GREENCOAT SOLAR ASSETS II LIMITED

Registration number: 10777970 (England and Wales)

Annual Report and Audited Financial Statements

For the year ended 31 December 2022

Schroders greencoat

Contents

Company information

Registered office

8th Floor, 1 Fleet Place
London
EC4M 7RA

Registration number

10777970

Directors

L Moscovitch

L Fumagalli

R Nourse

K Kaiser

M Yard (appointed 4 November 2022)

Manager

Schroders Greencoat LLP
4th Floor, The Peak
5 Wilton Road
London
SW1V 1AN

Administrator and Company Secretary

Langham Hall UK Services LLP
8th Floor, 1 Fleet Place
London
EC4M 7RA

Independent Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Principal Banker

The Royal Bank of Scotland International
7th Floor, 1 Princes Street
London
EC2R 8BP

Strategic report

Introduction

The Directors present the Strategic Report of Greencoat Solar Assets II Limited (the 'Company') for the year ended 31 December 2022. Details of the Directors who held office during the year and as at the date of this report are given on page 2.

Structure

The Company is a private company, limited by shares and was incorporated under the laws of England and Wales on 18 May 2017.

Principal activities

The Company is a wholly owned subsidiary of Greencoat Solar II LP (the 'LP'), whose purpose is to invest in, and manage, operating ground mount solar photovoltaic farms in the United Kingdom which produce and sell power over a long-term horizon.

The Company invests in Special Purpose Vehicles ('SPVs') which hold the underlying assets.

The Manager of the LP is Schroders Greencoat LLP (the 'Manager'), a Financial Conduct Authority regulated entity.

Review of business

The Company's investments comprise an investment portfolio of subsidiary holdings measured at fair value with movements in fair value recognised in the Statement of Comprehensive Income in the period in which they arise.

During the year, the Company entered into agreements to acquire four solar farms when they become operational, as further disclosed in note 17. As at 31 December 2022, the Company holds investments in 94 operational solar photovoltaic farms and two solar photovoltaic solar farms in construction.

During the year, portfolio generation was 5.5 per cent above budget at ca.761GWh. In addition, power prices were well above budget, primarily driven by high gas prices . The average N2EX Day Ahead auction price was £203.79/MWh (2021: £117.43/MWh). Overall, the operating profit of the underlying investments was up 31.0 per cent versus budget.

Key performance indicators

The key metrics detailed in the Review of business section above and ESG section below provide information to assess how effectively the Company is meeting its objectives.

Employees and Officers of the Company

The Company does not have any employees and therefore employee policies are not required. The Directors of the Company are listed on page 2.

Corporate and social responsibility

Environmental, Social and Governance matters

The Company predominantly invests in solar farms, and in doing, is supporting the transition to a net zero economy.

As outlined in the Governance section below, the Company relies on the Manager to apply appropriate environmental, social and governance policies. This includes responsibility for ESG matters before investments are made and then continuously during the life of each solar farm. The Company's approach to responsible investing, including the environmental standards it aims to meet, are set out in the policies in place at the Manager.

Responsible investing principles have been applied to each of the investments made.

These policies require the Company to make reasonable endeavours to procure the ongoing compliance of its investee companies with its policies on responsible investment.

The Manager monitors compliance at the investment phase and reports on an ongoing basis to the Board.

Task Force on Climate Related Financial Disclosures (TCFD)

The Company strives to maintain the highest standards of corporate governance and effective risk identification and management at both its level and solar farm level. The Company supports the recommendations of the TCFD and refers to them for guidance on addressing climate related risks and opportunities in order to enhance disclosures. These disclosures are categorised between the four thematic areas, governance, strategy, risk management, and metrics and targets, as recommended by the TCFD.

Governance

The Board is responsible for the determination of the Company's Investment Objective and Investment policy. It also oversees the management of the Company and its investments, including ESG and climate related risks and opportunities. The Board delegates the day-to-day management of the business, including management of ESG matters, to the Manager.

The Board and the Manager meet regularly and discuss risk management. Climate related risks are covered during these discussions, as they naturally arise from the Company's underlying investments and the Company's role in the decarbonisation of the UK economy. A formal risk matrix is maintained by the Manager and reviewed and approved by the Board on an annual basis.

In addition, the Manager has its own ESG Committee that meets regularly to discuss ESG and climate related risks relating to the Company and other funds it manages. This committee has implemented an ESG Framework Policy that looks to establish best practice in climate related risk management, reporting and transparency, which is updated annually.

Strategy

As a company investing in operating UK renewable infrastructure as well as building UK renewable infrastructure, it plays a role in contributing towards the worldwide goal of achieving a net-zero carbon emissions economy. The Company's strategy of acquiring operating solar capacity in the secondary market or construction-ready sites from developers enables developers to recycle capital, facilitating further renewable build-out and thus playing a significant role in increasing operating solar generating capacity.

The Company considers that the decarbonisation of the UK economy will continue to present a significant investment opportunity and the size and rate of the Company's growth will be related to the success of the sector as well as the engagement of its stakeholders.

The Board and the Manager monitor climate related risks and appreciate their impact on the Company. In the medium and long term, more extreme weather patterns arising from global warming have the capacity to damage infrastructure in general, including above ground grid infrastructure. However, it is considered low risk that significant damage will be caused to generating equipment with this being considered during the acquisition process of any new potential investment. Nonetheless, appropriate insurance against property damage and business interruption is held for any such eventuality.

It is possible that the deployment of new renewable generating capacity, required to meet future UK and global emission reduction targets, could reduce the power price captured by the Company's portfolio investments. However, companies are increasingly required to demonstrate their adherence to reducing their carbon footprints and this may increase demand for corporate PPAs and could provide the Company with an option to fix power prices, should it decide to do so, and mitigate volatility.

Climate related risks can be classified into two broad categories: (i) risks associated with the transition to a decarbonised economy; and (ii) risks associated with the physical impacts of climate change.

Transition Risks

Policy and legal

In the short, medium, and long-term scenarios, increased carbon and climate related regulation and disclosures demand more resource and associated compliance costs.

The Board also considers retrospective changes to the financial support of renewable energy as a potential risk in the medium to long term. Change of UK Government, or change in UK Government direction regarding renewable energy, could lead to future unfavourable renewable energy policies. Unfavourable renewable energy policies if applied retrospectively to current operating projects, including those in the portfolio, could adversely impact the market price for renewable energy or the green benefits earned from generating renewable energy, specifically ROCs, FITs, embedded benefits or carbon price floor.

The Board mitigates this risk by keeping itself abreast of developments in international support for renewable energy and will assess the impact of any changes and, where possible, respond to these changes when and if they happen. The UK has committed to the concept of grandfathering existing projects with subsidy support i.e., it cannot retrospectively change support.

Market

The Board and the Manager continue to believe that the key factor that could impact the Company in the transition to a lower carbon economy is the variability of long-term prices for wholesale electricity. In a lower carbon economy, where considerable build-out of renewable generation capacity will be required, there is a risk that the power price received by the Company's portfolio could be negatively impacted, depending on how successful the Government is in implementing its plan and depending on future electricity market design including the REMA consultation.

In a scenario in which global temperature increases are limited to only 1.5°C to 2°C (most typically associated with net zero), it is assumed that the Government is successful in implementing its plan in its entirety. In this scenario, the long-term power price is lower than the base case used to calculate the Company's NAV. The lower long term power price reflects the wider deployment of low marginal cost renewable generation capacity, partially offset by the expected deployment of electrolysers as part of a growing hydrogen economy, increased electrification of the transportation and heat sectors and the build-out of data centres. Modelling the lower long term power price would equate to a 7.0 per cent reduction in the NAV.

