

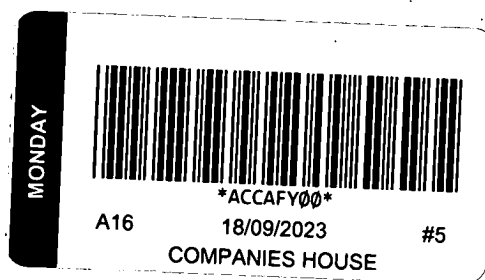
ORIT UK Acquisitions Limited

# ORIT UK Acquisitions Limited

Company number: 12472717

## ANNUAL REPORT

For the year ended 31 December 2022



ORIT UK Acquisitions Limited

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ORIT UK Acquisitions Limited

## Company Overview

**Directors**

C Gaydon  
T Rosser

**Registered number**

12472717

**Registered office**

UK House,  
5th Floor,  
164-182 Oxford Street,  
London,  
United Kingdom,  
W1D 1NN

**Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Level 5 and 6  
Central Square South  
Orchard Street  
Newcastle upon Tyne  
NE1 3AZ

ORIT UK Acquisitions Limited

# Strategic Report

The Directors present their strategic report for ORIT UK Acquisitions Limited (the "Company") for the year ended 31 December 2022.

## Review of the Business

The Company is an investment holding company and invests in a diversified portfolio of renewable energy assets. The principal activity of its subsidiary undertakings is the construction and operation of renewable energy assets to generate electricity.

The financial statements of the Company for the year ended 31 December 2022 are set out on pages 12 to 33. These financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

## Results and performance

The Company's results for the year under review, as set out on pages 12 and 13, show a loss before taxation of £1.5m (2021: Profit £11.7m) and total shareholders' funds of £32.2m (2021: £38.0m).

At 31 December 2022, the Company's investments, being a combination of equity and shareholder loan notes, are measured at fair value in accordance IFRS 10 and Investment Entities: Amendments to IFRS 10, IFRS 12 and IAS 28. As at 31 December 2022, the fair value of Company's investments was £266.9m (2021: £171.6m).

During the year, the Company acquired the Breach Solar Farm ("Breach"), a c.67MW ready-to-build solar PV project in Cambridgeshire, and the Company also purchased a 51% stake in the Crossdykes Onshore Wind Farm ("Crossdykes"). Crossdykes is amongst the largest unsubsidised wind farms in operation in the UK, with a total capacity of 46MW.

The Company's performance over the year has been strong, with its portfolio of assets generating revenues in excess of £24.2m (2021: £14.2m) and distributing cash back to the Company by way of dividends, interest and capital repayments, of £11.5m (2021: £8.1m). Construction is progressing well at the Cumberhead Onshore Wind Farm in Scotland, which was fully operational in Q2 of 2023. As at 31 December 2022, the Company's portfolio spans 11 assets across the UK and includes onshore wind and solar, construction and operational sites, and a blend of government backed subsidies, power purchase agreements and uncontracted sale strategies.

## Strategy

The Company, through its subsidiaries, seeks to invest in renewable energy assets in Europe and Australia, comprising (i) predominantly assets which generate electricity from renewable energy sources, with a particular focus on onshore wind farms and photovoltaic solar ("solar PV") parks, and (ii) non-generation renewable energy related assets, and businesses (together "Renewable Energy Assets").

The Company's investment strategy seeks to help accelerate the world towards a net zero future while delivering attractive yield and growth to its shareholder. The Company's ability to invest in assets across numerous countries and technologies provides a number of advantages, including reducing correlations in power prices, diversifying the influence of weather patterns and reducing the reliance on any single regulatory regime.

**Key performance indicators ("KPIs")**

The Board monitors the progress of the Company and its investments by reference to the following KPIs:

KPI's	2022	Commentary
Company loss before tax	<b>(£1.5m)</b> 2021: £11.7m	The Company's loss for the year was driven mainly by higher finance costs (used to facilitate the acquisition of Crossdykes) and fair value gains on investments being less than those seen in 2021. This was all as expected and despite the loss, the Company is still operating to expectations set out at the beginning of the year.
Strong operational cashflows from investments	<b>£18.7m EBITDA</b> from operational assets 2021: £17.3m EBITDA	The operational assets have exceeded expectations in the year, performing 16% over budget, largely due to high levels of irradiance. Regular operational cashflows from investments lead to a sustainable level of income returns to shareholders.
Investment valuation	<b>£266.9m</b> 2021: £171.6m	Another strong portfolio valuation (after distributions paid in the year) driven largely by high power prices and the recognition of construction premium as construction at Cumberhead progresses. This KPI helps the directors to track the capital growth to its shareholder.

**Impact Objectives**

The Group's core impact objective is to accelerate the transition to net zero through our investments, building and operating a diversified portfolio of renewable energy assets to help facilitate the transition to a more sustainable future. The Company's investments are long term and therefore require a long term view to be taken both in the initial investment decisions and in the subsequent asset management, adopting long term and sustainable business practices.

Impact KPI's	2022	Commentary
Potential annual renewable energy generation	<b>439GWh</b> 2021: 110GWh	<b>Performance</b> – this renewable energy generated supports the transition to net zero by replacing unsustainable energy sources with clean power. Increase driven by the addition of Crossdykes and Breach.
Estimated tonnes of carbon avoided	<b>157.0k</b> 2021: 39k	<b>Planet</b> - renewable energy plays a fundamental role in meeting net zero emissions targets, with an inherently positive impact on the environment. Increase driven by the addition of Crossdykes and Breach.
No. of RIDDORs relating to injuries on people	<b>0</b> 2021: 0	<b>People</b> – the Company recognises its health and safety responsibilities and keeping people safe remains its highest priority.

## Principal risks and uncertainties

The Company and its subsidiaries adopt the Group risk management framework and policies as set out by its ultimate parent company, Octopus Renewables Infrastructure Trust plc ("ORIT plc"). The purpose of the risk management framework and policies is to identify risks and respond with mitigating actions to reduce the potential impacts should the risk materialise.

The principal risks affecting the Company relate to operational and financial risks impacting the performance of the Company's investments. These include fluctuations in the prevailing market prices of electricity, construction and development risks and other asset specific risks including health and safety, equipment failures and environmental risks.

In addition, the Company is exposed to financial risks arising primarily from the investments that it holds. These risks are discussed in Note 15 to the financial statements.

For the full list of the principal risks faced by the Company and its subsidiaries, along with the potential impact of these risks and the steps taken to mitigate them, please refer to the "Risks and risk management" section of ORIT plc's financial statements, which are available on its website [www.octopusrenewablesinfrastructure.com](http://www.octopusrenewablesinfrastructure.com).

