Company Registration No. 11762718

Equitix Knight Finco Limited

Annual Report and Financial Statements

For the year ended 31 December 2021

Equitix Knight Finco Limited

Annual report and financial statements for the year ended 31 December 2021

Contents

Equitix Knight Finco Limited

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Independent auditor
Crowe UK LLP
Statutory Auditor
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Equitix Knight Finco Limited

Strategic report

The directors, in preparing the strategic report, have complied with s414C of the Companies Act 2006.

Business review
There have been no significant operational issues with any of the projects in the year and they have performed largely in line with budget. The Group made a loss in the period of £10,490,000 (2020: loss of £7,030,000). The loss was due to a number of non cash movements such as the amortisation of goodwill associated with the acquisition which amounted to £6,023,000 (2020: £5,565,000) and movement on the fair value of derivatives of £3,417,000 (2020: gain of £1,288,000), but also because of the interest charged on the loan outstanding with the parent Company of £4,102,000 (2020: £4,164,000).

Key performance indicators
The directors consider that the most appropriate indicator of performance in the Group is a comparison of the volume of the electricity the wind farms in the Group have generated against the independently calculated, P50 expectation for the current reporting period. The generation for the current reporting period was below P50 expectation (2020: in line with P50 expectation), however due to a elevated power prices in the year there was a net increase in turnover. There were no significant operational issues to report with any of the projects during the period.

Principal risks and uncertainties
This section describes the principal risks and uncertainties which may affect the Group's business, financial results and strategic objectives. This list is not intended to be exhaustive.

Government policy and political intervention
One of the key challenges facing the Company will continue to be the risk of Government policy change and political intervention. This is an ever changing landscape and the current Government lacks a clear strategy for renewables in the mid to long term.

However, the UK still requires significant levels of additional renewable generation to meet its long-term 2050 carbon reduction targets. With onshore wind and solar being some of the lowest cost forms of new generation that is a well-tried renewable technology, the Company considers that in the long run, the Government will need to continue supporting onshore wind and solar.

Weather risk
The nature of wind generation means that the amount of electricity produced is dictated by the prevailing weather conditions. Whilst these weather conditions are variable in nature, they are predictable over the long-term. The Group employs external and internal specialists to estimate the long-term energy yield from its projects.

Fluctuations in power prices
The Group has some exposure to fluctuations in the wholesale price of electricity. The Group seeks to manage short-term volatility in the power price by fixing power prices with our power off-takers in advance where appropriate and for the majority of the Group's electricity generation income.

Impact of COVID-19
Since the start of 2020 there has been an outbreak of COVID-19 (coronavirus) which led to some uncertainty in the market. The directors continue to follow advice given by the World Health Organisation and Public Health England to ensure that best practice measures are followed. To date there has not been a material impact on the Group's operations. The directors do not believe that there is a significant risk to the business as a result of the COVID-19 pandemic but will continue to monitor any future developments.

Equitix Knight Finco Limited

Strategic report (continued)

Future developments
The principal activity of the Group in the year under review was the operation of five wind farms and one solar farm with a total capacity of 50.51MW. This is expected to continue to be the principal activity of the Group with no planned future developments being noted.

Going Concern
The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The impact of the COVID-19 pandemic on operations and going concern has been assessed by the directors. To date, there has not been a material impact on the Group's operations or supply chain. The directors saw a negative impact on power prices in the short term at the beginning of the pandemic due to a reduction in demand for electricity and lower commodities prices, however power prices have since rebounded and stabilised at a level that gives no rise to going concern issues. In addition, towards the end of 2021 electricity prices increased to unprecedented levels due to other external factors including the conflict in Ukraine offsetting any previous negative impact brought about by the pandemic on the electricity market. Whilst power price variability is not welcomed, the other main source of revenue, the buyout revenues on Renewable Obligation Certificates (ROCs), has fixed prices per MWh that adds some certainty to future revenues and therefore the going concern assumption. The directors will continue to closely monitor the situation and to take appropriate action if deemed necessary.

Further details regarding the adoption of the going concern basis can be found in note 1 of the Accounting Policies.

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

DocuSigned by:
Edmund Andrew
2224FC78ECE6470...
Edmund Andrew - Director
17 June 2022

Equitix Knight Finco Limited

Directors' report

The directors present their annual report on the affairs of the Group, together with the audited financial statements and auditor's report, for the year ended 31 December 2021.

Further information on the basis of preparation of these financial statements and the going concern assumption can be found in note 1.

Principal activity
The principal activity of the Group in the year under review was the operation of five wind farms and one solar farm with a total capacity of 50.51MW. This is expected to continue to be the principal activity of the Group. Equitix Knight Finco Limited serves as a holding company and holds the external loan facilities that were drawn down to acquire the subsidiaries.

Refer to Strategic report for future developments.

Impact of COVID-19
Refer to the Strategic report.

Results and dividends
Refer to the Strategic report for the business review. The loss for the year after taxation was £10,490,000 (2020: loss of £7,030,000).

During the year, the directors approved and paid interim dividends of £nil (2020: £nil). There are no plans to pay a final dividend (2020: £nil).

Directors
The directors, who served throughout the year unless otherwise stated, were as follows:
R Kraemer (resigned on 22 March 2022)
J Jones (resigned on 22 March 2022)
E Andrew (appointed on 22 March 2022)
J Sherman (appointed on 22 March 2022)

Financial risk management policy
Liquidity risk
The Company manages its cash and borrowing requirements to ensure it has sufficient liquid resources to meet the operating needs of the business. The Company negotiated debt facilities with an external party to ensure that the Company has sufficient funds over the life of the subsidiary projects. The Company has an external debt facility with Commonwealth Bank of Australia (CBA) and Sumitomo Mitsui Banking Corporation (SMBC) and a subordinated debt facility with the parent company, Equitix Knight Holdco Limited.

