# GREENCOAT GRI ASSETS LIMITED

*Registration number: 12185477 (England & Wales)*

# Annual Report and Audited Financial Statements

For the year ended 31 December 2023

Schroders greencoat

# Contents

# Company information

## Registered office

5$^{th}$ Floor
20 Fenchurch Street
London
EC3M 3BY

## Registration number

12185477

## Directors

S Lilley
B Gautier
M Patel
L Moscovitch
R Nourse

## Manager

Schroders Greencoat LLP
4$^{th}$ 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
(until 30 June 2023)

Ocorian Administration (UK) Limited
5th Floor, 20 Fenchurch Street
London
EC3M 3BY
(from 1 July 2023)

## Independent Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

## Principal Banker

The Royal Bank of Scotland International
7$^{th}$ Floor
1 Princes Street
London
EC2R 8BP

# Strategic report

## Introduction

The Directors present the Strategic Report of Greencoat GRI Assets Limited (the 'Company') for the year ended 31 December 2023. Details of the Directors who held office during the year and as at the date of this report are given on page 3.

## Structure

The Company is a private company, limited by shares and was incorporated under the laws of England and Wales on 2 September 2019.

## Principal activities

The Company is a wholly owned subsidiary of Greencoat Renewable Income LP (the 'LP' or 'GRI'), whose main purpose is to invest in, and manage renewable infrastructure assets located 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 2022, the Company acquired a 100 per cent stake in Speyside Renewable Energy Company Limited ('Speyside') which owns a virgin wood-fired biomass power plant.

During the year, the Company acquired a 100 per cent stake in SG Green Hydrogen Bidco Limited, which is working to fund early stage development of green hydrogen assets, as well as a 10.4 per cent stake in Greencoat London Array HoldCo Limited, which owns 25.0 per cent of an offshore wind farm.

## 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 3.

## Environmental, social and governance matters

The Company and Manager strive to maintain the highest standards of corporate governance and effective risk identification and management, including for environmental, social and governance related risks, at both its level and the level of its underlying investments.

The Company invests in renewable energy and energy transition assets contributing to the reduction of greenhouse gas emissions through the generation of clean, low carbon energy or lower carbon alternative infrastructure, key to delivering the Government's and society's climate change objectives. During the year, the Company generated 120,273 MWh of renewable electricity to power 44,546 homes[1] and avoided approximately 55,999 tonnes of CO2 emissions[2] through the displacement of thermal generation.

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[1] The number of homes powered is based on the average annual household energy consumption in the relevant region, using the latest reported figures, and reflects the portfolio's annual electricity generation as at the relevant reporting date for each region. In the UK, this is 2.9 MWh/annum (OFGEM)

[2] The carbon avoided reflects the carbon intensity of the marginal energy generator, i.e., the technology that would be used to provide energy to the grid if the assets were not generating power most of the time in each region. In the UK, this is assumed to be gas generation, based on research by a leading energy market expert, with an intensity of 0.4tCO2/MWh (IEA).

Responsible investing principles, as set out in the Manager's ESG Policy, are adopted by the Manager and have been applied to each of the investments made by the Manager. The Manager is delegated responsibility for implementing ESG matters in line with the Manager's ESG Policy, which can be found on its website, and applies the commitments set out in the Policy, where relevant, both as part of pre-investment due diligence and as part of ongoing asset management during the life of each asset.

