# AIP Acquisitions II Limited

Annual Report and Financial Statements

Registered number 09431123

31 December 2022

# Company Information

| | |
|---|---|
| **Directors** | J Skinner<br>C James-Milrose (appointed 17 February 2023) |
| **Company number** | 09431123 |
| **Registered office** | 15 Diddenham Court<br>Lambwood Hill, Grazeley<br>England<br>RG7 1JQ |
| **Auditor** | Deloitte LLP<br>2 New Street Square<br>London<br>EC4A 3BZ |
| **Bankers** | Royal Bank of Scotland Plc<br>36 St Andrew Square<br>Edinburgh<br>EH2 2YB<br><br>National Westminster Bank Plc<br>250 Bishopsgate<br>London<br>EC2M 4AA |

## Contents

# Group Strategic Report

### Introduction

'The Group' is defined as AIP Acquisitions II Limited ('the Company') together with its direct and indirect subsidiaries (see note 10 for further details).

These financial statements are for the year ended 31 December 2022. The Group's principal activity is the operation of ground mounted solar photo-voltaic installations in the UK. The Group's strategy is to operate these installations efficiently and optimise generation revenues, whilst maintaining the installations to maximise generation of electricity over the installation's economic life. The Group operates a lean business model to assist achieving this objective.

### Business review

The Group has recorded consolidated revenue of £20,387,882 (2021: £13,137,837) and profit before tax of £9,919,281 (2021: profit before tax of £3,457,678) for the year ended 31 December 2022. The consolidated statement of financial position on page 13 shows the Group's financial position at the year end. As at 31 December 2022, the Group had net assets of £83,948,119 (2021: £84,528,740). The significant increase in revenue/profit were as a result of the prior year reorganisation as discussed below.

In addition, fair value movements of interest rate swaps increased from £2,143,843 profit in 2021 to a £5,517,173 profit in 2022.

### Significant prior year events

In the prior year, on 1st June 2021, the external debt within the Company was refinanced. On the same date, the directors decided to undertake a Group re-organisation.

*Group re-organisation*

As a result of the re-organisation, the ownership of Arjun Infrastructure Partners III Ltd and AIP Acquisitions VI Ltd was transferred to Arjun Infrastructure Partners II Ltd, who further transferred the ownership to the Company. Therefore, Arjun Infrastructure Partners III Ltd and AIP Acquisitions VI Ltd (together with their subsidiaries) are now fully-owned subsidiaries of the Company and members of the Group.

As part of the re-organisation, capital reductions were undertaken which created £89m of additional distributable reserves for the Group.

*Unlawful dividends*

As referenced in note 23, in the prior year, the Company received dividends from two of its subsidiaries totalling £220,000 – AEE Renewables UK 33 Limited (£70,000) and Lumicity 4 Limited (£150,000). These dividends were deemed to be unlawful at the time of issue in accordance with the Companies Act 2006 on the basis that the subsidiaries did not have sufficient distributable reserves at the time the dividends were declared and paid.

Notwithstanding the above, all creditors were paid and the Company and the subsidiaries rectified this within the year via full repayment of the unlawful dividends and offsetting this against the repayment of the same amount of pre-existing shareholder loans between the Company and the subsidiaries.

Furthermore, another dividend totalling £1,129,695 was declared and paid in the prior year (February 2021) by a current subsidiary (AIP Acquisitions VI Limited) to its previous parent company (AIP Infrastructure LP) prior to the Group reorganisation in June 2021. In accordance with the Companies Act 2006, part of this dividend was deemed unlawful on the basis that the subsidiary did not have sufficient distributable reserves at the time the dividend was declared and paid. After reviewing this matter, a partial repayment (c£605k) of the dividend was required by AIP Infrastructure LP, which represented the excess of the dividend paid over the available distributable reserves at the time it was declared (c£525k). Notwithstanding the above, all creditors were paid and AIP Infrastructure LP, the Company and the subsidiary have rectified this within the year via a repayment of the unlawful part of the dividend and offsetting the repayment indirectly against the repayment of the same amount of pre-existing intercompany loans between AIP Infrastructure LP, the Company, AIP Infrastructure Partners II Limited and AIP Acquisitions VI Limited.

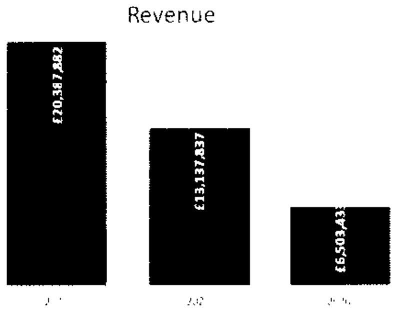
## Group Strategic Report *(continued)*

**Key performance indicators**

**Revenue:**

FY 2022 revenue increased by 55% over FY 2021 figures primarily due to the group reorganisation and acquisitions of AIP Acquisitions VI Limited and Arjun Infrastructure Partners III Limited (together with their underlying subsidiaries) in June 2021.

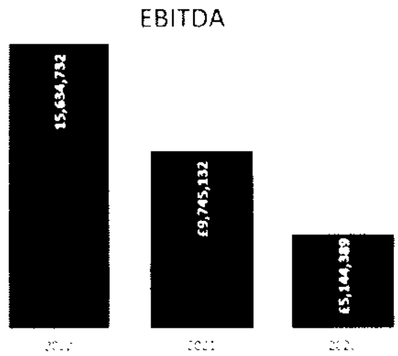
The revenue for the acquired entities in the pre acquisition period Jan-May 2021 is not included within the comparative figures.




**EBITDA:**

FY 2022 Earnings before interests, taxes, depreciation, and amortization (EBITDA) increased by 60% over FY 2021 figures primarily due to the group reorganisation and acquisitions of AIP Acquisitions VI Limited and Arjun Infrastructure Partners III Limited (together with their underlying subsidiaries) in June 2021. The EBITDA % in 2022 was 77% (2021: 74%).

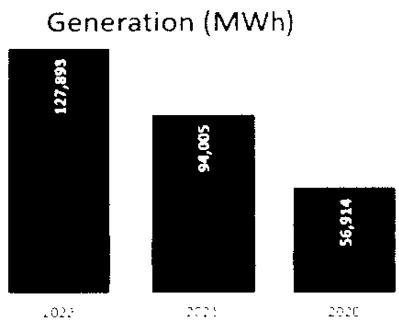
The EBITDA for the acquired entities in the pre acquisition period Jan-May 2021 is not included within the comparative figures.




**Solar generation:**

FY 2022 solar generation increased by 36% over FY 2021 figures primarily due to the group reorganisation and acquisitions of AIP Acquisitions VI Limited and Arjun Infrastructure Partners III Limited (together with their underlying subsidiaries) in June 2021.

The generation for the acquired entities in the pre acquisition period Jan-May 2021 is not included within the comparative figures.



## Group Strategic Report *(continued)*

### Principal risks and uncertainties

The Board is committed to a continual process of improvement and embedment of the risk management framework within the Group. This ensures that the Group identifies both existing and emerging risks, and continues to develop appropriate mitigation strategies.

The Board believes that there are a number of potential risks to the Group that could hinder the successful implementation of its strategy. These risks may arise from internal and external events, acts and omissions.

However, the Board is proactive in identifying, assessing and managing all risks facing the business. The principal risks and uncertainties facing the Group are detailed below, along with the Directors' responses to those risks.

**Strategic risk:**

*Market risk.* The risk that the Group fails to remain competitive in its peer group due to competitor activity, and regulatory expectations. This risk is mitigated by the Group remaining closely aligned with trade and industry bodies, and other policy makers across our market.

**Operational risk:**

*Performance risk.* Performance of the installed equipment over the life of the lease. The risk is mitigated by the operations and maintenance (O&M) agreement in place with an experienced Contractor.

*Energy yield risk.* Variability of solar irradiance which affects the generation achieved by the installation. This risk is mitigated to a manageable level through performance guarantees.

**Financial risk:**

*Liquidity risk.* The risk that the Group suffers significant settlement default or otherwise suffers major liquidity problems which severely impact on the Company's reputation in the markets. This risk is mitigated by the Group being a highly cash-generative business and it maintains sufficient cash and standby banking facilities to fund its foreseeable trading requirements.

