GREENCOAT BRECON LIMITED

Registration number: 13960570 (England and Wales)

Annual Report and Audited Financial Statements

For the year ended
31 December 2023

Schroders
greencoat

Contents

Company information

Registered office
4th Floor the Peak 5 Wilton Road London SW1V 1AN

Registration number
13960570

Directors
M Patel
H Unwin
J Reid (Resigned 14th June 2023)
A Sarandidis (Appointed 15th June 2023)

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

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 Brecon 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 the 7th March 2022.

Principal activities

The Company is owned by five shareholders, Greencoat Hudson LP, Greencoat Renewable Income LP, Greencoat Tachbrook LP, Greencoat Wilton LP and Greencoat Solar 1 LP (the 'LPs'), whose purpose is to invest in renewable infrastructure sectors in the United Kingdom which produce and sell power over a long-term horizon.

The Company invests in a Special Purpose Vehicle ('SPV') which holds the underlying asset.

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

Review of business

The Company's investment is measured at fair value with movements in fair value recognised in the Statement of Comprehensive Income in the period in which they arise.

The Company, via its SPV, holds one investment in Margam Green Energy Plant, a waste wood fired biomass power plant.

During the year, the asset generation was 27 percent below budget at 232,895 MWh, this was due to technical issues experienced in the year for which corrective repairs have been undertaken in the year to 31 December 2023. Overall, the operating profit of the underlying investment was down 50 percent versus budget. Since the year end, operational and financial performance has remained below budget due to issues with fuel quality and unplanned downtime. The manager is closely monitoring performance and is targeting improved plant reliability by prioritising the plant's operational and maintenance activities.

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.

Environmental, social and governance matters

The Company strives 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 investment.

The Company has invested in a renewable energy infrastructure asset contributing to the reduction of greenhouse gas emissions through the generation of renewable, low carbon energy as an alternative to fossil fuels. Biomass is considered a renewable, low carbon energy source when sourced sustainably because the carbon that is released from the organic material during combustion was recently sequestered from the atmosphere during the growth of the biomass. Bioenergy is a key pillar to delivering the Government's and society's climate change objectives. During the year, the Company generated 232,895 MWh of renewable electricity, equivalent to sufficient energy to power 86,257 homes avoiding approximately 93,158 tonnes of CO_2 emissions through the displacement of thermal generation (see the Metrics Section of the Taskforce for Financial Disclosures (TCFD) disclosures for methodology).

By generating renewable electricity, the Company is considered to contribute to the United Nations Sustainability Goals, "Sustainable Development Goal ("SDG"), SDG 7 (ensure access to affordable, reliable, sustainable and modern energy for all) and SDG 13 (take urgent action to combat climate change and its impacts).

Responsible investing principles, as set out in the Manager's ESG Policy, are adopted by the Manager and have been applied to each investment 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[1], 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.

ESG Report

The Manager publishes an ESG Report annually. This provides further information on how the Manager approaches responsible investment and ESG matters as well as further case studies and ESG data, including in relation to the Company. The Manager's ESG Report for 2023 is on its website.

Taskforce for Climate-related Financial Disclosures (TCFD) Disclosures

The Company supports the recommendations of the Task Force on Climate-Related Financial Disclosures ('TCFD') and refer 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, as recommended by the TCFD.

Under the Financial Conduct Authority (FCA's) climate-related reporting requirements, the Manager is required to provide an on-demand product-level TCFD report to a person entitled to make such a request. This is available upon request per requirements set out in the FCA Handbook.

Governance

The Board is responsible for the determination of the Company's Investment Objectives and Investment policy. It oversees the management of the Company and its investment, 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 to discuss risk management and investment considerations. Climate related risks are covered during these discussions, as they naturally arise from the Company's underlying investment and the Company's role in the decarbonisation of the UK economy. A formal risk matrix, which includes climate-related risks, is maintained by the Manager and reviewed and approved 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 Policy that looks to establish best practice in climate related risk management, reporting and transparency, which is updated annually. A Portfolio Manager of the Company is a permanent member of the Manager's ESG Committee. This ensures that they remain well informed and involved with ESG and climate-related discussions which may impact the Company. Representatives from the Manager also sit on the board of the company, which meet quarterly and discuss ESG and climate related risk management.

Strategy

As a Company investing in UK renewable infrastructure the Company plays a role in contributing towards the global goal of achieving a net-zero carbon emissions economy.

[1] ESG (schroderscapital.com)

The Board recognises, however, that there are short-term and medium to long-term climate-related risks that could impact the Company's financial performance. The Board seeks to manage and mitigate these risks.

