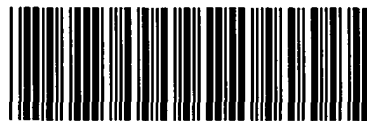


REGISTERED NUMBER: SC315036

Carcant Windfarm (Scotland) Limited
Strategic Report, Directors' Report and
Financial Statements for the Year Ended 31 December 2022

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Carcant Windfarm (Scotland) Limited

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for the Year Ended 31 December 2022

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Carcant Windfarm (Scotland) Limited

Company Information

for the Year Ended 31 December 2022

Directors:

P Hernandez
F Sheikh
J Serrano

Secretary:

Ocorian Administration (UK) Limited

Registered office:

DLA Piper Scotland LLP
Collins House
Rutland Square
Edinburgh
EH1 2AA

Registered number:

SC315036

Independent auditor:

Shipleys LLP
Statutory Auditor
10 Orange Street
Haymarket
London
WC2H 7DQ

Carcant Windfarm (Scotland) Limited

Strategic Report

for the Year Ended 31 December 2022

Introduction

The Directors present the Strategic Report of Carcant Windfarm (Scotland) Limited (the "Company") for the year ended 31 December 2022 which has been prepared in accordance with the requirements of Section 414(c) of the Companies Act 2006.

Principal activity

The Company is involved in the generation of renewable electricity from the operation of its 6 MW wind farm in southern Scotland. All sales of electricity are made to Axpo UK Limited under the terms of a long term Power Purchase Agreement ("PPA").

Review of the business

There are no material issues that are affecting the performance of the Company.

During the year, energy generation was 5 per cent above budget at 18,022 MWh. Average power price during the year was above budget which resulted in turnover being above budget at £4,038k (2021: £2,400k).

Health and safety

There were no major incidents to report in the year to 31 December 2022 (2021: nil).

Key performance indicators

The Directors believe that the following indicators will provide shareholders with sufficient information to assess how effectively the Company is performing, as they indicate the Company's ability to generate electricity.

	Year ended 31 December 2022	Year ended 31 December 2021
Generation (MWh)	18,022	14,510
Turnover	£4,038k	£2,400k

Carcant Windfarm (Scotland) Limited

Strategic Report

for the Year Ended 31 December 2022

Principal risks and uncertainties

The principal risks facing the Company are:

Regulation

If a change in Government renewable energy policy were applied retrospectively to current operating projects this could adversely impact the market price for renewable energy or the value of the green benefits earned from generating renewable energy.

The Government has evolved the regulatory framework for new projects being developed but has consistently stood behind the framework that supports operating projects as it understands the need to ensure investors can trust regulation.

Electricity prices

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

Wind resource

The Company's revenues are dependent upon wind conditions, which will vary across seasons and years within statistical parameters. Although the Company does not have any control over wind resource, it ensures that there are adequate financial reserves in place to ensure it can withstand significant short term variability in production relating to wind.

Climate change - Long term power prices

In the transition to a lower carbon economy, where considerable build-out of renewable generation capacity will be required, there is a risk that the power price received by the Company could be negatively impacted. Lower long term power prices would reflect the wider deployment of low marginal cost renewable generation capacity, partially offset by the expected deployment of electrolyzers as part of a growing hydrogen economy, increased electrification of transport and heat and the build-out of data centres.

Climate change - Physical risk

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

The Directors believe that a scenario where global temperature increases are significantly higher than 2°C (1.5°C to 2°C most typically associated with net zero) would not lead to any significant physical risk to the wind farm, which is designed to operate in extreme weather conditions and is not located in areas prone to flooding.

Asset life and operational issues

Wind turbines may have shorter lives than their expected life-span. In addition, technical issues may arise on plant and equipment which may cause significant down-time of turbines, business interruption and lost revenues. To mitigate this risk, regular reviews are undertaken by third party contractors to ensure that maintenance is performed on all wind turbines to ensure they are in good working order, consistent with their expected life spans. In addition the Company has taken out appropriate plant, equipment and business interruption insurance to reduce the potential financial impact of operating risks.