*Price risk.* The risk that the Group suffers significant reduction in power prices which can severely impact on the Group's ability to generate profits. This risk is mitigated by the Group entering into hedge agreements to fix future power prices until April 2026.

*Credit risk.* The Group's financial assets are cash and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables and accrued income which are with one counterparty. The Group monitors the financial standing of that counterparty in order to manage its credit risk.

*Inflation risks.* Rising price inflation could mean that the group encounters increases to operating costs, which could erode operating margins and EBITDA. In addition, it could increase the cost of decommissioning activity and result in a higher decommissioning provision in the accounts going forward. This risk is mitigated by the group monitoring price inflation and the impact it has on forecasts cost, and entering into long term contracts such as O&M contracts where possible.

**Interest Rate risk:**

The Group is exposed to interest rate risk through its banking facility which is priced as SONIA plus a fixed margin. The risk is mitigated by an interest rate swap which is in place to fix interest on the majority of the loan balance.

## Group Strategic Report *(continued)*

**Future developments**

Details of future developments can be found in the Directors' Report on page 5 and form part of this report by cross-reference.

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

DocuSigned by:
Julian Skinner
E0527D6952824DE

J Skinner
Director
23 June 2023

## Director's Report

The directors present their report and the audited financial statements of the Group and Company for the year ended 31 December 2022.

The financial risk management objectives and policies has been included within the strategic report.

### Directors

The directors, who served throughout the year and to the date of signing of the accounts were as follows:

C James-Milrose (appointed 17 February 2023)
J Skinner
N Hilyard (resigned 15 February 2023)

### Results and dividends

The Group profit for the year, after taxation, amounted to £9,109,112 (2021: profit of £2,511,723).

Dividends totalling £10,294,925 (2021: £4,232,875) were paid during the year.

### Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

### Future developments

The Directors intend to continue operation of the ground mounted solar photovoltaic installations in a manner which maximises generation of electricity and the Group's profitability over the useful economic lives of the installations.

### Going concern

The portfolio performed well during the year relative to the P50 generation target. The O&M providers, Anesco Limited and Belectric Solar Limited, continue to proactively monitor the asset performance.

The Russian invasion of Ukraine commenced in February 2022. Due to Europe's reliance on Russian commodities, the conflict resulted in gas and coal prices recording new all-time highs. These high fuel prices fed into wholesale electricity prices, resulting in the historic high prices being maintained, despite an increase in renewable generation. The solar farm's revenue structure is largely fixed due to the Renewable Obligation Certificate and Power Purchase Agreement floor price, however as long-term power prices increased, the Group hedged power price exposure until April 2026.

The directors are confident that, having reviewed the Group's budgets and forecasts, the Group and Company have adequate resources to continue in operation and to enable the Group and Company to pay their debts as they fall due for at least 12 months from the signing of the accounts. This review included an analysis of business operating plans, the availability of alternative sources of funding and associated cash flow projections.

Arjun Infrastructure Partners II Limited, the parent company, also confirmed that it will not be demanding repayment of the senior loan amount due from AIP Acquisitions II Limited for a period of not less than one year from the approval of these financial statements. Having regard to this intention, the directors believe it is appropriate to prepare these financial statements on a going concern basis.

### Post balance sheet events

After the year end, and prior to the date of signing these financial statements, the Directors proposed and paid a dividend of £4,450,000.

There were no significant events that would require adjustment to the Group or Company's financial statements.

# Director's Report *(continued)*

**Disclosure of information to the auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company and group's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company and group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

**Auditor**

Deloitte LLP have expressed their willingness to continue as auditors and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

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

DocuSigned by:
Julian Skinner
E0527D6952824DE
J Skinner
Director
23 June 2023

## Directors' responsibilities statement

The directors are responsible for preparing the annual 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 (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of 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 Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Independent Auditor's Report to the members of AIP Acquisitions II Limited

## Report on the audit of the financial statements

### Opinion

In our opinion the financial statements of AIP Acquisitions II Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial positions;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company statements of cash flows;
- the related notes 1 to 26.

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 are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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 group's and parent 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.

## Independent auditors' report to the members of AIP acquisitions II Limited *(continued)*

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

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

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

### *Extent to which the audit was considered capable of detecting irregularities, including fraud*

*Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in* line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including *fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.*

*We considered the nature of the group's industry and its control environment, and reviewed the group's documentation* of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

## Independent auditors' report to the members of AIP acquisitions II Limited *(continued)*

We obtained an understanding of the legal and regulatory framework that the group and the parent company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the rules of Great Britain's independent energy regulator, Ofgem.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our procedures performed to address it are described below:

- Presumed risk of fraud associated with revenue recognition (pin pointed to cut off and accuracy of Renewable obligation certificates (ROC) recycling revenue): in response to revenue recognition risk, we obtained an understanding of the revenue recognition process; we also performed substantive testing of the revenue recognised to external support, and we traced revenue received to bank statements. Our procedures also included inspection of invoices received subsequent to year end and recalculation of income accruals.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

### Report on other legal and regulatory requirements

#### Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

## Independent auditors' report to the members of AIP acquisitions II Limited *(continued)*

### Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in respect of these matters.

### 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:
373B88E42FC840E
William Brooks FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

23 June 2023

## Consolidated Statement of Comprehensive Income

*for the year ended 31 December 2022*

| | Notes | 2022<br>£ | 2021<br>£ |
|---|---|---|---|
| **Turnover** | 5 | **20,387,882** | 13,137,837 |
| Cost of sales | | **(3,856,009)** | (2,460,404) |
| **Gross profit** | | **16,531,873** | 10,677,433 |
| Administrative expenses | | **(9,788,788)** | (7,132,329) |
| Fair value movements | 16 | **5,517,173** | 2,143,843 |
| **Operating profit** | 6 | **12,260,258** | 5,688,947 |
| Interest payable and similar expenses | 7 | **(2,340,977)** | (2,231,269) |
| **Profit before taxation** | | **9,919,281** | 3,457,678 |
| Taxation | 8 | **(810,169)** | (945,955) |
| **Profit for the financial year** | | **9,109,112** | 2,511,723 |
| **Total comprehensive income for the year** | | **9,109,112** | 2,511,723 |
| **Profit for the financial year attributable to:** | | | |
| Equity shareholders of the parent | | **9,109,112** | 2,511,723 |
| | | **9,109,112** | 2,511,723 |

The statement of comprehensive income has been prepared on the basis that all results are derived from continuing operations.

There were no recognised gains and losses for 2022 or 2021 other than those included in the consolidated statement of comprehensive income.

The notes on pages 19 to 40 form an integral part of these financial statements.

## Consolidated Statement of Financial Position
*at 31 December 2022*

| | Notes | 2022 £ | 2022 £ | 2021 £ | 2021 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Property, plant and equipment | 9 | **148,012,704** | | 157,474,123 | |
| Debtors: amounts falling due after one year | 11 | **5,610,312** | | 239,852 | |
| **Total non-current assets** | | | **153,623,016** | | 157,713,975 |
| **Current assets** | | | | | |
| Debtors: amounts falling due within one year | 11 | **4,036,260** | | 3,297,693 | |
| Cash at bank and in hand | 12 | **7,739,741** | | 7,419,647 | |
| ***Total current assets*** | | **11,776,001** | | 10,717,340 | |
| Creditors: amounts falling due within one year | 13 | **(36,863,815)** | | (35,518,485) | |
| **Net current liabilities** | | | **(25,087,814)** | | (24,801,145) |
| **Total assets less current liabilities** | | | **128,535,202** | | 132,912,830 |
| Creditors: amounts falling due after more than one year | 14 | | **(30,038,747)** | | (32,688,922) |
| Provisions for liabilities | 19 | | **(14,548,336)** | | (15,695,168) |
| **Net assets** | | | **83,948,119** | | 84,528,740 |
| **Capital and reserves** | | | | | |
| Called up share capital | 20 | | **102** | | 102 |
| Share premium | 22 | | **1,403,878** | | 1,403,878 |
| Profit and loss account | 22 | | **82,544,139** | | 83,124,760 |
| **Equity shareholders' funds** | | | **83,948,119** | | 84,528,740 |

The notes on pages 19 to 40 form an integral part of these financial statements.