The tables below summarise the principal opportunities and risks identified by the Board and Manager and include detail, where relevant, on how they manage the risks or opportunities. Climate related risks can be classified into two broad categories in line with TCFD recommendations: (i) risks associated with the transition to a decarbonised economy; and (ii) risks associated with the physical impacts of climate change.

Opportunities

Climate opportunity category	Climate issue	Opportunities	Company consideration
Transition – policy	Regulation and policy supporting renewable energy generation	The increasing ambition of corporate and Government net zero targets is expected to result in supportive policy incentives for the renewable energy sector. It is also expected to lead to increased use of lower emission sources of energy and a shift towards de-centralised energy production, increasing the demand for operational renewable energy.	A supportive policy environment is beneficial to both existing and new assets.
Transition – market opportunity	Increased demand for renewable energy generation	Increasing ambition of corporate and Government Net Zero targets could lead to a material increase in the procurement of renewable energy and demand for lower carbon solutions by businesses and consumers.	An increase in demand for renewable energy could support prices being paid for renewable energy generation.

Risks

Climate risk category	Climate issue	Risks	Response
Transition – market	Increased renewable generation capacity reduces power prices	It is possible that the deployment of new renewable energy generation capacity, required to meet future Government Net Zero targets, could reduce the power prices captured by the Company's asset resulting in reduced revenues.	The Board and the Manager consider that a factor that could impact the Company in the transition to a lower carbon economy is the variability of power prices, both in the short (<5 years) and medium-term (5-15 years). The risk is mitigated to some extent in the short-term by the Company through the existence of contracted cash flows. In the medium-long term (15-30 years), however, the risk is greater with the potential impact of a

			lower long term power price resulting in a decrease in the Company's NAV (see Climate Scenario section).
Transition – policy	Retrospective changes to policies providing financial support to renewable energy	There is a risk that Governments retrospectively change their financial support for the renewable energy sector or their classification of eligible activities. Retrospective changes to such financial support, such as ROC could have a material adverse effect on asset values and revenues for the asset.	The Board and Manager consider the likelihood of retrospective policy changes to be low in the short-term (<5years) but the potential impact to the Company to be relatively high, having already witnessed the revision by Governments in their support for the wind and solar sectors as markets have matured in other assets that the Manager manages. To manage this risk, the Manager keeps itself abreast of developments in international support for renewable energy and assesses the impact of any changes and, where possible, responds to changes when and if they happen. The Manager is also actively engaged in consultation with both industry and government, where it has strong existing relationships with industry bodies and policy makers such as DESNZ.
Transition – policy	Retrospective changes to carbon accounting standards	Under current EU and UK carbon accounting rules, bioenergy is defined as a renewable energy and can report Scope 1 emissions as zero. If industry and accounting perspectives were to change on this bringing bioenergy stack carbon emissions into scope of reporting, this could significantly reduce the demand for bioenergy as a source of power, impacting asset values, cash flows and investor interest. It could also lead to significant carbon costs or capex to introduce carbon capture and storage mechanisms. Finally, Company reported emissions could jump materially jeopardising Net Zero emissions targets thereby posing reputational damage to the Manager and Company.	The Company considers the likelihood of retrospective changes to carbon accounting to be low over the short to medium term (0-15 years) because of the extent of the regulatory adoption of this approach. The impact would be significant should the risk materialise. To manage this risk, the Manager keeps itself abreast of developments in international support for and definitions of renewable energy relating to biomass and other biofuels. The Manager has also initiated an assessment on the feasibility of introducing carbon capture storage on one of its waste wood biomass sites to better understand potential commercial and operational implications. This work includes evaluating technical solutions, offtake opportunities – both for storage or utilisation of the CO2, engagement with policy makers, local stakeholders, including local authorities and local industries with aligned strategies.
Transition – policy	Stricter policy and regulation	It is possible that government policy and regulation	The Company understands the need to decarbonise all parts of the

