

**The Carbon Trust**

Annual Report for the year ended 31 March 2021

Registered number: 04190230

## Company information

Registered office: 4<sup>th</sup> Floor, Dorset House, 27-45 Stamford Street, London, SE1 9NT

Directors: Julia King, the Baroness Brown of Cambridge  
Tom Delay  
Michael Rea  
Tim Weller  
Paul Jefferiss  
Dorothy Mackenzie  
Eric Soubeiran  
Timon Drakesmith (appointed 20 July 2020)

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Auditors: Grant Thornton UK LLP, 30 Finsbury Square, London EC2A 1AG

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# Strategic Report

## Strategic Report

### Overview of Activities

Our mission is to accelerate the delivery of a sustainable, low carbon future by helping businesses, governments and organisations across the globe to reduce carbon emissions and achieve greater resource efficiency.

Our teams deliver valuable insights into markets and technologies, helping clients and partners raise their ambition and develop tailored solutions to achieve their environmental goals. We design and implement projects and programmes, drawing on our technical expertise acquired through years of practical experience. We lend credibility to our clients through recognising and certifying real sustainability achievements such as science-based targets and carbon reductions.

Carbon Trust was founded in 2001 and has been at the forefront of environmental sustainability since then, building a substantial knowledge base to accelerate climate change mitigation. Today we operate across a wide range of services, geographies and industries as set out below:

- **Propositions.** Advisory services including environmental target setting, value chain analysis, risk assessment, endorsement, policy delivery and programme management including collaborative ventures
- **Countries.** We have offices in UK, Netherlands, South Africa, Singapore, China and Mexico and our teams supported clients in almost 50 countries last year.
- **Industry sectors.** Our advice addresses the specific needs of all major sectors including Technology and Media, Consumer Products, Financial Services, Energy and Resources, Infrastructure and Property, Manufacturing and Agriculture.

We employ 271 people, the vast majority of whom are experts in specialist proposition areas. The Carbon Trust is a not-for-dividend company which means we do not have external financial stakeholders and aim to broadly breakeven in accounting terms.

### Strategy and medium-term goals

In early 2021 we created a new three-year plan to further our Mission Impact and expand our organisation. The climate change movement has evolved over the last year as the effects of the global COVID-19 pandemic have led governments, institutions, corporations and individuals to reassess their priorities. The importance of environmental sustainability and living responsibly has been reinforced, making our services and influence more relevant than ever.

We will continue to focus on fighting climate change, international expansion, innovation and creating a better operating platform. Over the next few years, we aim to deliver more high-quality projects across the world to a greater range of clients. Our medium-term objectives are set out below:

**A. Mission Impact.** Extend the reach, innovation and influence of our climate change work. We will assess the associated social benefits of our activities.

**B. Brand and Propositions.** Increase the trust in our brand in key international markets. Deploy new, high impact, environmentally significant propositions, “breakthrough” ideas and collaborations.

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**C. People, Systems and Culture.** Expand headcount through recruitment, build capabilities and knowledge management, maintain our positive and inclusive culture.

**D. Financial Resilience.** We aim to materially grow our revenues and have a modest financial surplus over a rolling three-year period. A significant cash balance will be retained to allow us to invest in important Mission relevant capabilities, propositions and innovations.

### Our Mission Impact

Mission Impact closely links with our purpose and plays an important role in our culture. This underpins our vision for the future growth of the Group. Critically, we believe our impact is greatest when we are distinctive. We use our brand, know-how and convening power to make things happen that would not happen otherwise. We consider our Mission Impact in all we do with integrated mission-related objectives in every employee's aims and performance appraisals, and in deciding which client/partner proposals to prioritise. We have also invested heavily in innovation, seeking to advance concepts that may deliver outside impact that is decoupled from growth in staff numbers.

