Company Registration No. 08441850 (England and Wales)

MARGAM GREEN ENERGY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

MARGAM GREEN ENERGY LIMITED

COMPANY INFORMATION

Directors	J Reid	(Appointed 27 April 2022 and resigned 12 October 2023)
	H Unwin	(Appointed 27 April 2022)
	M Patel	(Appointed 27 April 2022)
	J Bergsma	(Resigned 27 April 2022)
	P Dickson	(Resigned 27 April 2022)
	A Sarandidis	(Appointed 12 October 2023)
Company number	08441850	
Registered office	4th Floor The Peak 5 Wilton Road London United Kingdom SW1V 1AN	
Independent Auditor	PricewaterhouseCoopers LLP 7 More London Pl London SE1 2RT	

MARGAM GREEN ENERGY LIMITED

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MARGAM GREEN ENERGY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for the year ended 31 December 2021.

Fair review of the business

The principal activity of the Company continues to be the operation of a biomass energy plant for the generation of electricity.

The key financial and other performance indicators during the year were as follows:

	2021	2020
	£	£
Revenue	42,150,219	25,908,916
Operating profit/(loss)	12,811,829	(6,487,592)
Earnings before interest, tax, and depreciation	20,544,059	1,211,833
Electricity generated	270,669MWh	233,093MWh

Revenue increased in the year by £16,241,303 (63%). Revenue has increased on the prior year, following improving plant performance and high brown power prices.

Future outlook
The company intends to continue operation as a biomass energy plant, generating electricity from waste wood supply.

MARGAM GREEN ENERGY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Principal risks and uncertainties

In the ordinary course of business, the company is exposed to and manages a variety or risks in relation to its operating activities. The management of risk is fundamental to the company, with the board of directors having responsibility for the overall system of internal control and for reviewing its effectiveness.
The principal risks and uncertainties facing the company are broadly grouped as such as regulatory, fuel, technical and financial instrument risk.

Regulatory risk
Regulatory risk may arise from a change in regulations and law that might affect industry or business. Renewable energy projects are dependent for their commercial viability on a suitable regulatory regime. There is a risk that the government may introduce retrospective changes to the regime that was agreed at the time the project commenced. This is unusual in the market and changes to the regulatory regime are more typically for future projects.
Both legislative and regulatory risk are managed by awareness of industry news, publications and regular communication with industry experts and the regulator.

Fuel risk
The availability of woodchip in the market is subject to the ongoing operations of the UK construction industry and Household Waste Recycling Centres (HWRC). The company has mechanisms and processes in place that seek to mitigate the risk of insufficient volumes being available by ensuring buffer stocks are held by the fuel supplier and maintaining the ability to source fuel from European markets.

Technical risks
The company is exposed to technical risks with the operation of its biomass plant that could reduce availability for electricity generation, particularly with long lead times for certain components. To mitigate against this technical risk the company has contracted a team of experienced engineers who are responsible for monitoring and managing performance. Additionally, a store of key spare parts for the plant is maintained.

COVID-19
The Directors have actively managed risk from the COVID-19 pandemic during the year and in the post year end period. Social distancing guidelines are followed in line with government guidelines and measures are in place to manage any cases that emerge. The site, service providers and liquidity continue to be closely monitored.

Macroeconomic
Russia's invasion of Ukraine has created geopolitical instability which has impacted commodity prices, inflation rates and interest rates.

Financial instrument risks
Financial instrument risks are described in Note 15.

On behalf of the board

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H Unwin	M Patel
Director	**Director**
Date: 31st January 2024	Date: 31st January 2024

MARGAM GREEN ENERGY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and the audited financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the company continued to be that of operation of a biomass energy plant for the generation of electricity.

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

No preference dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J Bergsma	(Resigned 27 April 2022)
P Dickson	(Resigned 27 April 2022)
J Reid	(Appointed 27 April 2022 and resigned 12 October 2023)
H Unwin	(Appointed 27 April 2022)
M Patel	(Appointed 27 April 2022)
A Sarandidis	(Appointed 12 October 2023)

Going concern

The Directors have prepared cash flow forecasts for the period to 31 January 2025, including undertaking plausible sensitivity analysis to those forecasts considering both the risk of reductions in revenues due to reduced output from the plant and lower energy prices. These forecasts and sensitivities indicate that the Company will generate sufficient cash to meet its obligations.