	on decarbonisat-ion	requires a more rapid decarbonisation of all parts of the economy, including for assets contributing to the energy transition. This could result in a significant increase in costs to adopt or deploy new lower-carbon practices and processes such as carbon capture, or an increase in costs associated with switching of supply chains to lower carbon alternatives.	economy. It considers the impact of the risk to be low short-term (<5 years) but to have a greater likelihood and impact over the medium-term (5-15years). Whilst the carbon footprint of the Company is relatively low compared to the carbon avoided through its renewable electricity generation the Board and the Manager are investigating opportunities to reduce its Scope 1 and 2 emissions, and influence the market to reduce Scope 3 emissions, including tracking the technical maturity and the associated costs of new or alternative technologies.
Transition – reputation	Increased reputational risks associated with climate-related disclosures and reporting obligations	There is an increase in reputational risk should incorrect or unclear statements be made in climate-related disclosures that could result in investor dissatisfaction, fines linked to greenwashing or broader reputational damage to the Company and the Manager.	The Company considers the potential likelihood of this risk to the Company to be low in the short and medium-term. To manage this risk, the Manager employs specialist consultants to measure and report on the Company's carbon emissions. The Manager also uses internal processes to monitor emerging climate-related disclosure regulations and disclosures that are made by the Company are reviewed by the Private Markets Steering Committee as well as the Manager's Compliance and Sustainability Team.
Physical – acute	Increase in extreme weather events	Globally we have witnessed an increase in recent years of extreme weather events including flooding, heatwaves, long periods of freezing temperatures, and storms including high wind speeds. Extreme weather events have the potential to disrupt operations and/or damage crops and thereby materially reduce straw availability, impacting cash flows and resulting in lower electricity volumes and revenue than expected. Extreme weather events may also damage assets resulting in increased operating costs or insurance premiums.	The Board and the Manager monitor climate related physical risks. In the medium and long term (15-30+ years), more extreme weather patterns arising from global warming have the capacity to damage infrastructure in general, including above ground grid, energy generation or energy transition infrastructure. However, short-term (0-5years) it is considered unlikely that significant damage will be caused to the Company's generating equipment as a result of extreme weather events. To mitigate potential risks of extreme weather events, appropriate protections are put in place to mitigate the risks to a reasonable extent, as required. The Manager also procures property damage and business interruption insurance should operations be

			disrupted, or assets be damaged. Finally, there are warranties and performance guarantees in place to cover failed equipment in the short term.
Physical – chronic	Changing weather patterns	Climate change has the potential to change weather patterns materially in the coming decades.	The Board and Manager consider the potential impact in the medium to long-term (5-30 years) of changing weather patterns on its activities to be uncertain. The Manager has carried out pilots for climate risk modelling which showed that climate risks were an immaterial risk for the asset in the near-term. The Manager continues to investigate physical climate modelling tools and solutions to better understand the potential physical climate scenarios that might unfold and their implications for the asset. (See Physical Risk Scenario section)

Climate Scenarios

The Board recognises the requirement under the TCFD for considering the resilience of its strategy under different climate related scenarios, including a 2°C or lower scenario. It has considered the potential impact of a high transition risk scenario on the Company's strategy and sets out high-level conclusions below. The scenario was developed by a leading energy market consultant.

To meet the Financial Conduct Authority (FCA's) product-level TCFD disclosure requirements, the Company has made available a product-level TCFD report. This includes information relating to an assessment of the potential impacts of specific transition scenarios as listed in the FCA Handbook[2].

Transition risk scenario

Transition risks are those associated with the pace and extent of societal change to adapt to and mitigate climate change. Transition risks can occur when the move to a greener economy has adverse impacts on sectors or whole parts of the economy due to policy, legal, market or technological shifts. The Board and the Manager continue to believe that a 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 buildout of renewable generation capacity will be required, there is a risk that the renewable energy power price could be negatively impacted.

The Board has assessed the potential impact of a high transition risk scenario using a third-party Net Zero model built by a leading power market expert. The model sets out how electricity prices and the market may develop in line with meeting the legislated target of Net Zero emissions by 2050. The model considers current and future policies to achieve carbon neutrality by 2050, technological developments, and commodity price forecasts for a global <2C outlook.

In this high transition risk 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 governments are successful in

[2] ESG 2 - FCA Handbook

implementing Net Zero plans albeit energy systems decarbonise later than targeted. 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, provided by the aforementioned power market expert applying the Net Zero scenario, reflects the wider deployment of low marginal cost renewable generation capacity, partially offset by the expected increase in energy demand resulting from the deployment of electrolysers as part of a growing hydrogen economy, increased electrification of transport and heat, and the build-out of data centres.

Modelling the lower long term power price under this scenario[3] would equate to approximately a 9% reduction in NAV compared to the base case long term power price currently used to model forecast power prices.

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 are taken. 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.

In a long-term high transition risk scenario, the emergence of commercial scale Carbon Capture Utilisation and Storage (CCUS) and more stringent policy regarding capture of all carbon emissions could lead to greater requirements to capture carbon at source from emitters. To manage this risk, the Manager is carrying out a feasibility study at one of the biomass power plants managed by the Manager to investigate a CCUS project on the site. This work includes evaluating technical solutions, offtake opportunities – both for storage or utilisation of the CO2, engagement with policy makers, local stakeholders, including local authorities and local industries with aligned strategies. Key findings of the feasibility study - including technical feasibility and costs associated with CCUS - will be considered by the Manager for all its biomass energy assets. Whilst obligation to capture carbon could result in material costs, the Manager believes that carbon capture and usage could present an opportunity to increase revenues from selling carbon dioxide to offtakers or receiving subsidy payments for doing so.