The portfolio's Scope 1, Scope 2 and Scope 3 greenhouse gas emissions based on ownership in the underlying investments are disclosed below.

| | Year ended 31 December 2023 | Year ended 31 December 2022[3] |
|---|---|---|
| Scope 1 – Direct emissions (tonnes $CO_2$) | 6,800 | 6,631 |
| Scope 2 – Indirect emissions (tonnes $CO_2$) | 70.43 | - |
| Scope 3 – indirect emissions (tonnes CO2)[4] | 16,249 | 8,239 |
| Total Scope 1, 2 and 3 emissions (tonnes $CO_2$) | 23,119 | 14,870 |
| Carbon Footprint – scope 1,2 and 3 emissions normalised by the value of the portfolio, expressed in tonnes CO2e/£M invested | 169.1 | - |
| Weighted Average Carbon Intensity (revenue) – weighted exposure to investee asset scope 1,2 and 3 emissions per revenue generation, expressed in tonnes CO2e/£M revenue | 4,487.07 | - |
| Weighted Average Carbon Intensity (activity) - weighted exposure to investee asset scope 1 and 2 emissions per energy generation, expressed in tonnes CO2e/MWh | 0.044 | - |

Carbon footprint indicators are measured in line with the industry standard GHG Protocol based on an equity control approach, meaning emissions from the Fund's operations are weighted according to the Fund's ownership interest. Scope emissions calculations will be conducted 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.

The Carbon Footprint and WACI indicators are measured in line with TCFD methodologies and disclosed in line with TCFD recommendations although they are not considered the most relevant intensity metrics for the assets, with carbon emission per MWh of generation capacity being a more appropriate metric. Therefore, the Fund includes this metric as well.

Carbon emissions data is measured based on the provision of data by third party operations and maintenance ('O&M') service providers to the Investment Manager. The carbon emissions of the portfolio are calculated and reported on an annual basis, supported by specialist external advisers.

[3] This is the first year we have reported on TCFD carbon intensity metrics hence they are not disclosed for 2022.

[4] Scope 3 emissions are the result of activities from assets not owned or controlled by the Fund, but that the Fund indirectly impacts in its value chain. Scope 3 emissions include all sources not within the Fund's Scope 1 and 2 boundary. This includes Scope 3 associated with Capital Goods which includes the embodied carbon emissions associated with all assets acquired in the year an asset is acquired. These are not amortised for the year the asset is bought, under GHG Protocol guidance. The Manager has concerns that this leads to double counting across the renewable industry supply chain.

# Principal risks and uncertainties

The principal risks and uncertainties facing the Company and its investee company, 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 Speyside, 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 £97,376,854 (2022: £48,304,502) and shareholder loans of £1,511,170 (2022: £nil) of which £1,511,170 is current as at the same date. The Company may finance new investments by issuing further loan notes or allotting additional shares to the LP.

### Electricity prices

Other things being equal, a decline in the market price of electricity would reduce the investee company's revenues.

### Feedstock prices

The price paid for feedstock is a key cost for Speyside, approximately 63 per cent of total operating expenses for 2023. Future cashflows have been modelled using a forecast of feedstock prices determined by independent market experts. A sustained increase in actual feedstock prices above these forecasts would have a negative impact on Speyside. Risks are mitigated through strict contracts with strong counterparties and a diverse supplier base.

### Availability and operating performance

The availability and operating performance of the equipment used by the renewable infrastructure assets may be impacted by accidents, mechanical failure, grid availability, theft or damage which will directly impact the revenues and profitability of the renewable infrastructure asset. 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.

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 renewable infrastructure assets do not operate for the period of time assumed or requires higher than expected maintenance expenditure to do so, it could have a material adverse effect on the financial performance and position of the investee company.

The Manager performs regular reviews and ensures that maintenance is performed at its assets. Regular maintenance ensures that equipment is in good working order to meet its expected life span.

### Health and safety and the environment

The operations of Company's assets are 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

During the year, cash distributed by the Company, in the form of loan capital and interest payments, was £14.1 million demonstrating the Company's resilience despite rising interest rates, volatile power prices and broader turmoil in the global financial market. The average N2EX Day Ahead auction price was £94.47/MWh (2022: £203.79/MWh). Power prices in 2023 remained above the long-term average. The Company adheres to its strategy to maintain a balanced approach to fixed and merchant revenues. The Company investees' should continue to benefit from strong cash generation.