Interest rate risk
The Group uses derivative financial instruments. This includes interest rate swaps to hedge its risks associated with interest rate fluctuations and retail price index swaps to hedge its risks associated with RPI linked net revenues as required under the facilities agreement. At the date of approval of these financial statements, the cash flows for the duration of the loan are fully hedged and hedge accounting has been applied in these financial statements. Derivatives are held on the balance sheet at fair value.

Exposure to market prices
The Group is exposed to fluctuations in UK power prices but seeks to manage the volatility in power prices by fixing prices at least six months in advance where appropriate.

Equitix Knight Finco Limited

Directors' report (continued)

Financial risk management policy (continued)

COVID-19

The outbreak of COVID-19 has been and continues to be a very significant humanitarian and economic event facing many businesses. It has led to a significant economic slowdown and worldwide recession, however, the directors believe that the impact of COVID-19 to the Group will be a temporary disruption and will ultimately pass. The business model continues to be stress tested to model how the different scenarios might impact the business, with further details provided in the Going Concern section of the Strategic report.

Directors' indemnities

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

Statement as to disclosure of information to auditors

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

Auditors

Deloitte LLP were replaced as auditors of the Company during the year by auditors, Crowe UK LLP, and a resolution to re-appoint auditors, Crowe UK LLP, will be proposed at the forthcoming Annual General Meeting.

On behalf of the board:

DocuSigned by:
Edmund Andrew

Edmund Andrew - Director
17 June 2022

Equitix Knight Finco Limited

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the directors are required to:

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

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

Equitix Knight Finco Limited

Independent auditor's report to the members of Equitix Knight Finco Limited

Opinion

We have audited the financial statements of Equitix Knight Finco Limited (the "parent company") and its subsidiaries (the "group") for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, Group and Company Balances Sheets, Group and Company Statements of Changes in Equity, Consolidated Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of Equitix Knight Finco Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report to the members of Equitix Knight Finco Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, OFGEM regulators and Taxation legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the valuation of derivative financial instruments, the carrying value of the decommissioning provision and fixed assets, the override of controls by management and the timing of revenue recognition. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, corroborating balances recognised to supporting documentation on a sample basis and ensuring the accounting policies are appropriate under United Kingdom Generally Accepted Accounting Practice and applicable law.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Gilligan

Peter Gilligan
Senior Statutory Auditor
for and on behalf of
Crowe U.K. LLP
London
17 June 2022

Equitix Knight Finco Limited

Consolidated statement of comprehensive income
For the year ended 31 December 2021

	Notes	For the year ended 31 Dec 2021 £'000s	For the year ended 31 Dec 2020 £'000s
Turnover	3	13,128	12,974
Cost of sales		(6,132)	(6,504)
Gross profit		6,996	6,470
Administrative expenses		(6,221)	(6,272)
Operating profit	4	775	198
Net finance charge	5	(10,721)	(6,353)
Loss before taxation		(9,946)	(6,155)
Tax charge	7	(544)	(875)
Loss after taxation		(10,490)	(7,030)
Other comprehensive income / (loss)			
Cash flow hedges			
Recognition of hedging instrument effectiveness		5,116	(3,871)
Total tax on components of other comprehensive income		(958)	765
		4,158	(3,106)
Total comprehensive (loss) / income for the financial year		(6,332)	(10,136)

All items in the above statement derive from continuing operations.

Equitix Knight Finco Limited

Balance sheets
As at 31 December 2021

	Notes	Group 2021 £'000s	Group 2020 £'000s	Company 2021 £'000s	Company 2020 £'000s
Fixed assets					
Intangible assets	8	68,156	74,327	-	-
Tangible assets	9	36,655	39,832	-	-
Investments	10	-	-	56,106	56,106
		104,811	114,159	56,106	56,106
Current assets					
Debtors	11	4,397	4,994	56,570	65,338
Restricted cash		170	168	-	-
Cash at bank and in hand		1,426	2,418	793	1,224
Deferred tax asset	14	-	-	1,092	1,152
		5,993	7,580	58,455	67,714
Creditors: amounts falling due within one year	12	(60,725)	(60,352)	(59,759)	(59,141)
Net current liabilities		(54,732)	(52,772)	(1,304)	8,573
Total assets less curent liabilities		50,079	61,387	54,802	64,679
Creditors: amounts falling due after more than one year	13	(70,783)	(77,076)	(70,783)	(77,076)
Provisions for liabilities	14	(3,234)	(1,917)	-	-
Net liabilities		(23,938)	(17,606)	(15,981)	(12,397)
Capital and reserves					
Called-up share capital	18	-	-	-	-
Hedging reserve	19	(162)	(4,319)	(162)	(4,319)
Profit and loss account	19	(23,776)	(13,287)	(15,819)	(8,078)
Shareholder's funds / (deficit)		(23,938)	(17,606)	(15,981)	(12,397)

The loss for the financial period dealt with in the financial statements of the parent Company was £7,742,000 (2020: loss of £4,295,000). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent Company.

The financial statements of Equitix Knight Finco Limited, registered number 11762718 were approved by the board of directors and authorised for issue on 17 June 2022.