The base case long term power price assumes significant renewable generation and other measures to reduce carbon emissions and represents the independent consultant's best estimate of likely outturn. The High Transition Risk Scenario assumes further measures. The precise effect on power price of any measures (in the base case and in the High Transition Risk Scenario) is highly uncertain and is highly dependent on future electricity market design. The High Transition Risk Scenario also assumes no other offsetting factors.

Reputation

The Board and the Manager expect renewable energy to only become more important in the transition to a net zero economy. Therefore, reputational risks are not considered material to the business. However, the Fund does understand its responsibility to disclose against regulatory ESG standards and failing to do so could carry reputational risk, over short, medium and long term scenarios.

Physical Risks

Physical risks may consist of acute physical risk, which can refer to event driven perils including increased severity and frequency of extreme weather events, and chronic physical risk, which can refer to longer term shifts in climate patterns that cause sea level rise, heat waves, droughts, and desertification.

Acute

The Board and the Manager continue to believe that a scenario where global temperature increases are significantly higher than 2°C would not lead to significant physical risk to the Company's solar farms. The Company owns a small number of solar farms in areas prone to flood risk (one in 100-year event), although appropriate mitigation measures are in place, including infrastructure raised above ground level and drainage systems. Extreme wind is a risk, although mounting structures are generally designed to cope with abnormal wind speed. Extreme weather events such as storms, flooding, and heatwaves may disrupt supply chains and hinder maintenance or construction work on projects in the portfolio. Failure to carry out maintenance work can reduce or even stop electrical output, impacting company revenue. The Manager mitigates this risk by keeping supply chains as short as possible and disruption risk managed through strategic spares to improve resilience.

Alongside all scenarios, there is a risk that weather systems change as a result of higher temperature change scenarios but it is not possible, at this time, to determine whether this would impact the Company positively or negatively.

Risk management

As a full scope UK AIFM, the Manager has established a Risk Management Committee that meets on a quarterly basis to discuss, amongst other matters, the risk framework of the Company and its investee companies including processes for identifying, assessing and managing climate related risks.

To ensure strong performance, the Company reinforces its specific oversight on environmental and social issues with a range of activities, including:

- appointing representation of at least one director from the Manager on the boards of the solar farm companies, to ensure monitoring and influence of both financial and ESG performance;
- carrying out due diligence to ensure that any new outsourced service providers are reputable and responsible organisations;
- carrying out due diligence during the acquisition of new solar farms in accordance with the Manager's established procedures and ESG Framework Policy, and in compliance with the AIFMD Due Diligence Policy; and
- complying with all applicable anti-bribery and corruption, and anti-money laundering laws and regulations and implementing policies to ensure this performance is in line with the policies of the Manager.

The Manager's Investment Committee comprises experienced senior managers. Whilst making investment decisions, due consideration is given to climate related risks as well as to opportunities identified during due diligence.

During the procurement processes of investments, diligence on environmental risks is carried out, including flood risk assessments. For certain assets, the Manager will also look at the plant to ensure the design complies with specifics of the geotechnical reports for a site i.e. depth of piles or if the site is in a higher risk flood area appropriate installation of drainage mitigation solutions such as swales and drainage channels, alongside ensuring appropriate coverage from insurance policies.

Given its long-term investment perspective, the Company regularly assesses the risks its assets might be exposed to and factors them into decision making and risk monitoring. These include for example, asset related technology changes, changes to government policy or support for renewable energy, and changes to market signals or pricing for gas and electricity. The risk registers consider climate risks, and the Manager ensures to keep these updated to keep abreast of any climate-related development. Following standard industry practice, the Manager assesses the likelihood and impact of risks on a numerical scale, to inform the actions it takes in mitigation. An example would be flood risk, which is minimal for most assets, but for some, can be low-probability, high impact.

In 2022, the Manager assessed a range of climate scenario modelling tools to find one most suitable to the assets it manages. During this assessment, each fund trialled at least one asset from each portfolio with a scenario modelling tool. All the assets assessed were analysed under RCP 2.6 and 8.5 scenarios using the time horizons: 2030, 2050, and 2100. The assets were analysed against eight extreme weather and climate change hazards: Riverine Flooding; Surface Water Flooding; Coastal Inundation; Forest Fires; Extreme Wind; Soil Movement; Freeze-Thaw and Extreme Heat events. The Manager recognises that these tools are continuously developing and will continue to move with the industry to keep abreast of new industry developments.

Metrics

Renewable energy generators avoid carbon dioxide emissions on a net basis at a rate of approximately 0.4t CO_2 per MWh. This conversion factor may vary depending on geography. In 2022, the portfolio avoided approximately 304,000 tonnes of CO_2 and generated enough renewable electricity to power approximately 262,000 homes.

The third party operations and maintenance ('O&M') service providers report to the Manager's asset managers on a monthly basis on a standard set of KPIs and qualitative factors, such as health and safety compliance of O&M providers, compliance with relevant laws and regulations, local community engagement and habitat management, where relevant. These KPIs are disclosed annually in the Manager's ESG report. The Manager adopts a balanced and proportionate approach to the disclosure of ESG events to investors and, if appropriate, communicates significant incidents as they occur. Any material ESG incidents are communicated to the Company's Board, where it is assessed and decided whether to communicate to investors.

KPI data is sourced directly from the asset level companies and supplemented by specialist external advisers such as environmental consultants, as required.

The portfolio's Scope 1, Scope 2 and Scope 3 greenhouse gas emissions are disclosed below.

	Year ended 31 December 2022	Year ended 31 December 2021
Scope 1 – Direct emissions (tonnes CO_2)	34.1	56.0
Scope 2 – Indirect emissions (tonnes CO_2)	212.9	253.3
Scope 3 – indirect emissions (tonnes CO2) [1]	2,918.0	Not available
Total Scope 1, 2 and 3 emissions (tonnes CO_2)	**3,165.0**	**309.3**

[1] Scope 3 emissions are the result of activities from assets not owned or controlled by the Company, but that the Company indirectly impacts in its value chain. Scope 3 emissions include all sources not within the Company's Scope 1 and 2 boundary.

Carbon footprint indicators are measured in line with the industry standard GHG Protocol based on an equity control approach, meaning emissions from the Company's operations are weighted according to the Company's ownership interest. Scope emissions calculations will be verified by third party consultants. The sustainability indicators are subject to an annual review to ensure that the Manager continues to improve transparency on ESG matters.

In 2022, Schroders Greencoat standardised the carbon footprints of the funds it manages by following a consistent methodology across all its funds, to ensure that figures are consistent going forward in net zero trajectories.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company and its investee companies, and an explanation of how they are managed are set out below. The Board does not consider the likelihood or impact of these risks to have changed in the year.

Manager

The ability of the Company to achieve its investment objective depends heavily on the experience of the management team within the Manager and more generally on the Manager's ability to attract and retain suitable staff. The sustained growth of the Company depends upon the ability of the Manager to identify, select and execute further investments which offer the potential for satisfactory returns.

Regulation

If a change in Government renewable energy policy was applied retrospectively to current operating projects including those in the Company's investment portfolio, this could adversely impact the market price for renewable energy or the value of the green benefits earned from generating renewable energy. The Government has evolved the regulatory framework for new projects being developed but has consistently stood behind the framework that supports operating projects as it understands the need to ensure investors can trust regulation.