On the 27th April 2022, all existing external debt and intercompany loan were cleared by the new parent company Greencoat Brecon Limited (GBL). As at the date of this report the loan outstanding between the Company and GBL is £109,862,059 and is repayable on the termination date of 31 March 2042. The Company has received confirmation from GBL that it will not demand repayment of the loan or seek repayment of this interest from at least 12 months from the date of approval of this report unless the Company has sufficient cash to finance its ongoing obligations.

The Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Consequently, the Directors have concluded that it is appropriate to prepare these financial statements on a going concern basis. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Company was unable to continue as a going concern.

Financial instruments

The company has chosen to present information on its financial risk management policies in the Strategic report in accordance with Section 414 C (11) of the Companies Act 2006.

Events since the balance sheet date

In the period subsequent to the balance sheet date the following events have taken place: on the 27th April 2022, Greencoat Brecon Limited (GBL) acquired the Company from CEP Biomass Energy Limited. During this acquisition all outstanding debt was repaid by GBL with an intercompany loan between the Company and GBL created with a termination date of 31 March 2042.

Directors' Liabilities

The company maintains liability and indemnity insurance for its directors and officers. The provision has been in place throughout the year and remain in place as of the date of signing.

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

Directors' confirmations
In the case of each director in office at the date the directors' report is approved:

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

MARGAM GREEN ENERGY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Independent auditors

In accordance with the company's articles, auditors will be appointed in line with other group companies and will be put at a General Meeting.

Statement of disclosure to auditors

Each director in office at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

DocuSigned by:
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H Unwin
Director
Date: 31st January 2024

DocuSigned by:
Minal Patel
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M Patel
Director
Date: 31st January 2024

Independent auditors' report to the members of Margam Green Energy Limited

Report on the audit of the financial statements

Opinion

In our opinion, Margam Green Energy Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of Financial Position as at 31 December 2021; the Statement of Comprehensive Income, the Statement of Changes in Equity, and the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 auditors' 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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to to manipulation of financial data to present more favourable financial results. Audit procedures performed by the engagement team included:

- Enquiries with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Reviewing relevant meeting minutes, including those of the Board;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and

- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, entries posted containing unusual words, and entries posted with unusual amounts.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Thomas Norrie

Thomas Norrie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
31 January 2024

MARGAM GREEN ENERGY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	2020 £
Revenue	4	42,150,219	25,908,916
Cost of sales		(25,067,599)	(27,385,081)
Gross profit/(loss)		17,082,620	(1,476,165)
Administrative expenses		(4,270,791)	(5,011,427)
Operating profit/(loss)	5	12,811,829	(6,487,592)
Finance costs	7	(9,145,910)	(12,929,915)
Other gains and losses	8	3,981,016	(1,666,827)
Profit/(loss) before taxation		7,646,935	(21,084,334)
Income tax (charge)/credit	9	(1,100,383)	914,088
Profit/(loss) and total comprehensive income/(expense) for the year		6,546,552	(20,170,246)

The Statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

The notes on pages 14 to 31 are an integral part of these financial statements.

MARGAM GREEN ENERGY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	2021 £	2020 (Revised) £	2019 (Revised) £
ASSETS				
Non-current assets				
Property, plant and equipment	10	113,326,069	119,764,773	126,709,801
Deposits (restated)	13	1,759,221	1,759,221	1,757,970
		115,085,290,	121,523,994	128,467,771
Current assets				
Trade and other receivables	11	13,926,847	12,160,932	7,377,498
Cash and cash equivalents (restated)	13	15,111,979	6,668,391	9,422,413
		30,798,047	20,588,544	18,557,881
Total assets		144,124,116	140,353,317	145,267,682
EQUITY				
Called up share capital	17	202	201	200
Share premium account	18	17,142,036	14,142,037	9,999,900
Accumulated losses		(28,279,838)	(34,826,390)	(14,656,144)
Total equity		(11,137,600)	(20,684,152)	(4,656,044)
LIABILITIES				
Non-current liabilities				
Trade and other payables	16	57,447,585	52,245,039	-
Borrowings	14	-	77,124,419	3,332,201
Deferred tax liabilities	9	5,248,220	4,147,837	47,032,998
Derivative financial instruments	15	-	4,498,535	5,061,925
		62,695,805	138,015,830	55,427,124
Current liabilities				
Trade and other payables	16	12,118,047	11,049,124	4,727,442
Borrowings	14	78,478,483	10,520,654	943,170
Derivative financial instruments	15	1,969,381	1,451,861	88,825,990
		92,565,911	23,021,639	94,496,602
Total liabilities		155,261,716	161,037,469	149,923,726
Total equity and liabilities		144,124,116	140,353,317	145,267,682