Signed on behalf of the board

DocuSigned by:
Edmund Andrew
2224FC78ECE6470

Edmund Andrew - Director

The notes on pages 14 to 37 form part of these financial statements

Equitix Knight Finco Limited

Statements of changes in equity
As at 31 December 2021

Group	Called-up share capital £'000s	Hedging reserve £'000s	Profit and loss account £'000s	Total £'000s
As at 1 January 2020	-	(1,213)	(6,257)	(7,470)
Loss for the financial year	-	-	(7,030)	(7,030)
Recognition of hedging instrument effectiveness	-	(3,871)	-	(3,871)
Total tax on components of other other comprehensive income / (loss)	-	765	-	765
Total comprehensive income / (loss)	-	(3,106)	(7,030)	(10,136)
As at 31 December 2020	-	(4,319)	(13,287)	(17,606)
Loss for the financial year	-	-	(10,490)	(10,490)
Recognition of hedging instrument effectiveness	-	5,116	-	5,116
Total tax on components of other other comprehensive income / (loss)	-	(958)	-	(958)
Total comprehensive income / (loss)	-	4,158	(10,490)	(6,332)
As at 31 December 2021	-	(161)	(23,777)	(23,938)

Company	Called-up share capital £	Hedging reserve £	Profit and loss account £	Total £
As at 1 January 2020	-	(1,213)	(3,783)	(4,996)
Loss for the financial year	-	-	(4,295)	(4,295)
Recognition of hedging instrument effectiveness	-	(3,871)	-	(3,871)
Total tax on components of other other comprehensive income / (loss)	-	765	-	765
Total comprehensive income / (loss)	-	(3,106)	(4,295)	(7,401)
As at 31 December 2020	-	(4,319)	(8,078)	(12,397)
Loss for the financial year	-	-	(7,742)	(7,742)
Recognition of hedging instrument effectiveness	-	5,116	-	5,116
Total tax on components of other other comprehensive income / (loss)	-	(958)	-	(958)
Total comprehensive income / (loss)	-	4,158	(7,742)	(3,584)
As at 31 December 2021	-	(161)	(15,820)	(15,981)

The notes on pages 14 to 37 form part of these financial statements

Equitix Knight Finco Limited

Consolidated cash flow statement
For the year ended 31 December 2021

	Notes	For the year ended 31 Dec 2021 £'000s	For the year ended 31 Dec 2020 £'000s
Net cash flows from operating activities	17	9,121	10,144
Investing activities			
Sale / (purchases) of tangible fixed assets	9	-	26
Net cash flows from investing activities		-	26
Financing activities			
Repayment of intercompany loans and associated interest payments		(3,366)	(3,078)
Repayment of bank loan and associated interest payments		(6,745)	(6,501)
Decrease / (increase) in restricted cash		(2)	(4)
Net cash flows from financing activities		(10,113)	(9,583)
Net movement in cash and cash equivalents		(992)	587
Cash and cash equivalents at the beginning of the period		2,418	1,831
Cash and cash equivalents at the end of the period		1,426	2,418

The notes on pages 14 to 37 form part of these financial statements

Equitix Knight Finco Limited

Notes to the financial statements
For the year ended 31 December 2021

1. Accounting policies

General information
Equitix Knight Finco Limited is a private company, limited by shares and registered in the United Kingdom, in England and Wales, under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's and Group's operations and their principal activities are set out in the Directors' report on page 4.

Basis of preparation
The financial statements have been prepared in accordance with the applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The particular accounting policies adopted are described below and have been applied consistently throughout the current and prior financial periods.

The financial statements are prepared under the historical cost convention, except for the modification to a fair value basis for certain financial instruments as specified in the accounting polices below.

The Company has taken advantage of the exemption in relation to the presentation of a cashflow statement for the parent company only.

The functional currency of the Group is considered to pounds sterling because that is the currency of the primary economic environment in which the Group operates.

Going concern
The financial statements have been prepared on the basis the Group is a going concern, which the directors consider appropriate.

The directors have separately reviewed integrated forecasts for the Group, for the foreseeable future being at least 12 months from the date of approval of the annual report, which indicate that the Group will be able to meet its cash flow demands and liabilities as they fall due from cash flows from operations and existing working capital. The review includes stress testing the integrated forecasts to model how the different scenarios might impact the business.

The going concern assessment includes a formal review of covenant compliance for the life of the loan against the forecasts and there is sufficient headroom within the key variables before any breaches would arise.

The impact of the COVID-19 pandemic on operations and going concern has been assessed by the directors. To date, there has not been a material impact on the Group's operations or supply chain. The directors saw a negative impact on power prices in the short term at the beginning of the pandemic due to a reduction in demand for electricity and lower commodities prices, however power prices have since rebounded and stabilised at a level that gives no rise to going concern issues. In addition, towards the end of 2021 electricity prices increased to unprecedented levels due to other external factors including the conflict in Ukraine offsetting any previous negative impact brought about by the pandemic on the electricity market. Whilst power price variability is not welcomed, the other main source of revenue, the buyout revenues on Renewable Obligation Certificates (ROCs), has fixed prices per MWh that adds some certainty to future revenues and therefore the going concern assumption. The directors will continue to closely monitor the situation and to take appropriate action if deemed necessary.

The directors have written confirmation that Equitix Knight Holdco Limited intends to continue to financially support the Group during the 12 months following the date the financial statements are signed.

Equitix Knight Finco Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

1. Accounting policies (continued)

Basis of consolidation
The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity, it accounts for that entity as a subsidiary.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Turnover
Turnover represents the value of power generated during the year, excluding value added tax, in the UK.

Turnover recognition
Turnover is recognised when the significant risks and rewards are considered to have transferred to the buyer and is recorded at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before turnover is recognised:

a) Generation and embedded benefits turnover
Turnover from the sale of electricity represents the invoice value, pre sales tax, of electricity provided to third parties and is recognised when electricity is generated. Embedded benefits are paid to generating plant located on the distribution network to reflect the lower cost of transporting electricity to the end user and are recorded at the invoice value.

b) TRIADS turnover
Turnover from the sale of TRIADS (bonus for generating at peak demand times during the winter months) represents the invoice value, before sales tax, of TRIADS provided to third parties and is recognised when eligible electricity is generated.

c) ROCs turnover
Renewable Obligation Certificates (ROCs) are issued to qualifying renewable generators under the terms of the generating stations OFGEM Renewable Obligation registration. These certificates may be traded separately from the electricity to which they relate. The ROCs are recorded as accrued income at fair value and recognised in turnover when the electricity to which they relate is generated. Any impairment of ROCs due to reduction in the market price is recorded in profit and loss.

d) FITs turnover
The Feed-in tariff scheme (FITs) is an incentive for electricity-generating technology from a renewable or low carbon source. Turnover is paid directly from OFGEM and is recognised at the point of generation.