Financing risk

The Company has financed its investments through the issuance of loan notes of £772,170,125 (2021: £841,110,781), share capital of £205,302,590 (2021: £150,000,001) and an advance of £19,470,786 which will be converted into loan notes in 2023 (2021: £55,302,589 advance which was converted into equity in 2022). The Company will finance new investments by issuing further loan notes or allotting additional shares to the LP. The Company has received confirmation from the LP that it will not demand redemption of the loan notes for at least 12 months from the date of approval of this report unless the Company has sufficient cash to finance its ongoing obligations.

The investee companies have low to no leverage, and can therefore withstand short-term variability in power prices, production and operating performance.

Electricity prices

Other things being equal, a decline in the market price of electricity would reduce the investee companies' revenues. Approximately 31 per cent of the investee companies' revenues are exposed to the floating power price on a discounted cash flow basis over the life of the portfolio.

Solar resource

The investee companies' revenues are dependent upon levels of irradiance, which will vary across seasons and years within statistical parameters. Before investment, extensive due diligence is carried out to ensure the assumptions in the financial model are accurate by carrying out a detailed energy yield assessment to assess the long-term performance of the plant.

Availability and operating performance

The availability and operating performance of the equipment used on solar farms may be impacted by accidents, mechanical failure, grid availability, theft or damage which will directly impact the revenues and profitability of that solar farm. The Company does not have any control over these risks, and accordingly, no provisions have been made for them. Failures may be the result of a short-term issue or a long-term fundamental failure of one piece of equipment, for example, which could impact returns across the portfolio if there is exposure to a single manufacturer.

All investments undergo significant due diligence prior to acquisition. Operations and maintenance agreements and asset management agreements are put in place to monitor the investment portfolio, which is overseen by the Manager. Insurance coverage is put in place for theft, damage and business interruption.

Asset life

In the event that the underlying investments do not operate for the period of time assumed or require higher than expected maintenance expenditure to do so, it could have a material adverse effect on the financial performance and position of the investee companies.

The Manager performs regular reviews and ensures that maintenance is performed across the solar farm portfolio. Regular maintenance ensures that equipment is in good working order to meet its expected life span.

Health and safety and the environment

The operation of the underlying investments is subject to health and safety and environmental regulation. A breach of these or an accident could lead to damages or compensation to the extent such loss is not covered by insurance policies, adverse publicity or reputational damage.

The Company engages an independent health and safety consultant to ensure the ongoing appropriateness of its health and safety policies and procedures. The investee companies have reporting lines ensuring that the Manager is informed of events as soon as possible after they occur.

Going concern

A review of the going concern has not been included in this report as it is disclosed in the Directors' Report.

Outlook

Solar is a mature and widely deployed technology in the UK. As at the end of January 2023, there is approximately 14.5GW installed solar capacity in the UK. This is an increase of circa 5 per cent since January 2022. It is the Manager's view that installed capacity is set to grow over the coming years by 1 to 3GW each year, with the potential to increase significantly, supported by a very extensive pipeline of projects in planning and development, including approximately 12GW of projects which have already secured planning consent. Most of these are standalone solar sites, but the number of solar sites co-located with battery storage in particular, as well as electric vehicle charging and hydrogen, is increasing materially. The average size of sites is expected to increase too, with a number of very large projects, typically transmission-connected, in active development. In monetary terms, the value of operating field scale UK solar farms is approximately £15 billion. The Manager looks after two solar vehicles in the UK with a current market share of ca.9 per cent of the operating ground-mounted UK solar market. In light of the above, the Manager expects to see healthy activity in both the secondary market and opportunities to finance new build solar.

Power prices during the year were well above budget, primarily reflecting high gas prices. The average N2EX Day Ahead auction price was £203.79/MWh (2021: £117.43/MWh). Forward power prices over the period 2023-2026 remain high. High power prices again drove strong cash generation in 2022 and the Company should continue to benefit from strong cash generation over the next few years through its balanced exposure to power prices.

High power prices have inevitably been considered by the Government in the context of balancing the country's fiscal position. The Manager has clarity in relation to the Electricity Generator Levy ('EGL'), which applies at a rate of 45 per cent of annual average power revenue above an index linked £75/MWh. ROCs, CFDs and FITs are excluded from the levy and the Company also benefits from a £10 million annual allowance. The levy applies from 1 January 2023 until 31 March 2028. The levy has been fully modelled and incorporated into the cash flow forecast that underlies the calculation of NAV.

The Government's Review of Electricity Market Arrangements ('REMA') continues, with a second round of consultation expected shortly. The aim of REMA is to accommodate a higher proportion of renewable generation and storage on the electricity network in line with the UK's target to decarbonise the electricity sector by 2035. The ultimate market design is thus expected to be supportive for the Company's portfolio and for further investment opportunities.

Two other key macro themes during the year were high inflation and rising interest rates. Discount rates have been increased reflecting higher interest rates. However, the effect of the increased discount rate has been more than offset by increased inflation given the index linked nature of the portfolio cash flows.

In general, the outlook for the Company is very encouraging, with proven operational and financial performance from the existing portfolio combined with a healthy pipeline of attractive further investment opportunities.

By order of the Board

DocuSigned by:

Lee Moscovitch

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Lee Moscovitch
Director
31 March 2023

Directors' report

The Directors present their report, together with the financial statements of the Company for the year ended 31 December 2022.

Directors

Details of the Directors who held office during the year and as at the date of this report are disclosed on page 2.

Directors' indemnity

Directors' and Officers' liability insurance cover is in place in respect of the Directors. The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour by the Court.

Except for such indemnity provisions in the Company's Articles of Association, there are no qualifying third-party indemnity provisions in force.

Risks and risk management

The Company is exposed to financial risks such as market risk, credit risk and liquidity risk, and the monitoring of these risks is detailed in both note 15 to the financial statements and the strategic report.

Independent auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and BDO LLP (the 'Auditor') will therefore continue in office.

Statement of disclosure to auditor

So far as each of the Directors at the time that this report was approved are aware:

- there is no relevant audit information of which the Auditor is unaware; and
- they have taken all steps they ought to have taken to make themselves aware of any audit information and to establish that the Auditor is aware of that information.

Financial statements

The Board is of the opinion that the financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholder to assess the performance, strategy and business model of the Company.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and the auditor's report thereon.

Results and dividends

The results for the year are set out in the Statement of Comprehensive Income on page 16. Income in the year ended 31 December 2022 was £133.7 million (31 December 2021: £78.5 million), of which £76.6 million was attributable to the shareholder (31 December 2021: £21.0 million). The strong income was driven by favourable fair value movements of investments which were largely the result of higher electricity prices and inflation.

Dividend payments made during the year amounted to £nil (2021: £nil). The Directors do not recommend the payment of any dividends for the year ended 31 December 2022.

Going concern

At the 31 December 2022, the Company had current assets of £12.9 million (2021: £13.2 million), net assets of £289.1 million (2021: £157.2 million) and cash balances of £1.8 million (2021: £1.5 million). The Company continues to meet its day-to-day liquidity requirements through its cash resources and the ongoing financial support provided by the LP. One of the key cash outflows of the Company is the payment of distributions, which are discretionary.

As at 31 December 2022, the Company owed the LP in the form of loan notes and borrowings £791.6 million (2021: £841.1 million loan notes), as disclosed in note 9. The Company has received confirmation from the LP that it will not demand redemption or repayment of the loan notes and borrowings or seek repayment of interest on these loan notes for a period of at least 12 months from the date of approval of this report unless the Company has sufficient cash to finance its ongoing obligations. In addition, the LP will continue to provide ongoing support to the Company for a period of at least 12 months from the date of approval of this report.