The notes on pages 14 to 31 are an integral part of these financial statements

MARGAM GREEN ENERGY LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2021

The financial statements were approved by the board of directors and authorised for issue on 31st January 2024, and are signed on its behalf by:

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	Minal Patel
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H Unwin	M Patel
Director	**Director**

Company Registration No. 08441850

MARGAM GREEN ENERGY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Share capital	Share premium account	Accumulated losses	Total Equity
		£	£	£	£
Balance at 1 January 2020		200	9,999,900	(14,656,144)	(4,656,044)
Year ended 31 December 2020:					
Loss and total comprehensive loss for the year		-	-	(20,170,246)	(20,170,246)
Issue of share capital	**18**	1	4,142,137	-	4,142,138
Balance at 31 December 2020		201	14,142,037	(34,826,390)	(20,684,152)
Year ended 31 December 2021:					
Profit and total comprehensive income for the year		-	-	6,546,552	6,546,552
Issue of share capital	**18**	1	2,999,999	-	3,000,000
Balance at 31 December 2021		202	17,142,036	(28,279,838)	(11,137,600)

The notes on pages 14 to 31 are an integral part of these financial statements

MARGAM GREEN ENERGY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	2021 £	2020 £	2020 £
Net cash inflow from operating activities (restated)	23		22,736,817		6,715,888
Investing activities					
Purchase of property, plant and equipment		(1,196,313)		(591,830)	
Net cash used in investing activities			(1,196,313)		(591,830)
Financing activities					
Repayment of bank loans		(9,166,591)		(4,422,257)	
Payment of Interest		(3,930,325)		(4,380,952)	
Net cash used in financing activities			(13,096,916)		(8,803,209)
Net increase/(decrease) in cash and cash equivalents			8,443,588		(2,679,151)
Cash and cash equivalents at beginning of year (restated)	13		6,668,391		9,422,413
Effect of foreign exchange rates			-		(74,871)
Cash and cash equivalents at end of year (restated)	13		15,111,979		6,668,391

The notes on pages 14 to 31 are an integral part of these financial statements

MARGAM GREEN ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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1 Accounting policies

Company information

Margam Green Energy Limited is a private company limited by shares incorporated in England and Wales. The company is domiciled in England having its registered address at 2 New Bailey, 6 Stanley Street, Salford, Greater Manchester, United Kingdom, M3 5GS The company's principal activities and nature of its operations are disclosed in the directors' report.

1.1 Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the United Kingdom and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, except as otherwise stated.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments that have been measured at fair value. The principal accounting policies adopted are set out below. The accounting policies been applied consistently, other than where new policies have been adopted.

1.2 Going concern

The Directors have prepared cash flow forecasts for the period to 31 January 2025, including undertaking plausible sensitivity analysis to those forecasts considering both the risk of reductions in revenues due to reduced output from the plant and lower energy prices. These forecasts and sensitivities indicate that the Company will generate sufficient cash to meet its obligations.

On the 27th April 2022, all existing external debt and intercompany loan were cleared by the new parent company Greencoat Brecon Limited (GBL). As per the date of this report, the loan outstanding between the Company and GBL is £109,862,059 and is repayable on the termination date of 31 March 2042. The Company has received confirmation from GBL that it will not demand repayment of the loan or seek repayment of this interest from at least 12 months from the date of approval of this report unless the Company has sufficient cash to finance its ongoing obligations

The Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Consequently, the Directors have concluded that it is appropriate to prepare these financial statements on a going concern basis. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Company was unable to continue as a going concern.

1 Accounting policies **(Continued)**

1.3 Revenue

Revenue comprises amounts received and receivable in respect of generated electricity and Renewable Obligation Certificates (ROCs). Revenue in respect of both energy generation and ROCs is recognised over time. Under the terms of its Power Purchase Agreements (PPA) with customers, ROCs are immediately transferable to the customer.