Intangible fixed assets
Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is up to 20 years. Provision is made for any impairment.

1. Accounting policies (continued)

Tangible fixed assets
Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria are met, but excludes the costs of day-to-day servicing which is expensed as incurred.

Depreciation is provided on all tangible fixed assets, other than freehold land, at the following annual rates in order to write off each asset over its estimated useful life.

Operating wind and solar sites - 20 years

Cash
Cash at bank and in hand on the balance sheet comprise cash in hand and deposits held at call with banks.

Restricted cash amounts comprise of cash balances held with the banks that are not available to the Group. The funds are held on deposit in the event that decommissioning obligations are not fulfilled by the Group.

Accrued income
Accrued income represents accruals for electricity generation and ROC income not yet billed.

Dividend distribution
Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

1. Accounting policies (continued)

Taxation (continued)
Deferred tax assets and liabilities are offset only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities.

Operating leases
Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Bank borrowings
Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the period which they arise.

Borrowing costs
Borrowing costs are generally expensed as incurred. Borrowing costs that are directly attributable to the construction of an asset are capitalised while the asset is being constructed as part of the cost of that asset. Capitalisation of borrowing costs commences when:

- Expenditures for the asset and borrowing costs are being incurred; and
- Activities necessary to prepare the asset for its intended use are in progress.

Capitalisation ceases when the asset is substantially ready for its intended use or sale. For borrowings associated with a specific asset, the actual rate on that borrowing is used.

Foreign currency translation
Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the balance sheet date, with movements in the sterling equivalent of the balance being taken to the profit and loss account, with the exception of hedged transactions.

Investments in subsidiaries
Fixed asset investments are stated at cost less any provision for impairment.

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

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equitix Knight Finco Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

1. Accounting policies (continued)

Financial Instruments (continued)

Financial assets and liabilities

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

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

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one period on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss. Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

1. Accounting policies (continued)

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

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

Derivative financial instruments
The Group uses derivative financial instruments to reduce exposure to interest rate and retail price index movements. The Group does not hold derivative financial instruments for speculative purposes.

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

Fair value measurement
The Group determines the fair value of its derivatives using the income approach which converts future cash flows to a single current (discounted) amount, reflecting current market expectations about those future amounts through the use of observable inputs, e.g. interest rates and yield curves observable at commonly quoted intervals.

Hedge accounting
The Group designates certain derivatives as cash flow hedging instruments in respect of variable interest rate risk of the cash flows associated with recognised debt instruments measured at amortised cost.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with the clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge and on an ongoing basis, the Group assesses whether the hedging instrument is highly effective in offsetting the designated hedged risk.

The effective portion of changes in the fair value of the designated hedging instrument is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time is reclassified to profit or loss when the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

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

1. Accounting policies (continued)

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Goodwill

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss previously recognised for assets other than goodwill, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets of the CGU, except for goodwill, on a pro-rata basis. Impairment of goodwill is never reversed.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

1. Accounting policies (continued)

Decommissioning provision

Liabilities for decommissioning costs are recognised when the Company has an obligation to decommission and restore the land, with which the project has been built upon, to its original state. The obligation is assessed annually for changes in estimated costs which are then discounted to their net present value. If the net present value is deemed to be immaterial then no provision is recognised.

When this provision relates to an asset with sufficient future economic benefits, a decommissioning asset is recognised and included as part of the associated plant and machinery and depreciated accordingly. Changes in these estimates and changes to the discount rates are dealt with prospectively and reflected as an adjustment to the provision with a corresponding decommissioning asset included within plant and machinery. Unwinding of the discount on the provision is included in the income statement within interest expense.

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Critical judgements
The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Valuation of derivative financial instruments
External valuations are used to revalue derivative financial instruments with any movements going to the hedging reserve. Management do not produce internal models to value the derivatives.

Operating lease commitments
The classification of leases as operating or finance leases requires the Group to determine, based on evaluation of the terms and conditions of the arrangements, whether it acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires recognition on the balance sheet.

Deferred taxation
Deferred tax assets are only recognised when management deem that it is highly probable that there will be sufficient taxable profits in future periods which can utilise the deferred tax asset.

Goodwill
The Company establishes a reliable estimate of the useful life of goodwill arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Key sources of estimation uncertainty
The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Decommissioning provision
Liabilities for decommissioning costs are recognised when the Company has an obligation to decommission and restore the land, with which the project has been built upon, to its original state. The obligation is assessed annually for changes in estimated costs which are then discounted to their net present value. If the net present value is deemed to be immaterial then no provision is recognised. Refer to note 14.

Equitix Knight Finco Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

3. Turnover

The total turnover of the Group for the period has been derived from its principal activity wholly undertaken in the United Kingdom (2020: all in UK).

4. Operating profit

	For the year ended 31 Dec 2021 £'000s	For the year ended 31 Dec 2020 £'000s
Operating profit is stated after charging:		
Depreciation (note 9)	3,137	3,140
Amortisation of goodwill (note 8)	6,171	6,170
Rentals under operating leases:		
Other operating leases	636	640
Auditor's remuneration:		
Audit of the financial statements of the Group and Company	49	53
Audit of the financial statements of the Company's subsidiaries	-	-

The Company has provided a parent company guarantee to its subsidiaries which allows each of its subsidiaries to take advantage of an audit exemption - refer to note 24.