The financial statements of AIP Acquisitions II Limited were approved by the board of directors and authorised for issue on 23 June 2023. They were signed on its behalf by:

DocuSigned by:
Julian Skinner
50527D6952824DE
J Skinner
Director
Company registered number: 09431123

## Company Statement of Financial Position
*at 31 December 2022*

| | Notes | 2022 £ | 2022 £ | 2021 £ | 2021 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Investment in subsidiaries | 10 | **106,288,473** | | 106,288,473 | |
| Debtors: amounts falling due after one year | 11 | **43,718,811** | | 44,108,091 | |
| **Total non-current assets** | | | **150,007,284** | | 150,396,564 |
| **Current assets** | | | | | |
| Debtors: amounts falling due within one year | 11 | **750,144** | | 283,492 | |
| Cash at bank and in hand | 12 | **337,207** | | 176,874 | |
| **Total current assets** | | **1,087,351** | | 460,366 | |
| Creditors: amounts falling due within one year | 13 | **(33,647,807)** | | (33,266,923) | |
| **Net current liabilities** | | | **(32,560,456)** | | (32,806,557) |
| **Total assets less current liabilities** | | | **117,446,828** | | 117,590,007 |
| Creditors: amounts falling due after more than one year | 14 | | **(29,563,089)** | | (32,139,950) |
| **Net assets** | | | **87,883,739** | | 85,450,057 |
| **Capital and reserves** | | | | | |
| Called up share capital | 20 | | **102** | | 102 |
| Share premium | 22 | | **1,403,878** | | 1,403,878 |
| Profit and loss account | 22 | | **86,479,759** | | 84,046,077 |
| **Equity shareholders' funds** | | | **87,883,739** | | 85,450,057 |

The notes on pages 19 to 40 form an integral part of these financial statements.

The profit for the financial year dealt with in the financial statements of the parent company was £12,728,607 (2021: £5,362,937).

These financial statements were approved by the board of directors and authorised for issue on 23 June 2023. They were signed on its behalf by:

DocuSigned by:
Julian Skinner
E0527D6952824DE...

J Skinner
Director
Company registered number: 09431123

## Consolidated Statement of Changes in Equity
*at 31 December 2022*

| | Notes | Called up share capital £ | Share premium £ | Profit and loss account £ | Equity shareholders' funds £ |
|---|---|---|---|---|---|
| **Balance at 1 January 2021** | | **100** | **-** | **(3,654,088)** | **(3,653,988)** |
| Issue of shares | | 2 | 89,903,878 | - | **89,903,880** |
| Capital reduction | | - | (88,500,000) | 88,500,000 | - |
| Dividend paid | | - | - | (4,232,875) | **(4,232,875)** |
| Total comprehensive income for the year | | - | - | 2,511,723 | **2,511,723** |
| | | 2 | 1,403,878 | 86,778,848 | **88,182,728** |
| **Balance at 31 December 2021** | | **102** | **1,403,878** | **83,124,760** | **84,528,740** |
| Dividend paid | | - | - | (10,294,925) | **(10,294,925)** |
| Repayment of unlawful dividends | 23 | - | - | 605,192 | **605,192** |
| Total comprehensive income for the year | | - | - | 9,109,112 | **9,109,112** |
| | | - | - | (580,621) | **(580,621)** |
| **Balance at 31 December 2022** | | **102** | **1,403,878** | **82,544,139** | **83,948,119** |

The notes on pages 19 to 40 form an integral part of these financial statements.

## Company Statement of Changes in Equity

*at 31 December 2022*

| | Called up share capital £ | Share premium £ | Profit and loss account £ | Equity shareholders' funds £ |
|---|---|---|---|---|
| **Balance at 1 January 2021** | **100** | **-** | **(5,583,985)** | **(5,583,885)** |
| Issue of shares | 2 | 89,903,878 | | **89,903,880** |
| Capital reduction | - | (88,500,000) | 88,500,000 | **-** |
| Dividend paid | - | - | (4,232,875) | **(4,232,875)** |
| Total comprehensive income for the year | - | - | 5,362,937 | **5,362,937** |
| | 2 | 1,403,878 | 89,630,062 | **91,033,942** |
| **Balance at 31 December 2021** | **102** | **1,403,878** | **84,046,077** | **85,450,057** |
| Dividend paid | - | - | (10,294,925) | **(10,294,925)** |
| Total comprehensive income for the year | - | - | 12,728,607 | **12,728,607** |
| | - | - | 2,433,682 | **2,433,682** |
| **Balance at 31 December 2022** | **102** | **1,403,878** | **86,479,759** | **87,883,739** |

The notes on pages 19 to 40 form an integral part of these financial statements.

## Consolidated Cash Flow Statement
*for the year ended 31 December 2022*

| | Notes | 2022 £ | 2021 £ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the financial year | | **9,109,112** | 2,511,723 |
| ***Adjustments for:*** | | | |
| Depreciation | 9 | **8,891,646** | 6,179,392 |
| Unwound discount on decommissioning | 7 | **51,175** | 19,622 |
| Amortisation of financial asset | 16 | **24,836** | - |
| Upfront fee amortisation | 7 | **93,149** | 165,740 |
| Fair value movements - SWAP | 16 | **(5,517,173)** | (2,143,843) |
| Intercompany loan interest payable | 7 | **1,205,955** | 984,943 |
| External loan interest payable | 7 | **965,862** | 1,060,963 |
| VAT provision | | **60,000** | - |
| Deferred tax | 19 | **(627,932)** | (67,339) |
| Current tax | 8 | **1,438,101** | 1,013,294 |
| **Operating cash flow before movement in working capital** | | **15,694,731** | 9,724,495 |
| (Increase)/decrease in debtors | | **(738,566)** | 2,346,952 |
| Increase/(decrease) in creditors | | **82,041** | (1,566,002) |
| **Net cash from operating activities** | | **15,038,206** | 10,505,445 |
| **Cash flows from investing activities** | | | |
| Cash acquired on acquisition of subsidiaries | | **-** | 2,422,834 |
| ***Net cash used in investing activities*** | | **-** | 2,422,834 |
| **Cash flows from financing activities** | | | |
| Dividends paid | | **(10,294,925)** | (4,232,875) |
| Unlawful dividends repaid | | **605,192** | - |
| External loan – capital repayment | | **(2,124,765)** | (2,248,375) |
| External loan – interest repayment | | **(982,266)** | (1,097,932) |
| Shareholder loan payable – capital repayment | | **(616,273)** | (437,261) |
| Shareholder loan payable – interest repayment | | **(1,305,075)** | (869,831) |
| Capitalised loan costs | | **-** | (1,474,837) |
| **Net cash used in financing activities** | | **(14,718,112)** | (10,361,111) |
| Net increase in cash and cash equivalents | | **320,094** | 2,567,168 |
| Cash and cash equivalents at beginning of year | 12 | **7,419,647** | 4,852,479 |
| **Cash and cash equivalents at end of year** | 12 | **7,739,741** | 7,419,647 |

The notes on pages 19 to 40 form an integral part of these financial statements.