The Company will fund its commitments to new investments totalling circa £50.7 million in the next 12 months from the date of this report through additional loans or equity from the LP, which the LP will in turn fund from its Limited Partners' uncalled commitments which total circa £116.2 million as at the date of this report.

The Manager has considered the impact of the EGL. The levy applies to revenue earned on power prices in excess of £75 per MWh, which is higher than the prices that underlying investments require to generate cash surpluses. As a result of this, the Manager does not consider the levy has created any material uncertainty over the assessment of the Company as a going concern.

The Manager has reviewed the Company's forecasts and projections taking into account foreseeable changes in investment and trading performance, as well as consideration to worse case outcomes, which show that the Company has sufficient financial resources to meet its current obligations as they fall due for a period of at least 12 months from the date of approval of this report.

On the basis of this review, and after making due enquiries, the Directors and the Manager have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of this report. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Likely future developments

The Directors expect the activity and performance of the Company's investee companies to be satisfactory in the forthcoming year and are not aware of any potential circumstance that would adversely affect operations.

Subsequent events

Events after the end of the reporting period are disclosed in note 18.

Inclusion in the strategic report

In accordance with s414C(11) of the Companies Act 2006, the information relating to the principal activities of the Company, a business review and the principal risks and uncertainties of the Company have been included in the Strategic Report.

By order of the Board

DocuSigned by:

Lee Moscovitch

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Lee Moscovitch
Director
31 March 2023

Directors' responsibilities statement

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 United Kingdom Generally Accepted Accounting Practice ('UK GAAP') (United Kingdom Accounting Standards and applicable law), including FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland'. 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Directors' Report and a Strategic Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose the financial position of the Company with reasonable accuracy at any time and 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.

The Directors confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with UK GAAP, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Directors' Report and the Strategic Report include a fair review of the development and performance of the Company and the position of the Company, together with a description of the principal risks and uncertainties it faces; and
- so far as each Director is aware, there is no relevant audit information of which the Company's Auditor is unaware, and each Director has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

By order of the Board

DocuSigned by:

Lee Moscovitch

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Lee Moscovitch
Director
31 March 2023

Independent auditor's report

To the Members of Greencoat Solar Assets II Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit 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.

We have audited the financial statements of Greencoat Solar Assets II Limited ('the Company') for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and Notes to the financial statements, including a summary of 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company 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.

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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. 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.

Other Companies Act 2006 Reporting

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.

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, 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.

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.

Extent to which the audit was 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, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with relevant laws and regulations and applicable accounting standards. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Manager, in particular around the key accounting estimate, being the valuation of the investment portfolio, that represented a risk of material misstatement due to fraud.

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements. Our tests included, but were not limited to:

- enquiries of management;
- review of minutes of board meetings throughout the period; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and discussed how and where these might occur and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Manager that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

DocuSigned by:
Chris Meyrick
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Chris Meyrick (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
31 March 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Statement of comprehensive income

	Note	For the year ended 31 December 2022 £	For the year ended 31 December 2021 £
Income	3	77,086,586	54,876,906
Unrealised gains on investments held at fair value through profit or loss	6	56,651,121	23,646,834
Total income and gains		**133,737,707**	**78,523,740**
Operating expenses		(287,852)	(354,349)
Investment acquisition costs		(2,370,430)	(229,374)
Operating profit		**131,079,425**	**77,940,017**
Interest on shareholder loan	13	(54,495,230)	(56,943,154)
Profit on ordinary activities before tax		**76,584,195**	**20,996,863**
Taxation	5	-	-
Profit on ordinary activities after tax		**76,584,195**	**20,996,863**
Profit and total comprehensive income attributable to the shareholder of the Company		**76,584,195**	**20,996,863**

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The accompanying notes on pages 20 to 33 form an integral part of these financial statements.

Statement of financial position

	Note	As at 31 December 2022 £	As at 31 December 2021 £
Non current assets			
Investments held at fair value through profit of loss	6	1,079,545,166	1,053,281,464
Current assets			
Shareholder loan interest receivable		8,192,755	8,580,239
Other receivables	7	2,893,638	3,138,317
Cash at bank		1,829,635	1,503,949
Total current assets		**12,916,028**	**13,222,505**
Current liabilities			
Payables	8	(11,700,779)	(68,160,468)
Loans and borrowings	9	(791,640,911)	(841,110,781)
Total current liabilities		**(803,341,690)**	**(909,271,249)**
Net current liabilities		**(790,425,662)**	**(896,048,744)**
Net assets		**289,119,504**	**157,232,720**
Capital and reserves			
Share capital	10	138	101
Share premium	10	205,302,452	149,999,900
Income account		83,816,914	7,232,719
Shareholder's funds		**289,119,504**	**157,232,720**

The financial statements on pages 16 to 33 were approved by the Board of Directors and authorised for issue on 31 March 2023 and signed on its behalf by:

DocuSigned by:
Lee Moscovitch
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Lee Moscovitch
Director

Company registration number 10777970

The accompanying notes on pages 20 to 33 form an integral part of these financial statements.

Statement of changes in equity

	Share capital £	Share premium £	Income account £	Total £
Balance at 1 January 2022	101	149,999,900	7,232,719	157,232,720
Issue of shares during the year	37	55,302,552	-	55,302,589
Profit and total comprehensive income for the year	-	-	76,584,195	76,584,195
Balance at 31 December 2022	**138**	**205,302,452**	**83,816,914**	**289,119,504**

	Share capital £	Share premium £	Income account £	Total £
Balance at 1 January 2021	101	149,999,900	(13,764,144)	136,235,857
Profit and total comprehensive income for the year	-	-	20,996,863	20,996,863
Balance at 31 December 2021	**101**	**149,999,900**	**7,232,719**	**157,232,720**

The accompanying notes on pages 20 to 33 form an integral part of these financial statements.

Statement of cash flows

	Note	For the year ended 31 December 2022 £	For the year ended 31 December 2021 £
Net cash flows generated from operating activities	14	**1,836,952**	**2,314,524**
Cash flows from investing activities			
Acquisition of investments		(19,676,897)	(51,693,976)
Dividends received	3	30,102,598	6,631,870
Repayment of shareholder loan investments	6	54,628,307	31,770,278
Loan interest received		39,125,687	35,137,999
Investment acquisition costs paid		(1,101,746)	(1,171,801)
Net cash flows generated from investing activities		**103,077,949**	**20,674,370**
Cash flows from financing activities			
Loans drawn down in the year	8/9	19,470,786	52,802,589
Loans repaid in the year	9	(68,940,656)	(23,418,079)
Loan interest paid in the year		(55,119,345)	(51,446,079)
Net cash flows used in financing activities		**(104,589,215)**	**(22,061,569)**
Net increase in cash during the year		325,686	927,325
Cash at the beginning of the year		1,503,949	576,624
Cash at the end of the year		**1,829,635**	**1,503,949**

The accompanying notes on pages 20 to 33 form an integral part of these financial statements.

Notes to the financial statements

1. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the year.

Basis of accounting

The financial statements of the Company have been prepared on the historical cost basis, as modified for the measurement of certain financial instruments at fair value through profit or loss, and in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' and the Companies Act 2006.