5. Net finance charge

	For the year ended 31 Dec 2021 £'000s	For the year ended 31 Dec 2020 £'000s
Foreign exchange loss	-	-
Bank charges	33	36
Bank interest receivable	-	(2)
Amortisation of issue costs	889	963
Bank loan interest payable	2,361	2,491
Intercompany loan interest payable	4,102	4,164
Unwinding of discounts on provisions	17	17
Net (gain) / loss on derivatives measured at fair value through Profit or Loss	3,417	(1,288)
RPI Swap income	(98)	(28)
	10,721	6,353

6. Information regarding directors and employees

The Group has no employees (2020: Nil). No directors received any remuneration from the Group during the period (2020: Nil). Services are provided to the Group through third party asset management agreements.

7. Tax charge

a) Tax charge

The tax (charge) / credit is made up as follows:

	For the year ended 31 Dec 2021 £'000s	For the year ended 31 Dec 2020 £'000s
Current tax		
United Kingdom corporation tax at 19.00% (2020: 19.00%) based on the profit for the year	(202)	-
Total current tax	(202)	-
Deferred tax		
Origination and reversal of temporary differences	524	(325)
Impact of change in tax rate	(548)	(128)
Adjustment in respect of prior periods	(3)	(16)
Utilisation of tax losses brought forward	(315)	(406)
Total deferred tax (note 14)	(342)	(875)
Total tax in profit and loss	(544)	(875)

Equitix Knight Finco Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

7. Tax charge (continued)

b) Factors affecting total tax in profit and loss

The difference between the total tax in the profit and loss shown above and the amount calculated by applying the standard rate of UK corporation tax at 19.00% (2020: 19.00%) to the profit before tax is as follows:

		For the year ended 31 Dec 2021 £'000s	For the year ended 31 Dec 2020 £'000s
Loss before taxation		(9,946)	(6,155)
Theoretical tax at UK corporation tax rate	19.00%	1,890	1,169
Effects of:			
Expenses not deductible for tax purposes		(1,218)	(1,219)
Impact of change in tax rates		(547)	(128)
Adjustment in respect of prior periods		(3)	(16)
Non taxable income		-	-
Change in unrecognised deferred tax assets		(666)	(681)
Total tax in profit and loss		(544)	(875)

c) Factors which may affect future tax charges

The Group and Company have an unrecognised deferred tax asset of £1,898,000 (2020: £777,000) which applies a corporation tax rate of 19% (2020: 19%) to the gross amount. The unrecognised asset arises from the Corporate interest restriction legislation and the Company have taken the view to not recognise the asset due to uncertainty on when the interest restriction will unwind and therefore whether it is recoverable.

At the balance sheet date, the UK rate of corporation tax is 19%. In the Spring Budget 2021, the UK Government announced that from 1 April 2023, the main rate of corporation tax would increase from 19% to 25%. As this 25% rate was substantively enacted by the balance sheet date, the closing deferred tax assets and liabilities have been calculated at 25% (2020:19%), on the basis that this is the rate at which those assets and liabilities are expected to unwind.

Equitix Knight Finco Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

8. Intangible fixed assets

Group	Goodwill £'000s
Cost	
At 1 January 2021 and at 31 December 2021	87,124
Amortisation	
At 1 January 2021	12,797
Charge for year	6,171
At 31 December 2021	18,968
Net book value	
At 31 December 2021	68,156
At 1 January 2021	74,327

Included in Goodwill is an amount relating to the development opportunity of a 10MW wind farm at St Breock with a net book value of £1,400,000 (2020: £1,548,000).

9. Tangible fixed assets

Group	Renewable generation plant & machinery £'000s
Cost	
At 1 January 2021	62,610
Additions	-
Disposals	(87)
At 31 December 2021	62,523
Depreciation	
At 1 January 2021	22,778
Charge for year	3,137
Eliminated on disposal	(47)
At 31 December 2021	25,868
Net book value	
At 31 December 2021	36,655
At 1 January 2021	39,832

Equitix Knight Finco Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

10. Investments

	Company	
	2021	**2020**
Subsidiary undertakings	**£'000s**	**£'000s**
Cost and Net book value		
At 1 January	56,106	56,106
Additions	-	-
At 31 December	56,106	56,106

On 1 February 2019, the Company acquired 100% of the issued share capital of Knight Renewables UK Limited (formerly BlackRock Renewables UK Limited) and its subsidiary undertakings for cash consideration of £56,106,000.

The Company has investments in the following subsidiary undertakings.

	Country of incorporation	Principal activity	Holding	%
Goonhilly Limited*	England & Wales	Wind farm	Ordinary shares	100%
Goonhilly Solar Limited*	England & Wales	Solar farm	Ordinary shares	100%
Knight Renewables UK Limited	England & Wales	Hold Co.	Ordinary shares	100%
Ramsey II Limited*	England & Wales	Wind farm	Ordinary shares	100%
Sancton Hill Limited*	England & Wales	Wind farm	Ordinary shares	100%
South Sharpley Limited*	England & Wales	Wind farm	Ordinary shares	100%
St Breock Limited*	England & Wales	Wind farm	Ordinary shares	100%
Tranche 3 Holdings Limited*	England & Wales	Hold Co.	Ordinary shares	100%
Tranche 5 Limited*	England & Wales	Dormant	Ordinary shares	100%

The registered office for all the subsidiary undertakings is C/O RES White Limited Beaufort Court, Egg Farm Lane, Kings Langley, Hertfordshire, England WD4 8LR.