Physical risk scenarios

Physical risks may consist of acute physical risks resulting from increased severity and frequency of extreme weather events such as floods and extreme wind, and chronic physical risks; risks resulting from longer term shifts in climate patterns that may cause sea level rise, heat waves, droughts, and desertification.

Acute

The Board and the Manager recognises that the infrastructure sector is exposed to physical climate risks, which will be greater in a scenario where temperatures exceed 2°C but has not yet quantified the impact on its portfolio. The Company's asset is designed with appropriate measures in place to mitigate potential risks such as flooding. Extreme weather events such as storms, flooding, and heatwaves may disrupt supply chains and hinder maintenance work. Failure to carry out maintenance work can reduce or even stop electrical output, impacting asset revenue. The Manager mitigates this risk by keeping supply chains as short as possible and disruption risk managed through strategic spares to improve resilience. Extreme weather events such as storms, flooding, and heatwaves may also disrupt cereal harvests and negatively impact the availability of straw fuel. Insufficient fuel can reduce or even stop electrical output, impacting asset revenue. The Manager mitigates this risk by carrying strategic stocks across from one harvest to the next and investing in the asset to broaden the range of alternative biogenic fuels that can be combusted, improving resilience.

The Manager continues its work to identify appropriate physical climate modelling tools to support analysis for infrastructure assets.

3 Net Zero scenario based on external energy market consultancy pricing as at 31 December 2023.

Chronic

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

Overall, the Manager continues to investigate physical climate modelling tools and solutions to better understand the potential physical climate scenarios that might unfold and their implications for the Company.

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 board of the assets to ensure monitoring and influence of both financial and ESG, including climate-related, performance.

Metrics

The Board considers climate related metrics in the wider context of sustainability performance in accordance with the ESG Policy which includes the following indicators measuring the positive climate-related contribution made by the Company:

- Renewable energy generation;
- CO2 avoided;

In 2023, the Company avoided approximately 93,158 tonnes of CO2[4] and generated enough renewable electricity to power 86,257 homes[5].

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

Scope 1 emissions for the portfolio primarily relate to stationary combustion emissions (natural gas). Scope 2 emissions are associated with electrical consumption, which were calculated as nil in the comparative period. Scope 3 emissions include the following categories: purchased goods and services, capital goods, and fuel and energy related activities which are associated with the transmission and distribution losses or imported electricity and heat used by the assets. The largest contributors were fuel and energy related activities.

Carbon Footprint and Weighted average carbon intensity data for the year ended 31 December 2022 was not reported as it had not been assessed by the Manager.

[4] 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).

[5] 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 2.7 MWh/annum (OFGEM)

	Year ended 31 December 2023	Year ended 31 December 2022
Scope 1 – Direct emissions (tonnes CO_2)	11,101	10,332
Scope 2 – Indirect emissions (tonnes CO_2)	355	-
Scope 3 – indirect emissions (tonnes CO2)[1]	10,612	13,158
Total Scope 1, 2 and 3 emissions (tonnes CO_2)	**22,068**	**23,490**
Carbon Footprint – scope 1,2 and 3 emissions normalised by the value of the portfolio, expressed in tonnes CO2e/£M current value of all investments [2]	65 tonnes CO2/£m revenue	Not reported in 2022
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[3]	548 tonnes C02/£m revenue	Not reported in 2022
Carbon Intensity (activity) - total asset scope 1 and 2 emissions per energy generation, expressed in tonnes CO2e/MWh[4]	0.0492 tonnes CO2/MWh	Not reported in 2022

[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 boundaries.*

2 Calculated per TCFD Guidance:

$$\frac{\sum_{n}^{i}\left(\frac{\text{outstanding amount invested}_i}{\text{total investee debt + equity}_i} \text{ x investee Scope1,2 and 3 GHG emissions}_i\right)}{\text{Current value of all investments}}$$

3 Calculated per TCFD Guidance:

$$\sum_{n}^{i}\left(\frac{\text{outstanding amount invested}_i}{\text{current value of all investments}} \times \frac{\text{investee Scope 1, 2 and 3 GHG emissions}_i}{\text{investee revenue}_i}\right)$$

4 This metric is calculated by dividing portfolio Scope 1 and 2 emissions (sum of all asset scope 1 and 2 emissions reflecting fund ownership) and dividing this by aggregate portfolio MWh energy generation (sum of all asset MWh energy generation reflecting fund ownership). The Manager believes this metric is most relevant to the investment strategy and investments.