### *Conflict in Ukraine*

The energy generation industry as a whole continues to navigate through a challenging period, with the effects of the Russia-Ukraine war looking set to continue for some time and beyond. The most obvious impacts have been supply chain problems, rising inflation, upwards pressure on interest rates and abnormally high power prices (which are clearly inter-related).

The intrinsic linkage of power prices to gas prices under the current market system in the UK has meant that day-ahead electricity prices saw a 72% increase in 2022 compared to 2021, and they were around four times pre-pandemic levels. European prices have also been abnormally high. In the long-term we are likely to see system re-designs in order to remove the linkage between gas and power prices for renewable generators, but for now short-term solutions have been put in place through price caps (in Europe) and the Electricity Generator Levy (in the UK). Whilst these measures reduce the returns available to investors and asset owners, the finalisation of their details gives the market clarity in this area after a period of uncertainty in Q4 2022. As a result, we expect the slow-down in transaction activity seen towards the end of 2022 to recede, and for a broad increase in investor activity to emerge as we move through the coming months.

## Future developments in the business

Following three prime ministers in 2022, the political uncertainty in the UK has calmed and the future now looks brighter for the development of new projects: solar looks to have escaped a risk of changes to land-classification rules that would have hampered planning permissions, the long-standing ban on onshore wind is expected to be lifted, and Contracts for Difference ("CfD") auction frequency has been increased to once per year starting in 2023. A healthy development and construction pipelines are expected to emerge which will provide a home for capital looking for new renewable generation projects.

Whilst there is now more certainty on revenues, high inflation rates (expected to remain for some time) mean increasing construction costs, and price caps or windfall taxes mean that returns available to developers may come under pressure.

To compound this, the increases in base interest rates have led to higher discount rates for projects. However, it is also expected that project valuations to be supported by a healthy amount of competition for assets from investors seeking attractive projects.

Grid access challenges have become increasingly prevalent across several geographies. We are seeing projects coming to market with grid connection dates in the late 2020s and beyond, due to aging networks and the need for capacity upgrades, and at this stage there is little clarity on how and when this will be resolved.

Newer technologies are gathering further momentum, especially the growing trend for battery storage, but also hydrogen and floating offshore wind, which saw its first CfD contract awarded in 2022.

In Europe there has been much focus on responding to the US Inflation Reduction Act, in order to ensure the continued competitiveness of European industry throughout the energy transition. The EU had already earmarked billions of Euros of funding, including through REPowerEU, but has now responded to the Inflation Reduction Act with measures to give member states more freedom to support industry, and to accelerate permitting and access to funding for relevant projects.

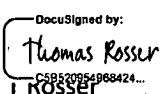
## Section 172(1) Statement

The Company is an intermediate holding company, has no employees, customers or suppliers and as such the Directors primarily consider the interests of the ultimate parent company, ORIT plc, with regard to performing their duties on matters set out under Section 172 of the Companies Act 2006. Please see the table below for a reference to where specific details this information can be found.

ORIT plc's Annual Report and Impact Strategy are available on its website [www.octopusrenewablesinfrastructure.com](http://www.octopusrenewablesinfrastructure.com).

Section 172 (1) Statement Area Reference	Reference
a) The likely consequences of any decision in the long term	See ORIT plc's Annual Report - Objectives section on page 11 and Stakeholder Engagement section on page 132
b) The interests of the Company's employees	As an investment company, the Company has no employees.
c) The need to foster the Company's business relationships with suppliers, customers and others	See ORIT plc's Annual Report - Stakeholder Engagement section on page 132 and People section of the Impact Report on page 89.
d) The impact of the Company's operations of the community and environment	See ORIT plc's Annual Report - Planet and People section of the Impact Report on pages 70 and 89 respectively.
e) The desirability of the Company maintaining a reputation for high standards of business conduct	See ORIT plc's Annual Report - Stakeholder Engagement section on page 132.
f) The need to act fairly as between members of the Company	See ORIT plc's Annual Report - Stakeholder Engagement section on page 132 and Corporate Governance Statement on page 149.

On behalf of the board

DocuSigned by:  
  
 Thomas Rosser  
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Director

14 September 2023

# Directors' Report

The Directors present their report and audited financial statements for the year ended 31 December 2022.

## Principal activities

The Company is an investment holding company and invests in a diversified portfolio of renewable energy assets. The principal activity of its subsidiary undertakings is the construction and operation of renewable energy assets to generate electricity.

## Strategic report

The Directors' Report should be read in conjunction with the Strategic Report on pages 2 to 5.

## Results and dividends

The results for the year are set out in the Statement of Comprehensive Income set out on page 12.

During the year, the Company declared and paid a dividend of £4.3 million (2021: £8.0 million). The Directors have not proposed a final dividend for the year.

## Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

C Gaydon

T Rosser

L Halstead (Resigned on 29 August 2023)

The Directors did not receive any remuneration in respect of their services to the Company during the current year or prior period.

## Donations

The Company made no political donations during the current year or prior period.

## Going concern review

The Directors, in their consideration of going concern, have reviewed comprehensive cash flow forecasts of the Company and its investments which are based on prudent market data and believe, based on those forecasts, the assessment of the Company's banking facilities and the assessment of the principal risks described in this report, including those related to the war in Ukraine, that it is appropriate to prepare the financial statements of the Company on the going concern basis.

In arriving at their conclusion that the Company has adequate financial resources, the Directors were mindful that the Company had unrestricted cash of £2.0 million (2021: £1.03 million) as at 31 December 2022. The Company's net assets at 31 December 2022 were £32.2 million (2021: £38.0 million) and total operating expenses (excluding transaction costs) for the period ended 31 December 2022 were £53k (2021: £256k). Total net interest payment liabilities were £1.4 million, made up of £8.0 million of interest payable and £6.6 million of interest receivable derived from the group



shareholder loan arrangement. At the date of approval of this document, based on the aggregate of investments and cash held, the Company has substantial operating expenses cover.

The Company receives revenue in the form of dividends and interest from its portfolio of assets. These revenues are derived from the sale of electricity through power purchase agreements in place with large and reputable providers of electricity to the market. A prolonged and deep market decline could lead to falling values to the underlying business or interruptions to cashflow, however the Directors do not foresee any immediate material risk to the Company's investment portfolio and income from underlying assets. The Directors are also satisfied and are comfortable that the Company would continue to remain viable under downside scenarios, including decreasing government regulated tariffs and a decline in long term power price forecasts.

Having performed the assessment of going concern, the Directors considered it appropriate to prepare the financial statements of the Company on a going concern basis. The Company has sufficient financial resources and liquidity and is well placed to manage business risks in the current economic environment and can continue operations for a period of at least 12 months from the date of these financial statements.