## Company Cash Flow Statement
***for the year ended 31 December 2022***

| | Notes | 2022 £ | 2021 £ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the financial year | | **12,728,607** | 5,362,937 |
| ***Adjustments for:*** | | | |
| Amortisation of financial asset | 16 | **24,836** | - |
| Upfront fee amortisation | 7 | **93,149** | 165,740 |
| Fair value movements - SWAP | 16 | **(5,517,173)** | (2,143,843) |
| Intercompany loan interest payable | 7 | **1,205,955** | 984,943 |
| Intercompany loan interest receivable | | **(1,533,976)** | (1,416,325) |
| Dividend income | | **(8,265,677)** | (4,029,019) |
| External loan interest payable | 7 | **965,862** | 1,060,963 |
| Current tax | | **350,210** | - |
| **Operating cash flow before movement in working capital** | | **51,793** | (14,604) |
| Increase in debtors | | **(254,749)** | (204,335) |
| Increase/(decrease) in creditors | | **483,943** | (142,666) |
| **Net cash from operating activities** | | **280,987** | (361,605) |
| **Cash flows from investing activities** | | | |
| Dividend income | | **8,265,677** | 4,029,019 |
| **Net cash used in investing activities** | | **8,265,677** | 4,029,019 |
| **Cash flows from financing activities** | | | |
| Dividends paid | | **(10,294,925)** | (4,232,875) |
| External loan – capital repayment | | **(2,124,765)** | (2,248,375) |
| External loan – interest repayment | | **(982,266)** | (1,097,932) |
| Shareholder loan payable – capital repayment | | **(605,192)** | (437,261) |
| Shareholder loan payable – interest repayment | | **(1,305,075)** | (869,831) |
| Shareholder loan receivable – capital repayment | | **5,348,630** | 3,361,968 |
| Shareholder loan receivable – interest repayment | | **1,577,262** | 1,182,289 |
| Capitalised loan costs | | **-** | (1,474,837) |
| **Net cash used in financing activities** | | **(8,386,331)** | (5,816,854) |
| Net increase/(decrease) in cash and cash equivalents | | **160,333** | (2,149,440) |
| Cash and cash equivalents at beginning of year | 12 | **176,874** | 2,326,314 |
| **Cash and cash equivalents at end of year** | 12 | **337,207** | **176,874** |

The notes on pages 19 to 40 form an integral part of these financial statements.

## Notes
*(forming part of the financial statements)*

### 1 General information

AIP Acquisitions II Limited ("the Company") is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is 15 Diddenham Court, Lambwood Hill, Grazeley, England, RG7 1JQ.

The Group's principial activity is the operation of ground mounted solar photo-voltaic installations in the UK.

### 2 Accounting policies

### 2.1 Basis of preparation

These Group and parent company financial statements were prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014 (2021 amendments have also been applied) and the Companies Act 2006.

The presentation currency of these financial statements is pound sterling and rounded to the nearest pound. The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company has taken advantage of the exemption in section 408 of the Companies Act from presenting its individual profit and loss account.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

### 2.2 Exemptions for qualifying entities under FRS 102

The Company has taken advantage of the following exemptions in its individual financial statements:

- from the financial instrument disclosures, required under FRS 102 paragraphs, 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A, as the information is provided in the consolidated financial statement disclosures;
- from disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7.

### 2.3 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries (as listed in note 10) as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The subsidiaries in note 11 have taken the exemption from audit for the year ended 31 December 2022 by virtue of s479A of Companies Act 2006.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Consolidated statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In the parent company financial statements, investments in subsidiaries are carried at cost less impairment.

## 2 Accounting policies *(continued)*

### 2.4 Going concern

The portfolio performed well during the year relative to the P50 generation target. The O&M providers, Anesco Limited and Belectric Solar Limited, continue to proactively monitor the asset performance.

The Russian invasion of Ukraine commenced in February 2022. Due to Europe's reliance on Russian commodities, the conflict resulted in gas and coal prices recording new all-time highs. These high fuel prices fed into wholesale electricity prices, resulting in the historic high prices being maintained, despite an increase in renewable generation. The solar farm's revenue structure is largely fixed due to the Renewable Obligation Certificate and Power Purchase Agreement floor price, however as long-term power prices increased, the Group hedged power price exposure until April 2026.

The directors are confident that, having reviewed the Group's budgets and forecasts, the Group and Company have adequate resources to continue in operation and to enable the Group and Company to pay their debts as they fall due for at least 12 months from the signing of the accounts. This review included an analysis of business operating plans, the availability of alternative sources of funding and associated cash flow projections.

Arjun Infrastructure Partners II Limited, the parent company, also confirmed that it will not be demanding repayment of the senior loan amount due from AIP Acquisitions II Limited for a period of not less than one year from the approval of these financial statements. Having regard to this intention, the directors believe it is appropriate to prepare these financial statements on a going concern basis.

### 2.5 Turnover

**Revenue**

Revenue comprises the fair value of the consideration received or receivable in respect of the invoiced value of generated electricity, Renewable Obligation Certificates (ROCs) and accrued income. Revenue is shown net of sales/value added tax, returns, rebates and discounts.

Revenue on the generation of energy comprises the value of units supplied during the year. Units are determined by energy volumes recorded on the solar park meters and market settlement systems.

Under the terms of its Power Purchase Agreements with customers, ROC's are immediately transferable to the customer. Revenue in relation to ROC's is recognised in line with the generation of energy.

Accrued income represents the sales value of energy (and related ROC's) which is yet to be invoiced and is based upon the value of units supplied with respect to energy and quantity of units supplied with respect to ROC's.

The company recognises revenue when:

- The amount of revenue can be reliably measured;
- it is probable that future economic benefits will flow to the entity;
- and specific criteria have been met for each of the company's activities.

Sales of services: The Company provides management services to its subsidiaries in the form of asset management, corporate services and financing coordination services. These are charged by the Company to subsidiaries in the form of management service charges.

There is only one operating activity and all revenue is generated within the United Kingdom.

### 2.6 Business combinations

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

## 2 Accounting policies *(continued)*

### 2.6 *Business combinations (continued)*

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Intangible assets are only recognised separately from goodwill where they are separable and arise from contractual or other legal rights. Where the fair value of contingent liabilities cannot be reliably measured, they are disclosed on the same basis as other contingent liabilities.

### 2.7 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

*(i) Financial assets and liabilities*

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions of being 'basic' financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

*(ii) Investments*

In the Company balance sheet, investments in subsidiaries and associates are measured at cost less impairment.

*(iii) Equity instruments*

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of transaction costs.

**2 Accounting policies** *(continued)*

**2.7 Financial instruments** *(continued)*

*(iv) Derivative financial instruments*

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The fair value of assets and liabilities are determined using either unadjusted quoted prices in active markets (Level 1) or pricing inputs that are observable (Level 2) whenever that information is available and using unobservable inputs (Level 3) to estimate fair value only when relevant observable inputs are not available. The Group uses valuation techniques that maximize the use of observable inputs. Assets and liabilities are classified in their entirety based on the lowest priority level of input that is significant to the fair value measurement.

*(v) Fair value measurement*

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

**2.8 Tangible fixed assets**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. These can include the costs of site preparation, installation and assembly, and testing of functionality.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Solar photovoltaic (PV) facilities: 25 years

The estimated useful life of the asset is based on the life the Solar PV facilities are expected to be in operation.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

**2.9 Impairment excluding stocks and deferred tax assets**

*Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

## 2 Accounting policies *(continued)*

### 2.9 Impairment excluding stocks and deferred tax assets *(continued)*

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

*Property, plant and equipment*

Property, plant and equipment are recorded in the financial statements at no more than their recoverable amount. Any resulting impairment loss is measured and recognised on a consistent basis and sufficient information is disclosed in the financial statements to enable users to understand the impact of the impairment on the financial position and performance of the reporting entity.

Recoverable amount is defined as the higher of fair value less costs of disposal and the amount that could be obtained through using the asset (value in use). Value in use is calculated by forecasting the cash flows that the asset is expected to generate and discounting them to their present value. Where individual assets do not generate independent cash flows, a group of assets (an income- generating unit) is tested for impairment.

Impairment tests are only required when there has been some indication that an impairment has occurred.

### 2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

### 2.11 Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

*Decommissioning provision*

Provisions for decommissioning are recognised in full when the related facilities are constructed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related plant and equipment. The amount recognised is the estimated cost of decommissioning, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to plant and equipment. The unwinding of the discount on the decommissioning provision is included as a finance cost.

### 2.12 Expenses

*Operating leases*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case, the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

## 2 Accounting policies *(continued)*

### 2.12 Expenses *(continued)*

*Interest receivable and interest payable*

Interest payable and similar expenses includes interest payable, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

### 2.13 Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

### 2.14 Distributions to equity holders

Dividends and other distributions to the Group's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

### 2.15 Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the group financial statements.

## 3 Accounting estimates and judgements

In the preparation of the financial statements, management makes certain judgements and estimates that impact the financial statements. While these judgements are continually reviewed, the facts and circumstances underlying these judgements may change, resulting in a change to the estimates that could impact the results of the Group.