The preparation of these financial statements requires the use of estimates and assumptions that affect the amounts and disclosures in these financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Accounting for subsidiaries

The Directors have concluded that the Company's subsidiaries should be excluded from consolidation as the interests in subsidiaries are held as part of an investment portfolio as defined in paragraph 9.9 (b) of FRS 102 and are measured at fair value with movements in fair value recognised in the Statement of Comprehensive Income in the period in which they arise.

Functional and presentational currency

The financial statements are presented in Sterling (£ or GBP), which is the Company's functional currency.

Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income.

Going concern

At the 31 December 2022, the Company had current assets of £12.9 million (2021: £13.2 million), net assets of £289.1 million (2021: £157.2 million) and cash balances of £1.8 million (2021: £1.5 million). The Company continues to meet its day-to-day liquidity requirements through its cash resources and the ongoing financial support provided by the LP. One of the key cash outflows of the Company is the payment of distributions, which are discretionary. As at 31 December 2022, the Company owed the LP in the form of loan notes and borrowings £791.6 million (2021: £841.1 million loan notes), as disclosed in note 9. The Company has received confirmation from the LP that it will not demand redemption or repayment of the loan notes and borrowings or seek repayment of interest on the loan notes for a period of at least 12 months from the date of approval of this report unless the Company has sufficient cash to finance its ongoing obligations. In addition, the LP will continue to provide ongoing support to the Company for a period of at least 12 months from the date of approval of this report.

The Company will fund its commitments to new investments totalling circa £50.7 million in the next 12 months from the date of this report through additional loans or equity from the LP, which the LP will in turn fund from its Limited Partners' uncalled commitments which total circa £116.2 million as at the date of this report.

The Manager has considered the impact of the EGL. The levy applies to revenue earned on power prices in excess of £75 per MWh, which is higher than the prices that underlying investments require to generate cash surpluses. As a result of this, the Manager does not consider the levy has created any material uncertainty over the assessment of the Company as a going concern.

The Manager has reviewed the Company's forecasts and projections taking into account foreseeable changes in investment and trading performance, as well as consideration to worse case outcomes, which show that the Company has sufficient financial resources to meet its current obligations as they fall due for a period of at least 12 months from the date of approval of this report.

On the basis of this review, and after making due enquiries, the Directors and the Manager have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of this report. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Investment income

Dividend income is accounted for when the right to receive the dividend is established. Interest income on shareholder loan investments and other income are accounted for on an accruals basis using the effective interest rate method. Income in respect of the provision of management services to the SPVs is recognised on an accruals basis. Provisions are made against income where recovery is considered doubtful.

Gains or losses resulting from the movement in fair value of the Company's investments held at fair value through profit or loss are recognised in the Statement of Comprehensive income in the period in which they arise.

Interest payable and expenses

Interest payable and expenses are accounted for on an accruals basis.

Operating profit

Operating profit is stated after investment acquisition costs but before finance costs.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

At 31 December 2022 and 2021 the carrying amounts of cash, receivables, payables, accrued expenses and short term borrowings reflected in the financial statements are initially measured at transaction price and subsequently held at amortised cost, less any impairment.

Financial assets

Financial assets are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are held at amortised cost or, in the case of investments in subsidiaries, at fair value through profit or loss.

Amortised cost

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as financial assets held at amortised cost. Debtors that are due within one year of the year end are recognised at the undiscounted amount receivable. All debtor balances are held at the undiscounted amount at 31 December 2022 and 31 December 2021.

Fair value through profit or loss

Investments, including shareholder loans, are held at fair value through profit or loss upon initial recognition since they form part of an investment portfolio, the performance of which is measured and evaluated on a fair value basis. Gains or losses resulting from the movement in fair value are recognised in the Statement of Comprehensive Income in the period in which they arise. Fair value is defined as the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. Fair value of investments within the operating portfolio is calculated on an unlevered, discounted cashflow basis. Fair value of the investments in construction are valued at cost, and subject to an impairment test.

De-recognition of financial assets

A financial asset (in whole or in part) is derecognised either:

- when the Company has transferred substantially all the risks and rewards of ownership; or
- when it has neither transferred nor retained substantially all the risks and rewards and when it no longer has control over the assets or a portion of the asset; or
- when the contractual right to receive cashflows has expired.

Financial liabilities

Financial liabilities are classified according to the substance of contractual agreements entered into and are recorded on the date on which the Company becomes party to such contractual requirements of the financial liability.

All loans and borrowings are initially recognised at cost, being fair value of consideration received, net of any incurred transaction costs where applicable. After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Loan balances as at the year-end have not been discounted to reflect amortised cost, as the amounts are not materially different from the outstanding balances. The Company's other financial liabilities measured at amortised cost include trade and other payables and other short-term monetary liabilities which are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Derecognition of financial liabilities

A financial liability (in whole or in part) is derecognised when the Company has extinguished its contractual obligations, it expires or it is cancelled. Any gain or loss on derecognition is taken to the Statement of Comprehensive Income.

Finance expenses

Borrowing costs are recognised in the Statement of Comprehensive Income in the period to which they relate on an accruals basis.

Share capital

Financial instruments issued by a company are treated as equity if the holder has a residual interest in the net assets of that company. The Company's ordinary shares are classified as equity instruments.

Cash at bank

Cash comprises cash balances with banks, and is subject to an insignificant risk of changes in value.

Taxation

Tax for the year comprises current tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. Current tax is charged or credited to the Statement of Comprehensive Income.

A deferred tax asset has not been recognised as it is not considered probable that future taxable profit will be available against which it can be realised. A deferred tax liability has not been recognised in respect of unrealised gains/(losses) on investments held at fair value as these would be considered non-taxable or disallowable.

2. Critical accounting estimates and judgements

The preparation of financial statements requires the application of estimates and assumptions which may affect the results reported in the financial statements. Estimates, by their nature, are based on both judgement and information available at the time.

Valuation of investments

The estimates and assumptions that may have a significant impact on the carrying value of assets and liabilities are those used to determine the fair value of the investments. The fair value of investments in operating assets is based on the discounted values of expected future cash flows, which are subject to certain key assumptions including the useful life of assets, the discount factors, the rate of inflation, the price at which the power and associated benefits can be sold, the level of solar resource, and the amount of electricity the assets are expected to produce.

The assets in construction, Low Carbon Solar Devco 2 Limited and Aurora Solar Farm Limited, are being held at fair value during construction, being cost, and subject to an impairment test.

Assumptions about useful lives of assets are based on the Manager's estimates of the period over which the assets will generate revenue. These assumptions are periodically reviewed for continued appropriateness. The actual useful life of any specified asset may be shorter or longer depending on the actual operating conditions experienced by this asset.

The discount factors are subjective. It is feasible that a reasonable alternative assumption could be used that would result in a different value. Discount rates are periodically reviewed, taking into account any recent market transactions of a similar nature.

The revenues and expenditure of investee companies are frequently partly or wholly subject to indexation, typically with reference to the Consumer Price Index (CPI) or Retail Price Index (RPI). From a financial modelling perspective, an assumption is usually made that the inflation index will increase at a long-term rate.

The price at which the output from the generating assets is sold is a factor of both wholesale electricity prices and the revenue received from the Government support regimes. Future power prices are estimated using external third-party forecasts which take the form of specialist consultancy reports, which reflect various factors including gas prices, carbon prices and renewables deployment, each of which reflect the UK and global response to climate change. The future power price assumptions are reviewed as and when these forecasts are updated. There is an inherent uncertainty in future wholesale electricity price projection.