### Auditors information

Each of the Directors at the date of the approval of this 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 steps that he/she ought to have taken as director to make himself/herself aware of any relevant information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

### Independent auditors

The Company's auditors, PwC, having expressed their willingness to continue in office as auditors for the forthcoming year.

### Subsequent events

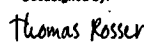
Events after the balance sheet date to be disclosed in Note 18 to the financial statements.

### Strategic report

The following information has been disclosed in the strategic report:

- Business review
- Principal risks and uncertainties
- Key performance indicators
- Financial risk management
- Future developments in the business

Approved by the Board of Directors and signed on their behalf by:

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Director

14 September 2023

## Statement of Directors' responsibilities in respect of the financial statements

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.

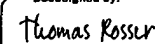
The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the 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.

Approved by the Board of Directors and signed on their behalf by:

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T Rosser

Director

14 September 2023

# Independent auditors' report to the members of ORIT UK Acquisitions Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, ORIT UK Acquisitions Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss 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: Statement of Financial Position as at 31 December 2022; 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

## ORIT UK Acquisitions Limited

## Independent Auditors' Report

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 2022 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 Statement of Directors' responsibilities in respect of the financial statements, 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 UK tax legislation and Companies Act 2006, 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 posting of inappropriate journal entries to overstate profit. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of board minutes;
- Review of legal expenditure in the year to identify potential non-compliance with laws and regulation;
- Evaluation of management's controls designed to prevent and detect irregularities, in particular their anti-bribery controls; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

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.

**ORIT UK Acquisitions Limited**

**Independent Auditors' Report**

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](http://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.



Jonathan Greenaway (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne  
14 September 2023

ORIT UK Acquisitions Limited

# Statement of Comprehensive Income

For the year ended 31 December 2022

		For the year ended December 2022 £'000	For the year ended December 2021 £'000
	Note		
Investment income	4	6,620	4,470
Movement in fair value of investments		486	13,501
<b>Total operating income</b>		<b>7,106</b>	<b>17,971</b>
Operating expenses	5	(597)	(645)
<b>Profit before interest and taxation</b>		<b>6,509</b>	<b>17,326</b>
Finance costs	6	(8,044)	(5,628)
<b>(Loss)/Profit before taxation</b>		<b>(1,535)</b>	<b>11,698</b>
Taxation	7	-	-
<b>(Loss)/Profit and total comprehensive (loss)/income for the year</b>		<b>(1,535)</b>	<b>11,698</b>

All items in the above statement derive from continuing operations.

The accompanying notes are an integral part of these financial statements.

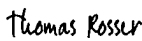
ORIT UK Acquisitions Limited

# Statement of Financial Position

As at 31 December 2022

	Note	As at 31 December 2022 £'000	As at 31 December 2021 £'000
<b>Non-current assets</b>			
Investments at fair value through profit and loss	9	266,916	171,588
<b>Current assets</b>			
Cash and cash equivalents		1,994	1,029
		<b>1,994</b>	<b>1,029</b>
<b>Current liabilities</b>			
Trade and other payables	10	(4,059)	(7,620)
<b>Net current liabilities</b>		<b>(2,065)</b>	<b>(6,591)</b>
<b>Total assets less current liabilities</b>		<b>264,851</b>	<b>164,997</b>
<b>Creditors: amounts falling due greater than one year</b>			
Amounts owed to Group undertakings	11	(232,636)	(126,997)
<b>Net assets</b>		<b>32,215</b>	<b>38,000</b>
<b>Capital and reserves</b>			
Share capital	12	361	361
Special reserve	13	35,736	35,736
(Accumulated losses)/retained earnings		(3,882)	1,903
<b>Total Shareholders' funds</b>		<b>32,215</b>	<b>38,000</b>

The financial statements on pages 12 to 33 were approved by the Board of Directors on 14 September 2023 and signed on its behalf by:

DocuSigned by:  
  
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T Rosser

Director

14 September 2023

The accompanying notes are an integral part of these financial statements.

Incorporated in England and Wales with registered number 12472717

ORIT UK Acquisitions Limited

# Statement of Changes in Equity

For the year ended 31 December 2022

	Note	Share capital £'000	Special reserve £'000	Accumulated losses £'000	Total £'000
Opening equity as at 1 January 2022		361	35,736	1,903	38,000
Loss for the year		-	-	(1,535)	(1,535)
Dividends paid	8	-	-	(4,250)	(4,250)
Closing equity as at 31 December 2022		361	35,736	(3,882)	32,215

For year ended 31 December 2021

	Note	Share capital £'000	Special reserve £'000	Retained earnings £'000	Total £'000
Opening equity as at 1 January 2021		361	35,736	(1,795)	34,302
Profit for the period		-	-	11,698	11,698
Dividends paid	8	-	-	(8,000)	(8,000)
Closing equity as at 31 December 2021		361	35,736	1,903	38,000

The Company's distributable reserve consists of the special reserve and accumulated losses.

The accompanying notes are an integral part of these financial statements.



ORIT UK Acquisitions Limited

# Statement of Cash Flows

For the year ended 31 December 2022

	Notes	For the year ended 31 December 2022 £'000	For the year ended 31 December 2021 £'000
<b>Operating activities cash flows</b>			
(Loss)/Profit before taxation		(1,535)	11,698
<b>Adjustments for:</b>			
Movement in fair value of investments	9	(486)	(13,501)
Investment income from investments	4	(6,620)	(4,470)
Finance costs	6	8,044	5,628
<b>Operating cash flow before movements in working capital</b>		<b>(597)</b>	<b>(645)</b>
<b>Changes in working capital:</b>			
Increase in trade and other payables	10	2,833	1,104
Distributions from investments	9	11,478	8,100
<b>Net cash flow from operating activities</b>		<b>13,714</b>	<b>8,559</b>
<b>Investing activities cash flows</b>			
Portfolio of assets acquired	9	(99,701)	(19,307)
<b>Net cash flow used in investing activities</b>		<b>(99,701)</b>	<b>(19,307)</b>
<b>Financing activities cash flows</b>			
Dividends paid to Ordinary Shareholders	8	(4,250)	(8,000)
Shareholder loan principal received		97,399	19,575
Shareholder loan principal repaid		(6,197)	-
<b>Net cash flow from financing activities</b>		<b>86,952</b>	<b>11,575</b>
<b>Net increase in cash and cash equivalents</b>		<b>965</b>	<b>827</b>
Cash and cash equivalents at start of period		1,029	202
<b>Cash and Cash equivalents at end of period</b>		<b>1,994</b>	<b>1,029</b>

The accompanying notes are an integral part of these financial statements.