With specific regards to Speyside, Small Round Wood (SRW) and other wood residuals have been in good supply throughout 2023. Arisings of wood residuals tend to follow GDP, so a recession in 2024 might impact wood availability. The Manager has been working with the supplier and the plant to improve stocks both on and off site.

The Manager, alongside industry and the Government has been actively engaged in the Review of Electricity Market Arrangements ('REMA') consultation. 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. In line with the higher interest rate environment, discount rates have been increased.

In general, the operational and financial outlook for the Company is encouraging.

By order of the Board

*Minal Patel*

*Electronically signed by: Minal Patel*
*Date: Sep 25, 2024 11:38 GMT+1*

Minal Patel
Director
25 September 2024

# Directors' report

The Directors present their report, together with the financial statements of the Company for the year ended 31 December 2023.

## Directors

Details of the Directors who held office during the year and as at the date of this report are disclosed on page 3.

## 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 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 15. Revenue in the year ended 31 December 2023 was £7.8 million (2022: £23.2 million), of which £3.1 million was attributable to the shareholder (2022: £19.4 million).

Dividend payments made during the year amounted to £nil (2022: £nil). The Directors do not recommend the payment of any dividends for the year ended 31 December 2023.

## Going concern

At the 31 December 2023, the Company had net current liabilities of £0.8 million (2022: net current assets of £1.6 million), net assets of £38.2 million (2022: £19.4 million) and cash balances of £2.2 million (2022: £2.2 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 is discretionary. As at 31 December 2023, the Company owed the LP £97.4 million in the form of loan notes (2022: £48.3 million) and £1.5 million (2022: £nil) in the form of shareholder loans, of which

£1.5 million is current (2022: £nil), as disclosed in notes 8 and 9. The Company has received confirmation from the LP that it will not demand redemption of the loan notes, either current or non-current, 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 has no commitments to new investments as at 31 December 2023.

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 company to be satisfactory in the forthcoming year and are not aware of any potential circumstance that would adversely affect operations.

## Subsequent events

All material subsequent events are disclosed in note 17.

## 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

Minal Patel

*Electronically signed by: Minal Patel*
*Date: Sep 25, 2024 11:38 GMT+1*

Minal Patel
Director
25 September 2024

# 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

Minal Patel

*Electronically signed by: Minal Patel*
*Date: Sep 25, 2024*
*11:38 GMT+1*

Minal Patel
Director
25 September 2024

# Independent auditor's report to the members of Greencoat GRI Assets 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 2023 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 GRI Assets Limited ("the Company") for the year ended 31 December 2023 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, 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:

Non-compliance with laws and regulations

We gained an understanding of the legal and regulatory framework applicable to the Company, the policies and procedures regarding compliance with laws and regulations 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.

Our tests included, but were not limited to:

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Enquiries of management and those charged with governance regarding any instances of non-compliance with laws and regulations; and
- Review of minutes of the board meetings throughout the period regarding any instances of non-compliance with laws and regulations.

Fraud

We assessed the susceptibility of the financial statements to material misstatement including fraud.

Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
    - Detecting and responding to the risks of fraud; and
    - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be the valuation of investments and management override of controls.

Our procedures in response to the above included:

- Assessing significant estimates made by management in the valuation of Investments for bias; and
- Testing journals, based on risk assessment criteria as well as an unpredictable sample, and evaluating whether there was evidence of bias by the Investment Manager and Directors that represented a risk of material misstatement due to fraud.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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:

Elizabeth Hooper

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Elizabeth Hooper (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
25 September 2024