Carcant Windfarm (Scotland) Limited

Strategic Report

for the Year Ended 31 December 2022

Health and safety and the environment

The physical location, operation and maintenance of wind farms may, if inappropriately assessed and managed, pose health and safety risks to those involved. Wind farm operation and maintenance may result in bodily injury or industrial accidents, particularly if an individual were to fall from height or be electrocuted. If an accident were to occur, and if the Company was deemed to be at fault, the Company could be liable for damages or compensation to the extent such loss is not covered by insurance policies. In addition, adverse publicity or reputational damage could ensue. To mitigate this risk, an independent health and safety consultant has been engaged to ensure the ongoing appropriateness of the Company's health and safety policies. This process is overseen by a Health and Safety Director. The Board also reviews health and safety performance at each of its scheduled Board meetings. The Company complies with all regulatory and planning conditions relating to the environment, including noise emissions, habitat management and waste disposal.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The Company adopts a prudent approach to liquidity management and to mitigate against cash flow and liquidity risk it continuously monitors forecasted and actual cash flows and maintains sufficient cash reserves to meet its obligations. The Company's main exposure to credit risk is its cash balances with banks and trade receivables. This risk is mitigated through using banks with investment grade credit ratings and entering into a PPA with a credit worthy off-taker.

Directors' Responsibilities Pursuant to Section 172 of the Companies Act 2006

The Directors are responsible for acting in a way that they consider, in good faith, is the most likely to promote the success of the Company for the benefit of its members. In doing so, they should have regard for the needs of stakeholders and the wider society, in both the short and long term. The Company's objective is to generate renewable electricity from the operation of its 6 MW wind farm located in southern Scotland, whilst managing and mitigating the health and safety risks to those contractors and other stakeholders involved.

The Company, and its nominated Health and Safety Director, engage with an independent health and safety consultant to ensure the ongoing appropriateness of the Company's health and safety policies and the continued management and mitigation of health and safety risks. The Company also complies with all regulatory and planning conditions relating to the environment, including noise emissions, habitat management and waste disposal, as well as engaging with the local community through sponsorships and annual contributions to community funds and social projects.

The Company also adopts a prudent approach to financial risk management to maintain and strengthen the Company's operations and business relationships with suppliers, customers and other stakeholders. This is achieved through continuous monitoring of forecasted and actual cash flows and the retention of sufficient cash reserves to meet its ongoing obligations, and mitigate against cash flow and liquidity risk.

Key decisions are those that are either material to the Company or are significant to any of the Company's key stakeholders. Any key decisions made or approved by the Directors during the year, were made with the overall aim of promoting the success of the Company while considering the impact on its members and wider stakeholders.

Electricity Generator Levy

The gas and electricity prices have remained very high since Russia's invasion of Ukraine. The Government has since introduced the Electricity Generator Levy ("EGL"). This levy is payable by electricity generators at 45% on average annual power revenue above an index linked £75/MWh from 1 January 2023. The levy applies until 31 March 2028. The Directors have considered the impact of the introduction of the EGL on the Company's future performance and have concluded the Company will continue to have sufficient funds to meet all liabilities as they fall due.

Carcant Windfarm (Scotland) Limited

Strategic Report
for the Year Ended 31 December 2022

Future developments

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

On behalf of the board:

DocuSigned by:
Fahem Sheikh
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F Sheikh - Director

Date: 27-07-23

Carcant Windfarm (Scotland) Limited

Directors' Report

for the Year Ended 31 December 2022

The Directors present their Annual Report and the audited financial statements of the Company for the year ended 31 December 2022.

Dividends

During the year the Company declared and paid interim dividends totalling £3,237k (2021: £1,601k). The Directors do not recommend the payment of a final dividend in relation to the year ended 31 December 2022 (2021: £nil).

Events since the end of the year

Information relating to events since the end of the year is given in the notes to the financial statements.

Directors

The Directors who were in office during the financial year and up to the date of this report are listed below. In accordance with the Articles of Association of the Company, the Directors are not required to retire by rotation. Directors' and Officers' liability insurance cover is in place in respect of the Directors.

L Fumagalli (resigned 1 May 2023)

S Lilley (resigned 1 May 2023)

P Hernandez

F Sheikh (appointed 1 May 2023)

J Serrano (appointed 1 May 2023)

Results for the year

The results for the year ended 31 December 2022 are set out on page 11. The Statement of Financial Position as at 31 December 2022 is set out on page 12 and indicates net assets of £7,413k (2021: £8,278k).

Going concern

The Company has cash balances of £321k (2021: £1,185k) and total equity of £7,413k (2021: £8,278k). The Directors have fully considered the risks and uncertainties of the Company's cash flow forecasts and have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from date of signing. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Auditor

In accordance with Section 485-488 of the Companies Act 2006, the Auditor, Shipleys LLP, will be deemed to be reappointed and therefore will continue in office.