Revenue from PPAs with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods. Revenue on the generation of energy is recognised based upon the value of units supplied during the year at the price under the PPA, with the number of units determined by energy volumes recorded on the plant meters and market settlement systems. The company has concluded that it is the principle in its revenue arrangements because it typically controls the goods before they are transferred to the PPA counterparty.

All revenue recognised in the year relates to performance obligations satisfied in the year. There are no significant judgements taken in respect of the recognition of revenues.

While the performance obligation is satisfied as the electricity is generated, payment is generally invoiced within 30 days from supply of the energy or 90 days from transfer of the ROCs, with the related amount recognised as a trade receivable or accrued income until payment is received from the customer. Payment terms under the Power Purchase Agreement are 10 business days from invoice date.

The company has no material contract assets or liabilities other than trade debtors and accrued income as disclosed in note 11. There is only one operating activity and all revenue is generated within the United Kingdom.

1.4 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. Such cost includes borrowing costs for long-term construction projects.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	6% per annum straight-line

Freehold land is not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.5 Impairment of tangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1 Accounting policies **(Continued)**

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognized initially at fair value and any transaction costs are recognised in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognised in profit or loss, and is included within finance income or finance costs in the statement of income for the reporting period in which it arises.

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

1 Accounting policies **(Continued)**

Financial assets at fair value through other comprehensive income

Debt instruments are classified as financial assets measured at fair value through other comprehensive income where the financial assets are held within the company's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument measured at fair value through other comprehensive income is recognised initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to profit or loss when the debt instrument is derecognised.

The company has made an irrevocable election to recognize changes in fair value of investments in equity instruments through other comprehensive income, not through profit or loss. A gain or loss from fair value changes will be shown in other comprehensive income and will not be reclassified subsequently to profit or loss. Equity instruments measured at fair value through other comprehensive income are recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to retained earnings when the equity instrument is derecognized or its fair value substantially decreased. Dividends are recognized as finance income in profit or loss.

Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.8 Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of selling or repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

MARGAM GREEN ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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1 Accounting policies (Continued)

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end 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.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are classified as current.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies **(Continued)**

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on 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, and is accounted for using the balance sheet liability method. 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. Such assets and liabilities are not recognised if the temporary difference arises 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.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. 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 in the income statement, 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 assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Adoption of new and revised standards and changes in accounting policies

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

Standard or Interpretation	Effective for periods commencing on or after
Narrow scope amendments to IFRS 3, IAS 16 and IAS 37	1 January 2022
Annual improvements to IFRS Standards 2018-2020	1 January 2022
Amendments to IAS 1: Classification of Liabilities as Current or Non-Current	1 January 2022.

MARGAM GREEN ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

3 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. 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.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined in accounting policies 1.4, 1.5 and 1.7

4 Revenue

	2021	2020
	£	£
Revenue analysed by class of business		
Sale of electricity	20,325,499	8,536,407
ROCs and associated income	19,731,270	16,784,998
Other income	2,093,450	587,511
	42,150,219	25,908,916

	2021	2020
	£	£
Revenue analysed by geographical market		
UK	42,150,219	25,908,916

5 Operating profit/(loss)

	2021	2020
Operating profit/(loss) for the year is stated after charging:	£	£
Auditors renumeration – financial statement statutory audit fees	20,000	17,305
Auditors renumeration – non-audit fees	15,600	59,200
Depreciation of property, plant and equipment	7,732,230	7,699,425

2021 statutory audit fees are fees charged by PWC LLP (2020 Ernst and Young LLP). Non-audit fees for 2021 represent charges for biomass assurance services provided by PWC LLP. Non-audit fees in 2020 represent corporate tax services provided in the year by Ernst and Young LLP.

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2021	2020
	Number	Number
	2	2

No remuneration was paid out to Directors of the company as they provided negligible qualifying services to the company (2020: £nil). The company has no employees other than the Directors (2020: none).