ORIT UK Acquisitions Limited

# Notes to the Financial Statements

For the year ended 31 December 2022

## 1. General Information

ORIT UK Acquisitions Limited (the "Company") is a private company, limited by shares, incorporated and domiciled in England, United Kingdom with registration number 12472717. The registered office is UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN.

The Company is an investment holding company and invests in a diversified portfolio of renewable energy assets. The principal activity of its subsidiary undertakings is the construction and operation of renewable energy assets to generate electricity.

The audited financial statements of the Company are for the year ended 31 December 2022 and comprise only the results of the Company, as all of its subsidiaries are measured at fair value following the amendment to IFRS 10 as disclosed in Note 2.

## 2. Basis of Preparation

The financial statements are prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial statements are prepared on the historical cost basis, except for the revaluation of certain financial instruments at fair value through profit or loss. The principal accounting policies adopted are set out below. These policies are consistently applied.

The financial statements are presented in Sterling, which is the Company's functional currency and are rounded to the nearest thousand, unless otherwise stated. They have been prepared on the basis of the accounting policies, significant judgements, key assumptions and estimates as set out below.

### Going concern

As detailed on page 6 of the Directors' Report, the Directors are satisfied that the Company has sufficient resources to continue to operate for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

### Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed regularly on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Significant estimates, judgements and assumptions for the period are set out as follows:

## 2. Basis of Preparation (continued)

### Key estimation and uncertainty: Fair value estimation for investments at fair value

The Company's investments at fair value are not traded in active markets. Fair value is calculated by discounting at an appropriate discount rate future cash flows expected to be received by the Company, from investments in both equity (dividends) and shareholder loans (interest and repayments). The discounted cashflow models use observable data, to the extent practicable. However, the key inputs require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of investments.

The discount rates used in the valuation exercise represent the Directors' assessment of the rate of return in the market for assets with similar characteristics and risk profile. The discount rates are reviewed quarterly and updated, where appropriate, to reflect changes in the market and in the project risk characteristics.

Unless fixed under PPAs or otherwise hedged, the power prices used in the valuations are based on market forward prices in the near term, followed by an equal blend of up to three independent and widely used market consultants' technology-specific capture price forecasts for each asset. Power prices are updated quarterly in line with the release of updated forecasts. There is an inherent uncertainty in future wholesale electricity price projection.

Electricity output is based on specifically commissioned yield assessments prepared by technical advisors. Each asset's valuation assumes a "P50" level of electricity output, which is the estimated annual amount of electricity generation that has a 50% probability of being exceeded - both in any single year and over the long term - and a 50% probability of being underachieved. The P50 provides an expected level of generation over the long term.

Short to medium-term inflation assumptions used in the valuations are based on third party forecasts. In the longer-term, an assumption is made that inflation will increase at a long-term rate. The estimates and assumptions that are used in the calculation of the fair value of investments is disclosed in Note 9. The impact of physical and transition risks associated with climate change is assessed on a project by project basis and factored into the underlying cash flows as appropriate. Further considerations on currency risks, interest rate risks, credit risk, and liquidity risks are detailed in Note 15.

### Key judgement: Equity and debt investment

The Company classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of assets is managed, and performance is evaluated on a fair value basis.

The Company is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Company has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Company's debt securities are solely principal and interest, however, these securities are not held for the purpose of collecting contractual cash flows. The collection of contractual cash flows is only incidental to achieving the Company's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

## 2. Basis of Preparation (*continued*)

### **Key judgement: Equity and debt investment (*continued*)**

The Company considers the equity and loan investments to share the same investment characteristics and risks and they are therefore treated as a single unit of account for fair value purposes (IFRS 13) and a single class for financial instrument disclosure purposes (IFRS 9). As a result, the evaluation of the performance of the Company's investments is done for the entire portfolio on a fair value basis, as is the reporting to the key management personnel and to the investors. In this case, all equity, derivatives and debt investments form part of the same portfolio for which the performance is evaluated on a fair value basis together and reported to the key management personnel in its entirety.

### **Key judgement: Basis of non-consolidation:**

The Company has adopted the amendments to IFRS 10 which states that investment entities should measure all of their subsidiaries that are themselves investment entities at fair value (in accordance with IFRS 9 Financial Instruments: Recognition and Measurement, and IFRS 13 Fair Value Measurement).

Under the definition of an investment entity, the Company should satisfy all three of the following tests:

- i. the Company obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- ii. the Company commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- iii. Company measures and evaluates the performance of substantially all of its investments on a fair value basis.

In assessing whether the Company meet the definition of an investment entity set out in IFRS 10 the Directors note that:

- i. while the Company only has one investor, ORIT Holdings II Limited, the Directors are satisfied that in substance the Company is investing the funds of the investors of ORIT Holdings II Limited on its behalf and is effectively performing investment management services on behalf of many unrelated beneficiary investors. ORIT Holdings II Limited has multiple investors and obtains funds from a diverse group of shareholders who would otherwise not have access individually to investing in renewable energy infrastructure investments due to high barriers to entry and capital requirements;
- ii. the Company intends to hold its investments for the remainder of their useful lives for the purpose of capital appreciation and investment income. The portfolio of assets are expected to generate renewable energy output for 30 to 40 years from their relevant commercial operation date and the Directors believe the Company is able to generate returns to the investors during that period; and
- iii. the Company measures and evaluates the performance of all of its investments on a fair value basis which is the most relevant for investors in the Company. Management use fair value information as a primary measurement to evaluate the performance of all of the investments and in decision making.

**2. Basis of Preparation (continued)****Key judgement: Basis of non-consolidation (continued):**

The Directors are of the opinion that the Company meets all the typical characteristics of an investment entity and therefore meets the definition set out in IFRS 10. The Directors are satisfied that investment entity accounting treatment appropriately reflects the Company's activities.

The company has one investor, ORIT Holdings II Limited, however, in substance ORIT UK Acquisitions Limited is investing the funds of the investors of ORIT Holdings II Limited on its behalf and is effectively performing investment management services on behalf of many unrelated beneficiary investors.

Being investment entities, ORIT UK Acquisitions Limited and its parent, ORIT Holdings II Limited, are measured at fair value as opposed to being consolidated on a line-by-line basis, meaning their cash, debt and working capital balances are included in the fair value of investments rather than the Group's current assets.

The Directors believe the treatment outlined above provides the most relevant information to investors.

**New standards, interpretations and amendments**

A number of new standards, amendments to standards are effective for the annual periods beginning after 1 January 2023. None of these are expected to have a significant effect on the measurement of the amounts recognised in the financial statements of the Company. The Company intends to adopt the standards and interpretations in the reporting period when they become effective and the Directors do not anticipate that the adoption of these standards and interpretations in future periods will materially impact the Company's financial results in the period of initial application although there may be revised presentations to the financial statements and additional disclosures.

