Ribeiro	Petrobras	January to December
Jaime Martin Juez	Repsol Energy Ventures SA	January to December
Ahmad Al Khowaiter	SAEV Guernsey Ltd	January to December
John MacArthur	Shell Petroleum Co Ltd	January to December
Jérôme Schmitt	Total Holdings UK Ltd	January to February
Girish Nadkarni	Total Holdings UK Ltd	February to December
Jérôme Schmitt*	OGCI Executive Committee	January to December

*The chair of the OGCI Executive Committee is a non-voting member of the Board.

The Board is also responsible for appointing the Designated Members in accordance with the Agreement which requires all Members to serve at least one 2-year term as a Designated Member of the LLP.

OGCI CLIMATE INVESTMENTS LLP

MEMBERS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Governance

Under the terms of the Agreement, the Board has established the following sub-committees:

- Audit Committee: responsible for overseeing the LLP's system of internal control, approving the financial statements and recommending that the designated members sign the financial statements on behalf of the members of the LLP.
- Remuneration Committee: responsible for the remuneration policies and practices of the LLP, particularly those of the Executive Team.

UK taxation of income

Under UK tax law, members of the LLP pay tax that is individually assessed on their share of profits. Income taxes are not assessed on the LLP itself and it is therefore not dealt with in these financial statements. The taxation payable on the LLP's profits is the liability of the members.

Coronavirus impact

The coronavirus outbreak is having a significant impact on individuals, companies and countries across the world. The threats posed for businesses are significant with the personal impact on their workforces, disrupted development programmes, supply chains and lost revenue. There is also volatility in the financial and commodity markets across the globe. Governments have announced measures to provide financial and non-financial stimulus to industrial sectors, particularly those most impacted.

The LLP is not immune to the effects of coronavirus, but with our structure and ways of working, we continue to operate effectively. In line with government guidance, all staff are presently working from home. Our day-to-day working and operations have not been significantly affected, due to the use of technology which has allowed employees to carry out their responsibilities as expected. We continue to support our investee companies and progress new and follow-on investments in our portfolio. We are not being affected by absence of key individuals or teams due to sickness at present, although that remains a risk. In requiring all staff to work from home, we aim to minimise the risk as much as we can. Looking forward, we will continue to support employees working from home until such time as the restrictions are lifted. Our members continue to support our activities for 2020 and beyond, to enable the LLP to achieve its investment and impact goals.

Our investee companies all face challenges from the coronavirus situation, principally as a result of disrupted operations from lockdown requirements in their respective countries. As of the date of approval of the accounts, we are not aware of any material impact on the valuation of the investments at the 31 December 2019, caused by coronavirus. We continue to monitor and support our investments and will make any necessary adjustments in fair value in the 2020 financial statements.

Going concern basis of preparation

Going concern - in preparing the accounts, management and the Board are required to assess the LLPs ability to continue as a going concern and whether the going concern assumption is appropriate. Disclosures are required if management and the Board are aware of material uncertainties that may cast doubt on the LLPs ability to continue as a going concern.

The LLP prepares its accounts on the going concern basis. Members of the LLP have committed to invest a minimum of \$100 million each over a 10-year period in the LLP and subsidiary vehicles. Annual budgets and projections of cash requirements are prepared to enable funding to be agreed. The original budget for 2020 was approved by the Board on 5 December 2019. However, given the current situation and pressure on finances in all companies, a revised budget has been developed which was approved by the Board on 3 April 2020. This revised budget reduces the cash drawdown requirements on members in 2020 by ca. 30%, enabling the LLP to maintain existing headcount and hold operating costs at a broadly similar level to 2019. Investment and project expenditure, also covered by the cash drawdown requirements, was originally planned to increase significantly in 2020. This has been reduced to similar levels to 2019 in the revised and approved budget. Management and the Board consider that this level of expenditure is sustainable both in terms of enabling the LLP to continue to progress its strategic GHG reduction goals and in terms of levels of funding from members.

In these challenging times, members may consider exiting from OGCI Climate Investments LLP. However, under the terms of the members agreement, even if they decide to leave, there is a requirement for them to have been a member for at least 2 years and then give 2 years' notice, continuing to fund during that time and selling their interest in the

OGCI CLIMATE INVESTMENTS LLP

MEMBERS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

LLP for \$1 to the other members. Any member who is forced to exit through non-compliance with the members agreement is required to continue to fund their \$100m commitment.

Our members are all taking action to ensure their businesses are able to continue operating during these challenging times. Operating budgets are being reviewed and investment programmes adjusted. Nonetheless, addressing climate change remains a critical part of their business strategies and all members remain committed to OGCI and to funding the LLP in accordance with their commitments under the members agreement.

On the basis of the above, management and the Board consider that the preparation of the accounts under the going concern basis remains appropriate.

Auditor

Ernst & Young LLP have been appointed auditors of the LLP for the year ended ~~31~~ December 2019.