7 Finance costs

	2021	2020
	£	£
Interest on bank overdrafts and loans	2,526,266	3,194,917
Other interest payable	6,619,644	9,660,127
Total interest expense	9,145,910	12,855,044
Exchange differences on financing transactions	-	74,871
	9,145,910	12,929,915

8 Other gains and losses

	2021	2020
	£	£
Change in value of financial assets at fair value through profit or loss	3,981,016	(1,675,025)
Other gains and losses	-	8,198
	3,981,016	(1,666,827)

9 Income tax charge/(credit)

	2021	2020
	£	£
Deferred tax		
Origination and reversal of temporary differences	1,100,383	(914,088)

The charge for the year can be reconciled to the profit/(loss) before taxation per the Statement of comprehensive income as follows:

	2021	2020
	£	£
Profit/(loss) before taxation	7,646,935	(21,084,334)
Expected tax charge/(credit) based on a corporation tax rate of 19.00% (2020: 19.00%)	1,452,918	(4,006,023)
Effect of expenses not deductible in determining taxable profit	913,463	2,313,070
Adjustment in respect of prior years	(3,323,119)	(176,424)
Group relief	-	359,768
Deferred tax adjustments in respect of prior years	747,278	-
Differences in tax rates	1,309,843	595,521
Taxation charge/(credit) for the year	1,100,383	(914,088)

9 Income tax charge/(credit) **(Continued)**

Deferred tax provision

Deferred tax has not been recognised on restricted interest of £32,279,797 (2020: £42,342,114) under Corporate Interest Restriction rules. This has not been recognised as the current criteria have not been met but may be in the future.

Factors that may affect future tax charges

Increase in the UK corporation tax rate from 19% to 25% was substantively enacted on 1 April 2023. Any deferred tax balance at 31 December 2021 has been calculated using 25%. On 1 April 2023, HM Treasury substantively enacted a budget resolution to increase the corporation tax rate from 19% to 25% from 01 April 2023. This will result in an increase in recognised opening deferred tax balances of £1,309,843.

Deferred tax provision	£
At 1 January 2021	4,147,837
Profit and loss account	1,100,383
At 31 December 2021	5,248,220

The provision for deferred taxation comprises	2021 £	2020 £
Capitalised interest	5,407,172	5,814,639
Accelerated capital allowances	6,010,162	3,285,382
Interest rate swaps	(492,345)	(1,130,575)
Commissioning fuel	(704,380)	(571,647)
Losses	(4,972,389)	(3,249,962)
	5,248,220	4,147,837

10 Property, plant and equipment

	Freehold land £	Plant and equipment £	Total £
Cost			
At 1 January 2020	1,200,000	130,398,698	131,598,698
Additions	-	754,397	754,397
At 31 December 2020	1,200,000	131,153,095	132,353,095
Additions	-	1,293,526	1,293,526
At 31 December 2021	1,200,000	132,446,621	133,646,621
Accumulated depreciation and impairment			
At 1 January 2020	-	4,888,897	4,888,897
Charge for the year	-	7,699,425	7,699,425
At 31 December 2020	-	12,588,322	12,588,322
Charge for the year	-	7,732,230	7,732,230
At 31 December 2021	-	20,320,552	20,320,552

10 Property, plant and equipment **(Continued)**

	Freehold land	Plant and equipment	Total
	£	£	£
Carrying amount			
At 31 December 2021	1,200,000	112,126,069	113,326,069
At 31 December 2020	1,200,000	118,564,773	119,764,773
At 31 December 2019	1,200,000	125,509,801	126,709,801

Included within Property, Plant and Equipment is a total of £33,805,480 (2020: £33,805,480) of interest capitalised, of which £17,760,330 (2020: £17,760,330) relates to the bank loan and facility charges and £16,045,150 (2020: £16,045,150) relates to intercompany loan interest.

11 Trade and other receivables

	2021	2020
	£	£
Trade receivables	2,974,226	209,531
Other receivables	100	3,000,100
Prepayments	1,059,946	850,945
Accrued income	9,892,575	8,100,356
	13,926,847	12,160,932

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

12 Trade receivables - credit risk

Fair value of trade receivables

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Ageing of past due receivables	2021	2020
	£	£
Under 90 days	6,596	17,700
90-180 days	-	19,937
180-270 days	18,392	171,902
270-360 days	560,086	250,102
	585,074	459,641

Balances between 270-360 days of £560,086 are after recognising a provision for doubtful debts of £1,760,682 (2020: £250,110).