The main estimates and judgements considered in preparing the financial statements are as follows:

### Critical judgements

*a) Useful lives of property, plant and equipment*

The determination of useful lives of property, plant and equipment requires assessment of the assets' level of use. Assumptions regarding the level of use and the impact of continuing maintenance regimes, based on which the useful lives are determined entail a degree of judgement.

### Critical estimates

*a) Carrying value / impairment of property, plant and equipment*

The carrying value of PPE is the higher of fair value less costs of disposal and the amount that could be obtained through using the asset (value in use). Value in use is calculated by forecasting the cash flows that the asset is expected to generate and discounting them to their present value. Impairment tests are only required when there has been some indication that an impairment has occurred. No impairment indicators have been identified in the year. See note 9 for the carrying amount of PPE.

*b) Carrying value of investments*

Determining whether investments in subsidiaries are impaired requires an assessment of impairment indicators and, if indicators exist, the estimation of their recoverable amounts. The calculation of recoverable amount requires the entity to estimate the future cash flows expected to arise from the investments and select a suitable discount rate in order to calculate present value. No impairment indicators have been identified in the year. See note 10 for the carrying amount of investments.

*c) Accrued income*

Estimates must be made in respect of elements of the accrued income including the ROC revenue and ROC Recycling revenue. These are based on management's best estimate of the price at the time based on previous history of settled prices. In order to determine an appropriate estimate, the Group have made use of forecasts provided by industry experts. These forecasts indicate that the ROC recycle price should be roughly 10% of the ROC buyout price, which is in line with Ofgem's ROC shortfall target. See note 11 for the carrying amount of accrued income.

*d) Decommissioning provision*

Decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergency of new technology or experience at other assets. The expected timing, work scope and amount of expenditure may also change. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. See note 19 for the carrying amount of decommissioning provisions.

*e) Derivative instrument*

As part of the Group's risk management strategy, the Group has entered into a derivative instrument which includes interest rate swaps to mitigate interest rate exposure and to hedge the variability of expected future cash interest payments. The derivative was initially recognised at fair value at the date the contract was entered into. The derivative is subsequently remeasured to fair value at each reporting date based on valuation reports provided by the lender (NatWest) using indicative mid-market prices. A sensitivity analysis has been performed at the year-end to assess the impact of changes in interest rates on the fair value of the derivative. A change in interest rate of +/- 1% points would lead to a change in the derivative asset fair value of +/- 54%. The interest rate would have to drop by 1.9% in order to move from an asset to a liability.

## 4 Staff numbers and costs

The Company and Group had no employees during the period. There are 2 directors. whom are not paid by the group (2021: no employees). (2021: 2 directors).

## 5 Turnover and revenue

An analysis of the Group's turnover by class of the business is set out below.

| | 2022 £ | 2021 £ |
|---|---|---|
| **Turnover:** | | |
| Power Price Agreement (PPA) | **7,828,579** | 5,064,005 |
| Renewable Obligation Certificate (ROC) | **11,950,318** | 7,779,443 |
| Renewable Energy Guarantees of Origin (REGO) | **195,300** | 151,792 |
| Battery | **23,203** | 19,509 |
| Other income | **390,482** | 123,088 |
| | **20,387,882** | 13,137,837 |

An analysis of the Group's turnover by geographical market is set out below.

| | 2022 £ | 2021 £ |
|---|---|---|
| **Turnover:** | | |
| Geographical market – UK | **20,387,882** | 13,137,837 |

An analysis of the Group's revenue (including turnover) by category is as follows:

| | 2022 £ | 2021 £ |
|---|---|---|
| Provision of electricity | **20,387,882** | 13,137,837 |
| **Total revenue** | **20,387,882** | 13,137,837 |

## 6 Operating profit

Operating profit before taxation is stated after charging:

| | 2022 £ | 2021 £ |
|---|---|---|
| Depreciation of tangible fixed assets | **8,891,646** | 6,179,392 |
| Auditor remuneration – audit annual financial statements | **316,447** | 342,526 |
| Other operating lease rentals | **940,051** | 654,608 |

There are no non-audit fees payable to the auditors for the year in respect of the Company or any of its subsidiaries (2021: £nil).

The audit fee is in relation to the group audit as a whole. The underlying subsidiaries do not require individual entity audits. see note 10 for further details.

## 7 Interest payable and similar expenses

| | 2022 £ | 2021 £ |
|---|---|---|
| Shareholder's loan interest payable | **1,205,955** | 984,944 |
| Bank loan interest payable | **965,862** | 1,060,963 |
| Amortisation of capitalised loan costs | **93,149** | 54,316 |
| Amortisation of financial instruments | **24,836** | - |
| Write off of capitalised loan costs | - | 111,424 |
| Unwinding of discount on decommissioning provision | **51,175** | 19,622 |
| | **2,340,977** | 2,231,269 |

## 8 Taxation

(a) The tax charge is made up as follows:

| | **2022** | 2021 |
|---|---|---|
| | **£** | £ |
| **Current tax** | | |
| UK corporation tax | **1,465,767** | 1,013,294 |
| Tax over provided in previous years | **(27,666)** | - |
| **Total current tax** | **1,438,101** | 1,013,294 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | **(627,932)** | (359,650) |
| Adjustments in respect of prior periods | - | (468,761) |
| Effects of changes in tax rates | - | 761,072 |
| **Total deferred tax *(see note 19)*** | **(627,932)** | (67,339) |
| **Total per income statement** | **810,169** | 945,955 |

(b) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is lower (2021: higher) than the standard rate of corporation tax in the UK.

| | **2022** | 2021 |
|---|---|---|
| | **£** | £ |
| **Profit on ordinary activities before tax** | **9,919,281** | 3,457,678 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%) | **1,884,664** | 656,959 |
| Effects of: | | |
| Expenses not deductible | **147,373** | 673,624 |
| Tax rate changes | **(150,704)** | 674,756 |
| Prior year adjustments | **(27,666)** | (468,761) |
| Group relief | **(105,384)** | - |
| Reactivated CIR interest | **(690,406)** | (317,456) |
| Deferred tax not provided | - | 5,656 |
| Utilisation of losses on which deferred tax has not previously been recognised | **(247,708)** | (278,823) |
| | **810,169** | 945,955 |

As at 31 December 2022, there is an unrecognised deferred tax asset of £84,770 related to losses and £586,750 related to interest that has previously been disallowed under the CIR rules. Deferred taxes have been measured at 25% (2021: 25%) which represents future and corporation tax that was enacted at the balance sheet date. The UK budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the COVID 19 pandemic. These included increase to the UK's main corporation tax rate to 25%, which became effective from 1 April 2023. These changes were substantively enacted on 24 May 2021.

## 9 Property, plant and equipment

| Group | Solar photovoltaic installations £ |
|---|---|
| **Cost** | |
| Balance at 1 January 2022 | 178,000,556 |
| *Decommissioning cost adjustment* | (569,773) |
| **Balance at 31 December 2022** | **177,430,783** |
| **Depreciation** | |
| Balance at 1 January 2022 | 20,526,433 |
| Depreciation charge for the year | 8,891,646 |
| **Balance at 31 December 2022** | **29,418,079** |
| Net book value | |
| At 1 January 2022 | 157,474,123 |
| At 31 December 2022 | **148,012,704** |

*There is a decommissioning cost adjustment to the decommissioning provision aspect of the Solar photovoltaic* installations. This is due to a) the change in inflation rate in FY 2022 (and projections for FY2023 and beyond) and b) an adjustment to the discount rate from 1% to 3.36%. This has impacted the NPV calculation for the estimated £20k per MW future decommissioning cost. The overall impact of the above factors has led to a reduction of the provision and associated fixed asset of c£570k. See note 19 for further details.

*Security*

A charge has been registered against all fixed assets in favour of NatWest in respect of loans to the company.

*Company*

The company had no tangible assets at 31 December 2022 (2021: £nil).

## 10 Fixed asset investments

| Company | Investments in subsidiary companies £ |
|---|---|
| **Cost or valuation** | |
| At 1 January 2022 and 31 December 2022 | 106,288,473 |
| **Net book value** | |
| At 1 January 2022 and 31 December 2022 | **106,288,473** |

Subsidiaries at 31 December 2022, and the Company's percentage of share capital and class of shares are set out below. All subsidiaries are included in the consolidation.