Disclosure of information to auditor

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Disclosure in the Strategic Report

The principal activities, a review of the business, key performance indicators, principal risks and uncertainties including financial risk management objectives and policies and future developments of the Company have not been included in this report as they are disclosed in the Strategic Report.

On behalf of the board:

DocuSigned by:

Fahem Sheikh

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F Sheikh - Director

Date: 27-07-23

Carcant Windfarm (Scotland) Limited

Directors' Responsibilities Statement for the Year Ended 31 December 2022

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 Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Carcant Windfarm (Scotland) Limited

Opinion

We have audited the financial statements of Carcant Windfarm (Scotland) Limited for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRCs 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 Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other Information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the 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.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Independent Auditor's Report to the Members of Carcant Windfarm (Scotland) Limited

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you it, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors' either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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.

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 obtained an understanding of the Company's business, controls, legal and regulatory frameworks, laws and regulations and assessed the susceptibility of the Company's financial statements to material misstatement from irregularities, including fraud, and instances of non-compliance with laws and regulations.
- Based on this understanding we designed our audit procedures to detect irregularities, including fraud. Testing undertaken included making enquiries of the management; journal entry testing; review of bank letters, board minutes and any correspondence received from regulatory bodies; reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud and error.

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

Independent Auditor's Report to the Members of Carcant Windfarm (Scotland) Limited

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.



Joseph Kinton, (Senior Statutory Auditor)
for and on behalf of Shipleys LLP
Statutory Auditor
London

28 July 2023
Date:

Carcant Windfarm (Scotland) Limited

Statement of Comprehensive Income

for the Year Ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Turnover	2	4,038	2,400
Operating expenses		<u>(1,120)</u>	<u>(866)</u>
Operating profit and Profit before taxation	3	2,918	1,534
Tax on profit	4	<u>(546)</u>	<u>(557)</u>
Profit for the financial year		2,372	977
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>2,372</u></u>	<u><u>977</u></u>

The notes on pages 15 to 23 form part of these financial statements

Carcant Windfarm (Scotland) Limited (Registered number: SC315036)**Statement of Financial Position****31 December 2022**

	Notes	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	6	217	229
Tangible assets	7	8,056	8,517
		<u>8,273</u>	<u>8,746</u>
Current assets			
Debtors	8	663	560
Cash at bank		321	1,185
		<u>984</u>	<u>1,745</u>
Creditors			
Amounts falling due within one year	9	(158)	(483)
Net current assets		<u>826</u>	<u>1,262</u>
Total assets less current liabilities		<u>9,099</u>	<u>10,008</u>
Provisions for liabilities	12	(1,686)	(1,730)
Net assets		<u>7,413</u>	<u>8,278</u>
Capital and reserves			
Called up share capital	13	-	-
Retained earnings	14	7,413	8,278
Shareholders' funds		<u>7,413</u>	<u>8,278</u>

The financial statements were approved by the Board of Directors on 24/07/2023 and were signed on its behalf by:

DocuSigned by:

Faleem Sheikh

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F Sheikh - Director

The notes on pages 15 to 23 form part of these financial statements

Carcant Windfarm (Scotland) Limited

Statement of Changes in Equity for the Year Ended 31 December 2022

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2021	-	8,902	8,902
Changes in equity			
Dividends	-	(1,601)	(1,601)
Total comprehensive income	-	977	977
Balance at 31 December 2021	-	8,278	8,278
Changes in equity			
Dividends	-	(3,237)	(3,237)
Total comprehensive income	-	2,372	2,372
Balance at 31 December 2022	-	7,413	7,413

The notes on pages 15 to 23 form part of these financial statements

Carcant Windfarm (Scotland) Limited

Statement of Cash Flows

for the Year Ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities			
Cash generated from operations	17	3,294	1,881
Tax paid		(921)	-
Net cash from operating activities		<u>2,373</u>	<u>1,881</u>
Cash flows from financing activities			
Equity dividends paid		(3,237)	(1,601)
Net cash from financing activities		<u>(3,237)</u>	<u>(1,601)</u>
(Decrease)/increase in cash and cash equivalents		<u>(864)</u>	<u>280</u>
Cash and cash equivalents at beginning of year	18	1,185	905
Cash and cash equivalents at end of year	18	<u><u>321</u></u>	<u><u>1,185</u></u>

The notes on pages 15 to 23 form part of these financial statements

Carcant Windfarm (Scotland) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2022

1. Accounting policies

Basis of preparing the financial statements

The principal accounting policies applied in the preparation of these financial statements are set out below.

a) General information and basis of accounting preparation

The Company is a private limited liability company incorporated and domiciled in the United Kingdom ("UK") under the Companies Act 2006. The address of its registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report.