12 Trade receivables - credit risk **(Continued)**

No significant receivable balances are impaired at the reporting end date.

13 Cash at bank and deposits (restated)

	2021	2020
	£	£
Cash and cash equivalents	13,436,935	3,256,719
Restricted cash and cash equivalents	1,675,044	3,411,672
Total cash and cash equivalents (restated)	15,111,979	6,668,391
Deposits	1,759,221	1,759,221
	16,871,200	8,427,612

Restricted cash and cash equivalent relate to project bank accounts that have restrictions put in place by the company's lender with regard to the nature of proceeds and payments that can be lodged or withdrawn.

The Company was required to create a deposit account as part of the Power Purchase Agreement with its principal customer. In prior years this deposit has been disclosed as a current asset within cash and short term deposits. The financial statements now disclose this deposit as a non-current asset with an appropriate restatement of prior periods. The financial statement line items cash and short term deposits has been renamed to cash and cash equivalents as required by IFRS. This has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Balance sheet statement extract	**2020**	**Increase/ (Decrease)**	**2020 (Restated)**	**2019**	**Increase/ (Decrease)**	**2019 (Restated)**
	£	**£**	**£**	**£**	**£**	**£**
Non-current assets						
Deposits	-	1,759,221	1,759,221		1,757,970	1,757,970
Current assets						
Cash and cash equivalents (formerly cash and short term deposits)	8,427,612	(1,759,221)	6,668,391	11,190,383	(1,757,970)	9,422,413
Total	8,427,612	-	8,427,612	11,190,383	-	11,190,383

Statement of cash flows extract	**2020**	**Increase/ (Decrease)**	**2020 (Restated)**	**2019**	**Increase/ (Decrease)**	**2019 (Restated)**
	£	**£**	**£**	**£**	**£**	**£**
Net cash inflow from operating activities	6,717,139	(1,251)	6,715,888	1,593,300	-	1,593,300
Cash and cash equivalents at beginning of year	11,180,383	(1,757,970)	9,422,413	15,299,116	(1,757,970)	13,541,146
Cash and cash equivalents at end of year	8,427,612	(1,759,221)	6,668,391	11,180,383	(1,757,970)	9,422,413

MARGAM GREEN ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

14 Borrowings

	Current		Non-current	
	2021	2020	2021	2020
Borrowings held at amortised cost:	£	£	£	£
Bank loans	78,478,483	10,520,654	-	77,124,419

	2021	2020
Secured borrowings included above:	£	£
Bank loans	78,478,483	18,233,073
Loans from fellow group undertakings, including accrued interest	57,447,585	52,245,038
	135,926,068	70,478,111

There are two bank long term loans from EKF and Deutsche Bank with a balance outstanding at 31 December 2021 of £60,389,714.10 (2020: £67,762,919) and £15,097,429.04 (2020: £16,940,350). These loans bore interest during the year of LIBOR plus 1.4% and LIBOR plus 3% respectively. These loans are repayable of a half yearly basis. Loan covenants in place require that the Company certify on a semi-annual basis that the combined balances held within specified bank accounts exceed the required liquidity amount of £3m. The Company has certified it's full compliance during the period and was also in compliance at 31st December 2021. The loans are presented as due within one year due to an earlier breach of the facilities agreement. On 27th April 2022 Greencoat Brecon Limited acquired the Company from CEP Biomass Energy Limited. During this acquisition all outstanding debt was repaid.

Deutsche Bank had a first mortgage on the land, first fixed charge on the equipment, intellectual property, book debts, goodwill and key contracts (project contracts, hedging contracts and insurances) of the company and a first floating charge on all the company's assets both present and future.

15 Financial instruments

Fair value

The company uses the hierarchy as set out in IFRS 7 Financial Instruments: Disclosure for determining the fair value of derivatives by valuation technique. Assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is not observable.
The fair value of all financial assets and liabilities is based on the present value of the cash flows discounted at prevailing market rates at each balance sheet date and are considered to fall within the level 2 techniques of IFRS 13 “Fair Value Measurement”.