**New standards and amendments issued but not yet effective**

The relevant new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. These standards are not expected to have a material impact on the entity in future reporting periods and on foreseeable future transactions.

**Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction**

In May 2021, the IASB issued amendments that require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

**Amendment to IFRS 16 – Leases on sale and leaseback**

In September 2022 the IASBs issued amendments for companies to include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction.

**Amendment to IAS 1 – Non current liabilities with covenants**

In November 2022 the IASBs issued amendments for companies to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

### 3. Significant Accounting Policies

#### a) Financial instruments

Financial assets and financial liabilities are recognised on the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the instrument expire or the asset is transferred, and the transfer qualifies for derecognition in accordance with IFRS 9 Financial Instruments: Recognition and Measurement.

##### Financial assets

As an investment entity, the Company is required to measure its investments its wholly owned direct subsidiaries at FVTPL. The Company's policy is to fair value both the equity and debt investment in its subsidiary together. Subsequent to initial recognition, the Company measures its investments on a combined basis at fair value in accordance with IFRS 9 Financial Instruments: Recognition and Measurement and IFRS 13 Fair Value Measurement.

Trade receivables, loans and other receivables that are non-derivative financial assets and that have fixed or determinable payments that are not quoted in an active market are classified as financial assets at amortised cost. These assets are measured at amortised cost using the effective interest method, less allowance for expected credit losses. The Company has assessed IFRS 9's expected credit loss model and does not consider any material impact on these financial statements.

They are included in current assets, except where maturities are greater than 12 months after the year end date in which case they are classified as non-current assets.

Regular purchases and sales of investments are recognised on the trade date – the date on which the Company commits to purchase or sell the investment. Financial assets at FVTPL are initially recognised at fair value. Transaction costs are expensed as incurred within the Statement of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at FVTPL are measured at fair value.

Gains and losses arising from changes in the fair value of the 'financial assets at FVTPL' category are presented in the Statement of Comprehensive Income within investment income in the period in which they arise.

Income from financial assets at FVTPL is recognised in the Statement of Comprehensive Income within investment income when the Company's right to receive payments is established.

##### Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

The Company's financial liabilities include trade and other payables and other short-term monetary liabilities which are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective interest rate method.

**3. Significant Accounting Policies (continued)****Financial liabilities and equity (continued)**

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Ordinary shares are classified as equity. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs. Direct issue costs are charged against the value of ordinary share premium.

**b) Taxation**

Investment trusts which have approval under Section 1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains. The Company has successfully applied and has been granted approval as an Investment Trust by HMRC.

Irrecoverable withholding tax is recognised on any overseas income on an accrual basis using the applicable rate of taxation for the country of origin.

The underlying intermediate holding companies and project companies in which the Company invests provide for and pay taxation at the appropriate rates in the countries in which they operate. This is taken into account when assessing the value of the subsidiaries.

**c) Segmental reporting**

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment in renewable energy infrastructure assets to generate investment returns whilst preserving capital. The financial information used by the Directors to manage the Company presents the business as a single segment.

**d) Investment income**

Investment income comprises interest income and dividend income received from the Company's subsidiaries. Interest income is recognised in the Statement of Comprehensive Income using the effective interest method. Dividend income is recognised when the Company's entitlement to receive payment is established.

**e) Expenses**

All expenses are accounted for on an accrual basis.

**f) Foreign currency****Functional currency and presentation currency**

The financial statements are presented in Pounds Sterling which is the Company's functional and presentation currency. The Directors consider Sterling the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. Sterling is the currency in which the Company measures its performance and reports its results, as well as the currency in which it receives subscriptions from its investors.

**3. Significant Accounting Policies (continued)****f) Foreign currency (continued)****Transactions and balances**

Transactions denominated in foreign currencies are translated into Sterling at actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss to capital or revenue in the Statement of Comprehensive Income as appropriate. Foreign exchange movements on investments are included in the Capital account of the Statement of Comprehensive Income.

**g) Cash and cash equivalents**

Cash and Cash Equivalents includes deposits held with banks and other short-term deposits with original maturities of three months or less. It is a highly liquid investment and readily convertible to a known amount of cash, and carries an insignificant risk of changes in value.

**h) Dividends payable**

Final dividends payable to equity shareholders are recognised in the financial statements when they have been approved by shareholders and become a liability of the Company. Interim dividends payable are recognised in the period in which they are paid.

**4. Investment income**

	For the year ended 31 December 2022 £'000	For the year ended 31 December 2021 £'000
Interest income from investments	6,620	4,470
<b>Total investment income</b>	<b>6,620</b>	<b>4,470</b>

**5. Operating expenses**

	For the year ended 31 December 2022 £'000	For the year ended 31 December 2021 £'000
Company's auditors fees:		
- in respect of audit services	8	4
Other operating expenses	589	641
<b>Total operating expenses</b>	<b>597</b>	<b>645</b>

The Company has no employees. No director received any form of remuneration in lieu of their services to the Company in the current year or prior year.



**6. Finance costs**

	For the year ended 31 December 2022 £'000	For the year ended 31 December 2021 £'000
Interest payable on shareholder loan	8,044	5,628
<b>Total finance costs</b>	<b>8,044</b>	<b>5,628</b>

**7. Taxation****(a) Analysis of charge in the year**

	For the year ended 31 December 2022 £'000	For the year ended 31 December 2021 £'000
Corporation tax	-	-
<b>Tax charge for the year</b>	<b>-</b>	<b>-</b>

**(b) Factors affecting total tax charge for the year:**

The effective UK corporation tax rate applicable to the Company for the period is 19% (2021: 19%). The tax charge can be reconciled to the profit before tax in the profit and loss account as follows:

	For the year ended 31 December 2022 £'000	For the year ended 31 December 2021 £'000
<b>(Loss)/Profit before taxation</b>	<b>(1,535)</b>	<b>11,698</b>
Corporation tax at 19% (2021: 19%)	(292)	2,223
<b>Effects of:</b>		
Expenses not deductible for tax purposes	11	(2,476)
Group relief surrendered	-	52
Remeasurement of deferred tax for changes in tax rates	-	(135)
Movement in deferred tax not recognised	281	336
<b>Total tax charge for the year</b>	<b>-</b>	<b>-</b>

The Company has an unrecognised deferred tax asset of £708k (2021: £558k) based on the excess unutilised operating expenses of £2,834k (2021: £1,358k) at the prospective UK corporation tax of 25%. A deferred tax asset has not been recognised in respect of these operating expenses and will be recoverable only to the extent that the Company has sufficient future taxable revenue.