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 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 Weighted Average Carbon Intensity ("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 asset, with carbon emission per MWh of generation capacity being a more appropriate metric. Therefore, the Company 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 Manager. The carbon emissions of the asset are calculated and reported on an annual basis, supported by specialist external advisers.

Targets

Schroders Greencoat has set a commitment to cut scope 1 and 2 emissions intensity by 50% by 2030, using 2022 as a baseline. 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.

The Manager will work to develop a plan, in line with evolving requirements and best practice in this regard, on how it intends to reduce the carbon footprint associated with its asset to support its Net Zero commitment.

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.

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 £254,477,821 (2022: £280,205,500) which are redeemable on the termination date of 30 June 2053. Related party transactions are disclosed in note 13 to these accounts.

Electricity prices

The wholesale power price received for electricity generated is an important revenue stream. Future cashflows have been modelled using a forecast of power prices published by independent market experts.

Availability and operating performance

The availability and operating performance of the equipment used on biomass power plant may be impacted by accidents, mechanical failure, grid availability, theft or damage which will directly impact the revenues and profitability of that plant. The Company has limited control over these risks, and accordingly, limited 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 investment undergo significant due diligence prior to acquisition. Operating 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 investment 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 underlying investment 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 underlying investment 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.

Outlook

Waste wood arisings began to fall off towards the end of 2023 as economic activity, and particularly construction and demolition activity, stagnated. Whilst this did not impact output in 2023, if low arisings persist through the second half of 2024 there is a risk that output may be affected.

The key value driver affecting operating UK renewable energy generators is the wholesale power price. The long-term power price forecast is updated each quarter and reflected in the reported NAV.

Two other key macro themes during the year were high inflation and interest rates. The Investment Manager increased the blended portfolio discount rate in 2023, reflecting higher interest rates. Nonetheless, the effect of the increased discount rate was more than offset by increased inflation given the index linked nature of the portfolio cash flows. Towards the end of 2023, both inflation and interest rates began to fall, and this trend has continued into 2024.

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

Electronically signed by: Hugh unwin Date: Sep 24, 2024 22:19 GMT+1

Hugh Unwin
Director
Date: 24 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.

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 22. Losses attributable to the shareholder in the year ended 31 December 2023 were £20,437,030 (31 December 2022: Profit £20,818,789). Operating losses of £3,294,106 (2022: Profit £30,613,275), driven by fair value movements of investments, were the result of changes in operating assumptions and underperformance of the underlying investment.

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

As at 31 December 2023, the Company had net current liabilities of £5,318,241 (2022: £359,907,266), net assets of £75,587,343 (2022: £20,818,964) and had cash balances of £662,206 (2022: £131). Included in net current liabilities is £8,859,589 (2022: £9,794,486) relating to accrued loan interest payable, this can be capitalised when agreed in writing from the LPs. As of 31 December 2023, the Company owed the LP's £254,477,821 as disclosed in note 9. The Company has received confirmation from the LP's that it will not seek repayment of interest on this loan 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 Company continues to meet its day-to-day liquidity requirements through its cash resources, which are managed via distributions received from the SPV.

The investment will continue making repayments in the coming year.

The Manager and Directors 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

As disclosed in note 17, there were no other material subsequent events.

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

Electronically signed
by: Hugh unwin
Date: Sep 24, 2024
22:19 GMT+1

Hugh Unwin
Director
Date: 24 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

Electronically signed by: Hugh unwin Date: Sep 24, 2024 22:19 GMT+1

Hugh Unwin
Director
Date: 24 September 2024

Independent auditor’s report

To the Members of Greencoat Brecon 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 loss for the year then ended
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006

We have audited the financial statements of Greencoat Brecon Limited (“the Company”) for the year ended 31 December 2023 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:

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, UK
Date: 25 September 2024

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 2023 £	For the period ended 31 December 2022 £
Income		53,808	27,222
Unrealised gains/(loss) on investments held at fair value through profit or loss	6	(11,385,791)	26,838,542
Interest income		8,169,550	6,397,744
Total income/(loss)		**(3,162,433)**	**33,263,508**
Operating expenses		(131,673)	(18,199)
Investment acquisition costs		-	(2,632,034)
Operating profit/(loss)		**(3,294,106)**	**30,613,275**
Interest on shareholder loan		(17,142,924)	(9,794,486)
Profit/(loss) on ordinary activities before tax		**(20,437,030)**	**20,818,789**
Taxation	5	-	-
Profit/(loss) on ordinary activities after tax		**(20,437,030)**	**20,818,789**
Profit/(loss) and total comprehensive income attributable to the shareholder of the Company		**(20,437,030)**	**20,818,789**

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

The accompanying notes on pages 26 to 37 form an integral part of these financial statements.