Financial assets
Financial assets that are debt instruments measured at amortised cost

	Carrying value		Fair value	
	2021	2020	2021	2020
	£	£	£	£
Cash and cash equivalents	13,436,935	3,256,719	13,436,935	3,256,719
Restricted cash and cash equivalents	1,675,044	3,411,672	1,675,044	3,411,672
Trade and other receivables	12,866,901	11,309,987	12,866,901	11,309,987
Total	27,978,880	17,978,378	27,978,880	17,978,378

Current receivables which are level 3 assets, all due within one year, and have been provided for where impaired, have a carrying value that is considered to be materiality in line with their fair value due to the short-term maturity of these items.

Financial liabilities
Financial liabilities

	Carrying value		Fair value	
	2021	2020	2021	2020
	£	£	£	£
Interest rate swap	1,969,381	5,950,396	1,969,381	5,950,396
Total	1,969,381	5,950,396	1,969,381	5,950,396

The directors consider that the carrying amounts of financial liabilities in the financial statements approximate to their fair values. The fair value of interest rate swaps has been valued calculating the present value of future cash flows estimated using forward rates from third part market price quotations. The models incorporate various inputs including the credit quality of counterparties and interest rate curves. As at 31 December 2021, the marked-to-market value of the derivatives has been calculated, using significant variable inputs.

15 **Financial instruments** **(Continued)**

Liquidity risk
Liquidity risk is the risk that the company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due. The Board holds regular meetings with management to ensure sufficient cash is available for operations.

The following table details the remaining contractual maturity for the company's financial liabilities with agreed repayment periods. The contractual maturity is based on the earliest date on which the company may be required to pay.

	On demand	1 – 3 months	3 months to 1 year	1 – 5 years	5+ years	Total
	£	£	£	£	£	£
At 31 December 2020						
Loans and debtors due to related parties	5,664,717	-	-	-	98,298,966	103,963,683
Bank borrowings	-	-	10,520,654	77,124,419	-	87,645,073
Interest rate swap	-	-	-	5,950,396	-	5,950,396
Trade payables	-	1,555,925	-	-	-	1,555,925
Other payables	-	2,855,103	-	-	-	2,855,103
	5,664,717	4,411,028	10,520,654	83,074,815	98,298,966	201,970,180
At 31 December 2021						
Loans and debtors due to related parties	5,508,620	-	57,442,837	-	-	62,951,457
Bank borrowings	-	-	78,478,483	-	-	78,478,483
Interest rate swap	-	-	1,968,381	-	-	1,969,381
Trade payables	-	986,517	-	-	-	986,517
Other payables	-	4,422,669	-	-	-	4,422,669
	5,508,620	5,409,186	137,890,701	-	-	148,808,507

Loan due to third parties of £57,442,837 were not contractually due for settlement until 2029. On 27th April 2022 Greencoat Brecon Limited acquired the Company from CEP Biomass Energy Limited. During this acquisition all outstanding debt including the loan due to the related parties was repaid.

MARGAM GREEN ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

15 Financial instruments **(Continued)**

Market risk management

The company is exposed to financial risks: market risk (including price risk, interest rate risk and foreign currency risk) and credit risk. The company's senior management oversees the management of these risks, and the Directors review and agree policies for managing each of these risks, which are summarized below.

Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Financial instruments affected by price risk include: derivative financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates relates primarily to the company's long-term debt obligations with floating interest rates. To manage this, the company enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. As at 31 December 2021, after taking into account the effect of interest rate swaps, the vast majority of the company's borrowings were at a fixed rate of interest.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company manage this exposure through active monitoring of exchange rate movements.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The company is exposed to credit risk from its operating activities (primarily for other receivables). The board monitors the credit ratings of material counterparties on a regular basis to ensure appropriate action can be taken to mitigate any negative exposure. The maximum exposure to credit risk, in the event that counterparties fail to perform their obligations as at period end (in relation to each class of recognised financial assets), is the carrying amount of those assets as indicated in the Statement of Financial Position.

Management of capital

The primary objective of the company's management of capital is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the year ended 31 December 2021.

MARGAM GREEN ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

16 Trade and other payables

	Current 2021 £	2020 £	Non-current 2021 £	2020 £
Trade payables	986,517	1,555,925	-	-
Amounts owed to fellow group undertakings	5,508,620	5,664,717	57,447,585	52,245,039
Accruals	4,422,669	2,855,103	-	-
Social security and other taxation	1,200,241	973,379	-	-
	12,118,047	11,049,124	57,447,585	52,245,039

The non-current amounts owed to fellow group undertakings represents an intercompany loan subordinated in all respects to the senior bank term loan borrowings. Repayment of the intercompany loan is not due until 31 December 2029. Interest is charged at 10.9% and compounds annually until 31 December 2029.The loan was repaid in full and replaced with new loan funding. Current amounts owed to fellow group undertakings represent non-interest bearing trading balances which are repayable on demand.