**8. Dividends paid**

During the year the Company paid a dividend of £4.3 million to its parent company, ORIT Holdings II Limited (2021: £8.0 million).

## 9. Investments at fair value through profit or loss

As set out in Note 2, the Company accounts for its interest in its wholly owned direct subsidiaries as an investment at fair value through profit or loss.

	For the year ended 31 December 2022 £'000	For the year ended 31 December 2021 £'000
<b>a) Summary of valuation</b>		
Opening balance	171,588	142,410
Portfolio of assets acquired	99,701	19,307
Distributions received from investments	(11,479)	(8,100)
Investment income	6,620	4,470
Fair value movement	486	13,501
<b>Total investments as at the end of the year</b>	<b>266,916</b>	<b>171,588</b>

### Portfolio of assets acquired

During the year the company invested a further £0.8 million into Chisbon Solar Farm; a further £47.5 million to fund construction at Cumberhead Onshore Wind Farm; acquired a UK solar construction project for £8.8m, investing a further £1.4m in its construction before year end; and acquired a 51% share in an operational Scottish wind project for £41.2 million as part of a joint venture.

	For the year ended 31 December 2022 £'000	For the year ended 31 December 2021 £'000
<b>(b) Investment gains in the year</b>		
Movement in fair value of investments	486	13,501
<b>Movement in fair value investments</b>	<b>486</b>	<b>13,501</b>

### Fair value of portfolio of assets

The Directors have satisfied themselves as to the methodology used, the discount rates applied and the valuation. All investments are in renewable energy assets and are valued using a discounted cash flow methodology. The Company's holding of an investment represents its interest in both the equity and debt instruments of the investment. This is done using a blended discount rate and the value attributed to debt investments represents their face value, with the residual value attributed to equity investments.

The weighted average cost of capital applied to the portfolio of assets ranges from 5.3% to 8.6%.

The following assumptions were used in the discounted cash flow valuations:

	As at 31 December 2022	As at 31 December 2021
UK – long-term inflation rate	6.7% during 2023, declining to 3.00% in 2027 and then to 2.25% from 2030 onwards.	3.00% to April 2030; 2.25% thereafter
UK – corporation tax rate	19.00% to April 2035; 25.00% thereafter	19.00% to April 2023; 25.00% for next three years; and then reducing by 1.00% annually until 19.00%

## Energy yield assumptions

P50 case

P50 case

**9. Investments at fair value through profit or loss (continued)**

As at 31 December 2022, the fair value of the Crossdykes onshore wind farm in the UK is deemed approximate to cost given the close proximity of these acquisitions to the year end.

**Power Price Forecasts**

The power price forecasts used in the valuations are based on market forward prices in the near-term, followed by an equal blend of up to three independent and widely-used market expert consultants' relevant technology-specific capture price forecasts for each asset. Whilst government announcements over energy policies are now clearer, given volatility in power prices exhibited over 2022 and the general downward trend in pricing over Q4, the Directors still consider it appropriate to include a modest discount to the prevailing forward prices of 20% over the 2023 to 2025 period, in addition to the normal discounts to reflect the lower prices typically captured by wind and solar generators.

**Asset Lives**

The length of the period of operations assumed in the valuation is determined on an asset-by-asset basis taking into account the lease agreements, permits or planning permissions in place as well as any extension rights, renewal regimes or wider policy considerations, together with the technical characteristics of the asset.

**Decommissioning Costs**

Where applicable, the present value of the estimated costs to restore the land back to its original use are included in the valuations as a cash outflow at the end of the asset life.

**Fair value of intermediate holding companies**

The assets in the intermediate holding companies substantially comprise working capital balances, therefore the Directors consider the fair value to be equal to the book values.

**10. Trade and other payables**

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Trade creditors	-	12
Accrued interest payable	-	6,394
Accrued expenses	160	178
Other creditors	3,899	1,036
<b>Total</b>	<b>4,059</b>	<b>7,620</b>

Included within other creditors is an amount of £1.2 million relating to deferred consideration payable on Breach Solar Farm.

**11. Amounts owed to Group undertakings**

Amounts owed to Group undertakings represent a shareholder loan due to the Company's parent company, ORIT Holdings II Limited. The loan bears interest at 5% (2021: 5%).

	As at 31 December 2022			Total £'000
	Less than 1 year £'000	1-5 years £'000	More than 5 years £'000	
<b>Financial liabilities</b>				
Amounts owed to Group companies	-	-	232,636	<b>232,636</b>
<b>Total financial liabilities</b>	-	-	<b>232,636</b>	<b>232,636</b>

	As at 31 December 2021			Total £'000
	Less than 1 year £'000	1-5 years £'000	More than 5 years £'000	
<b>Financial liabilities</b>				
Amounts owed to Group companies	-	-	126,997	<b>126,997</b>
<b>Total financial liabilities</b>	-	-	<b>126,997</b>	<b>126,997</b>

**12. Share Capital**

	Number of shares	Nominal value of shares (£)
<b>Allotted, issued and fully paid:</b>		
<i>Allotted on incorporation</i>		
Ordinary Shares of 1p each	100	1
<i>Allotted on 30 October 2020</i>		
Ordinary Shares of 1p each	36,097,414	360,974
<b>Ordinary Shares at 31 December 2021 and 31 December 2022</b>	<b>36,097,514</b>	<b>360,975</b>

**13. Special reserve**

As stated by the Institute of Chartered Accountants in England and Wales ("ICAEW") and the Institute of Chartered Accountants in Scotland ("ICAS") in the technical release TECH 02/17BL, The Companies (Reduction of Share Capital) Order 2008 SI 2008/1915 ("the Order") specifies the cases in which a reserve arising from a reduction in a company's capital (i.e., share capital, share premium account, capital redemption reserve or redemption reserve) is to be treated as a realised profit as a matter of law. The Order also disapplies the general prohibition in section 654 on the distribution of a reserve arising from a reduction of capital. The Order provides that a private company limited by shares reduces its capital and the reduction is supported by a solvency statement but has not been subject to an application to the court for an order confirming it, the reserve arising from reduction is treated as a realised profit.

**14. Financial instruments by category**

IFRS 13 requires the Company to classify its investments in a fair value hierarchy that reflects the significance of the inputs used in making the measurements. IFRS 13 establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The three levels of fair value hierarchy under IFRS 13 are as follows:

**Level 1:** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities

**Level 2:** fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

**Level 3:** fair value measurements are those derived from valuation techniques that include inputs to the asset or liability that are not based on observable market data (unobservable inputs)

The tables below set out the classifications of the carrying amounts of the Company's financial assets and financial liabilities into categories of financial instruments. There are no non-recurring fair value measurements. In these tables, financial instruments are held at carrying value as an approximation to fair value unless stated otherwise.