Statement of financial position

	Note	As at 31 December 2023 £	As at 31 December 2022 £
Non-current assets			
Investments	6	335,383,405	380,726,230
Current assets			
Shareholder loan interest receivable		3,267,202	6,397,744
Other receivables	7	177,944	198,499
Cash at bank		662,206	131
Current liabilities			
Payables	8	(9,425,593)	(86,298,140)
Loans and borrowings	9	-	(280,205,500)
Net current liabilities		(5,318,241)	(359,907,266)
Non-current liabilities			
Loans and borrowings	9	(254,477,821)	-
Net assets		**75,587,343**	**20,818,964**

Capital and reserves			
Share capital	10	1,160	175
Share premium	10	75,204,424	-
Income account		381,759	20,818,789
Shareholder's funds		**75,587,343**	**20,818,964**

The financial statements on pages 22 to 25 were approved by the Board of Directors and authorised for issue on 24 September 2024 and signed on its behalf by:

Electronically signed by: Hugh unwin Date: Sep 24, 2024 22:19 GMT+1

Hugh Unwin
Director

Company registration number 13960570

The accompanying notes on pages 26 to 37 form an integral part of these financial statements.

Statement of changes in equity

	Share capital £	Share premium £	Income account £	Total £
Balance at 1 January 2023	175	-	20,818,789	20,818,964
Profit/(loss) and total comprehensive income for the year	-	-	(20,437,030)	(20,437,030)
Issue of shares during the year	985	75,204,424		75,205,409
Balance at 31 December 2023	**1,160**	**75,204,424**	**381,759**	**75,587,343**

	Share capital £	Share premium £	Income account £	Total £
Balance at 1 January 2022	-	-	-	-
Profit and total comprehensive income for the period	-	-	20,818,789	20,818,789
Issue of shares during the period	175	-	-	175
Balance at 31 December 2022	**175**	**-**	**20,818,789**	**20,818,964**

The accompanying notes on pages 26 to 37 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 flows used in operating activities	14	(77,085)	(2,760,114)
Cash flows from investing activities			
Acquisition costs		(77,485,224)	(132,583,371)
Shareholder loans issued		-	(144,862,059)
Repayment of shareholder loan investments	6	35,000,000	-
Loan interest received		11,300,000	-
Net cash inflow/(outflow) from investing activities		**(31,185,224)**	**(277,445,430)**
Cash flows from financing activities			
Loans drawn down in the year	9	45,000,000	280,205,500
Loans repaid in the year		(13,075,616)	-
Loan interest paid in year		-	-
Issue of shares		-	175
Net cash (outflow)/inflow from financing activities		**31,924,384**	**280,205,675**
Net increase/(decrease) in cash and cash equivalents during the year		662,075	131
Cash and cash equivalents at the beginning of the year		131	-
Cash and cash equivalents at the end of the year		**662,206**	**131**

The accompanying notes on pages 26 to 37 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 company is a private company, limited by shares and was incorporated under the laws of England and Wales on the 7th of March 2022.

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

As at 31 December 2023, the Company had net current liabilities of £5,318,241 (2022: £359,907,266), net assets of £75,587,343 (2022: £20,818,964) and had cash balances of £662,206 (2022: £131). Included in net current liabilities is £8,859,589 (2022: £9,794,486) relating to accrued loan interest payable, this can be capitalised when agreed in writing from the LPs. As of 31 December 2023, the Company owed the LP's £254,477,821 as disclosed in note 9. The Company has received confirmation from the LP's that it will not seek repayment of interest on this loan 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 Company continues to meet its day-to-day liquidity requirements through its cash resources, which are managed via distributions received from the SPV.

The investment will continue making repayments in the coming year.

The Manager and Directors 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 accrual 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 accrual 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, 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 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. Amortised cost is calculated using the effective interest rate method less any impairment losses. 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.

Fair value through profit or loss

Investments including shareholder loans are designated upon initial recognition as held at fair value through profit or loss as permitted by FRS 102. Gains or losses resulting from the movement in fair value are recognised in the Statement of Comprehensive Income in the year/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 accrual 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 held with banks, and 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 investment

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 the investment 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 amount of electricity the assets are expected to produce and the price and volume of feedstock.

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 the investee company 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.

In the case of the Biomass asset, 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 volume and price of feedstock in the Biomass asset is guaranteed by the fuel supplier.