**10 Fixed asset investments** *(continued)*

**Direct:**

| Name | Principal activities | Registered office | Class and percentage of shares acquired | Company House Number |
|---|---|---|---|---|
| AEE Renewables UK 18 Limited | Solar (PV) farm | 15 Diddenham Court, Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 07453115 |
| AEE Renewables UK 33 Limited | Solar (PV) farm | 15 Diddenham Court, Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 07506801 |
| Lumicity 4 Limited | Solar (PV) farm | 15 Diddenham Court, Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 08014634 |
| Ashton Solar Farm Limited | Solar (PV) farm | 15 Diddenham Court, Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 09093372 |
| Blackwell Grange Solar Farm Limited | Solar (PV) farm | 15 Diddenham Court, Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 08656598 |
| Hyde Farm Solar Limited | Solar (PV) farm | 15 Diddenham Court, Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 09839926 |
| Rochester 006 Limited | Solar (PV) farm | 15 Diddenham Court, Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 09210610 |
| Spring Lane Solar Farm Limited | Solar (PV) farm | 15 Diddenham Court, Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 09988933 |
| Ollerton Solar Limited | Solar (PV) farm | 15 Diddenham Court, Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 09047281 |
| Verto Energy Developments Limited | Solar (PV) farm | 15 Diddenham Court, Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 09400230 |
| Moss Thorn Solar Limited | Solar (PV) farm | 15 Diddenham Court, Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 09358746 |
| AIP Acquisitions VI Limited | Solar (PV) farm | 15 Diddenham Court, Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 12087644 |
| Arjun Infrastructure Partners III Limited | Solar (PV) farm | 15 Diddenham Court, Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 10638294 |

**Indirect:**

| Name | Principal activities | Registered office | Class and percentage of shares acquired | Company House Number |
|---|---|---|---|---|
| McEwan Solar Topco (1) Limited | Holding Company | 15 Diddenham Court Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 08738816 |
| McEwan Solar Holdco (1) Limited | Holding Company | 15 Diddenham Court Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 08409534 |
| McEwan Shelswell Holdco Limited | Holding Company | 15 Diddenham Court Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 08409591 |
| McEwan Skylark Holdco Limited | Holding Company | 15 Diddenham Court Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 08409593 |
| McEwan Owls Lodge Holdco Limited | Holding Company | 15 Diddenham Court Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 08409648 |
| Wadebridge Belectric Solar Ltd | Solar (PV) farm | 15 Diddenham Court Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 07852613 |
| AEE Renewables UK 14 Limited | Solar (PV) farm | 15 Diddenham Court Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 07424419 |

## 10 Fixed asset investments *(continued)*

**Indirect** *(continued)*:

| | | | | |
|---|---|---|---|---|
| Shelswell Solar Park limited | Solar (PV) farm | 15 Diddenham Court Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 07464048 |
| UK Solar Parks Limited | Solar (PV) farm | 15 Diddenham Court Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 07286021 |
| Haslingfield Solar Park Limited | Solar (PV) farm | 15 Diddenham Court Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 07471797 |
| McEwan Solar Topco (2) Limited | Holding Company | 15 Diddenham Court Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 08863367 |
| McEwan Solar Holdco (2) Limited | Holding Company | 15 Diddenham Court Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 08738818 |
| Anesco Energy Services One Limited | Solar (PV) farm | 15 Diddenham Court Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 08105007 |
| Blackdown Solar Power Limited | Solar (PV) farm | 15 Diddenham Court Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 07413460 |
| Photon Power Limited | Solar (PV) farm | 15 Diddenham Court Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 07918653 |
| Holton Solar Farm Limited | Solar (PV) farm | 15 Diddenham Court Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 08283473 |
| Weston Longville Solar Farm Limited | Solar (PV) farm | 15 Diddenham Court Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 08083349 |
| AIP Acquisitions III Limited | Holding Company | 15 Diddenham Court Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 10533056 |
| Chesterfield Community Energy Limited | Solar (PV) farm | 15 Diddenham Court Lambwood Hill, Grazeley, Reading, RG7 1JQ | Ordinary 100% | 09616638 |

The Company will provide the necessary guarantees under Section 479A of the Companies Act entitling all the direct and indirect subsidiaries noted above to an audit exemption for the year ended 31 December 2022, prior to the filing of these companies' financial statements.

## 11 Debtors

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **£** | £ | **£** | £ |
| **Due within one year:** | | | | |
| Trade debtors | **300,523** | 243,147 | **-** | - |
| Other debtors | **3,336** | 3,336 | **3,336** | 3,336 |
| Prepayments | **372,611** | 351,091 | **10,500** | - |
| Accrued income | **3,149,420** | 2,699,893 | **-** | - |
| VAT Receivable | **-** | - | **-** | 155,921 |
| Amounts owed by group undertakings | **210,370** | 226 | **736,308** | 124,235 |
| | **4,036,260** | 3,297,693 | **750,144** | 283,492 |
| **Due after more than one year:** | | | | |
| Other debtors | **239,852** | 239,852 | **-** | - |
| Loans receivable from subsidiaries | **-** | - | **38,348,351** | 44,108,091 |
| Derivative financial instruments (see note 16) | **5,370,460** | - | **5,370,460** | - |
| | **5,610,312** | 239,852 | **43,718,811** | 44,108,091 |

## 11 Debtors *(continued)*

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Loans receivable from subsidiaries have interest rates of 3.0% and 9.5% p.a. The difference in interest rates on the intercompany loans is due to underlying loans to the separate portfolios prior to the refinancing in 2021 being entered into at different points in time. The loans are repayable on demand but the directors have given an undertaking that they will not recall any of the loans within one year of when the financial statements are signed.

## 12 Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **£** | £ | **£** | £ |
| Cash at bank and in hand | **7,739,741** | 7,419,647 | **337,207** | 176,874 |

The debt facility agreement with the lender (NatWest) states that the maintained cash balance at the end of each compliance period (31 March and 30 September) must be between £4k-£10k per MW capacity of each site. The total combined capacity of sites within the portfolio is c129MW therefore this equates to a minimum range of £0.52m-£1.29m across the Group.

## 13 Creditors: amounts falling due within one year

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **£** | £ | **£** | £ |
| Bank loans (see note 15) | **2,692,600** | 2,285,636 | **2,692,600** | 2,285,636 |
| VAT Payable | **984,824** | 621,788 | **13,365** | - |
| Corporation tax payable | **1,439,245** | 695,997 | **350,210** | - |
| Trade creditors | **673,349** | 430,156 | **46,200** | 74,400 |
| Accruals and deferred income | **554,235** | 570,880 | **58,563** | 25,451 |
| Amounts owed to group undertakings | **513,748** | 192,821 | **481,055** | 171,310 |
| Loans payable to parent company | **30,005,814** | 30,721,207 | **30,005,814** | 30,710,126 |
| | **36,863,815** | 35,518,485 | **33,647,807** | 33,266,923 |

A refinancing of the bank loan of £36.6m with NatWest took place in June 2021. During the year to 31 December 2022, repayments of £2.12m (2021: £1.13m) were made leaving an amount of £33.35m (2021: £35.47m) principal outstanding at the year-end.

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Loans payable to the parent company are made on normal commercial terms and conditions at interest rates of either 3% or 9.5% p.a. The loans are repayable on demand but the directors of the parent company have given an undertaking that they will not recall any of the loan within one year of when this financial statements are signed.

## 14 Creditors: amounts falling due after more than one year

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **£** | £ | **£** | £ |
| Bank loans (see note 15) | **29,563,089** | 32,018,073 | **29,563,089** | 32,018,073 |
| Deferred consideration | **475,658** | 548,972 | **-** | - |
| Derivate financial instruments (see note 16) | **-** | 121,877 | **-** | 121,877 |
| | **30,038,747** | 32,688,922 | **29,563,089** | 32,139,950 |

Included in the bank loans balance are amounts totalling £20.7m (2021: £23.4m) which are due for repayment after more than five years. The repayment instalments are made every 6 month period up to the facility agreement end date of 31 March 2037.