On behalf of the board



David Eyton
For and behalf of BP Technology Ventures Limited
Designated Member
Date: 23 April 2020

OGCI CLIMATE INVESTMENTS LLP

MEMBERS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Companies Act 2006, as applied to Limited Liability Partnership, Regulations 2008 ('LLP Regulations') require the members to prepare financial statements for each financial period. The members have elected to prepare financial statements for the LLP in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

IAS 1 Presentation of Financial Statements requires that financial statements present fairly for each financial period the limited liability partnership's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS.

Members are required to:

- select suitable accounting policies and then apply them consistently, subject to any changes disclosed and explained in the financial statements;
- present information, including accounting policies in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the LLP's financial position and financial performance; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the LLP will continue in business.

The members' responsibilities set out above are discharged by the Designated Members on behalf of the members. The Designated Members at the date of approval of the financial statements confirm that, so far as they are aware, there is no relevant information of which the LLP's auditors are unaware and each Designated Member has taken all the steps that ought to have been taken by them as members to make themselves aware of any relevant audit information and to establish that the LLP's auditors were aware of that information.

OGCI CLIMATE INVESTMENTS LLP

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF OGCI CLIMATE INVESTMENTS LLP

Opinion

We have audited the financial statements of OGCI Climate Investments LLP for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Changes in Members' Interests and Statement of Cash Flows and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2019 and of its result for the year then ended;
- ▶ have been properly prepared in accordance with IFRS as adopted by the European Union; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

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 below. We are independent of the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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.

Emphasis of matter related to going concern

We draw attention to Note 1.2 and 27 of the financial statements, which describe the economic and social consequences the company is facing as a result of COVID-19 which has resulted in operating budgets being reviewed and investment programmes being adjusted. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the limited liability partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report set out on pages 2 to 7, other than the financial statements and our auditor's report thereon. The members are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

OGCI CLIMATE INVESTMENTS LLP

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF OGCI CLIMATE INVESTMENTS LLP

Other information (continued)

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships 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
- ▶ we have not received all the information and explanations we require for our audit

Responsibilities of members

As explained more fully in the Members' Responsibilities Statement set out on page 7, the members 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 members 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 members are responsible for assessing the partnership'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 members either intend to liquidate the partnership or to cease operations, or have no realistic alternative but to do so.

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 for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to Limited Liability Partnerships. Our audit work has been undertaken so that we might state to the 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 limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Stephney Dallmann (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor,
London
27 April 2020

OGCI CLIMATE INVESTMENTS LLP

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
	Notes	\$'000	\$'000
Other income	4	1,611	-
Investment costs		(21,858)	(4,306)
Administrative expenses		(21,700)	(11,691)
Operating loss	5	(41,947)	(15,997)
Finance costs	9	(83)	-
Loss before taxation		(42,030)	(15,997)
Loss for the period before members' remuneration		(42,030)	(15,997)
Remuneration charged to members' distribution accounts	22	42,030	15,997
Result for the year		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		-	-

The notes on pages 15 to 33 are an integral part of these financial statements.

Loss for the period and total comprehensive expense for the period are entirely attributable to the members of the LLP.

OGCI CLIMATE INVESTMENTS LLP

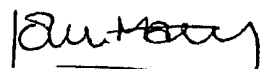
STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 \$'000	2018 \$'000
Non-current assets			
Property, plant and equipment	10	1,484	100
Right of use asset	10	3,632	-
Investments	11	103,774	50,209
		<u>108,890</u>	<u>50,309</u>
Current assets			
Trade and other receivables	13	10,814	2,834
Cash and cash equivalents	26	20,146	21,496
		<u>30,960</u>	<u>24,330</u>
Total assets		<u>139,850</u>	<u>74,639</u>
Current liabilities			
Trade and other payables	20	32,195	16,951
Lease liability	21	968	-
		<u>33,163</u>	<u>16,951</u>
Non-current liabilities			
Trade and other payables	20	1,007	993
Lease liability	21	3,102	-
Members' interest	22	102,578	56,695
		<u>106,687</u>	<u>57,688</u>
Total equity and liabilities		<u>139,850</u>	<u>74,639</u>

The notes on pages 15 to 33 are an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 23 April 2020 and are signed on its behalf by:



.....
John MacArthur
For and behalf of The Shell Petroleum Co Limited
Designated Member

Company Registration No. OC415130

OGCI CLIMATE INVESTMENTS LLP
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

OGCI Climate Investments LLP has no equity and accordingly has not presented a Statement of Changes in Equity.

The notes on pages 15 to 33 are an integral part of these financial statements.

OGCI CLIMATE INVESTMENTS LLP

STATEMENT OF CHANGES IN MEMBERS' INTERESTS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Balances classified as debt		
	Members' capital \$'000	Members' distribution account \$'000	Total \$'000
Balance at 1 January 2018	22,953	(5,406)	17,547
Remuneration charged to members' distribution accounts	-	(15,997)	(15,997)
Capital introduced	55,145	-	55,145
	<hr/>	<hr/>	<hr/>
At 31 December 2018	78,098	(21,403)	56,695
Remuneration charged to members' distribution accounts	-	(42,030)	(42,030)
Capital introduced	87,913	-	87,913
	<hr/>	<hr/>	<hr/>
At 31 December 2019	166,011	(63,433)	102,578
	<hr/>	<hr/>	<hr/>

The notes on pages 15 to 33 are an integral part of these financial statements.