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

# Statement of comprehensive income

| | Note | For the year ended 31 December 2023 £ | For the year ended 31 December 2022 |
|---|---|---|---|
| Income | 3 | 11,448,118 | 5,036,771 |
| Unrealised gain/(loss) on investments held at fair value through profit or loss | 6 | (3,645,864) | 18,165,635 |
| **Total income and gains** | | **7,802,254** | **23,202,406** |
| Investment acquisition costs | | (78,240) | (1,170,458) |
| Operating expenses | | (77,595) | (56,655) |
| **Operating profit** | | **7,646,419** | **21,975,293** |
| Interest on loan | 14 | (4,510,541) | (2,552,238) |
| **Profit on ordinary activities before tax** | | **3,135,878** | **19,423,055** |
| Taxation | | - | - |
| **Profit on ordinary activities after tax** | | **3,135,878** | **19,423,055** |
| **Total comprehensive income attributable to the shareholder of the Company** | | **3,135,878** | **19,423,055** |

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

The accompanying notes on pages 19 to 28 form an integral part of these financial statements.

# Statement of financial position

| | Note | As at<br>31 December 2023<br>£ | As at<br>31 December 2022<br>£ |
|---|---|---|---|
| **Non current assets** | | | |
| Investments held at fair value | 6 | 136,401,079 | 66,137,796 |
| **Current assets** | | | |
| Shareholder loan interest receivable | | 289,224 | - |
| Receivables | 7 | 2,271,679 | 119,191 |
| Cash at bank | | 2,200,603 | 2,200,308 |
| **Total current assets** | | **4,761,506** | **2,319,499** |
| **Current liabilities** | | | |
| Payables | 8 | (5,605,501) | (729,737) |
| **Total current liabilities** | | **(5,605,501)** | **(729,737)** |
| **Net current (liabilities)/assets** | | **(843,995)** | **1,589,762** |
| **Non-current liabilities** | | | |
| Loans and borrowings | 9 | (97,376,854) | (48,304,502) |
| **Net assets attributable to Shareholder** | | **38,180,230** | **19,423,056** |
| **Capital and reserves** | | | |
| Share Capital | | 101 | 1 |
| Share Premium | | 15,621,196 | - |
| Income account | | 22,558,933 | 19,423,055 |
| **Net assets attributable to Partners** | | **38,180,230** | **19,423,056** |

The financial statements on pages 15 to 18 were approved by the Board of Directors and authorised for issue on 25 September 2024 and signed on its behalf by:

Minal Patel

*Electronically signed by: Minal Patel*
*Date: Sep 25, 2024*
*11:38 GMT+1*

Minal Patel

Director

Company registration number 12185477

The accompanying notes on pages 19 to 28 form an integral part of these financial statements.

# Statement of changes in equity

| | Share Capital £ | Share Premium £ | Income account £ | Total £ |
|---|---|---|---|---|
| **Balance as at 1 January 2023** | 1 | - | 19,423,055 | **19,423,056** |
| Shares issued | 100 | 15,621,196 | - | **15,621,296** |
| Profit and total comprehensive income for the year after Company's Share | - | - | 3,135,878 | **3,135,878** |
| **Balance as at 31 December 2023** | **101** | **15,621,196** | **22,558,933** | **38,180,230** |

| | Share Capital £ | Share Premium £ | Income account £ | Total £ |
|---|---|---|---|---|
| **Balance as at 1 January 2022** | 1 | - | - | **1** |
| Profit and total comprehensive income for the year after Company's Share | - | - | 19,423,055 | **19,423,055** |
| **Balance as at 31 December 2022** | **1** | **-** | **19,423,055** | **19,423,056** |

The accompanying notes on pages 19 to 28 form an integral part of these financial statements.