Specifically commissioned external reports are used to estimate both the level of solar resource available at any solar farm and also the expected energy production from any solar farm. The actual energy production in any year may differ considerably from any long-term estimate in such a report, mainly due to inter year variability of solar resource. Assumptions around energy production will be reviewed only if there is good reason to suggest there has been a material change of natural resource or operating conditions.

Estimates and judgements are continually evaluated and are based on historical experience of the Manager and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although the Manager uses its best judgement in estimating the fair value of investments, there are inherent limitations in any estimation techniques. Future events could also affect the estimates of fair value. The effect of such events on the estimates of fair value, including the ultimate liquidation of investments, could be material to the financial statements. The financial risk management objectives and policies of the Company, including exposure to price risk, interest rate risk, credit risk and liquidity risk are discussed in note 15 to the financial statements.

3. Income

	For the year ended 31 December 2022 £	For the year ended 31 December 2021 £
Investment interest income	44,696,564	46,084,295
Management services income	2,287,424	2,160,741
Dividend income	30,102,598	6,631,870
	77,086,586	**54,876,906**

4. Operating profit

The operating profit is stated after:

	For the year ended 31 December 2022 £	For the year ended 31 December 2021 £
Auditor's remuneration for the audit of the financial statements	(43,613)	(30,807)
Movement in fair value of investments	56,651,121	23,646,834

5. Taxation

	For the year ended 31 December 2022 £	For the year ended 31 December 2021 £
UK Corporation tax	-	-

The tax assessed for the year shown in the Statement of Comprehensive Income is lower than the standard rate of corporation tax of 19 per cent (2021: 19 per cent). The differences are explained below:

	For the year ended 31 December 2022 £	For the year ended 31 December 2021 £
Profit for the year before tax	76,584,195	20,996,863
Profit for the year multiplied by the standard rate of corporation tax of 19 per cent (2021: 19 per cent)	14,550,997	3,989,404
Income not taxable including unrealised movement on revaluation of investments	(16,486,608)	(5,756,355)
Expenses not deductible	450,372	43,581
Other adjustments	24,633	521,485
Increase in unrecognised deferred tax asset	1,460,606	1,201,885
	-	-

A deferred tax asset of £4,802,829 (2021: £2,929,217) has not been recognised as it is not considered probable that future taxable profit will be available against which it can be realised.

The UK Government announced that the corporation tax rate will increase from 19 per cent to 25 per cent (for companies with profits over £250,000), from 1 April 2023.

6. Investments

	Loans £	Equity investments £	Total £
Opening balance at 1 January 2022	689,140,200	364,141,264	1,053,281,464
Additions	19,676,897	-	19,676,897
Deferred consideration reversal	-	(1,394,370)	(1,394,370)
Loan interest capitalised	5,958,361	-	5,958,361
Repayment of shareholder loan investments	(54,628,307)	-	(54,628,307)
Unrealised movement in fair value of investments	(17,902)	56,669,023	56,651,121
Closing balance at 31 December 2022	**660,129,249**	**419,415,917**	**1,079,545,166**

	Loans £	Equity investments £	Total £
Opening balance at 1 January 2021	684,166,301	313,874,977	998,041,278
Additions	29,935,711	21,160,165	51,095,876
Loan interest capitalised	11,571,843	-	11,571,843
Repayment of shareholder loan investments	(31,474,077)	(296,201)	(31,770,278)
Unrealised movement in fair value of investments	(17,902)	23,664,736	23,646,834
Restructure of investee companies[1]	(5,041,676)	5,737,587	695,911
Closing balance at 31 December 2021	**689,140,200**	**364,141,264**	**1,053,281,464**

[1] Between October and December 2021, the Company's investments in Notus Investments 2 S.a.r.l and its sub-investments were reorganised in order to simplify the ownership structure. The reorganisation involved the dissolution of Notus Investments 2 S.a.r.l., with its assets and liabilities transferred to the Company. As a result of the reorganisation in relation to this portfolio during 2021, there was a reduction in the Company's loan receivables of £5.0 million, an increase in the Company's equity of £5.7 million and a net reduction in receivables of £0.7 million.

The investments made in underlying assets are carried at fair value. The solar farms in construction, Low Carbon Solar Devco 2 Limited and Aurora Solar Farm Limited, are held at cost subject to an impairment test which reflects their fair value. The investments are typically made through a combination of loans and equity into the investment vehicle(s) which own(s) the underlying asset(s), and the fair value movements above have been allocated to equity. At the point that the equity carrying value is reduced to nil, further reductions will be allocated against loan investments.

Two of the Company's investments, GSII Aston Clinton Solar Farm Limited and GSII Homestead Solar Farm Limited, have external debt from Arzteversorgung Westfalen-Lippe ('AVWL'), which as at 31 December 2022 totalled £29.2 million (2021: £31.0 million). Accordingly, the Company has a fixed charge in favour of AVWL over its rights, title and interest these two investments.

Fair value measurements

FRS 102 requires disclosure of fair value measurement by level. The level of fair value hierarchy within the financial assets or financial liabilities is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the following three levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 - inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The determination of what constitutes 'observable' requires judgement by the Company. The Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The only financial instruments held at fair value are the instruments held by the Company in the SPVs, which are fair valued at each reporting date. The Company's investments have been classified within level 3 as the investments are not traded and contain unobservable inputs. Due to the nature of the investments, they are always expected to be classified as level 3. There have been no transfers between levels during the year ended 31 December 2022.

Any transfers between the levels would be accounted for on the last day of each financial period.

7. Other receivables

	As at 31 December 2022 £	As at 31 December 2021 £
Amounts due from investee companies	404,217	389,179
Other debtors	843,224	772,351
Escrow account	1,646,197	1,976,787
	2,893,638	**3,138,317**

8. Payables

	As at 31 December 2022 £	As at 31 December 2021 £
Loan interest payable	(7,196,414)	(7,838,922)
Deferred consideration payable	(2,119,790)	(3,820,439)
Acquisition costs payable	(2,254,095)	(985,411)
Advance from LP	-	(55,302,589)
Other creditors	(130,480)	(213,107)
	(11,700,779)	**(68,160,468)**

9. Loans and borrowings

	As at 31 December 2022 £	As at 31 December 2021 £
Opening balance	(841,110,781)	(860,209,184)
Interest capitalised in the year	-	(4,319,676)
Loans advanced in the year	(19,470,786)	-
Loans repaid in the year	68,940,656	23,418,079
Closing balance	**(791,640,911)**	**(841,110,781)**

The Company issued loan notes on 12 November 2021 to the LP which are redeemable on demand or on the termination date of 6 June 2046, whichever is earlier, and bear interest at a rate of 6.67 per cent per annum. Interest is payable at least tri-annually, on 10 February, 10 August and 10 November each year, and any unpaid interest is capitalised on these dates.

During the year, the LP advanced £19,470,786 to the Company, with the intention of converting the advance to loan notes. Accordingly, the advance has been classified as part of the loan. The advance from the LP is unsecured, interest-free and repayable on demand.

The net loans paid during the year totalled £68,940,656 (2021: £23,418,079). As at 31 December 2022, the outstanding balance of the loan notes was £772,170,125 (2021: £841,110,781), the outstanding balance of the LP advance was £19,470,786 (2021: £nil) and loan interest outstanding was £7,196,413 (2021: £7,838,922).