### New Mission Impact Assessment Framework and Targets

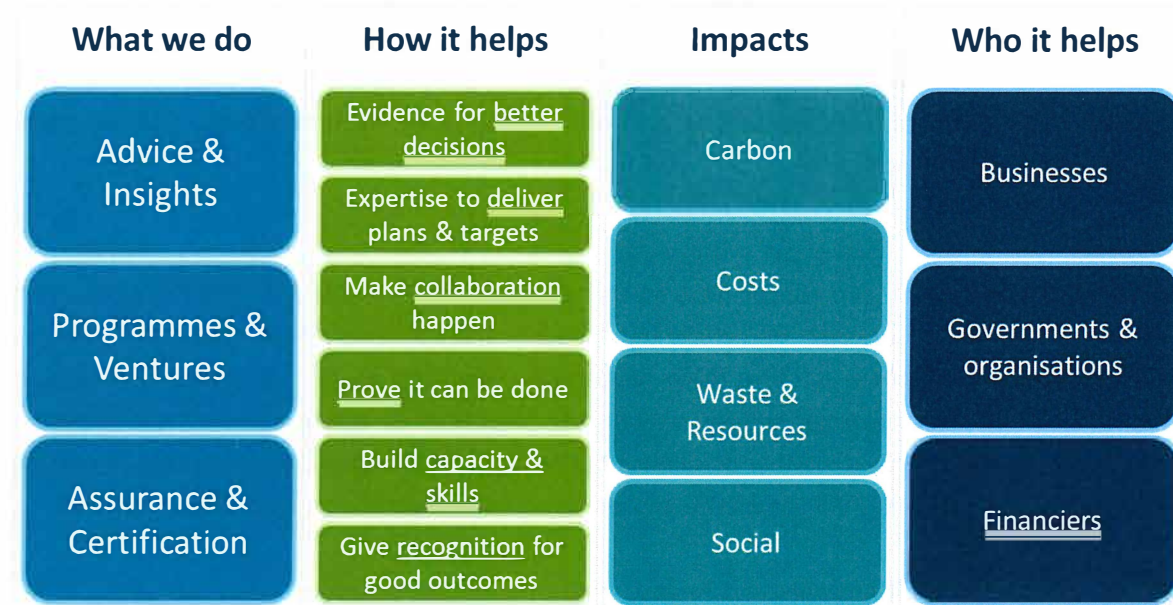
We have launched a new Mission Impact Framework to support our strategy, guide resource allocation and direct our operational activities. The table below sets out the four categories of Mission Impact objectives and sets growth targets for the three years to 2024.

#### Mission Impact Goals

| Category                   | Growth Targets                                                                                                                                                       |
|----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Reach, Breadth and Scale   | Grow number of Clients by 50% by 2024                                                                                                                                |
|                            | Increase Impact in Priority Regions by over 30% by 2024                                                                                                              |
| Innovation                 | Launch more high impact, environmentally significant new propositions by 2024                                                                                        |
|                            | Implement three new Accelerators by 2024                                                                                                                             |
| Influence                  | Drive ambition in strategies and actions of governments, businesses and financial institutions. Support ambition in policy development through insight and evidence. |
|                            | Increase Influence rating by 50% by 2024                                                                                                                             |
| Recognise Broader Benefits | Assess alignment with UN Sustainable Development Goals and social and community benefits.                                                                            |

Several years ago, we designed a Theory of Change to explain how the Carbon Trust helps to improve environmental sustainability. The diagram below illustrates how a combination of our services and insight assists clients and society at large make the right choices, set targets, deploy resources and gain recognition for their actions across a range of impact categories.

How the Carbon Trust delivers impact:



To illustrate the impact against our mission in a range of areas of activity, some examples of recent work are included below:

- Transforming Energy Access (TEA)**

The TEA programme, funded by the UK Government's FCDO and IKEA Foundation, had another strong year and was rated A+ by the FCDO for the second year running despite the coronavirus pandemic. Up until the end of March 2021, the programme has delivered significant impact including providing improved energy access to nearly 10m people, leveraging £675m of co-funding on top of the FCDO's £100m commitment and avoiding nearly one million tonnes of carbon emissions. During FY2020-21, our partnership with IKEA Foundation kicked-off, based on an initial grant of €5m, and made ten new grant awards for our Powering Renewable Energy Opportunities programme which demonstrates how the provision of clean energy can build improved incomes in Africa whilst avoiding future emissions and displacing diesel use. The TEA programme also grew its African partnership and inclusion via launching three new African-led initiatives: building a continent-wide mini-grid tariff settlement tool with the African Forum for Utility Regulation, piloting innovative solutions for energy access in informal settlements with ICLEI Africa and a South-South mini-grid learning programme for public sector officials with CLUB-ER, the trade association for rural electrification agencies in Africa.

- Climate Action Planning Technical Assistance Project in China**

Since September 2019 we have been helping five cities in China develop or update their climate action plans in line with the objectives of the Paris Agreement. With funding from C40 and in collaboration with the National Center for Climate Change Strategy and International Cooperation and Innovative Green Development Programme, we have been working with local government departments to provide technical support on city-level GHG inventories, scenario modelling, climate risk assessment and target setting. In addition, we have supported the prioritisation of city-level climate projects and provided policy recommendations for cities to include in their "14th Five Year" climate action plans (2020-2025).