The financial statements of the Company have been prepared on the historical cost basis and in compliance with UK Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" and the Companies Act 2006. The Company has applied the amendments to Company law made by the Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015.

The preparation of these financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial information and the reported amounts of revenue and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(m).

b) Functional and presentational currency

The financial statements are denominated in pounds sterling ("£") rounded to the nearest thousand unless otherwise stated, as this is the functional currency of the Company.

c) Going concern

The Company has cash balances of £321k (2021: £1,185k) and total equity of £7,413k (2021: £8,278k). The Directors have fully considered the risks and uncertainties of the Company's cash flow forecasts and have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from date of signing. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

d) Turnover

Turnover is recognised exclusive of Value Added Tax ("VAT") and consists of sales of renewable energy together with revenue earned under the Renewable Obligation Certificate ("ROCs"), revenue earned under the Renewable Energy Guarantee of Origin ("REGOs") scheme and Embedded Benefits. All sources of revenues are based on units generated during the year.

e) Foreign currency translation

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the individual transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rate ruling at the reporting date are recognised in the Statement of Comprehensive Income. Non-monetary assets and liabilities that are not carried at fair value are not subsequently restated and are carried at the rate of exchange at the date they are acquired.

Carcant Windfarm (Scotland) Limited

Notes to the Financial Statements - continued **for the Year Ended 31 December 2022**

f) Interest receivable and payable

Interest on loan amounts used for capital expenditure during the construction phase of assets are capitalised according to the nature of the capital expenditure.

g) Operating leases

Where the Company is the lessee, and the lessor maintains a significant portion of the risks and rewards related to ownership of the asset, the lease is recorded as an operating lease. Lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the life of the lease.

h) Tangible assets

The operating wind farm consists of wind turbines and the balance of plant, including substations, and are stated at acquisition cost, net of accumulated depreciation and impairment losses. Costs include amounts payable to third party contractors for the construction of the wind farm and other costs that were directly attributable to bringing assets into working condition for their intended use.

Depreciation is provided on all tangible assets, at rates calculated to write off the cost, less estimated residual value, on a straight-line basis over their expected useful lives. The following expected useful lives are used for calculation of depreciation:

- Operating wind farm - 30 years

Depreciation commences when the asset becomes ready for its intended use. The residual values, if not insignificant, and remaining useful lives are reassessed at each reporting date. When parts of an item of tangible assets have different useful lives, those components are accounted for as separate items of tangible assets. Gains and losses on disposals are determined by comparing the proceeds received with the carrying amount and are recognised within other income/(expenditure) in the Statement of Comprehensive Income.

The Company's tangible assets are assessed for indicators of impairment at each Statement of Financial Position date. An impairment is recognised in profit or loss where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the asset, the estimated carrying value of the asset exceeds its recoverable amount.

i) Intangible assets

Intangible assets relate to capitalised fees associated with long term operating lease arrangements. Intangible assets are initially recognised at cost and then are amortised over the period of the contract or over the period for which the Company is entitled to the use of the asset, right or benefit.

Amortisation is recognised on a straight-line basis for contracts, assets, rights and benefits over the 30 year life of the wind farm assets.

The Company's intangible assets are assessed for indicators of impairment at each Statement of Financial Position date. An impairment is recognised in profit or loss where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the asset, the estimated carrying value of the asset exceeds its recoverable amount.

j) Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are only offset and the net amount reported in the Statement of Financial Position when there is a currently enforceable legal right to offset the recognised amounts and the Company intends to settle on a net basis or realise the asset and liability simultaneously.

The carrying amounts of financial instruments reflected in the financial statements are reasonable estimates of fair value in view of their nature or the relatively short period of time between their original and expected realisation.

Carcant Windfarm (Scotland) Limited

Notes to the Financial Statements - continued

for the Year Ended 31 December 2022

j) Financial instruments (continued)

Financial assets

Cash and cash equivalents comprise cash balances or deposits held on call with banks, or other short term highly liquid investments with original maturities of three months or less.

All financial assets are initially recognised at fair value less transaction price. All purchases of financial assets are recorded at the date on which the Company became party to the contractual requirements of the financial asset.

At the end of each reporting period, financial assets are measured at amortised cost and assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is recognised in the Statement of Comprehensive Income.