10. Share capital

Issued	Number of shares issued £	Share capital £	Share premium £	Total £
Opening balance – 1 January 2022	101	101	149,999,900	150,000,001
Issue of shares during the year	37	37	55,302,552	55,302,589
Closing balance – 31 December 2022	**138**	**138**	**205,302,452**	**205,302,590**

Issued	Number of shares issued £	Share capital £	Share premium £	Total £
Opening balance – 1 January 2021	101	101	149,999,900	150,000,001
Issue of shares during the year	-	-	-	-
Closing balance – 31 December 2021	**101**	**101**	**149,999,900**	**150,000,001**

11. Financial instruments

	Note	Measured at amortised cost £	Measured at fair value £	Total £
Financial assets as at 31 December 2022				
Investments – Equity	6	-	419,415,917	419,415,917
Investments – Shareholder loans	6	-	660,129,249	660,129,249
Shareholder loan interest receivable		-	8,192,755	8,192,755
Other receivables (excluding prepayments)	7	2,893,638	-	2,893,638
Cash at bank		1,829,635	-	1,829,635
		4,723,273	**1,087,737,921**	**1,092,461,194**

	Note	Measured at amortised cost £	Measured at fair value £	Total £
Financial assets as at 31 December 2021				
Investments – Equity	6	-	364,141,264	364,141,264
Investments – Shareholder loans	6	-	689,140,200	689,140,200
Shareholder loan interest receivable		-	8,580,239	8,580,239
Other receivables (excluding prepayments)	7	3,138,317	-	3,138,317
Cash at bank		1,503,949	-	1,503,949
		4,642,266	**1,061,861,703**	1,066,503,969

	Note	Measured at amortised cost £	Measured at fair value £	Total £
Financial liabilities as at 31 December 2022				
Payables	8	(11,700,779)	-	(11,700,779)
Loans and borrowings	9	(791,640,911)	-	(791,640,911)
		(803,341,690)	**-**	**(803,341,690)**

	Note	Measured at amortised cost £	Measured at fair value £	Total £
Financial liabilities as at 31 December 2021				
Payables	8	(68,160,468)	-	(68,160,468)
Loans and borrowings	9	(841,110,781)	-	(841,110,781)
		(909,271,249)	**-**	**(909,271,249)**

12. Unconsolidated subsidiaries

The Directors consider the following investee companies to be subsidiaries of the Company. The Directors have concluded that these subsidiaries should be excluded from consolidation as these interests in subsidiaries are held as part of an investment portfolio.

Company	Company number	Ownership interest as at 31 December 2022	Ownership interest as at 31 December 2021
Ainderby Solar Farm Limited	09735328	100%	100%
Ferry Farm Solar Limited	08668422	100%	100%
Manor Farm Park Limited	08982154	100%	100%
Lagness Solar Farm Limited	09222909	100%	100%
Bryn Bachau Solar Farm Limited	09577477	100%	100%
Bann Road Solar Project Limited	09061170	100%	100%
Hunger Hill Solar Project Limited	09255650	100%	100%
Berthllwyd Solar Project Limited	08923308	100%	100%
Bilsborrow Solar Project Limited	08923311	100%	100%
Bodwen Solar Project Limited	08489215	100%	100%
Ebnal Lodge Solar Project Limited	09061339	100%	100%
Sandhutton Solar Project Limited	09370204	100%	100%
GSII Dorset Solar Farm Limited	08982744	100%	100%
RDW (11) Limited	09423601	100%	100%
KS SPV 18 Limited	08145058	100%	100%
Coombe Solar Limited	09261084	100%	100%
Pantymoch Farm Renewables Limited	08322854	100%	100%
Pantymoch Farm Community Solar Project C.I.C.	09646690	100%	100%

Company	Company number	Ownership interest as at 31 December 2022	Ownership interest as at 31 December 2021
Royston Solar Project Limited	09560571	100%	100%
Royston Community Solar Project C.I.C.	09646734	100%	100%
GSII Wick Road Solar PV Limited	08923330	100%	100%
Wick Road Community Solar Project C.I.C.	09646715	100%	100%
GSII Long Meadow Farm Limited	09324984	100%	100%
GSII Errol Solar PV Limited	08838309	100%	100%
TGC Solar Slade Limited	07521199	100%	100%
GSII Sea View Limited	09406786	100%	100%
GSII Bent Spur Solar Farm Limited	09998662	100%	100%
WSE Huntspill Level Limited	08524312	100%	100%
West Carclaze Solar PV Ltd	09862636	100%	100%
Estrans Developments (Severn Beach) Limited	09602746	100%	100%
Wilsom Solar Farm Limited	07985084	100%	100%
Bobbing Solar Limited	08699592	100%	100%
GSII Arnawood Limited	09952555	100%	100%
Snettisham Solar Limited	08782944	100%	100%
Sunventures 8 Ltd	09592374	100%	100%
Moat Farm Solar Limited	08756737	100%	100%
GSII Netley Solar Limited[1]	09060353	100%	100%
GSII Infra 3 UK Solar Ltd	08985700	100%	100%
Islip Solar Park Limited	07651940	100%	100%
Springhill Solar Park Limited	07652041	100%	100%
GSII Carmarthen Solar Limited	09209618	100%	100%
GSII Belper Limited	09712613	100%	100%
GSII Potters Bar Limited	09712647	100%	100%
GSII Upper Meadowley Limited	09210035	100%	100%
GSII Clay Cross Limited	09712609	100%	100%
SPF Carver Hey Limited	09788339	100%	100%
SPF Brent Broad Farm Limited	09784324	100%	100%
West Strathore Solar Limited	09723125	100%	100%
Rolleston Solar Farm Limited	08850469	100%	100%
Risen Energy Projects 1 Limited	07496900	100%	100%
GSII Sovgen Limited	07953182	100%	100%
GSII Homestead Solar Farm Limited	08695236	100%	100%
GSII Bicester Solar Farm Limited	08140549	100%	100%
GSII Aston Clinton Solar Farm Limited	08695190	100%	100%
Notus Investments 2 S.a.r.l (dissolved in 2021)	B190070	0%	0%

Company	Company number	Ownership interest as at 31 December 2022	Ownership interest as at 31 December 2021
Gedulah Solar Limited	09355622	100%	100%
Rowles Solar Park Limited	08576506	100%	100%
Gaultney Solar Park Limited	08988983	100%	100%
Radstone P.V. Ltd	08678286	100%	100%
Flit Solar Park Limited	08626907	100%	100%
Egmanton Solar Park Limited	08739720	100%	100%
Notus Supplyco Limited (dissolved 2022)	09246814	0%	100%
Kinmel 1 C.I.C	08927710	100%	100%
Kinmel 2 C.I.C.	08927715	100%	100%
Carlam Hill Education C.I.C.	09646849	100%	100%
Bransholme Solar C.I.C.	09646872	100%	100%
Rhewl Solar Farm Community CIC	09655716	100%	100%
Rhewl Solar Farm Community 2 CIC	09664334	100%	100%
GSII Pumpkin 1 Limited (dissolved in 2021)	08924197	0%	0%
GSII Pumpkin 2 Limited (dissolved in 2021)	09858856	0%	0%
GSII Pumpkin 3 Limited (dissolved in 2021)	09860360	0%	0%
GSII Pumpkin 4 Limited (dissolved in 2021)	09861756	0%	0%
GSII South Creake Limited	08606370	100%	100%
GSII Stragglethorpe Limited	08766273	100%	100%
GSII ChaFarm CFD Limited	08695190	100%	100%
GSII Hornacott Limited	08925534	100%	100%
GSII Lower Farm Binsted Limited	08766200	100%	100%
GSII Northmoor Substation Limited	08756863	100%	100%
GSII Cwrt Henllys Limited	08763948	100%	100%
GSII Middle Balbeggie Limited	08945680	100%	100%
GSII Morfa Limited	07957043	100%	100%
GSII Pen Rhiw Limited	07957112	100%	100%
GSII Bentley Estate Limited	08945599	100%	100%
GSII Gelli Gron Limited	08942776	100%	100%
GSII Hill Hall Limited	07738990	100%	100%
GSII Safeguard Bradwall Limited	08936110	100%	100%
GSII Parsonage Wood Limited	08761386	100%	100%
GSII Fields Farm Limited	07744050	100%	100%
GSII NI Solar Cluster Limited	07957053	100%	100%
GSII Millar Farm Limited	08934660	100%	100%
GSII Sharland Farm Limited	08934877	100%	100%
GSII Meadow Farm Limited	08936064	100%	100%