OGCI CLIMATE INVESTMENTS LLP

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Cash absorbed for operations	25	(33,807)	(2,959)
Interest paid	9	(83)	-
Cash used in operating activities		(33,890)	(2,959)
Cash flows from investing activities			
Additions to property, plant and equipment	10	(1,612)	(69)
Proceeds on disposal of property, plant and equipment		-	2
Investment in subsidiary	11	(53,565)	(34,669)
Cash used in investing activities		(55,177)	(34,736)
Cash flows from financing activities			
Proceeds from capital contributions	22	87,913	55,145
Payment of finance leases obligations		(183)	-
Cash used in financing activities		87,730	55,145
Net (decrease)/increase in cash and cash equivalents		(1,337)	17,450
Cash and cash equivalents at beginning of year		21,496	4,134
Effect of foreign exchange rates		(13)	(88)
Cash and cash equivalents at end of year	26	20,146	21,496

The notes on pages 15 to 33 are an integral part of these financial statements.

OGCI CLIMATE INVESTMENTS LLP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

OGCI Climate Investments LLP ("the LLP") is a limited liability partnership and was incorporated on 16 December 2016 and domiciled in England and Wales. The LLP's registered office is Suite 1, 3rd Floor 11-12 St. James's Square, London, United Kingdom, SW1Y 4LB.

The LLP is the investment fund of the Oil & Gas Climate Initiative. The LLP was set up with the purpose of collectively investing to support the development, demonstration and rapid scale up of technologies and business solutions that can materially impact global greenhouse gas emissions, in particular those of the oil and gas industry's operations and products, to enable those technologies and solutions to reach commercial sustainability and to catalyse meaningful action on climate change through collaboration and engagement.

1.1 Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to the period presented, unless otherwise stated.

The LLP's financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to Limited Liability Partnerships reporting under IFRS. The financial statements have been prepared in accordance with the provisions applicable to entities subject to the small LLPs regime.

The financial statements have been drawn up for the period from 1 January 2019 to 31 December 2019.

Amounts are presented in United States Dollars (" \$" or "USD"), being the presentational and functional currency of the LLP, and to the nearest thousand unless otherwise noted. The LLP has not prepared consolidated accounts as it is exempt from the requirement under the small companies and groups provisions of the Companies Act 2006.

1.2 Going concern

The financial performance, position and cash flows are set out on pages 10 to 14. Investment and working capital is provided in the form of funding from member companies of the LLP in accordance with the members agreement. Members of the LLP have committed to invest a minimum of \$100 million each over a 10-year period in the LLP and subsidiary vehicles. Annual budgets and projections of cash requirements are prepared to enable funding to be agreed. The original budget for 2020 was approved by the Board on 5 December 2019. However, given the current situation and pressure on finances in all companies, a revised budget has been developed which was approved by the Board on 3 April 2020. This revised budget reduces the cash drawdown requirements on members in 2020 by ca. 30%, enabling the LLP to maintain existing headcount and hold operating costs at a broadly similar level to 2019. Investment and project expenditure, also covered by the cash drawdown requirements, was originally planned to increase significantly in 2020. This has been reduced to similar levels to 2019 in the revised and approved budget. Management and the Board consider that this level of expenditure is sustainable both in terms of enabling the LLP to continue to progress its strategic GHG reduction goals and in terms of levels of funding from members.

In these challenging times, members may consider exiting from OGCI Climate Investments LLP. However, under the terms of the members agreement, even if they decide to leave, there is a requirement for them to have been a member for at least 2 years and then give 2 years' notice, continuing to fund during that time and selling their interest in the LLP for \$1 to the other members. Any member who is forced to exit through non-compliance with the members agreement is required to continue to fund their \$100m commitment. Our members are all taking action to ensure their businesses are able to continue operating during these challenging times. Operating budgets are being reviewed and investment programmes adjusted. Nonetheless, addressing climate change remains a critical part of their business strategies and all members remain committed to OGCI and to funding the LLP in accordance with their commitments under the members agreement.

On the basis of the above, management and the Board consider that the preparation of the accounts under the going concern basis remains appropriate.

OGCI CLIMATE INVESTMENTS LLP
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

1.3 Property, plant and equipment

Property, plant and equipment is stated in the financial statements at cost less accumulated depreciation and any impairment value. Depreciation is provided to write off the cost less estimated residual value of property, plant and equipment over its expected useful life (which is reviewed at least at each financial period end), on a straight-line basis as follows:

Right of use asset	5 years
Leasehold improvements	5 years
Plant and equipment	2-5 years

Any gain or loss arising on the de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income in the period that the asset is derecognised.

1.4 Investments

The only investments held by the LLP are those in subsidiary companies. Investments in subsidiary companies are capital contributions and therefore fall outside the scope of IFRS 9. The investments are reported at cost in the statement of financial position.