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 the investment, 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 £
Investment interest income	8,169,550	6,397,744
Other interest income	8,444	-
Management services income	45,364	27,222
	8,223,358	**6,424,966**

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	(27,500)	(18,000)
Movement in fair value of investments	(11,385,791)	26,838,542

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 £
(Loss)/profit for the year before tax	(20,437,030)	20,818,789
(Loss)/profit for the year multiplied by the standard rate of corporation tax of 23.52 per cent (2022: 19 per cent)	(4,806,901)	3,955,570
Income not taxable including unrealised movement on revaluation of investments	-	(5,099,323)
Non-deductible expenses including unrealised movement on revaluation of investment	2,697,499	500,087
Other adjustments	210,025	295,325
Deferred tax asset not recognised	1,899,377	348,344
Tax rate changes	-	(3)
	-	-

A deferred tax asset of £1,899,377 (2022: £348,344) 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 2023	144,862,059	235,864,171	380,726,230
Additions	-	1,042,966	1,042,966
Repayment of shareholder loan investments	(35,000,000)	-	(35,000,000)
Unrealised movement in fair value of investments	-	(11,385,791)	(11,385,791)
Closing balance at 31 December 2023	**109,862,059**	**225,521,346**	**335,383,405**

	Loans £	Equity investment £	Total £
Opening balance at 1 January 2022	-	-	-
Additions	144,862,059	209,025,629	353,887,688
Unrealised movement in fair value of investment	-	26,838,542	26,838,542
Closing balance at 31 December 2022	**144,862,059**	**235,864,171**	**380,726,230**

The investments made in the underlying asset carried at fair value. The investment is made through a combination of loans and equity into the investment vehicle which owns the underlying asset 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.

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 investment has been classified within level 3 as the investment is not traded and contain unobservable inputs. Due to the nature of the investment, it is 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. Other receivables

	As at 31 December 2023 £	As at 31 December 2022 £
Other debtors	171,277	171,277
Prepayments and accrued Income	6,667	27,222
	177,944	**198,499**

8. Payables

	As at 31 December 2023 £	As at 31 December 2022 £
Accruals and deferred Income	20,810	18,155
Loan interest payable	8,859,589	9,794,486
Deferred consideration payable	-	76,442,258
Other creditors	545,194	43,241
	9,425,593	**86,298,140**

Deferred consideration of £76,442,258 as at 31 December 2022 related to an amount payable to CEP Biomass Energy Limited (Seller) for the acquisition of Margam Green Energy Limited. The balance was settled in full on 15th June 2023.

9. Loans and borrowings

	As at 31 December 2023 £	As at 31 December 2022 £
Opening balance	280,205,500	-
Shareholder loans drawn down in the year	45,000,000	280,205,500
Loan settled through restructuring	(325,205,500)	-
New loan notes issued through restructuring	268,077,821	-
Loans repaid in the year	(13,600,000)	-
Closing balance	**254,477,821**	**280,205,500**

On the 14th of June, the Company received additional shareholder loans with its LPs to the value of £45,000,000.

On the 15th of June, shareholder loans with the loan balance of £325,205,500 and unpaid accrued interest of £18,077,821, were replaced with new principal loan notes of £250,000,000 (interest bearing), accrued interest loan notes of £18,077,821 (non-interest bearing) and equity in the form of new ordinary share capital and share premium of £75,205,424. Partial settlement of £13,600,000 was paid in respect of these notes on 29th December 2023.

The principal loan notes are redeemable on the termination date of 30 June 2053 and bears interest at a rate of 6.5 per cent. Interest is repayable at lease quarterly.

10. Share capital

Issued	Number of shares issued	Share capital £	Share premium £	Total £
Opening balance – 1 January 2023	17,497	175	-	175
Issue of shares during the year*	100,000	985	75,204,424	75,205,409
Closing balance – 31 December 2023	**117,497**	**1,160**	**75,204,424**	**75,205,584**

* The Company issued 92,311 Class "A" and 7,689 Class "B" shares during the year. 2,208 Class "B" shares were converted to Class "A" shares in the same period. Total consideration was £75,205,409 with the nominal value of the shares issued being £985.

Issued	Number of shares issued	Share capital £	Share premium £	Total £
Opening balance – 1 January 2022	-	-	-	-
Issue of Ordinary shares during the period*	17,497	175	-	175
Closing balance – 31 December 2022	**17,497**	**175**	**-**	**175**

* The Company has issued 13,749 Class "A" shares and 3,748 Class "B" shares. "B" ordinary shares do not have voting rights and are not entitled to dividends or distributions.