Commitments from Chinese cities are critical to achieving China's national climate goals. This influential project will help cities to set long-term low carbon goals that deliver broader benefits by improving employment opportunities, living standards, public health, and environmental quality.

- **Amazon**

As part of Amazon's commitment to The Climate Pledge, it launched an initiative to help customers make more sustainable choices. The company selected climate-related product certifications to be badged as 'Climate Pledge Friendly' in the US and Europe. They selected our 'Reducing CO2' and 'Carbon Neutral' certifications to be included. Several of our clients are part of the scheme: Flor de Caña, Accolade Wines, Lindeman's, Pompeian and Quorn. In addition, we have worked with Amazon Devices to help them reduce their carbon emissions and therefore achieve our 'Reducing CO2' label. We verified footprints for several consumer electronic goods such as the Echo, Fire TV, and Tablets as well as some accessories to these products. Based on footprints for two generations of these products, we were able to verify reductions in the newest generation. Our certifications have galvanised their product development teams to focus on low-carbon product design and continue to innovate environmental sustainability standards for consumer electronic devices. These two engagements have significant scale and reach and will have contributed to raising wider international awareness of the Carbon Trust and our labels.

- **Lundbeck**

H. Lundbeck A/S is a Danish pharmaceutical company with revenues of EUR 2.3 billion. They previously submitted a 1.5°C science-based target in 2016 for their Scope 1 and 2 emissions. The company requested support to update their target to include Scope 3 emissions and assess whether they could expand their ambition by signing up to the UNGC's 'Business Ambition for 1.5C' initiative. We developed a Scope 3 footprint and decarbonisation pathway, which provided them with the confidence to sign up to the Business Ambition for 1.5C, committing to net zero across Scopes 1, 2 and 3 by 2050. Our work with Lundbeck has since been extended to improve the quality of their Scope 3 footprint and understand decarbonisation opportunities within their value chain. We are now also supporting them in updating their TCFD-related reporting for their CDP submission.

- **Supporting the roll-out of smart grid technologies in Colombia**

This project was funded by the UK Government's Partnering for Accelerated Climate Transitions country programme in Colombia and aimed to support the Colombian National Energy Planning Unit to quantify the benefits of smart grids in decarbonising the electricity system. The project generated evidence that it would cost less to adopt a smart grid, enabling the electricity system to be fully decarbonised by 2040, generating potential savings of ~USD730M annualised by 2040. This influential analysis gave the Colombian Government confidence to adopt an enhanced Nationally Determined Contribution as it demonstrated that reaching the enhanced target was cost-effective. Our work has led directly to a follow-on project for the Colombian Government, whose ultimate goal is to make the case to deliver demand-side flexibility through demand-side smart technologies deployment, coupled with innovative tariff designs.

- **World Bank Green Finance Taxonomy for South Africa**

Under the leadership of South Africa's National Treasury, and with support from the IFC, (part of the World Bank Group) in partnership with SECO (Swiss State Secretariat for Economic Affairs) and Sida (Swedish International Development Cooperation Agency), Carbon Trust and the National Business Initiative were commissioned to develop the first national Green Finance Taxonomy for South Africa. The innovative Taxonomy is one of the key recommendations of the South African National Treasury draft Technical Paper on Financing a Sustainable Economy. The draft taxonomy follows the EU approach while accounting for local differences and has been developed through a multi-stakeholder approach, including financial market participants, land use and biodiversity experts, and government. The draft Taxonomy was published for public comment on 7 June 2021, and pilot user tests are being undertaken by a range of volunteer financial institutions in parallel. Once feedback has been received and considered, the first National Green Finance Taxonomy is expected to be released in August 2021. Building on this work, the project team will expand the green finance taxonomy to a sustainable finance taxonomy, coupled with increasing capacity to apply the sustainable finance taxonomy in practice. The second phase is supported by the South Africa-UK Partnering for Accelerated Climate Transitions (South Africa-UK PACT) programme, funded by the UK Government's Department for Business, Energy and Industrial Strategy (BEIS) through the UK's International Climate Finance.

### Our people

#### COVID-19

COVID-19 presented a significant challenge to our established ways of working, as we quickly shifted from office-based work to working from home. The people implications of the pandemic have been stretching, and our teams have shown resilience and adaptability. Through the year working remotely we have put the safety of our people first - whether through supporting mental health and wellbeing, or ensuring safe offices or travel where it was essential.