* Investments held indirectly through a holding company

Equitix Knight Finco Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

11. Debtors

	Group		Company	
	2021 £'000s	2020 £'000s	2021 £'000s	2020 £'000s
Trade debtors	-	-	-	-
Amounts owed by Group undertakings	425	-	56,570	63,990
VAT	67	56	-	-
Prepayments and accrued income	3,455	3,439	-	-
Other debtors	151	151	-	-
Corporation tax	299	-	-	-
Derivative financial instruments (note 16)	-	1,348	-	1,348
	4,397	4,994	56,570	65,338

Derivative financial instruments includes £nil (2020: £1,236,000) falling due after more than one year.

Amounts owed by group companies are repayable on demand. Amounts owed to the Company by its subsidiaries are broken down in table below. The interest bearing loans accrue interest at 3.0245% (2020: 3.0245%) per annum.

		Company	
Group company	**Nature**	**2021 £'000s**	**2020 £'000s**
Knight Renewables UK Ltd	Interest bearing loan (IBL)	31,706	31,706
Knight Renewables UK Ltd	IBL - accrued interest	1,163	774
Knight Renewables UK Ltd	Interest free loan	33	33
Tranche 5 Ltd	Interest bearing loan (IBL)	22,466	30,691
Goonhilly Limited	Group relief	359	162
Ramsey II Limited	Group relief	-	
Sancton Hill Limited	Group relief	115	
Tranche 5 Ltd	Group relief	66	
Group relief estimates		662	624
		56,570	63,990

Equitix Knight Finco Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

12. Creditors: amounts falling due within one year

	Group		Company	
	2021	**2020**	**2021**	**2020**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Trade creditors	151	352	5	21
Accruals	476	965	81	88
Other creditors	-	3	-	-
Amounts owed to Group undertakings	55,653	54,492	55,228	54,492
Bank loans and overdrafts (note 13)	3,658	3,343	3,658	3,343
Derivative financial instruments (note 16)	787	1,197	787	1,197
	60,725	60,352	59,759	59,141

Amounts owed to group companies is repayable on demand and is comprised of an unsecured interest bearing loan owed to Equitix Knight Holdco Limited, accruing interest at 8% (2020: 8%) per annum.

13. Creditors: amounts falling due after more than one year

	Group		Company	
	2021	**2020**	**2021**	**2020**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Bank loans				
Between one and two years	4,051	3,658	4,051	3,658
Between two and five years	14,566	13,232	14,566	13,232
Over five years	48,567	53,952	48,567	53,952
Derivative financial instruments (note 16)				
Between one and two years	318	1,124	318	1,124
Between two and five years	1,204	2,655	1,204	2,655
Over five years	2,077	2,455	2,077	2,455
	70,783	77,076	70,783	77,076

On the 1 February 2019, the Company acquired a bank loan as part of the acquisition of the operating assets, however with the proceeds from a new Institutional Loan Facility from Goldman Sachs, it was immediately repaid along with the settlement of the respective interest rate swap.

The draw down on this new loan facility was £87,672,000 and attracted a fixed interest rate of 3.0245%, with quarterly principal repayments and a term that runs until 31 December 2034.

On the 8 May 2019, Goldman Sachs executed the first of two syndications of the loan, whereby they sold £40,000,000 of the loan to the Commonwealth Bank of Australia (CBA) and then on 28 May 2019 the second of the syndications occurred, with the remaining loan outstanding of £46,581,000 being sold to Sumitomo Mitsui Banking Corporation (SMBC).

Both of these syndications were carried out in line with the accordion option clause in the original facilities agreement, whereby the *Institutional Loan Facility is replaced with the Long Term Commercial Facility Agreement* which attracts a variable interest of LIBOR plus margin of 1.5%.

Equitix Knight Finco Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

13. Creditors: amounts falling due after more than one year (continued)

Under the terms of the original agreement, the borrower, Equitix Knight Finco Limited, was to see no change to the debt service costs (both principal and interest payments), or other key terms, as a result of switching from one agreement to the other and therefore it was necessary to use hedging instruments, whereby the Company entered in to interest rate swap contracts to swap LIBOR+1.5% for a fixed rate of interest at 3.0245%. For further details on the derivative contract, refer to note 16.

The change of interest from fixed to floating was deemed to be a non-substantial loan modification, however after a quantitative assessment of the difference between the present values at the original effective interest rate of loan cash flows pre syndication and the present values at the original effective interest rate of loan cash flows post syndication, it was concluded that a gain of £2,379,000 should be recognised to the profit and loss.

14. Provisions for liabilities

	Group		Company	
	2021	**2020**	**2021**	**2020**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Decommissioning provision	(1,009)	(992)	-	-
Deferred tax (liability) / asset	(2,225)	(925)	1,092	1,152
	(3,234)	(1,917)	1,092	1,152
The gross movement on the deferred tax account is:				
At 1 January	(925)	(815)	1,152	595
Acquisition of subsidiary undertakings	-	-	-	-
(Charge) / credit to profit and loss account	(341)	(875)	899	(208)
(Charge) / credit to OCI	(959)	765	(959)	765
At 31 December	(2,225)	(925)	1,092	1,152
Deferred tax is provided as follows:				
Accelerated capital allowances	(3,317)	(2,077)	-	-
Tax losses available	-	-	-	-
Other timing differences	1,092	1,152	1,092	1,152
	(2,225)	(925)	1,092	1,152

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

	Group		Company	
	2021	**2020**	**2021**	**2020**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Movement on decommissioning provision:				
At 1 January	(992)	(975)	-	-
Acquisition of subsidiary undertakings	-	-	-	-
Unwinding of discounted amount	(17)	(17)	-	-
At 31 December	(1,009)	(992)	-	-

Equitix Knight Finco Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

14. Provisions for liabilities (continued)

The Group's decommissioning provision results from its obligation at the end of the lease period to return the wind and solar farm sites to their original state and conditions. The discount factor, being the risk free rate related to the liability, was 1.72% (2020: 1.72%) during the period.