# Statement of cash flows

| | Note | For the year ended 31 December 2023 £ | For the year ended 31 December 2022 £ |
|---|---|---|---|
| **Net cash used in operating activities** | | **475,644** | **(1,303,208)** |
| Cash flows from investing activities | | | |
| Acquisition of investments | 6 | (76,511,170) | (49,966,485) |
| Loan repaid in the year | 6 | 2,602,023 | 3,694,475 |
| Transaction costs paid | | (78,240) | - |
| Loan Interest received | | 3,612,398 | 805,525 |
| Dividend income received | | 7,501,132 | 2,500,000 |
| **Net cash flows generated from/(used in) investing activities** | | **(62,873,857)** | **(42,966,485)** |
| Cash flows from financing activities | | | |
| Capital contributions | | 15,923,530 | - |
| Loans drawn down in the year | | 60,587,640 | 51,400,000 |
| Loan interest paid in the year | | (3,092,520) | (1,834,501) |
| Loan repaid in the year | | (11,020,142) | (3,095,498) |
| **Net cash generated from financing activities** | | **62,398,508** | **46,470,001** |
| **Net increase in cash and cash equivalents during the year** | | **295** | **2,200,308** |
| Cash and cash equivalents at the beginning of the year | | **2,200,308** | **-** |
| **Cash and cash equivalents at the end of the year** | | **2,200,603** | **2,200,308** |

The accompanying notes on pages 19 to 28 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 subsidiary should be excluded from consolidation as the interest in the subsidiary is 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.

### Going concern

At the 31 December 2023, the Company had net current liabilities of £0.8 million (2022: net current assets of £1.6 million), net assets of £38.2 million (2022: £19.4 million) and cash balances of £2.2 million (2022: £2.2 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 is discretionary. As at 31 December 2023, the Company owed the LP £97.4 million in the form of loan notes (2022: £48.3 million) and £1.5 million (2022: £nil) in the form of shareholder loans, as disclosed in note 9. The Company has received confirmation from the LP that it will not demand redemption of the loan notes 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 has no commitments to new investments as at 31 December 2023.

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 investment 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 2023 and 2022, 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 losses.

### 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 2023 and 31 December 2022.

### 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 is calculated on an unlevered, discounted cashflow basis.

### 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 at bank comprises cash balances held 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 investment. The fair value of the investments in Speyside and London Array are 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 amount of electricity and heat that the asset is expected to produce and, in the case of Speyside, the price and volume of feedstock. The investment in SG Green Hydrogen Bidco Limited is carried at cost subject to an impairment test which reflects their fair value. No impairment was identified in the period ended 31 December 2023.

Assumptions about useful lives of assets are based on the Manager's estimates of the period over which the asset will generate revenue. These assumptions are periodically reviewed for continued appropriateness. The actual useful life of the 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 the asset 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 asset 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.

The volume of electricity produced depends on the capacity factor of the power plant, which is a product of the generation capacity and the availability of the plant. The capacity factor is tested at the commencement of operations and the availability forecast is provided by specialist technical consultants. The volume of electricity produced per year is guaranteed by the operator of the plant as part of a long-term operation and maintenance contract. However, residual risks remain with the project owner such as in relation to unexpected breakdown of major items of equipment or non-supply of fuel.

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 2023 £ | For the year ended 31 December 2022 £ |
|---|---|---|
| Dividend income | 7,501,132 | 2,500,000 |
| Investment interest income | 3,901,622 | 2,505,676 |
| Management services income | 45,364 | 31,095 |
| | **11,448,118** | **5,036,771** |

## 4. Operating profit

The operating profit is stated after:

| | For the year ended 31 December 2023 £ | For the year ended 31 December 2022 £ |
|---|---|---|
| Auditor's remuneration for the audit of the financial statements | 36,500 | 12,000 |

## 5. Taxation

| | For the year ended 31 December 2023 £ | For the year ended 31 December 2022 £ |
|---|---|---|
| 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 23.52 per cent (2022: 19 per cent). The differences are explained below:

| | For the year ended 31 December 2023 £ | For the year ended 31 December 2022 £ |
|---|---|---|
| Profit for the year before tax | 3,135,878 | 19,423,055 |
| Profit for the year multiplied by the standard rate of corporation tax of 23.52 per cent (2022: 19 per cent) | 737,576 | 3,690,380 |
| Income not taxable relating to dividend income | (1,764,307) | (3,926,471) |
| Expenses not deductable | 875,929 | 222,388 |
| Effect of group relief/other reliefs | 113,618 | 13,703 |
| Adjustment from previous periods | (694) | - |
| Tax rate changes | (2,339) | - |
| Deferred tax not recognised | 40,217 | |
| **Total** | - | - |