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

- when the Company has transferred substantially all the risks and rewards of ownership;
- when it no longer has control over the assets or a portion of the asset; or
- when the contractual right to receive cash flow has expired.

Financial liabilities

All financial liabilities are initially recognised at fair value less transaction costs and are recorded on the date on which the Company becomes party to the contractual requirements of the financial liability.

The Company's financial liabilities are subsequently measured at amortised cost and include trade and other creditors.

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

k) Called-up share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

l) Tax

Tax for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. Current tax is charged or credited to the Statement of Comprehensive Income except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the Statement of Comprehensive Income except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Carcant Windfarm (Scotland) Limited

Notes to the Financial Statements - continued

for the Year Ended 31 December 2022

l) Tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis. Deferred tax assets and liabilities are not discounted.

m) Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Recoverability of tangible assets

Management have made key assumptions regarding wind yield assessments, securing the customer under the PPA and the UK inflationary environment which directly impacts the future economic benefits to be derived from the tangible assets. Changes in these assumptions affect the carrying values of tangible assets. Management expect the future economic benefits that will result from the use of the tangible assets to exceed the cost of the investments and thus the costs of the tangible assets are recoverable.

Recognition of Recycled ROCs

Recycled ROC revenue is estimated on the basis of market data and is accrued in the period when the associated electricity is supplied.

Decommissioning provision

Provision has not been recognised in respect of wind farm site restoration costs based on the assumptions that the technical asset life for many wind farms exceeds 30 years, so additional revenue generated after the end of useful life and the scrap value of the turbines will cover some decommissioning costs. There is also the potential that the wind farm will be re-powered and the related site lease renewed. If circumstances indicate otherwise, the Company will recognise an appropriate provision.

2. Turnover

	2022	2021
	£'000	£'000
Turnover	4,038	2,400

3. Operating profit

Operating profit is stated after charging the following:

	2022	2021
	£'000	£'000
Depreciation of tangible assets	461	461
Amortisation of intangible assets	12	12
Operating lease rentals	136	71
Auditor's remuneration for audit of financial statements	3	3

The Directors received no remuneration for their duties in respect of the Company for the current or prior year. There are no employees in the Company in the current and prior year and therefore no employee costs.

Carcant Windfarm (Scotland) Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2022

4. Taxation

Analysis of the tax charge	2022 £'000	2021 £'000
Current tax		
Current tax charge	590	315
Adjustment in respect of previous periods	-	(152)
	<u>590</u>	<u>163</u>
Deferred tax		
Origination and reversal of timing differences	(34)	(21)
Effect of rate change	(10)	415
	<u>(44)</u>	<u>394</u>
Tax charge on profit	<u><u>546</u></u>	<u><u>557</u></u>

The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2022 £'000	2021 £'000
Profit before tax	<u>2,918</u>	<u>1,534</u>
Tax on profit at standard UK corporation tax rate of 19% (2021: 19%)	554	292
Effects of:		
Disallowable expenditure	2	2
Adjustment in respect of previous periods	(10)	(152)
Effect of rate change	-	415
Tax charge for year	<u><u>546</u></u>	<u><u>557</u></u>

Effective from 1 April 2023 the UK's main corporation tax rate increased from 19% to 25%. These changes were substantively enacted at the balance sheet date and hence have been reflected in the measurement of deferred tax balances at the period end.

5. Dividends

	2022 £'000	2021 £'000
Ordinary shares of £1.00 each		
Interim	<u>3,237</u>	<u>1,601</u>
Dividends per ordinary share (£)	<u><u>1,079,000</u></u>	<u><u>533,666</u></u>

Carcant Windfarm (Scotland) Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2022

6. Intangible assets

	Intangible assets £'000
Cost	
At 1 January 2022	
and 31 December 2022	445
Amortisation	
At 1 January 2022	216
Amortisation for year	12
At 31 December 2022	228
Net book value	
At 31 December 2022	217
At 31 December 2021	229

Intangible assets relate to capitalised fees associated with long term operating lease arrangements. The carrying amount of intangible assets as at 31 December 2022 was £217k (2021: £229k) and the assets have an estimated remaining useful life of 17 years.