1.5 Fair value measurement

The LLP has assessed that the fair values of cash and short-term deposits, trade receivables and trade payables approximate to their carrying amounts largely due to the short-term maturities of these instruments.

1.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on demand deposits, and other short term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Included within the cash and cash equivalent balance on the Statement of Financial Position is restricted cash held as collateral for the purposes of providing credit to the LLP for the use of a company commercial credit card programme.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the LLP's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'sole payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The LLP's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the LLP commits to purchase or sell the asset.

OGCI CLIMATE INVESTMENTS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

Financial assets at amortised cost

This category is the most relevant to the LLP. The LLP measures financial assets at amortised cost when both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The LLP's financial asset held at amortised cost includes trade receivables.

Impairment of financial assets

The carrying amounts of the LLP's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income in those expense categories consistent with the function of the impaired asset.

The LLP performs an assessment at each reporting date for expected credit losses (ECLs) for all debt instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the LLP expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables the LLP applies a simplified approach in calculating ECLs. Therefore, the LLP does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The LLP has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

OGCI CLIMATE INVESTMENTS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The LLP's financial liabilities include trade and other payables and the members' interests.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

- **Financial liabilities at fair value through profit or loss**
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains and losses on liabilities held for trading are recognised in the statement of profit or loss. The LLP has not designated any financial liability as at fair value through profit or loss.
- **Loans and borrowings**
This is the category most relevant to the LLP. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

1.8 Members' Capital

Members' capital is repayable to members on the realisation of investments to which the capital has been applied. As such, it has been classified as a debt-like item in these financial statements.

Allocation of profits and losses

The profits and losses of the LLP are automatically allocated under the terms of the LLP agreement to the members according to their individual capital shares, except for Investment Income Profits which are divided according to the Investment Income Shares for the investment in question.

1.9 Taxation

Under UK tax law, as a Limited Liability Partnership, the LLP is not subject to taxation on profits arising in LLP.

Members are individually assessed and liable for taxation arising on their shares of profits and accordingly no provision is recognised in these financial statements.

OGCI CLIMATE INVESTMENTS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

1.10 Leases

In the current year, the LLP, for the first time, has applied IFRS 16 Leases (as issued by the IASB in January 2016). IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these lease and right of use asset are within these financial statements in Note 21.

The LLP leases its head office building for a period of 5 years. This is a non-cancellable agreement which ends in May 2024. The lease payments are fixed and paid every quarter. At inception the LLP assessed the lease and it has been classified as a finance lease under IFRS 16. For the purposes of applying the approach under IFRS 16, the LLP has elected to:

- measure the capital amount as a right-of-use asset since commencement date, 10 May 2019, using an incremental borrowing rate of 3.26% given by the LLP's bank.
- apply practical expedient not to recognise a right-of-use asset or lease liability to leases for which the lease term ends within 12 months of the date of initial application; and
- apply the practical expedient to include any initial direct costs associated with the lease of the office building.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset and are presented as a separate line in the statement of financial position.

1.11 Grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

The LLP will be receiving Government grants for partial funding of the Net Zero Teesside Project, formerly known as Clean Gas Project, these grants will be received for expenses within the profit and loss and therefore have been charged to the Statement of Comprehensive Income.

1.12 Foreign exchange

Transactions in foreign currencies are initially recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the Statement of Financial Position date. Exchange differences are recognised in the Statement of Comprehensive Income.

OGCI CLIMATE INVESTMENTS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

1.13 Investment costs and Administrative expenses

Investments costs include fees and other amounts payable in connection with the purchase of investments in equity interests or related to projects. Such fees include legal costs, due diligence expenditure and specific project related costs such as wages and salaries for individuals working on projects. Administrative expenses include all other costs not reported under investment costs. This includes the cost of management and staff in the LLP.

The LLP also acts as an agent for the Executive Committee (ExCom) of the OGCI, managing the payment of certain expenses related to ExCom activities. Costs related to the ExCom are funded by members of OGCI through a separate bank account. The funding and associated costs are netted in the presentation of these financial statements, with any surplus funding available at the end of the year being included in deferred income in the statements of financial position.

1.14 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the LLP has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution scheme

The LLP operates a defined contribution plan with an administered fund for all eligible employees. Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. The LLP has no legal or constructive obligations to pay contributions in addition to its fixed contributions.

2 Adoption of new and revised standards and changes in accounting policies

IFRS 16 Leases, applicable for annual periods beginning on or after 1 January 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, including the exemptions to recognise assets and liabilities for all leases unless the lease term is 12 months or less or when the underlying asset has a low value. Lease costs will be recognised in the income statement over the lease term in the form of depreciation on the right of use asset and finance charges representing the unwinding of the discount on the lease liability. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The LLP has progressed its assessment of leases, focusing on a review of contracts, aggregation of data to support the evaluation of the accounting impacts of applying the new standard. As at 31 December 2019, the LLP has identified only the lease on its London office premises as a right of use asset and this is reported in the financial statements in accordance with the LLP's accounting policy (Note 1.10).