Our historic investment in technology and systems enabled colleagues to quickly and easily transition to remote working and our flexible approach helped colleagues to better meet their family and work commitments. New ways of working have improved connections with our teams outside London, with virtual meetings creating a more inclusive workplace for them, and materially reducing the impact of business travel. We plan to retain key elements of flexibility in future to capture the benefits of home working, while retaining in-person connections where they best support our clients and the organisation's culture and strategic objectives.

#### Recruitment and retention

Strong demand for our services meant we continued to recruit new employees during the year. In the year from 1 April 2020 to 31 March 2021 we brought over 60 new starters into the business across all our operating geographies - the largest number of new joiners since the Carbon Trust began. Overall, we increased headcount by 54 (24%) from 217 at the start of the year to 271 by the end of the year, including a new team in Amsterdam. Working remotely challenged us to find new ways to welcome new joiners and support their integration and development at the Carbon Trust. We will leverage these learnings as we grow the organisation, investing in tools, systems, and capabilities to recruit, develop and engage colleagues.

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## Wellbeing and engagement

We survey and communicate regularly with staff to better understand their views and concerns, and have done this more this year, learning from feedback and taking action where needed. We enhanced our wellbeing support including introducing mental health training for all managers, developing a mental health first aid programme, providing external wellbeing talks and practical wellbeing sessions, as well as offering flexibility of work location or timing to help staff improve their work environment and balance caring or childcare responsibilities.

We continue to track key employee engagement data points, and despite the pandemic and increased demand for our services, overall employee engagement has improved slightly, with overall satisfaction being 4.2/5 (3.9 in 2020) and likelihood to recommend the organisation being 8.3 (8.0 in 2020).

## Learning and development

Despite remote working, colleagues continued to collaborate effectively, but working from home emphasised the need for more effective tools to support remote onboarding, learning, performance and development, now and in any future hybrid workplace. We identified a new learning management system to replace our current platform, that will provide the capability to support internal, external and employee-led learning and development, and provide a foundation for an enhanced learning culture globally, as the organisation grows.

## Group diversity and Inclusion

We monitor our gender diversity across the Group and the overall gender balance in the Group is 47% female / 53% male, a change from our November 2015 baseline of 36% / 64%. The Group is trained on unconscious bias, we have enhanced our recruitment approach, and ensure diversity is actively reviewed as part of our reward and promotions processes. We monitor our gender balance at different levels in the Group and women at leadership levels increased 5% to 30% in 2020-21 (versus our 2015 baseline of 15%) and at management levels by 3% to 39% (versus our baseline of 30%). We target a minimum of 40% representation at each level and are making progress towards this goal. Although we are not legally required to report our gender pay gap, we calculated and will report it this year. The analysis highlighted that although we have a strong pipeline of female talent in our junior and mid grades, and we still have more male colleagues, particularly in the most senior roles, driving both pay and bonus gaps.

This year we have taken steps to support inclusivity with the development of a mental health strategy that aims to increase knowledge and encourage openness and support for mental health. We recognise that we need to do more to develop our approach to diversity and inclusion, particularly to monitor and report on a wider range of diversity characteristics, enhance our recruitment processes and we will use external independent support to develop our strategy in 2021-22.

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## Our financial performance

Carbon Trust had a successful year from a financial standpoint with higher revenues, operating profit and cash balances. Despite the difficulties of the pandemic, there was strong demand for our services, and we saw an increase in the total number of projects and the average value of projects compared to the previous financial year. Productivity increased as we raced to catch up on recruitment and expense levels were constrained due to lack of travel. Therefore profitability was better than in the year to March 2020.

Our financial performance is illustrated in the summary table set out below.

| GROUP KPIs                                              | 2021 (£M) | 2020 (£M) | 2019 (£M) | 2018 (£M) |
|---------------------------------------------------------|-----------|-----------|-----------|-----------|
| <b>TOTAL REVENUE<sup>1</sup></b>                        | 34.5      | 27.2      | 22.1      | 22.1      |
| <b>CONSOLIDATED PROFIT/(LOSS) AFTER TAX<sup>2</sup></b> | 2.3       | (0.2)     | 1.7       | 1.5       |
| <b>GROUP UNRESTRICTED CASH BALANCES<sup>3</sup></b>     | 21.4      | 17.0      | 16.6      | 13.2      |

This year we earned £34.5m (2020: £27.2m), from client engagements and from long term contracts delivered in conjunction with partners. Our strategy to grow international business<sup>4</sup>, is illustrated by £8.0m coming from international clients for work delivered outside the UK, representing 23% of our total revenue (2020: £4.6m, 17% of total revenue). As described above, we deliver material international programmes for the UK Government like TEA, which are included in our UK revenues. The Group's major expense is on employee compensation which rose to £16.7m in the year to March 2021 from £12.5m a year earlier, as we added to headcount and increased variable compensation.