17 Called up share capital

Ordinary share capital	2021 Number	2020 Number	2021 £	2020 £
Authorised				
Ordinary shares of 1p each	20,200	20,001	202	201
Issued and fully paid				
Ordinary shares of 1p each	20,200	20,001	202	201

The balances classified as share capital and share premium represents the proceeds (both nominal value and share premium) on issue of the company's equity share capital comprising £0.01 ordinary shares.

There has been an additional contribution to share premium account during 2021 amounting to £2,999,999 (2020: £4,142,137).

18 Share premium account

	2021	2020
	£	£
At the beginning of the year	14,142,037	9,999,900
Issue of new shares	2,999,999	4,142,137
At the end of the year	17,142,036	14,142,037

19 Capital commitments

The company has entered into contracts of which there are outstanding contractual commitments of £97,213 as at 31 December 2021 (2020: £685,045) for the replacement of fuel conveyors.

20 Capital risk management

The company is not subject to any externally imposed capital requirements.

21 Related party transactions

Other information

As at 31 December 2021, the company had an intra-group loan payable of £47,032,998 (2020: £47,032,998) to CEP Biomass Energy Limited. During the period, the company accrued total interest payable on the loan of £5,197,800 (2020: £5,212,040) and £29,442,838 of accrued interest remained payable at the end of the period (2020: £24,245,038). This interest has been added to the loan principal balance.

At 31 December 2021, CEP Biomass Energy Limited owed the Company unpaid share capital totalling £100 (£2020: £3,000,100).

During the year there was a recharge of expenses paid on behalf of Margam Green Energy Limited from Glennmont Clean Energy Fund Europe II Cooperatief U.A. of £6,158 (2020: £5,963,987). The balance owed to Glennmont Clean Energy Fund Europe II Cooperatief U.A. at 31 December 2021 is £5,508,620 (2020: £5,544,717).

During the financial year a transfer of assets from Port Clarence Energy Limited took place at the net book value of £nil (2020: £120,000). The balance owed to Port Clarence Energy Limited at 31 December 2021 is £nil (2020: £120,000).

MARGAM GREEN ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

22 Controlling party

The company's immediate parent undertaking as at year end was CEP Biomass Energy Limited, a company incorporated in the United Kingdom.

The ultimate parent undertaking and controlling party for the company at 31 December 2021 was Glennmont Clean Energy Fund Europe II Cooperatief U.A., a company incorporated in the Netherlands.

Margam Green Energy Limited was sold by CEP Biomass Energy Limited to Greencoat Brecon Limited on 27th April 2022.

The immediate parent company is Greencoat Brecon Limited. The directors consider that due to the partnership structure in place , there is no ultimate controlling party with Greencoat Wilton LP, Greencoat Hudson LP, Greencoat Tachbrook LP, Greencoat Renewable Income LP and Greencoat Solar I LP together holding 100 percent of the shares in Greencoat Brecon Limited.

23 **Net cash inflow from operating activities**	**2021**	**2020**
	£	**£**
Profit /(Loss) for the year before income tax	7,646,935	(21,084,334)
Adjustments for:		
Fair value movement on interest rate swap	(3,981,015)	1,675,026
Foreign exchange loss	-	74,871
Interest payable	9,132,871	12,834,333
Interest received on deposit account excluded from cash (restated note 13)	-	(1,251)
Depreciation and impairment of property, plant and equipment	7,732,230	7,699,425
Movements in working capital:		
Increase in trade and other receivables	(1,765,913)	(4,783,434)
Increase in trade and other payables	3,971,709	10,301,252
Net cash inflow from operating activities (restated)	22,736,817	6,715,888

24 Events since the balance sheet date

In the period subsequent to the balance sheet date the following events have taken place: on the 27th April 2022 Greencoat Brecon Limited acquired the Company from CEP Biomass Energy Limited. During this acquisition all outstanding debt was repaid.