Accounting policies adopted in the preparation of the financial statements are consistent with those applied in the preparation of the financial statement for the year ended 31 December 2018.

Other amendments to standards and interpretations which came into force during the year did not have an impact on the LLP's financial statements.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the LLP. These standards are not expected to have an impact on the entity in the current or future reporting periods and on foreseeable future transactions.

OGCI CLIMATE INVESTMENTS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

3 Significant accounting estimates and judgements

The preparation of the LLP's financial statements in conforming to IFRS required management to make judgements, estimates and assumptions that effect the application of policies and reported amounts in the financial statements. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances. Information about such judgements and estimation is contained in the accounting policies and/or notes to the financial statements and the key areas are summarised below:

Key estimates

Depreciation of property, plant and equipment

Depreciation rates are based on the estimated useful lives and residual value of the assets involved see note 10.

Long-Term Incentive Plan (LTIP)

The LLP has implemented a LTIP for certain employees to take effect from when employees join and maturing over a 3-year period. These accounts include amounts of the LTIP benefit accruing for employees for 2019 based on the principles agreed with the Remuneration Committee.

The key principles of the scheme are as follows:

- LTIP operates as a deferred cash bonus plan, providing for the grant of annual cash awards after a 3-year accrual period. The maximum award will either be increased or reduced to reflect the Participant's start date.
- The awards under LTIP are subject to a combination of corporate and individual performance criteria to determine the annual vesting percentage for the award depending on grade. This is either a 50%/50% split or 30%/70% split.
- The maximum amount payable under the scheme is either 100% or 75% of salary depending on grade at the end of the 3 year period (either increased or reduced to reflect the Participant's start date) and then a maximum of 33 1/3% or 25% for each year thereafter.

There are no other significant judgements and estimates that have been applied in the preparation of these financial statements.

VAT accrual

The LLP has recognised an accrual in these accounts for estimated VAT payable to HM Revenue & Customs following a review of VAT recoverable activities.

4 Other income

	2019 \$'000	2018 \$'000
Other income		
Interest income	4	-
Government grants receivable	1,607	-
	<u>1,611</u>	<u>-</u>

5 Operating loss

	2019 \$'000	2018 \$'000
Operating loss for the year is stated after charging/(crediting):		
Exchange losses/(gains)	396	(77)
Government grants	(1,607)	-
Depreciation of property, plant and equipment	763	50
Loss on disposal of property, plant & equipment	-	10
Tax relating to overseas branches	50	40
Recharged costs from US-based subsidiary	5,082	1,509
	<u>3,684</u>	<u>1,482</u>

OGCI CLIMATE INVESTMENTS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Administrative expenses include costs recharged from OGCI Climate Investments (USA) Inc. These costs relate to employment costs and running costs of that entity, which supports the main business operations of the LLP.

6 Auditor's remuneration

	2019 \$'000	2018 \$'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	55	34

OGCI Climate Investments LLP has also borne the audit fees related to its subsidiary undertaking OGCI Climate Investments Holdings LLP. This fee, which was approximately \$36,600 (2018 - \$14,500) is not included in the above total.

Non-audit fees for assurance services totalled \$125,300 (2018 - \$114,500).

7 Employees

The average monthly number of employees (including directors) employed by the LLP during the period was:

	2019 Number	2018 Number
Average number of employees	17	10

The total number of employees of the LLP at 31 December 2019 was 23; 19 of these employees were dedicated to LLP activities and 4 employees to ExCom activities.

The staff costs below which relate to the employees dedicated to LLP investment activities and have been charged in the Statement of Comprehensive Income was as follows:

	2019 \$'000	2018 \$'000
Wages and salaries	6,274	4,128
Social security costs	893	624
Pension costs	244	144
	<u>7,411</u>	<u>4,896</u>

The above figures include accrued bonus and LTIP payments for 2019 of \$3,338,000 (2018: \$2,479,000)

In addition to the above, payroll costs for the 4 employees working on ExCom activities were \$830,000 (2018: \$465,000). Payroll costs relating to ExCom employees are reported net against the funding provided by the ExCom members and therefore have a nil impact on the Statement of Comprehensive Income.

OGCI CLIMATE INVESTMENTS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

8 Retirement benefit schemes

Defined contribution schemes

The LLP established a defined contribution pension scheme in 2018 for all qualifying employees. The LLP has no additional liability beyond the contribution that it makes into the pension scheme. The total costs charged to statement of comprehensive income in respect of the defined contribution plans were \$244,000 (2018: \$144,000). This scheme has been accounted for on a defined contribution basis and contributions are charged directly to the statement of comprehensive income. The assets of the scheme are held separately from those of the LLP in an independently administered fund.