Company	Company number	Ownership interest as at 31 December 2022	Ownership interest as at 31 December 2021
GSII Park Farm West Limited	08945636	100%	100%
GSII Bolsovermoor Quarry Limited	07984506	100%	100%
GSII Vine Farm Limited	09196848	100%	100%
GSII Mount Farm Limited	08712450	100%	100%
GSII Rose & Crown Limited	08804712	100%	100%
Low Carbon Solar Devco 2 Limited	11603372	100%	100%
Aurora Solar Farm Limited	12013818	100%	100%
GSII Trefullock Solar Limited	07244107	100%	100%
GSII Thornham Solar Limited	08660939	100%	100%
ISG Renewables Limited	14209213	90%	0%

[1.] The Company owns a 50% share of Netley North Gridco Limited (12217864), which is held through its ownership of GSII Netley Solar Limited.

13. Related party transactions

The Company has a Management Service Agreement with 94 of its fully owned operational assets, for which it receives £20,000 per annum rising with RPI for each underlying investment (2022 nominal of £23,977 per annum), in relation to management services. During the year, an amount of £2,287,424 (2021: £2,160,741) was earned by the Company in respect of these agreements. During the year, dividend income of £30,102,598 (2021: £6,631,870) was received from investee companies. As at 31 December 2022 there was £nil outstanding from the investee companies (2021: £nil), which is included in 'amounts due from investee companies' in note 7.

As disclosed in note 9, the Company issued loan notes on 12 November 2021 to the LP which are redeemable on demand or on the termination date of 6 June 2046, whichever is earlier, and bear interest at a rate of 6.67 per cent per annum. Interest is payable at least tri-annually, on 10 February, 10 August and 10 November each year, and any unpaid interest is capitalised on these dates. Total interest payable during the year was £54,495,230 (2021: £56,943,154), of which £nil (2021: £4,319,676) was capitalised and £55,119,345 (2021: £51,446,079) was paid. The interest outstanding due to the LP at 31 December 2022 was £7,196,414 (2021: £7,838,922).

During the year, the Company provided shareholder loans to investee companies totalling £19,676,897 (2021: £29,935,711). These loans are repayable on demand and bear interest at rates between 6.67 per cent and 7.50 per cent. Interest is repayable at least semi-annually, on 1 February and 1 August each year, and any unpaid interest is capitalised on these dates.

In 2021, various restructures were completed in relation to the Company's investments. Amounts reclassified during the year between shareholder loans, equity investments and receivables are disclosed in note 6, with the net impact of these restructures being neutral.

14. Reconciliation of cash flows from operating activities

	Note	For the year ended 31 December 2022 £	For the year ended 31 December 2021 £
Profit on ordinary activities before tax		**76,584,195**	**20,996,863**
Adjustments for:			
Movement in fair value of investments	6	(56,651,121)	(23,646,834)
Interest expense		54,495,230	56,943,154
Investment interest income	3	(44,696,564)	(46,084,295)
Dividend income received	3	(30,102,598)	(6,631,870)
Investment acquisition costs		2,370,430	229,374
Movement in receivables		244,679	485,560
Movement in payables		(407,299)	22,572
Net cash flows generated from operating activities		**1,836,952**	**2,314,524**

15. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including price risk, interest rate risk and foreign currency risk), credit risk and liquidity risk. An explanation of those risks is set out below.

Price risk

Price risk is defined as the risk that the fair value of a financial instrument held by the Company will fluctuate. Investments in operating solar farms are measured at fair value through profit or loss and are valued on an unlevered, discounted cashflow basis. Therefore, the value of these investments will be (amongst other risk factors, as per notes 2 and 6) a function of the discounted value of their expected cashflows and, as such, will vary with movements in interest rates and competition for such assets. Sensitivity analysis indicates that a discount rate increase of 50bp yields a downward adjustment to the fair value £33.9 million. Conversely, a discount rate decrease of 50bp yields an upward adjustment to the fair value of £35.9 million. As disclosed in the 'valuation of investments' section in note 2, the key assumptions determining fair value of investments are subjective and therefore it is feasible that a reasonable alternative assumption may be used resulting in a different valuation for these investments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates. The Board considers that the AVWL debt, shareholder loan investments and loan notes payable do not carry any interest rate risk as they bear interest at a fixed rate, thereby mitigating the risks associated with the variability of cash flows arising from interest rate fluctuations.

Foreign currency risk

Foreign currency risk is defined as the risk that the fair values of future cashflows will fluctuate because of changes in foreign exchange rates. The majority of the Company's financial assets and liabilities are denominated in GBP and substantially all of its revenues and expenses are in GBP. The Company is not considered to be materially exposed to foreign currency risk.

Credit risk

Credit risk is the risk of loss due to the failure of a borrower or counterparty to fulfil its contractual obligations. The Company is exposed to credit risk in respect of shareholder loan investments, accrued shareholder loan interest, cash at bank and other receivables. The Company's credit risk exposure is minimised by dealing with financial institutions with investment grade credit ratings.

The Company has advanced loans to its investee companies. The Board regularly reviews the future cashflows and valuations of the investee companies to gain comfort as to the recoverability of the loans. These loans are intra-group. No balances are past due or impaired. The maximum exposure as at 31 December 2022 was £673,045,277 (2021: £702,362,705).

Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet a demand for cash or fund an obligation when due. The Manager and Board continuously monitor forecast and actual cash flows from operating, financing and investing activities. The Company has a loan liability from the LP that is repayable on demand, however, it has received a letter of support from the LP confirming that this will not be recalled for at least 12 months from the date of approval of this report.

16. Controlling party

The LP holds 100 per cent of the shares of the Company and the LP is the immediate and ultimate parent of the Company. The LP was registered in England and Wales on 24 January 2017 under the Limited Partnerships Act 1907 with registration number LP017823. The consolidated financial statements of the LP include the financial statements of the Company and the LP is the ultimate controlling entity that includes the Company in its consolidated financial statements. Consolidated financial statements are not publicly available.

17. Contingencies and commitments

In April 2022 and November 2022, the Company entered into agreements to acquire four solar farms with total capacity of ca.160MW from Metka and Lightsource, for a total consideration of ca.£110 million. All four transactions are structured under forward sale models. One project, Streetfield, was acquired post year end in February 2023. The remaining three projects are expected to complete once they become fully operational between Q2 and Q3 2023.

18. Events after the end of the reporting period

On 10 February 2023, the Company completed the acquisition of the Streetfield project comprising two operational solar farms with a total capacity of 50MW. On 23 February 2023, the Company completed the acquisition of the Foresight portfolio comprising ten operational solar farms with a total capacity of 70MW. The total consideration paid for both portfolios was ca.£86 million.

There were no other material subsequent events.

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