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 2023** | 47,972,160 | 18,165,636 | **66,137,796** |
| Additions | 29,089,232 | 47,421,938 | **76,511,170** |
| Loan interest capitalised | - | - | - |
| Repayment of shareholder loan investments | (2,602,023) | - | **(2,602,023)** |
| Unrealised movement in fair value of investments | - | (3,645,864) | **(3,645,864)** |
| **Closing balance at 31 December 2023** | **74,459,369** | **61,941,710** | **136,401,079** |

| | Loans £ | Equity investments £ | Total £ |
|---|---|---|---|
| **Opening balance at 1 January 2022** | - | - | - |
| Additions | 49,966,484 | 1 | **49,966,485** |
| Capitalised interest | 1,700,151 | - | **1,700,151** |
| Repayment of shareholder loan investments | (3,694,475) | - | **(3,694,475)** |
| Unrealised movement in fair value of investments | - | 18,165,635 | **18,165,635** |
| **Closing balance at 31 December 2022** | **47,972,160** | **18,165,636** | **66,137,796** |

The investments in Speyside, London Array and SG Green Hydrogen Bidco Limited are carried at fair value. The investment comprises a combination of loans and equity into the investment vehicle which own the underlying asset, and the fair value movements above have been allocated to equity. At such point that the equity carrying value may be reduced to nil, further reductions will be allocated against loan 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 investments in Speyside and London Array are held at fair value and are fair valued at each reporting date. These 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 2023. Any transfers between the levels would be accounted for on the last day of each financial period.

## 7. Receivables

| | As at 31 December 2023 £ | As at 31 December 2022 £ |
|---|---|---|
| Amounts due from Greencoat Renewable Income LP | 56,013 | 1 |
| Management fees | 34,020 | 31,096 |
| Recoverable VAT | 4,289 | 88,094 |
| Prepayments | 777 | - |
| VAT receivable | 2,176,580 | - |
| | **2,271,679** | **119,191** |

## 8. Payables

| | As at 31 December 2023 £ | As at 31 December 2022 £ |
|---|---|---|
| Other creditors | 2,672,363 | 12,000 |
| Loan interest payable | 1,421,968 | 717,737 |
| Amounts owed to Greencoat Renewable Income LP (Note 9) | 1,511,170 | - |
| | **5,605,501** | **729,737** |

## 9. Loans and borrowings

| | As at 31 December 2023 £ | As at 31 December 2022 £ |
|---|---|---|
| Opening balance | 48,304,502 | - |
| Loans drawn down in the year | 59,378,704 | 51,400,000 |
| Capitalized interest | 713,789 | - |
| Loans repaid in the year | (11,020,141) | (3,095,498) |
| **Closing balance** | **97,376,854** | **48,304,502** |

As disclosed in note 12, the Company issued loan notes to the LP which are repayable on the termination date of 31 December 2036 and bear interest at a rate of 6.5 per cent per annum. Interest is payable quarterly, on 10 January, 10 April, 10 July and 10 October each year, and any unpaid interest is capitalised on these dates. As at 31 December 2023, the loan balance was £97,376,854 (2022: £48,304,502) and loan interest outstanding was £1,421,968 (2022: £717,737).

During the year, the LP issued a loan to its Company. The loan does not bear interest and is due to be repaid within 12 months of 31 December 2023. As at 31 December 2023, the loan balance was £1,511,170 as can be seen in note 8.