9 Finance costs

	2019 \$'000	2018 \$'000
Interest on obligations under finance leases	83	-

10 Property, plant and equipment

	Right of use asset \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
Cost				
At 1 January 2018	-	-	105	105
Additions	-	-	69	69
Disposals	-	-	(15)	(15)
At 31 December 2018	-	-	159	159
Additions	4,170	782	827	5,779
At 31 December 2019	4,170	782	986	5,938
Accumulated depreciation and impairment				
At 1 January 2018	-	-	12	12
Charge for the year	-	-	50	50
Eliminated on disposal	-	-	(3)	(3)
At 31 December 2018	-	-	59	59
Charge for the year	538	72	153	763
At 31 December 2019	538	72	212	822
Carrying amount				
At 31 December 2019	3,632	710	774	5,116
At 31 December 2018	-	-	100	100

The increase in plant and equipment additions largely relates to new office equipment purchased and fit out costs.

Finance Leases

The carrying value of assets under finance leases at 31 December 2019 was \$3,461,000 (2018: \$0). Additions during the year includes \$3,972,000 for the LLP's head office. The right of use asset also includes \$198,000 of initial direct costs relating to the leased asset.

OGCI CLIMATE INVESTMENTS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Investments in subsidiary companies

	2019	2018
	\$'000	\$'000
At 1 January 2018	50,209	15,540
Investments in subsidiaries	53,565	34,669
	<hr/>	<hr/>
At 31 December 2019	103,774	50,209
	<hr/>	<hr/>

The investment in subsidiaries is the funding provided to OGCI Climate Investments Holdings LLP.

12 Subsidiaries

Details of the LLP's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Class of share held	Ownership interest (%)	Voting power held (%)	Nature of business
OGCI Climate Investments Holdings LLP	N/A	100	100	Holding company for investments
OGCI Climate Investments Group Limited	Ordinary	100	100	Intermediate holding company
OGCI Climate Investments (USA) Inc.	Ordinary	100	100	Employment company for US based staff

The registered office of OGCI Climate Investments Holdings LLP and OGCI Climate Investments Group Limited is Suite 1, 3rd Floor 11-12 St. James's Square, London, SW1Y 4LB.

The registered office of OGCI Climate Investments (USA) Inc. is Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle County, Delaware, USA, 19808.

OGCI CLIMATE INVESTMENTS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

13 Trade and other receivables

	2019 \$'000	2018 \$'000
Trade receivables	1,262	1,009
Other receivables	4,915	1,059
VAT recoverable	3,328	497
Prepayments	1,309	269
	<u>10,814</u>	<u>2,834</u>

Trade receivables is the balance due from ExCom members for funding of the ExCom costs during 2018 and 2019.

Included within other receivables are funds due from ExCom to the LLP these relate to costs paid on behalf of ExCom during 2018 and 2019. Also included within this figure is the Government grant receivable for 2019 as per note 4.

Included within prepayments is an amount of \$884,000 relating to the deposit paid for the LLP's head office lease and \$138,000 for rent prepaid for the first quarter of 2020.

The members consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Impairment

Current trade receivables are carried at the original invoice amount less provision made for impairment of these receivables. Trade receivables are measured at amortised cost.

The LLP applies IFRS 9 to recognise a provision for impairment of trade receivables. This is established using the expected credit loss impairment model as per IFRS 9. The LLP applies the simplified approach on all trade receivables. An Expected Credit Loss ("ECL") assessment was performed by the LLP however the identified credit loss was immaterial therefore no adjustments were made to the financial statements.

The carrying value of trade receivables represents the maximum exposure to credit risk. No collateral is held as security.

14 Financial instruments

Financial assets

Cash and cash equivalents

	2019 \$'000	2018 \$'000
Cash and cash equivalents	20,146	21,496
At 31 December 2019	<u>20,146</u>	<u>21,496</u>

Cash and cash equivalents at 31 December 2019 include \$200,000 (2018: \$100,000) of restricted cash. The restricted cash represents a collateral for the purposes of providing credit for a commercial credit card programme.

OGCI CLIMATE INVESTMENTS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Financial instruments

Financial assets

Debt instruments at amortised cost:

	2019 \$'000	2018 \$'000
Trade and other receivables excluding prepayments	6,177	2,068
At 31 December 2019	<u>6,177</u>	<u>2,068</u>

Debt instruments at amortised cost include trade receivables from related parties.

Financial liabilities

Other financial liabilities at amortised cost, other than interest bearing loans and borrowings:

	2019 \$'000	2018 \$'000
Trade and other payables excluding non-financial liabilities	35,514	17,896

Fair value measurement

The LLP has assessed that the fair values of cash and short-term deposits, trade receivables and trade payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

Financial instruments risk management objectives and policies

The LLP's principal financial liability comprises trade and other payables. The main purpose of this financial liability is to finance the LLP's operations. The LLP's principal financial assets include trade receivables and cash and cash equivalents that derive directly from its operations.

15 LLP Financial Risk Factors

The LLP's activities expose it to a variety of financial risks: liquidity risk, credit risk, market risk (including foreign exchange risk), and capital risk.

The LLP's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the LLP's financial performance. The objective is to identify, quantify, manage and then monitor events or actions that could lead to financial losses.