As at 31 December 2022				
	Financial assets at amortised cost £'000	Financial assets at fair value through profit or loss £'000	Financial liabilities at amortised cost £'000	Total £'000
<b>Non-current assets</b>				
Investments at fair value through profit or loss	-	266,916	-	266,916
<b>Current assets</b>				
Cash and cash equivalents	1,994	-	-	1,994
<b>Total assets</b>	<b>1,994</b>	<b>266,916</b>	<b>-</b>	<b>268,910</b>
<b>Current liabilities</b>				
Trade and other payables	-	-	(4,059)	(4,059)
<b>Creditors: amounts falling due greater than one year</b>				
Amounts due to Group undertakings	-	-	(232,636)	(232,636)
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>(236,695)</b>	<b>(236,695)</b>
<b>Net assets</b>	<b>1,994</b>	<b>266,916</b>	<b>(236,695)</b>	<b>32,215</b>

As explained in note 3a, the Company values its investments as a whole. In the table above of the total figure of £266,916,000 for financial assets at fair value through the profit or loss, £181,666,000 relates to the face value of debt investments.

## ORIT UK Acquisitions Limited

## Notes to the Financial Statements

As at 31 December 2021				
	Financial assets at amortised cost £'000	Financial assets at fair value through profit or loss £'000	Financial liabilities at amortised cost £'000	Total £'000
<b>Non-current assets</b>				
Investments at fair value through profit or loss	-	171,588	-	171,588
<b>Current assets</b>				
Cash and cash equivalents	1,029	-	-	1,029
<b>Total assets</b>	<b>1,029</b>	<b>171,588</b>	<b>-</b>	<b>172,617</b>
<b>Current liabilities</b>				
Trade and other payables	-	-	(7,620)	(7,620)
<b>Creditors: amounts falling due greater than one year</b>				
Amounts due to Group undertakings	-	-	(126,997)	(126,997)
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>(134,617)</b>	<b>(134,617)</b>
<b>Net assets</b>	<b>1,029</b>	<b>171,588</b>	<b>(134,617)</b>	<b>38,000</b>

As explained in note 3a, the Company values its investments as a whole. In the table above of the total figure of £171,588,000 for financial assets at fair value through the profit or loss, £113,632,000 relates to the face value of debt investments.

As at 31 December 2022				
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets</b>				
Investments at fair value through profit or loss	-	-	266,916	266,916
<b>Total financial assets</b>	<b>-</b>	<b>-</b>	<b>266,916</b>	<b>266,916</b>

As at 31 December 2021				
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets</b>				
Investments at fair value through profit or loss	-	-	171,588	171,588
<b>Total financial assets</b>	<b>-</b>	<b>-</b>	<b>171,588</b>	<b>171,588</b>

There were no Level 1 or Level 2 assets or liabilities during the year. There were no transfers between Level 1 and 2, Level 1 and 3 or Level 2 and 3 during the year.

**14. Financial instruments by category (continued)****Reconciliation of Level 3 fair value measurement of financial assets and liabilities**

An analysis of the movement between opening to closing balances of the investments at fair value through profit or loss (all classified as Level 3) is given in Note 9.

The fair value of the investments at fair value through profit or loss includes the use of Level 3 inputs. Refer to Note 9 for details on the valuation methodology.

**15. Financial risk management**

The Company's activities expose it to a variety of financial risks; including foreign currency risk, interest rate risk, power price risk, credit risk and liquidity risk. The Board of Directors has overall responsibility for overseeing the management of financial risks. Each risk and its management are summarised below.

**(i) Currency risk**

Foreign currency risk is defined as the risk that the fair values of future cashflows will fluctuate because of changes in foreign exchange rates. The Company seeks to minimise the volatility of cash flows in non-GBP currencies over the short to medium term through its foreign exchange hedging policy; which requires a minimum of 50% of all forecasted distributions denominated in foreign currencies to be hedged over 5 years in order to give the Company some certainty over the future cashflows and reduce its exposure to foreign exchange risk. The Company also has the ability to hedge a portion of value thereafter so as to limit volatility of the Company's NAV to foreign exchange risk.

**(ii) Interest rate risk**

The Company's interest rate risk on interest bearing financial assets is limited to interest earned on cash and loan investments into project companies, which yield interest at a fixed rate. The portfolio's cashflows are continually monitored and reforecast, both over the near future and the long-term, to analyse the cash flow returns from investments.

The Group may use borrowings to finance the acquisition of investments and the forecasts are used to monitor the impact of changes in borrowing rates against cash flow returns from investments as increases in borrowing rates will reduce net interest margins. The Group's policy is to ensure that interest rates are sufficiently hedged to protect the Group's net interest margins from significant fluctuations when entering into material medium/long-term borrowings. This includes engaging in interest rate swaps or other interest rate derivative contracts.

The Company's interest and non-bearing interest assets and liabilities are summarised below:

	As at 31 December 2022		
	Interest bearing	Non-interest bearing	Total
	£'000	£'000	£'000
<b>Assets</b>			
Cash and cash equivalents	-	1,994	1,994
Investments at fair value through profit or loss	181,666	85,250	266,916
<b>Total assets</b>	<b>181,666</b>	<b>87,244</b>	<b>268,910</b>
<b>Liabilities</b>			
Trade and other creditors	-	(4,059)	(4,059)

## ORIT UK Acquisitions Limited

## Notes to the Financial Statements

Amounts owed to Group companies	(218,198)	(14,437)	(232,636)
<b>Total liabilities</b>	<b>(218,198)</b>	<b>(18,496)</b>	<b>(236,695)</b>

**15. Financial risk management (continued)**

As at 31 December 2021			
	Interest bearing £'000	Non-interest bearing £'000	Total £'000
<b>Assets</b>			
Cash and cash equivalents	-	1,029	1,029
Investments at fair value through profit or loss	113,632	57,956	171,588
<b>Total assets</b>	<b>113,632</b>	<b>58,985</b>	<b>172,617</b>
<b>Liabilities</b>			
Trade and other creditors	-	(7,620)	(7,620)
Amounts owed to Group companies	(126,997)	-	(126,997)
<b>Total liabilities</b>	<b>(126,997)</b>	<b>(7,620)</b>	<b>(134,617)</b>

In the tables above, the interest-bearing asset value for investments at fair value through profit or loss relates to the face value of debt investments.