## 10. Share capital

| Issued | Number of shares issued | Share capital £ | Share premium £ | Total £ |
|---|---|---|---|---|
| **Opening balance – 1 January 2023** | 1 | 1 | - | 1 |
| Issue of shares during the year | 100 | 100 | 15,621,196 | **15,621,296** |
| **Closing balance – 31 December 2023** | **101** | **101** | **15,621,196** | **15,621,297** |

| Issued | Number of shares issued | Share capital £ | Share premium £ | Total £ |
|---|---|---|---|---|
| **Opening balance – 1 January 2022** | 1 | 1 | - | **1** |
| Issue of shares during the year | - | - | - | - |
| **Closing balance – 31 December 2022** | **1** | **1** | **-** | **1** |

## 11. Financial instruments

| | Note | Measured at amortised cost £ | Measured at fair value £ | Total £ |
|---|---|---|---|---|
| **Financial assets as at 31 December 2023** | | | | |
| Investments - Equity | 6 | - | 61,941,710 | **61,941,710** |
| Investments - Shareholder loans | 6 | - | 74,459,369 | **74,459,369** |
| Shareholder loan interest receivable | | 289,224 | | **289,224** |
| Other receivables | 7 | 2,271,679 | - | **2,271,679** |
| Cash at bank | | 2,200,603 | - | **2,200,603** |
| | | **4,761,506** | **136,401,079** | **141,162,585** |

| | Note | Measured at amortised cost | Measured at fair value | Total |
|---|---|---|---|---|
| | | £ | £ | £ |
| **Financial assets as at 31 December 2022** | | | | |
| Investments - Equity | 6 | - | 18,165,636 | **18,165,636** |
| Investments - Shareholder loans | 6 | - | 47,972,160 | **47,972,160** |
| Shareholder loan interest receivable | | - | - | **-** |
| Other receivables | 7 | 119,191 | - | **119,191** |
| Cash at bank | | 2,200,308 | - | **2,200,308** |
| | | **2,319,499** | **66,137,796** | **68,457,295** |

| | Note | Measured at amortised cost | Measured at fair value | Total |
|---|---|---|---|---|
| | | £ | £ | £ |
| **Financial liabilities as at 31 December 2023** | | | | |
| Payables | 8 | 5,605,501 | - | **5,605,501** |
| | | **5,605,501** | **-** | **5,605,501** |

| | Note | Measured at amortised cost | Measured at fair value | Total |
|---|---|---|---|---|
| | | £ | £ | £ |
| **Financial liabilities as at 31 December 2022** | | | | |
| Payables | 8 | 729,737 | - | **729,737** |
| | | **729,737** | **-** | **729,737** |

## 12. Related party transactions

During 2022, the Company issued loan notes to its LP. The loan notes are repayable on or before 31 December 2036 and bear interest at a rate of 6.50 per cent per annum. Interest is payable quarterly, on 10 January, 10 April, 10 July and 10 October each year, and any unpaid interest is capitalised on these dates. Total interest charged during the year was £4,510,541 (2022: £2,552,238) and total interest paid was £3,092,521 (2022: £1,834,501) was paid. As at 31 December 2023, the loan balance was £97,376,854 (2022: £48,304,502) and loan interest outstanding was £1,421,968 (2022: £717,737).

During the year, the LP issued a loan to its Company. The loan does not bear interest. As at 31 December 2023, the loan balance was £1,511,170 and due to be repaid within 12 months.

During 2022, the Company issued a loan to Speyside. The loan notes bears interest at a rate of 6.50 per cent per annum. Interest is payable quarterly, on 31 March, 30 June, 30 September, and 31 December each year, and any unpaid interest is capitalised on these dates. Total interest charged during the year was £3,118,190 (2022: £2,505,676) and total interest paid was £3,118,190 (2022: £805,525). As at 31 December 2023, the loan balance was £47,972,160 (2022: £47,972,160) and loan interest outstanding was £nil (2022: £nil). Speyside paid dividends to the Company totalling £7.5 million in the year (2022: £2.5 million).