Risk management is carried out under policies approved by the Board of Directors. LLP identifies and evaluates financial risks in close co-operation with the LLP's operating units. The Board provides principles for overall risk management such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

OGCI CLIMATE INVESTMENTS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

16 Liquidity risk

Liquidity risk arises from the LLP's ongoing financial obligations, including settlement of financial liabilities such as trade and other payables, as well as members' capital.

The table below sets out the contractual maturities (representing undiscounted contractual cash-flows) of trade and other payables:

	Up to 1 year \$'000	Between 1 & 5 years \$'000	5 + years \$'000	Total \$'000
At 31 December 2018				
Trade and other payables excluding non-financial liabilities	16,903	993	-	17,896
	<u>16,903</u>	<u>993</u>	<u>-</u>	<u>17,896</u>
At 31 December 2019				
Trade and other payables excluding non-financial liabilities	31,405	4,109	-	35,514
	<u>31,405</u>	<u>4,109</u>	<u>-</u>	<u>35,514</u>

The increase in trade and other payables is mainly for amounts owed to suppliers due to an increase in activity in the LLP including Net Zero Teesside and the ExCom.

17 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The LLP is exposed to credit risk primarily from its financing activities, including deposits with banks and financial institutions.

Expected Credit Loss ("ECL")

An Expected Credit Loss ("ECL") assessment was performed by the LLP however the identified credit loss was immaterial therefore no adjustments were made to the financial statements. Amounts within trade receivables are payable by members to support the activities of the ExCom following their approval of the expenditure budgets. Since year end, the LLP has received \$1,129,000 relating to the trade receivables balance and is expecting to receive the remaining balance within the next 6 months.

OGCI CLIMATE INVESTMENTS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Credit risk from financing activities

Credit risk from balances with banks and financial institutions is managed by the LLP's treasury policy.

The credit quality of the cash and cash equivalents can be assessed by reference to external credit ratings:

	2019	2018
	\$'000	\$'000
Upper medium grade (Investment grade)	20,146	21,496

18 Market risk

Market risk management

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Financial instruments affected by market risk include trade and other payables. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk. The LLP is not exposed to other price risk such as commodity price risk neither to cash flow interest rate risk as all its borrowings are fixed rate borrowings.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The main currency risk that the LLP is exposed to is British Pounds Sterling (GBP) risk as part of its costs are incurred in this currency.

The sensitivity of the results to a change in this currency is as follows, the below figure shows the effect this would have on the statement of comprehensive income:

	Change in rate	2019	2018
	%	\$'000	\$'000
Trade and other payables	+5%	(347)	(31)
	-5%	347	31

19 Capital risk management

The LLP's objectives when managing capital are to safeguard the LLP's ability to continue as a going concern in order to provide returns for members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, under the terms of the LLP agreement, the LLP may retain cash due to be distributed to members, call on additional contributions from members, or sell assets.

OGCI CLIMATE INVESTMENTS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

20 Trade and other payables

	Current		Non-current	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Trade payables	7,903	691	-	-
Amount owed to members	-	10,599	-	-
Amounts owed to subsidiary undertakings	1,840	562	-	-
Accruals	17,204	4,412	1,007	993
Social security and other taxation	30	48	-	-
Other payables	5,218	639	-	-
	<u>32,195</u>	<u>16,951</u>	<u>1,007</u>	<u>993</u>

The increase in trade payables and accruals during 2019 is mainly for amounts owed to suppliers due to an increase in activity in the Net Zero Teesside Project.

Included within accruals is VAT payable to HM Revenue & Customs as mentioned in note 3.

Amounts owed to members are for equalisation payments owed to the LLP's old members due to new members joining during 2018.

Included within other payables are funds due from ExCom to the LLP these relate to costs paid on behalf of ExCom during 2018 and 2019. Also included within other payables are surplus funds available for ExCom due to underspend during the year.

21 Finance lease obligations

	Present value	
	2019	2018
	\$'000	\$'000
Amounts payable under finance leases:		
Within one year	<u>968</u>	<u>-</u>

Analysis of finance leases

Finance lease obligations are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2019	2018
	\$'000	\$'000
Current liabilities	968	-
Non-current liabilities	<u>3,102</u>	<u>-</u>
	<u>4,070</u>	<u>-</u>

OGCI CLIMATE INVESTMENTS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

22 Member's interests

	2019 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
	Capital	Distribution	Capital	Distribution
At the beginning of the year	78,098	(21,403)	22,953	(5,406)
Capital introduced	87,913	-	55,145	-
Charged to distribution account	-	(42,030)	-	(15,997)
At the end of the year	<u>166,011</u>	<u>(63,433)</u>	<u>78,098</u>	<u>(21,403)</u>
Total		<u>102,578</u>		<u>56,695</u>

Members' capital is repayable to members on the realisation of investments to which the capital has been applied. As such, it has been classified as a debt-like item in these financial statements.

Members' distribution accounts represent profits and (losses) automatically allocated to members' as set out in the LLP agreement.