11. Financial instruments

	Note	Measured at amortised cost £	Measured at fair value £	Total £
Financial assets as at 31 December 2023				
Investment – Equity	6	-	225,521,346	225,521,346
Investment – Shareholder loans	6	-	109,862,059	109,862,059
Shareholder loan interest receivable		3,267,202	-	3,267,202
Other receivables	7	177,944	-	177,944
Cash at bank		662,206	-	662,206
		4,107,352	**335,383,405**	**339,490,757**

	Note	Measured at amortised cost £	Measured at fair value £	Total £
Financial assets as at 31 December 2022				
Investment - Equity	6	-	235,864,171	235,864,171
Investment – Shareholder loans	6	-	144,862,059	144,862,059
Shareholder loan interest receivable		6,397,744	-	6,397,744
Other receivables	7	198,499	-	198,499
Cash at bank		131	-	131
		6,596,374	**380,726,230**	**387,322,604**

	Note	Measured at amortised cost £	Measured at fair value £	Total £
Financial liabilities as at 31 December 2023				
Payables	8	9,425,593	-	9,425,593
Loans and borrowings	9	254,477,821	-	254,477,821
		263,903,414	**-**	**263,903,414**

	Note	Measured at amortised cost £	Measured at fair value £	Total £
Financial liabilities as at 31 December 2022				
Payables	8	86,298,140	-	86,298,140
Loans and borrowings	9	280,205,500	-	280,205,500
		366,503,640	**-**	**366,503,640**

12. Unconsolidated subsidiaries

The Directors consider the 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 subsidiary is held as part of an investment portfolio.

	Company number	Ownership interest as at 31 December 2023
Margam Green Energy Limited	08441850	100%

13. Related party transactions

The Company has a Management Service Agreement with Margam Green Energy Limited of its fully owned operational assets, for which it receives £40,000 per annum rising with RPI for each underlying investment, in relation to management services. During the year, an amount of £45,364 (2022: £27,222) was earned by the Company in respect of these agreements. As at 31 December 2023 there was £nil outstanding from the investee companies (2022: £27,222).

As disclosed in note 9, on the 14th of June, the Company received additional shareholder loans of £45,000,000. On the 15th of June, shareholder loans with the loan balance of £325,205,500 and unpaid accrued interest of £18,077,821, were replaced with new principal loan notes of £250,000,000 (interest bearing), accrued interest loan notes of £18,077,821 (non- interest bearing) and equity in the form of new ordinary share capital and share premium of £75,205,424.

The principal loan notes are redeemable on the termination date of 30 June 2053 and bears interest at a rate of 6.5 per cent. Interest is repayable at least quarterly. As at 31 December 2023, the loan balance was £250,000,000 (2022: £nil) and loan interest outstanding was £8,859,589 (2022: £nil).

The accrued interest loan notes are redeemable on the termination date of 30 June 2053 and are non-interest bearing. As at 31 December 2023, the loan balance was £4,477,821 (2022: £nil).

The Company provided shareholder loans to investee companies totalling £109,862,059 (2022: £144,862,059). These loans are repayable on 31 March 2042 and bear interest at rate of 6.5 per cent. Interest is repayable quarterly, on 31 March, 30 June, 30 September and 31 December each year, and any unpaid interest may be capitalised on these dates when agreed in writing.

14. Reconciliation of cash flows from operating activities

	Note	For the year ended 31 December 2023 £	For the year ended 31 December 2022 £
(Loss)/profit on ordinary activities after tax		(20,437,030)	20,818,789
Adjustments for:			
Movement in fair value of investments	6	11,385,791	(26,838,542)
Interest expense		17,142,924	9,794,486
Investment interest income	3	(8,169,550)	(6,397,744)
Movement in receivables		20,555	(198,499)
Movement in payables		(19,775)	61,396
Net cash flows used in operating activities		**(77,085)**	**(2,760,114)**

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 are measured at fair value through profit or loss and are valued on an unlevered, discounted cashflow basis. Therefore, the value of the 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.

In relation to the investment, sensitivity analysis indicates that a discount rate increase of 50bp yields a downward adjustment to the fair value of £13.3 million (2022: £13.3 million) Conversely, a discount rate decrease of 50bp yields an upward adjustment to the fair value of £14.3 million (2022: £14.3 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 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 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 cashflows 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 company. 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 2023 was £109,862,059 (2022: £144,862,059).

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.

16. Controlling party

The directors consider that there is no ultimate controlling party with Greencoat Hudson LP, Greencoat Renewable Income LP, Greencoat Tachbrook LP, Greencoat Wilton LP and Greencoat Solar 1 LP together holding 100 percent of the shares in the Company.

17. Events after the end of the reporting period

There were no other material subsequent events.