## 15 Interest-bearing loans and borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **£** | £ | **£** | £ |
| **Creditors falling due more than one year** | | | | |
| Secured bank loans | **30,797,312** | 33,345,445 | **30,797,312** | 33,345,445 |
| *Less: borrowing costs* | **(1,234,223)** | (1,327,372) | **(1,234,223)** | (1,327,372) |
| | **29,563,089** | 32,018,073 | **29,563,089** | 32,018,073 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **£** | £ | **£** | £ |
| **Creditors falling due within one year** | | | | |
| Secured bank loans | **2,785,749** | 2,378,785 | **2,785,749** | 2,378,785 |
| Less: borrowing costs | **(93,149)** | (93,149) | **(93,149)** | (93,149) |
| | **2,692,600** | 2,285,636 | **2,692,600** | 2,285,636 |

The total bank loan is secured with charges over the share capital and assets of the Group.

The senior loan matures on 31 March 2037 and bears a floating interest rate of SONIA plus margin ranging from 1.65%-2.05% during the life of the loan.

As part of the refinancing in the prior year, borrowing costs of £1.33m were capitalised. Borrowing costs are amortised using the effective interest rate method over the life of the loan and a charge of £93,149 (2021: £54,316) was recognised during the year.

## 16 Financial instruments

The fair value of financial assets and liabilities, together with the carrying amounts presented in the Company and Group balance sheets, are as follows:

| Group | 2022 £ | 2021 £ |
|---|---|---|
| **Financial assets measured at fair value** | | |
| Derivative assets | **5,370,460** | - |
| | **5,370,460** | - |
| **Financial assets measured at amortised cost** | | |
| Cash and cash equivalents | **7,739,741** | 7,419,647 |
| Trade debtors | **300,523** | 243,147 |
| Accrued income | **3,149,420** | 2,699,893 |
| Amounts owed by group undertakings | **210,370** | 226 |
| Other debtors | **243,188** | 243,188 |
| | **11,643,242** | 10,606,101 |
| **Financial liabilities measured at fair value** | | |
| Derivative liabilities | **-** | 121,877 |
| | **-** | 121,877 |
| **Financial liabilities measured at amortised cost** | | |
| Bank loans | **32,255,689** | 34,303,709 |
| VAT payable | **984,824** | 621,788 |
| Corporation tax payable | **1,439,245** | 695,997 |
| Trade creditors | **673,349** | 430,156 |
| Accruals and deferred income | **554,235** | 570,880 |
| Amounts owed to group undertakings | **513,748** | 192,821 |
| Loans payable to parent company | **30,005,814** | 30,721,207 |
| Deferred consideration | **475,658** | 548,972 |
| | **66,902,562** | 68,085,530 |

**16 Financial instruments** *(continued)*

| **Company** | **2022** | 2021 |
|---|---|---|
| | **£** | £ |
| **Financial assets measured at fair value** | | |
| Derivative assets | **5,370,460** | - |
| | **5,370,460** | - |
| **Financial assets measured at amortised cost** | | |
| Cash and cash equivalents | **337,207** | 176,874 |
| VAT receivable | **-** | 155,921 |
| Amounts owed by group undertakings | **736,308** | 124,235 |
| Loans receivable from subsidiaries | **38,348,351** | 44,108,091 |
| Other debtors | **3,336** | 3,336 |
| | **39,425,202** | 44,568,457 |
| **Financial liabilities measured at fair value** | | |
| Derivative liabilities | **-** | 121,877 |
| | **-** | 121,877 |
| **Financial liabilities measured at amortised cost** | | |
| Bank loans | **32,255,689** | 34,303,709 |
| VAT payable | **13,365** | - |
| Corporation tax payable | **350,210** | - |
| Trade creditors | **46,200** | 74,400 |
| Accruals and deferred income | **58,563** | 25,451 |
| Amounts owed to group undertakings | **481,055** | 171,310 |
| Loans payable to parent company | **30,005,814** | 30,710,126 |
| | **63,210,896** | 65,284,996 |

***Derivative financial instruments – interest rate swaps***

As part of the Group's risk management strategy, the Group has entered into derivative instruments which include interest rate swaps to mitigate interest rate exposure. If the Group elects to do so and if the instrument meets the criteria, the Company designates its derivative instruments as cash flow hedges. The Group enters into interest rate swap agreements in order to hedge the variability of expected future cash interest payments. The Group does not use derivative instruments for speculative or trading purposes.

As of 31 December 2022, the fair values of the following derivative instruments that were included in the Group and Company financial statements of position captions were as follows:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| **Derivative assets/(liabilities):** | **£** | £ | **£** | £ |
| Fair value of interest rate swaps at start of period | **(121,877)** | (2,265,720) | **(121,877)** | (2,265,720) |
| Fair value movement through profit or loss | **5,517,173** | 2,143,843 | **5,517,173** | 2,143,843 |
| Amortisation of interest rate swap calibration adjustment | **(24,836)** | - | **(24,836)** | - |
| Fair value of interest rate swaps at the end of period | **5,370,460** | (121,877) | **5,370,460** | (121,877) |

**16 Financial instruments** *(continued)*

The Group has interest rate swap agreements to hedge approximately £36.6 million of variable rate non-recourse debt. Under the interest rate swap agreements, the renewable energy facilities pay a fixed rate and the counterparties to the agreements pay a variable interest rate. The maturity date of the financial instruments is 31 March 2037.

As of 31 December 2022, the notional amount of the derivative instruments was £33.3m (2021: £35.5m).

**17 Net debt reconciliation**

| Group | At 1 January 2022 £ | Cashflows £ | Other non-cash changes £ | At 31 December 2022 £ |
|---|---|---|---|---|
| Cash and cash equivalents | 7,419,647 | 320,094 | - | **7,739,741** |
| Bank loans | (34,303,709) | 2,048,020 | - | **(32,255,689)** |
| Interest rate swaps | (121,877) | - | 5,492,337 | **5,370,460** |
| | **(27,005,939)** | **2,368,114** | **5,492,337** | **(19,145,488)** |

| Company | At 1 January 2022 £ | Cashflows £ | Other non-cash changes £ | At 31 December 2022 £ |
|---|---|---|---|---|
| Cash and cash equivalents | 176,874 | 160,333 | - | **337,207** |
| Bank loans | (34,303,709) | 2,048,020 | - | **(32,255,689)** |
| Interest rate swaps | (121,877) | - | 5,492,337 | **5,370,460** |
| | **(34,248,712)** | **2,208,353** | **5,492,337** | **(26,548,022)** |

The other non-cash changes relates to financing activities, specifically the fair value movement of the interest rate derivative.

**18 Operating leases**

The lease payments for the year including profit share uplift were £940,051 (2021: £654,608).

Non-cancellable operating lease rentals are payable as follows:

| | Group 2022 £ | Group 2021 £ |
|---|---|---|
| Less than one year | **1,025,903** | 871,597 |
| Between one and five years | **4,103,613** | 3,486,389 |
| More than five years | **13,136,567** | 11,991,000 |
| | **18,266,083** | 16,348,986 |

## 19 Provision for liabilities

| | Deferred taxation | Decomm. Provision | Total |
|---|---|---|---|
| | £ | £ | £ |
| **Group** | | | |
| At 1 January 2022 | (13,060,916) | (2,634,252) | (15,695,168) |
| Decommissioning cost adjustment | - | 570,075 | 570,075 |
| Deferred tax credited to Income Statement in the period | 627,932 | - | 627,932 |
| Unwind of discount on decommissioning provision | - | (51,175) | (51,175) |
| **At 31 December 2022** | **(12,432,984)** | **(2,115,352)** | **(14,548,336)** |
| At 1 January 2021 | (2,878,822) | (1,084,759) | (3,963,581) |
| Deferred tax credited to Income Statement in the period | 67,339 | - | 67,339 |
| Additions on acquisition | (10,249,433) | (1,529,871) | (11,779,304) |
| Unwind of discount on decommissioning provision | - | (19,622) | (19,622) |
| At 31 December 2021 | (13,060,916) | (2,634,252) | (15,695,168) |

A provision has been recognised for decommissioning costs associated with the solar farms owned by the group. The group is committed to decommissioning the solar farms as a result of the construction of the solar farms for the production of power.