23 UK taxation of income

Under UK tax law, members of the LLP pay tax that is individually assessed on their share of profits. Income taxes are not assessed on the LLP itself and it is therefore not dealt with in these financial statements. The taxation payable on the LLP's profits is the liability of the members.

OGCI CLIMATE INVESTMENTS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

24 Related party transactions

Remuneration of key management personnel

The remuneration of the key management personnel is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2019 \$'000	2018 \$'000
Salaries and short-term employee benefits	4,175	3,136
Third Party	299	685
Other long-term benefits	641	839
	<u>5,115</u>	<u>4,660</u>

Included within short-term benefits are accrued bonuses for key management personnel totalling \$1,666,000 (2018: \$1,239,000).

Other long-term benefits include the defined contribution pension and estimates for the Long-Term Incentive Plan (LTIP) for key management personnel in accordance with Key Estimates as per note 3.

Members

Member companies have provided resources and expertise over the period to the LLP. A total charge of \$15,237,600 (2018: \$1,256,900) has been incurred in the year for those services where the costs are being recharged. Majority of this charge relates to services provided by the member companies for the Net Zero Teesside project.

Subsidiaries

During the year there were transactions between the LLP and one of its subsidiaries, OGCI Climate Investments (USA) Inc. The subsidiary incurred costs on behalf of the LLP during 2019; these mainly related to employment and administrative costs. Total amount recharged to the LLP were \$5,082,300 (2018: \$1,509,000). As at 31 December 2019, the LLP owed a balance of \$1,840,300 (2018: \$562,000) to OGCI Climate Investments (USA) Inc. which has been included within the statement of financial position.

No guarantees have been given or received.

OGCI CLIMATE INVESTMENTS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

25 Cash generated from operations

	2019 \$'000	2018 \$'000
Loss for the year	(42,030)	(15,997)
Adjustments for:		
Finance costs	83	-
Loss on disposal of property, plant and equipment	-	10
Depreciation and impairment of property, plant and equipment	763	50
Foreign exchange gain/(loss) on cash equivalents	13	88
Increase in LTIP accrual	14	993
Net foreign exchange differences	86	-
Movements in working capital:		
Increase in trade and other receivables	(7,980)	(1,833)
Increase in trade and other payables	15,244	13,730
Cash used in operations	<u>(33,807)</u>	<u>(2,959)</u>

26 Cash and cash equivalents

	2019 \$'000	2018 \$'000
Cash at bank and in hand	<u>20,146</u>	<u>21,496</u>

Cash and cash equivalents at 31 December 2019 include \$200,000 (2018: \$100,000) of restricted cash. The restricted cash represents a collateral for the purposes of providing credit for a commercial credit card.

OGCI CLIMATE INVESTMENTS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

27 Events after the reporting date

Investments

Post year end the LLP, through OGCI Climate Investments Holdings LLP, has completed three new investments totalling \$8.75m, together with four follow on investments in existing investee companies totalling \$13.3m.

Coronavirus impact

The coronavirus outbreak is having a significant impact on individuals, companies and countries across the world. The threats posed for businesses are significant with the personal impact on their workforces, disrupted development programmes, supply chains and lost revenue. There is also volatility in the financial and commodity markets across the globe. Governments have announced measures to provide financial and non-financial stimulus to industrial sectors, particularly those most impacted

CI is not immune to the effects of coronavirus, but with our structure and ways of working, we continue to operate effectively. In line with government guidance, all staff are presently working from home. Our day-to-day working and operations have not been significantly affected, due to the use of technology which has allowed employees to carry out their responsibilities as expected. We continue to support our investee companies and progress new and follow-on investments in our portfolio. We are not being affected by absence of key individuals or teams due to sickness at present, although that remains a risk. In requiring all staff to work from home, we aim to minimise the risk as much as we can. Looking forward, we will continue to support employees working from home until such time as the restrictions are lifted. Our members continue to support our activities for 2020 and beyond, to enable the LLP to achieve its investment and impact goals.

The coronavirus and market instability could have an impact on the investments held by OGCI Climate Investments Holdings LLP and their ability to operate or even continue in business. The key risks they face are:

- Delays or cancellations in technology development programmes with other partners as a result of lockdown and closure of key facilities. As at the date of approval of the accounts, all of our investee companies are continuing to operate, albeit in some cases with skeleton staff and delays in programme milestones.
- Loss of demand or disruption to supply chains resulting on lower than expected revenue for products or services. Approximately half the number of our investee companies are revenue generating at present. There is a risk that their revenue is lower than expected during the lockdown period. These companies are being adversely impacted by weaker demand, particularly those operating in the oil & gas sector. All investee companies are taking action to reduce their operating budgets and take advantage of government support where available to enable business continuity.
- Insufficient cash funding to survive through the crisis, into 2021. We have reviewed each of our investee companies and assessed their respective operating and financing risks. For those which require further financing in 2020, we are in discussions with the investee and other shareholders to provide necessary support.

As at the date of approval of the accounts, we are not aware of any material changes in valuation that need to be disclosed.