15. Financial instruments

	Group		Company	
	2021	2020	2021	2020
Financial assets	£'000s	£'000s	£'000s	£'000s
Measured at fair value through profit or loss				
Derivative financial asset (see note 16)	-	1,348	-	1,348
Measured at undiscounted amount receivable				
Trade debtors, other debtors and accrued income (see note 11)	3,692	3,213	-	-
Amounts owed by Group undertakings (see note 11)	-	-	56,570	63,990
	3,692	4,561	56,570	65,338
Financial liabilities				
Designated in an effective hedging relationship				
Derivative financial liability (see note 16)	(1,951)	(7,413)	(1,951)	(7,413)
Measured at fair value through profit or loss				
Derivative financial liability (see note 16)	(2,434)	(19)	(2,434)	(19)
Debt instruments measured at amortised cost				
Bank loans payable (see note 12 & 13)	(70,842)	(74,185)	(70,842)	(74,185)
Measured at undiscounted amount payable				
Trade and other creditors (see note 12)	(627)	(1,320)	(86)	(109)
Amounts owed to Group undertakings (see note 12)	(55,653)	(54,492)	(55,228)	(54,492)
	(131,507)	(137,429)	(130,541)	(136,218)
	(127,815)	(132,868)	(73,971)	(70,880)

	Group		Company	
	2021	2020	2021	2020
Fair value gain / (loss)	£'000s	£'000s	£'000s	£'000s
On derivative financial liabilities designated in an effective hedging relationship (see note 16)	5,462	(3,660)	5,462	(3,660)
On derivative financial liabilities measured at fair value through profit or loss (see note 16)	(2,415)	2	(2,415)	2
On derivative financial assets measured at fair value through profit or loss (see note 16)	(1,348)	1,074	(1,348)	1,074

15. Financial instruments (continued)

Interest rate benchmark reform
At year end, the Group had in issue GBP LIBOR linked bank loans which were designated in a cash flow hedge with receive GBP LIBOR, pay fixed interest rate swaps.

Market based GBP LIBOR has been discontinued for all tenors immediately after 31 December 2021.

Following the year end, the Group agreed to transition its GBP LIBOR linked bank loans to compounding SONIA with an additional fixed spread added of 27.66bps from 1 January 2022. No other terms were amended. The Group accounted for the change to SONIA using the practical expedient in FRS 102.11.20C, which allows the Group to change the basis for determining the contractual cash flows prospectively by revising the effective interest rate.

For the Group's interest rate swaps, the International Swaps and Derivatives Association's (ISDA) fallback clauses were made available at the end of 2020 and the Group signed up to this protocol, along with each of the Group's counterparties. The fallback clauses were activated on 1 January 2022 and have resulted in the replacement of GBP LIBOR with term adjusted SONIA plus an additional fixed spread of 27.66bps.

During the transitional period the Group has sought to manage the associated risks including operational, accounting and litigation risks which the finalisation of the amendments above have largely mitigated. However, following transition the new floating rate interest payments will continue to require additional liquidity management. This is because as LIBOR was a forward looking term rate, published for a period (e.g. 3 months) at the beginning of that period, whereas SONIA is a risk free overnight rate published at the end of the overnight period.

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Notes to the financial statements (continued)
For the year ended 31 December 2021

16. Derivative financial instruments

	Due within one year 2021 £'000s	Due after one year 2021 £'000s	Due within one year 2020 £'000s	Due after one year 2020 £'000s
Derivatives measured at fair value through profit or loss				
Assets				
Retail price index swap	-	-	112	1,236
Liabilities				
Retail price index swap	(232)	(2,186)	-	-
Interest rate swap	(1)	(14)	(1)	(17)
	(233)	(2,200)	(1)	(17)
Derivatives designated in an effective hedging relationship				
Liabilities				
Interest rate swap	(554)	(1,397)	(1,197)	(6,216)

The swaps are valued at present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Retail price index swap contracts

The following table details the notional principle amounts and fair value of the retail price index swaps outstanding as at the reporting date:

Outstanding contracts	Notional principal value 2021 £'000s	Fair value 2021 £'000s	Notional principal value 2020 £'000s	Fair value 2020 £'000s
Less than one year	3,792	(232)	3,780	112
Between one and two years	3,819	(234)	3,792	113
Between two and five years	11,459	(702)	9,639	287
Over five years	20,418	(1,250)	28,055	836
	39,488	(2,418)	45,266	1,348

The retail price index swap settles on a quarterly basis, commencing on 30 June 2020 and ending on 31 December 2034, and pays variable RPI linked cash flows in GBP and receives fixed cash flows in respect of an amortising notional. The Group will settle the difference between the fixed and variable RPI linked cash flows on a net basis.

The RPI swap contract was entered in to with the intention of removing the variability of RPI in regards to RPI linked net revenues and is required to be in place under the banking facilities. Even though it pertains to highly probable transactions and it removes one source of uncertainty with regards to those future net revenues, many other sources of uncertainty exist and so the Group has not opted to hedge account. The hedged cash flows are expected to occur and to affect profit or loss over the period to maturity of the retail price index swap.

A fair value loss of £3,766,000 (2020: gain of £1,074,000) was recognised in the profit or loss for the period.