The provision has been discounted at a rate of 3.36% (2021: 1.00%) and this discount will be unwound and charged to the profit and loss account. The estimated date range of decommissioning sites within the portfolio would be between December 2041 and December 2048.

There is a decommissioning cost adjustment to the decommissioning provision aspect of the Solar photovoltaic installations. This is due to a) the change in inflation rate in FY 2022 (and projections for FY2023 and beyond) and b) an adjustment to the discount rate from 1% to 3.36%. This has impacted the NPV calculation for the estimated £20k per MW future decommissioning cost. The overall impact of the above factors has led to a reduction of the provision and associated fixed asset of c£570k.

### Deferred tax

Deferred tax is provided as follows:

| | 2022 | 2021 |
|---|---|---|
| | £ | £ |
| **Group** | | |
| Fixed asset timing differences | **(12,515,604)** | (13,200,589) |
| Losses | **82,619** | 139,673 |
| **Provision for deferred tax** | **(12,432,984)** | (13,060,916) |

The amount of the net reversal of deferred tax assets and deferred tax liabilities expected to occur during the year beginning after the reporting period is £769k. This is derived estimating capital allowances for 2023 based on the carried forward pool balances. There is no expiry date for the unused tax losses carried forward at 31 December 2022.

The company had no provisions at 31 December 2022 (2021: £nil).

## 20 Called-up share capital

| | 2022 | 2021 |
|---|---|---|
| | £ | £ |
| Allotted, called-up and fully-paid | | |
| 102 ordinary shares of £1 each (2021: 102 ordinary shares of £1 each) | **102** | 102 |

## 21 Acquisition of subsidiary undertaking – prior period

In the prior year, on 1 June 2021, the external debt within the Company was refinanced. On the same date, the directors decided to undertake a group re-organisation.

As a result of the re-organisation, the ownership of Arjun Infrastructure Partners III Ltd and AIP Acquisitions VI Ltd was transferred to Arjun Infrastructure Partners II Ltd, who further transferred the ownership to the Company. Therefore, Arjun Infrastructure Partners III Ltd and AIP Acquisitions VI Ltd (together with their subsidiaries) are now fully-owned subsidiaries of the Company and members of the Group.

As part of the re-organisation, capital reductions were undertaken which created c£89m of additional distributable reserves for the Group.

In the prior year, on 1 June 2021, the Company acquired 100% of the issued share capital of AIP Acquisitions VI Limited ('AIP Acq VI') and Arjun Infrastructure Partners III Limited ('AIP III'). Together with their underlying subsidiaries, these companies form groups whose primary activity is the production of electricity.

The acquisition was accounted for under the acquisition method. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group:

| | Book value AIP Acq VI* £ | Book value AIP III* £ | Fair value adjustment £ | Fair value to Group £ |
|---|---|---|---|---|
| **Fixed assets** | | | | |
| Tangible | 103,695,215 | 3,632,996 | (4,098,510) | 103,229,701 |
| **Current assets** | | | | |
| Trade debtors | 1,195,197 | 27,360 | - | 1,222,557 |
| Other debtors | 3,654,560 | 152,732 | - | 3,807,292 |
| Cash | 2,357,555 | 65,279 | - | 2,422,834 |
| **Total assets** | **110,902,527** | **3,878,367** | **(4,098,510)** | **110,682,384** |
| **Creditors** | | | | |
| Trade creditors | 890,155 | 6,838 | - | 896,993 |
| Other creditors | 1,211,443 | 33,452 | - | 1,244,895 |
| Accruals | 323,562 | 62,146 | - | 385,708 |
| Loan from parent | 4,508,357 | 4,426,190 | - | 8,934,547 |
| **Provisions** | | | | |
| Deferred tax | 8,507,694 | (66,820) | (654,384) | 7,786,490 |
| Decommissioning provision | 1,444,884 | 84,987 | - | 1,529,871 |
| **Total liabilities** | **16,886,095** | **4,546,793** | **(654,384)** | **20,778,504** |
| **Net assets** | **94,016,432** | **(668,426)** | **(3,444,126)** | **89,903,880** |

| | |
|---|---|
| **Fair value of assets and liabilities acquired** | **89,903,880** |

| | £ |
|---|---|
| **Satisfied by** | |
| Consideration for AIP Acquisitions VI Limited | 89,903,880 |
| Consideration for Arjun Infrastructure Partners III Limited | - |
| **Fair value of assets and liabilities acquired** | **89,903,880** |

**Consolidated sub-group figures*

### 21 Acquisition of subsidiary undertaking – prior period *(continued)*

In the 7-month period ended 31 December 2021, turnover of £6,089,772/£309,744 and profit of £1,116,202/£45,191 was included in the consolidated profit and loss account in respect of AIP Acquisitions VI Limited and Arjun Infrastructure Partners III Limited (and their subsidiaries), respectively, since the acquisition date.

The fair value adjustment adjusted the book value of assets and liabilities acquired to their fair value at the acquisition date. The useful economic life of the tangible assets acquired ranged between 17-21 years.

### 22 *Reserves*

**Share premium account**
Includes any premium received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from the share premium.

**Profit and loss account**
Includes all current and prior period retained profits and losses.

All dividends declared are interim dividends. Therefore, there were no dividends outstanding to be paid at 31 December 2022 (2021: £nil).

### 23 Unlawful dividend – prior period

In the prior year, the Company received dividends from two of its subsidiaries totalling £220,000 – AEE Renewables UK 33 Limited (£70,000) and Lumicity 4 Limited (£150,000). These dividends were deemed to be unlawful at the time of issue in accordance with the Companies Act 2006 on the basis that the subsidiaries did not have sufficient distributable reserves at the time the dividends were declared and paid.

Notwithstanding the above, all creditors were paid and the Company and the subsidiaries rectified this within the year via full repayment of the unlawful dividends and offsetting this against the repayment of the same amount of pre-existing shareholder loans between the Company and the subsidiaries.

Furthermore, another dividend totalling £1,129,695 was declared and paid in the prior year (February 2021) by a current subsidiary (AIP Acquisitions VI Limited) to its previous parent company (AIP Infrastructure LP) prior to the Group reorganisation in June 2021. In accordance with the Companies Act 2006, part of this dividend was deemed unlawful on the basis that the subsidiary did not have sufficient distributable reserves at the time the dividend was declared and paid. After reviewing this matter, a partial repayment (c£605k) of the dividend was required by AIP Infrastructure LP, which represented the excess of the dividend paid over the available distributable reserves at the time it was declared (c£525k).

Notwithstanding the above, all creditors were paid and AIP Infrastructure LP, the Company and the subsidiary have rectified this within the year via a repayment of the unlawful part of the dividend and offsetting the repayment indirectly against the repayment of the same amount of pre-existing intercompany loans between AIP Infrastructure LP, the Company, AIP Infrastructure Partners II Limited and AIP Acquisitions VI Limited.

### 24 Post balance sheet events

After the year end, and prior to the date of signing these financial statements, the Directors proposed and paid a dividend of £4,450,000.

There were no significant events that would require adjustment to the Group or Company's financial statements.

### 25 Related parties

During the year the Group entered into transactions, in the ordinary course of business, with related parties. The Group has taken advantage of the exemption under paragraph 33.1A of FRS 102 not to disclose transactions with fellow subsidiaries under common ownership. There are no other related party transactions noted in the year.

## 26 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Arjun Infrastructure Partners II Limited (Company number: 09429375. Registered address: 15 Diddenham Court, Lambwood Hill, Grazeley, Reading, England, RG7 1JQ).

The Company's ultimate parent and ultimate controlling party is AIP Infrastructure LP (Company number: SL029869, Registered address: c/o Brodies LLP, Capital Square, 58 Morrison Street, Edinburgh, EH3 8BP). As AIP Infrastructure LP does not prepare consolidated accounts for public use, the largest group which prepares consolidated accounts is Arjun Infrastructure Partners II Limited. These accounts are publicly available and can be obtained from its registered address noted above.

The smallest group which prepares consolidated accounts is the Company itself (AIP Acquisitions II Limited).