During the year, the Company issued a loan to SG Green Hydrogen Bidco Limited. The loan notes bears interest at a rate of 7.00 per cent per annum. Interest is accrued and compounded on the principal loan amount at the end of each month for each respective period. Total interest charged during the year was £2,087 and total interest paid was £nil. As at 31 December 2023, the loan balance was £1,511,170 and loan interest outstanding was £2,087.

During the year, the Company issued a loan to Greencoat London Array HoldCo Limited. The loan notes bears interest at a rate of 6.67 per cent per annum. Interest is payable quarterly, on 31 March, 30 June, 30 September, and 31 December each year. Total interest charged during the year was £781,345 and total interest paid was

£494,208. As at 31 December 2023, the loan balance was £25,278,273 and loan interest outstanding was £287,137.

The Company has a Management Service Agreement with Speyside, for which it receives £40,000 per annum rising with RPI in relation to management services. During the year, an amount of £45,364 (2022: £31,095) was earned by the Company in respect of this agreement. As at 31 December 2023 there was £34,020 receivable from Speyside (2022: £31,095).

## 13. Unconsolidated subsidiaries

The Directors consider the following investee company to be a subsidiary of the Company. The Directors have concluded that this subsidiary should be excluded from consolidation as this interest in a subsidiary is held as part of an investment portfolio.

| Company | Company number | Ownership interest as at 31 December 2023 | Ownership interest as at 31 December 2022 |
|---|---|---|---|
| Speyside Renewable Energy Company Limited | SC403396 | 100% | 100% |
| SG Green Hydrogen Bidco Limited | 14873940 | 100% | 0% |

## 14. Reconciliation of cash flows from operating activities

| | Note | For the year ended 31 December 2023 £ | For the year ended 31 December 2022 £ |
|---|---|---|---|
| **Profit on ordinary activities before tax** | | 3,135,878 | 19,423,055 |
| Adjustments for: | | | |
| Movement in fair value of investments | 6 | 3,645,864 | (18,165,635) |
| Interest expense | | 4,510,541 | 2,552,239 |
| Investment interest income | 3 | (3,901,622) | (2,505,676) |
| Dividend income received | 3 | (7,501,132) | (2,500,000) |
| Movement in receivables | | (2,152,488) | (119,191) |
| Movement in payables | 8 | 2,660,363 | 12,000 |
| Transaction costs | | 78,240 | - |
| **Net cash flows used in operating activities** | | **475,644** | **(1,303,208)** |

## 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. The investment is measured at fair value through profit or loss and is valued on an unlevered, discounted cashflow basis. Therefore, the value of the investment will be (amongst other risk factors, as per note 2) a function of the discounted value of expected cashflows and, as such, will vary with movements in interest rates and competition for such assets.

In relation to the investment in Speyside, sensitivity analysis indicates that a discount rate increase of 50bp yields a downward adjustment to the fair value of Speyside of £1.0 million (2022: £1.1 million). Conversely, a discount rate decrease of 50bp yields an upward adjustment to the fair value of Speyside of £1.1 million (2022: £1.1 million).

The discount factors 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 risks

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 shareholder loan investments and shareholder loan 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 cash flows will fluctuate because of changes in foreign exchange rates. 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 company to gain comfort as to the recoverability of the loans. These loans are intra-group, and the performance and value of the underlying assets are expected to generate sufficient income and thus distributions therefore, no balances are impaired, nor past due. The maximum exposure as at 31 December 2023 was £74,459,369 (2022: £47,972,160).

### 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 Directors do not consider the liquidity risk to be material due to the limited working capital required to meet the day-to-day commitments of the Company. The Company has a loan liability to 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 Scotland on 13 August 2019 under the Limited Companys Act 1907 with registration number SL033932. 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. Events after the end of the reporting period

Further investments were made into SG Green Hydrogen Bidco Limited of £1,415,033 on 31 January 2024, of £2,151,068 on 16 April 2024 and of £640,360 on 18 June 2024.

There were no other material subsequent events to disclose.