7. Tangible assets

	Operating wind farm £'000
Cost	
At 1 January 2022	
and 31 December 2022	16,737
Depreciation	
At 1 January 2022	8,220
Charge for year	461
At 31 December 2022	8,681
Net book value	
At 31 December 2022	8,056
At 31 December 2021	8,517

8. Debtors: amounts falling due within one year

	2022 £'000	2021 £'000
Trade debtors	-	34
Tax	16	-
Accrued income	625	487
Prepayments	22	39
	663	560

Carcant Windfarm (Scotland) Limited

Notes to the Financial Statements - continued

for the Year Ended 31 December 2022

9. Creditors: amounts falling due within one year

	2022	2021
	£'000	£'000
Trade creditors	21	1
Corporation tax	-	315
VAT	56	133
Accrued expenses	81	34
	<u>158</u>	<u>483</u>

On 26 April 2018, a Bond for the amount of £314,257 was issued on behalf of the Company by The Royal Bank of Scotland International Limited ("RBS") in favour of Scottish Borders Council and the Company's landowners. Pursuant to the Bond, RBS has agreed to make payments in respect of the Company's restoration obligations where the Company fails to honour such obligations. The Company has agreed to reimburse RBS for any such payment made by RBS in connection with the obligations under the Bond. As at 31 December 2022, £nil (2021: £nil) had been paid in relation to the bond and £nil was outstanding (2021: £nil).

10. Leasing agreements

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2022	2021
	£'000	£'000
Within one year	28	28
Between one and five years	201	177
In more than five years	571	623
	<u>800</u>	<u>828</u>

11. Financial instruments

The carrying values of the Company's financial assets and liabilities are summarised by category below:

Financial assets	2022	2021
Measured at cost	£'000	£'000
Cash and receivables:		
Debtors	625	521
Cash and cash equivalents	321	1,185
	<u>946</u>	<u>1,706</u>
 Financial liabilities	 2022	 2021
Measured at cost	£'000	£'000
Other financial liabilities:		
Creditors	(102)	(35)
	<u>(102)</u>	<u>(35)</u>

Further details on the Company's credit, cash flow and liquidity risk are covered in the Strategic Report.

Carcant Windfarm (Scotland) Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2022

12. Provisions for liabilities

Deferred tax is provided as follows

	2022 £'000	2021 £'000
At the beginning of the year	1,730	1,336
(Credit)/charge for the year (note 4)	(44)	394
At the end of the year	<u>1,686</u>	<u>1,730</u>

13. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2022 £	2021 £
3	Ordinary	£1.00	<u>3</u>	<u>3</u>

Called up share capital - represents the nominal value of shares that have been issued.

14. Reserves

	Retained earnings £'000
At 1 January 2022	8,278
Profit for the year	2,372
Dividends	(3,237)
At 31 December 2022	<u>7,413</u>

Retained earnings - includes all current and prior period retained profits and losses, net of dividends.

15. Related party transactions

To the extent not disclosed elsewhere in the financial statements, details of related party transactions and balances are as follows:

Under the terms of a Management Services Agreement the Company pays Greencoat UK Wind Holdco Limited ("Greencoat Holdco") £39k (2021: £36k) per annum in relation to administration services. As at 31 December 2022, £39k (2021: £36k) had been paid in relation to this agreement and £nil was outstanding (2021: £nil).

No Director had any interest in any contract or arrangements of a material nature with the Company.

16. Events since the end of the year

On 9 February 2023 and 12 May 2023 the Company paid interim dividends of £363k and £503k respectively.

On 1 May 2023 F Sheikh and J Serrano were appointed as Directors, and L Fumagalli and S Lilley resigned as Directors.

There were no other significant events after the year end.

Carcant Windfarm (Scotland) Limited

Notes to the Financial Statements - continued

for the Year Ended 31 December 2022

17. Reconciliation of profit before taxation to cash generated from operations

	2022	2021
	£'000	£'000
Profit before taxation	2,918	1,534
Depreciation charges	461	461
Amortisation charges	12	12
	3,391	2,007
Increase in trade and other debtors	(87)	(156)
(Decrease)/increase in trade and other creditors	(10)	30
Cash generated from operations	<u>3,294</u>	<u>1,881</u>

18. Cash and cash equivalents

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2022

	31/12/22	1/1/22
	£'000	£'000
Cash and cash equivalents	<u>321</u>	<u>1,185</u>

Year ended 31 December 2021

	31/12/21	1/1/21
	£'000	£'000
Cash and cash equivalents	<u>1,185</u>	<u>905</u>

19. Controlling party

The immediate parent of the Company, holding 100% of its shares is Greencoat Holdco. Greencoat Holdco is a company registered in the United Kingdom of which the ultimate controlling party is Greencoat UK Wind PLC ("Greencoat PLC"), a company registered in the United Kingdom. The financial statements of Greencoat PLC are available to the public and may be obtained from its website at www.greencoat-ukwind.com.