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Notes to the financial statements (continued)
For the year ended 31 December 2021

16. Derivative financial instruments (continued)

Interest rate swap contracts

The following table details the notional principle amounts and fair value of the interest rate swap outstanding as at the reporting date:

Outstanding receive floating pay fixed contract	Notional principal value 2021 £'000s	Fair value 2021 £'000s	Notional principal value 2020 £'000s	Fair value 2020 £'000s
Less than one year	4,458	(555)	4,231	(1,197)
Between one and two years	4,772	(84)	4,458	(1,124)
Between two and five years	16,318	(502)	15,195	(2,655)
Over five years	50,232	(825)	56,127	(2,455)
	75,780	(1,966)	80,011	(7,431)

The interest rate swaps settle on a quarterly basis, ending on 31 December 2034, and pays at a fixed rate of 3.0245% in GBP and receives LIBOR+1.5% in GBP in respect of an amortising notional, however as detailed in note 15, from 1 January 2022, LIBOR+1.5% is to be replaced by compounded SONIA+0.2766%+1.5% (includes spread and margin). The Group settle the difference between the fixed and floating interest rates on a net basis.

All interest rate swap contracts are intended to hedge of variable interest rate risk of the Group's floating rate borrowings (see note 13). The hedged cash flows are expected to occur and to affect profit or loss over the period to maturity of the interest rate swap.

A gain of £5,465,000 (2020: loss of £3,657,000) was recognised in respect of the fair value of the interest rate swap for the period, with the effective portion of the gain being £5,462,000 (2020: loss of £3,871,000) being recognised in other comprehensive income and the credit difference of £346,000 (2020: credit difference of £214,000) being recognised in the profit or loss as brought forward ineffectiveness being recycled.

Equitix Knight Finco Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

17. Cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities:

	For the year ended 31 Dec 2021 £'000s	For the year ended 31 Dec 2020 £'000s
Operating profit	775	198
Adjustments for:		
Amortisation	6,171	6,170
Depreciation	3,137	3,140
Disposals with no proceeds	40	-
Operating cash flow before movement working capital	10,123	9,508
(Increase) / decrease in debtors	(826)	(173)
(Decrease) / increase in creditors	(677)	648
Cash from operations	8,620	9,983
Corporation tax paid	501	161
Cash generated by operations	9,121	10,144

Analysis of changes in net debt

	At 1 Jan 2021 £'000s	Cash flows £'000s	Fair value movements and non-cash changes £'000s	At 31 Dec 2021 £'000s
Cash at bank and in hand	2,418	(992)	-	1,426
Bank loans	(74,185)	4,231	(888)	(70,842)
Derivative financial instruments	(6,083)	1,039	658	(4,386)
	(77,850)	4,278	(230)	(73,802)

Non-cash movements represent effective interest rate adjustments which include debt issue costs.

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Notes to the financial statements (continued)
For the year ended 31 December 2021

17. Cash flow statement (continued)

Restrictions on cash and cash equivalents
At 31 December 2021, restricted cash and cash equivalents amounted to £170,000 (2020: £168,000) and represent cash held on deposit in the event that decommissioning obligations are not fulfilled by the Group.

18. Called-up share capital

	2021 £'000s
Ordinary share capital issued and fully paid	
200 Ordinary shares of £1 each at par	-

At incorporation on 11 January 2019, the Company issued 100 Ordinary shares at £1 each at par to Equitix Knight Holdco Limited and then on the 1 February 2020, as part of completion of the new finance facilities the Company issued a further 100 Ordinary shares at £1 each at par to Equitix Knight Holdco Limited.

19. Reserves

Called-up share capital - represents the nominal value of shares that have been issued.
Hedging reserve - comprises the fair value of interest rate swaps less the deferred tax thereon.
Profit and loss account - includes all current and prior period retained profit and losses.

20. Financial commitments

Capital commitments
As at the period end there were no capital commitments.

Operating lease commitments
Total future minimum lease payments under non-cancellable operating leases for land and buildings are as follows:

	Group	
	2021 £'000s	2020 £'000s
- within one year	271	254
- between one and five years	1,085	1,017
- after five years	3,874	3,808
	5,230	5,079

21. Related party disclosures

The Company's ultimate parent and controlling entity is Equitix Fund V LP a Limited Partnership registered in England & Wales, the Company has taken advantage of the exemption under FRS 102 Section 33.1A not to provide information on related party transactions with other undertakings in the Equitix Fund V LP group.

Notes to the financial statements (continued)
For the year ended 31 December 2021

22. Ultimate parent undertaking

The Company is a wholly owned subsidiary of Equitix Knight Holdco Limited, an investment company registered in England and Wales which accounts for investments at fair value and does not prepare consolidated financial statements. The financial statements of Equitix Knight Holdco Limited are available from the registered office at 3rd Floor, South Building, 200 Aldersgate Street, London, England, EC1A 4HD.

The ultimate parent undertaking and controlling party is considered to be Equitix Fund V LP which is a limited partnership and does not prepare consolidated financial statements.

23. Off- balance sheet arrangements

The Group enters into operating lease arrangements for the land on which the wind farm is located. The Group lease rental expense is disclosed in note 4 and the Group commitments under these arrangements are disclosed in note 20. Refer to note 24 for details of guarantees. There are no other material off-balance sheet arrangements.

24. Subsidiary audit exemptions

The following subsidiaries are exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual financial statements by virtue of s479A of the Act:

	Country of incorporation	Company registration number	Liabilities at reporting date £'000s
Goonhilly Limited	England & Wales	7708636	3,693
Goonhilly Solar Limited	England & Wales	8911946	2,619
Knight Renewables UK Limited	England & Wales	8333324	32,903
Ramsey II Limited	England & Wales	8183603	8,101
Sancton Hill Limited	England & Wales	3404639	4,869
South Sharpley Limited	England & Wales	7472494	3,189
St Breock Limited	England & Wales	7903110	7,992
Tranche 3 Holdings Limited	England & Wales	7705570	-
Tranche 5 Limited	England & Wales	8768111	42,116

The outstanding liabilities at the reporting date of the named subsidiaries have been guaranteed pursuant to s479A to s479C of the Act. The directors believe the possibility of the guarantee being called upon is remote.