**(iii) Power Price risk**

The wholesale market price of electricity and gas is volatile and is affected by a variety of factors, including market demand for electricity and gas, the generation mix of power plants, government support for various forms of power generation, as well as fluctuations in the market prices of commodities and foreign exchange. Whilst some of the Company's renewable energy projects benefit from fixed prices, others have revenue which is in part based on wholesale electricity and gas prices. The Investment Manager continually monitors energy price forecast and aims to put in place mitigating strategies, such as hedging arrangements or fixed PPA contracts to reduce the exposure of the Company to this risk.

**(iv) Credit risks**

Credit risk is the risk that a counterparty of the Group will be unable or unwilling to meet a commitment that it has entered into with the Group. The credit standing of subcontractors is reviewed, and the risk of default estimated for each significant counterparty position. Monitoring is on-going, and year end positions are reported to the Board on a quarterly basis.

The Group's investments enter into Power Price Agreements ("PPA") with a range of providers through which electricity is sold. The largest PPA provider to the portfolio at 31 December 2022 was EDF who provided PPAs to projects in respect of 18% of the portfolio by value (2021: NPower 18%).

Credit risk also arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. The Company and its subsidiaries mitigate their risk on cash investments and derivative transactions by only transacting with major international financial institutions with high credit ratings assigned by international credit rating agencies.



The Company has assessed IFRS 9's expected credit loss model and does not consider any material impact on these financial statements. No trade and other receivables balances are credit-impaired at the reporting date.

## 15. Financial risk management (*continued*)

### (v) Liquidity risks

Liquidity risk is the risk that the Group may not be able to meet its financial obligations as they fall due. The Directors monitor forecast and undiscounted cashflows from operating, financing, and investing activities to consider payment of dividends, repayment of trade and other payables or funding further investing activities. The Group ensures it maintains adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group's investments are generally in private companies, in which there is no listed market and therefore such investment would take time to realise, and there is no assurance that the valuations placed on the investments would be achieved from any such sale process.

Financial assets and liabilities by maturity at the year end are shown on the following page:

	As at 31 December 2022			
	Less than 1 year £'000	1-5 years £'000	More than 5 years £'000	Total £'000
<b>Assets</b>				
Investments at fair value through profit or loss	-	-	266,916	266,916
Trade and other receivables	-	-	-	-
Cash and cash equivalents	1,994	-	-	1,994
<b>Liabilities</b>				
Trade and other payables	(4,059)	-	-	(4,059)
Amounts owed to Group companies	-	-	(232,636)	(232,636)
	<b>(2,065)</b>	<b>-</b>	<b>34,280</b>	<b>32,215</b>
	As at 31 December 2021			
	Less than 1 year £'000	1-5 years £'000	More than 5 years £'000	Total £'000
<b>Assets</b>				
Investments at fair value through profit or loss	-	-	171,588	171,588
Trade and other receivables	-	-	-	-
Cash and cash equivalents	1,029	-	-	1,029
<b>Liabilities</b>				
Trade and other payables	(7,620)	-	-	(7,620)
Amounts owed to Group companies	-	-	(126,997)	(126,997)

	(6,591)	-	44,591	38,000
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## 15. Financial risk management (continued)

### (vi) Capital Management

The Company's capital management objective is to ensure that the Company will be able to continue as a going concern while maximising the return to its ultimate shareholders. The Company's investment objective is to provide investors with an attractive and sustainable level of income returns, with an element of capital growth, by investing in a diversified portfolio of Renewable Energy Assets in the UK, Europe and Australia. The Company considers its capital to comprise ordinary share capital, special reserve and retained earnings. The Company is not subject to any externally imposed capital requirements.

The Company's total share capital and reserves shown in the Statement of Financial Position are £32,216,000 (2021: £38,000,000). The Company has implemented an efficient financing structure that enables it to manage its capital effectively. Capital management is managed on a Group-wide basis. The Group makes prudent use of its leverage. Under ORIT plc's investment policy, short term debt is limited to 25% of the portfolio value, while long term debt is limited to 40% of the portfolio value.

The Directors monitor and reviews the Company's capital on an ongoing basis.

### 16. Related party transactions

During the year, interest totalling £6.6 million (2021: £4.5 million) was earned, in respect of the long-term interest-bearing loan between the Company and its subsidiaries. As at 31 December 2022, £3.2m (2021: £Nil) of interest earned was outstanding and was included within investments.

During the year, interest totalling £8.0 million (2021: £5.6 million) was payable on the shareholder on the loan to the Company's immediate parent, ORIT Holdings II Limited. As at 31 December 2022, £14.4 million (2021: £6.4 million) was outstanding and included within trade and other payables.

### 17. Subsidiaries

Details of the Company's subsidiaries and underlying investments are listed below:

Name	Category	Place of business	Registered Office*	Ownership interest
Abbots Ripton Solar Energy Limited	Project company	UK	A	100%
Chisbon Solar Farm Limited	Project company	UK	A	100%
Jura Solar Limited	Project company	UK	A	100%
Mingay Farm Limited	Project company	UK	A	100%
NGE Limited	Project company	UK	A	100%
Sun Green Energy Limited	Project company	UK	A	100%
Westerfield Solar Limited	Project company	UK	A	100%
Wincelle Solar Limited	Project company	UK	A	100%

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Cumberhead Wind Energy Limited	Project company	UK	A	100%
Burwell 11 Solar Limited	Project company	UK	A	100%
ORI JV Holdings 4 Limited	Portfolio-level Holdings	UK	A	50%
ORI JV Holdings 5 Limited	Portfolio-level Holdings	UK	A	51%
ORI JV Holdings 5 Holdco Limited	Portfolio-level Holdings	UK	A	51%
Crossdykes WF Limited	Project company	UK	B	51%

**17. Subsidiaries (continued)****\*Registered offices:**

A – UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN

B – 58 Morrison Street, Edinburgh, United Kingdom, EH3 8BP

**18. Post period end events**

On 20 January 2023, and having agreed the lease for the site, the Company completed the acquisition of a 50% stake in a 12MW/24MWh ready-to-build battery storage project in Bedfordshire, UK. The consideration for the acquisition and the Company's share of future construction costs is expected to be approximately £4 million.

There are no other events after the balance sheet date which are required to be disclosed.

**19. Controlling party**

The Company's immediate parent company is ORIT Holdings II Limited, a company incorporated in the United Kingdom. The registered office is UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN.

The Company's ultimate parent company and controlling party is Octopus Renewables Infrastructure Trust plc, a company incorporated in the United Kingdom whose shares are listed on the London Stock Exchange. Copies of the financial statements of ORIT plc are available from their website [www.octopusrenewablesinfrastructure.com](http://www.octopusrenewablesinfrastructure.com).