Group delivered an accounting surplus for the year of £2.3m (2020: £0.2m loss) as result of higher revenues, well controlled expenses and favourable movements in deferred tax.

The Group's balance sheet remains very strong and during the year net assets grew from £23.6m to £25.9m. Cash holdings increased so that at 31 March 2021 total cash was £35.2m (2020: £27.2m) and unrestricted cash, over which we have complete control, was £21.4m (2020: £17.0m). We have actively managed our legacy investment portfolio, which is reflected in our financial statements at a value of £1.0m (2020: £3.5m) this is lower than at the prior year because we reduced our holdings in the Carbon Neutral Real Estate Fund.

We continue to manage a small portfolio of interest free loans. Since March 2020 we have provided 12 repayment holidays to loan debtors in response to their request for help with the economic consequences of the COVID-19 crisis.

## Outlook

Looking ahead to the coming financial year, the business is in a strong position to continue delivering against our mission. We have a strong portfolio of contracted projects in progress, including several multi-year programmes. These enable us to support our increased international growth and business profile. We anticipate that revenues will grow in the year to 31 March 2022.

<sup>1</sup> Revenue in the consolidated statement of comprehensive income on page 25.

<sup>2</sup> See the consolidated statement of comprehensive income on page 25.

<sup>3</sup> Group unrestricted cash balances, includes liquid investments of £8m included in note 20 on page 47, see also cash note 21 on page 48.

<sup>4</sup> See note 6 to the financial statements on page 37.

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We will continue to actively explore ways to move our business model beyond advisory and assurance, working with colleagues and partners to develop new commercial propositions and breakthrough concepts that can help reach our medium-term objectives.

### Our environmental performance

To minimise our direct environmental impact, small relative to the positive impact of our delivery work, we measure, manage and reduce our carbon emissions as far as possible. Our approach is set out in our Health, Safety and Environment policy on our website<sup>5</sup>.

Our scope 1, 2 and 3 emissions are managed through our accredited ISO 14001 Environmental Management System and are independently verified on an annual basis as part of our operational carbon neutrality commitment. The most significant contributor to our total scope 1 & 2 emissions is the operation of our London office.

With office use restricted due to COVID-19, our measured scope 1 & 2 footprint has fallen by 9% to 99.2 tCO<sub>2</sub>e on a like-for-like basis compared to the previous year. The increase in staff numbers has meant that on a per person basis there has been a 22% reduction to 0.43 tCO<sub>2</sub>e/FTE.

We have been able to operate our London office efficiently during low-occupancy periods by switching off unnecessary equipment including power supplies and appliances. This has reduced scope 2 emissions directly attributed to our floor by 35%.

Prior to COVID 19, business travel, particularly internationally, was required to grow the business and expand the positive impact of delivering our work. Our past scope 3 emissions have typically been several times greater than our scope 1 and 2 footprint. In order to protect our staff and comply with pandemic restrictions, client interactions have been undertaken remotely and travel has only been permissible in regions where risk has been exceptionally low. Consequently, our scope 3 emissions from all business travel reduced by 99.4% to 2.9 tCO<sub>2</sub>e.

Overall Carbon Trust's scope 1, 2 & 3 emissions have fallen by 82% to 102 tCO<sub>2</sub>e.

### Greenhouse Gas Emissions<sup>6</sup>

|                                         | 2020/21                  | 2019/20                  | 2020/21                | 2019/20                |
|-----------------------------------------|--------------------------|--------------------------|------------------------|------------------------|
|                                         | Total tCO <sub>2</sub> e | Total tCO <sub>2</sub> e | tCO <sub>2</sub> e/FTE | tCO <sub>2</sub> e/FTE |
| Scope 1: Direct Emissions               | 44.0                     | 43.5                     | 0.19                   | 0.22                   |
| Scope 2: indirect Emissions             | 55.2                     | 64.9                     | 0.24                   | 0.33                   |
| <b>Total Scope 1 &amp; 2 Emissions</b>  | <b>99.2</b>              | <b>108.5</b>             | <b>0.43</b>            | <b>0.54</b>            |
| Change Relative to Previous Year        | -9%                      |                          | -22%                   |                        |
| Scope 3: Domestic Travel Emissions      | 1.0                      | 38.8                     | 0.00                   | 0.19                   |
| Scope 3: International Travel Emissions | 1.9                      | 436.1                    | 0.01                   | 2.18                   |
| <b>Total Scope 1-3 Emissions</b>        | <b>102</b>               | <b>583</b>               | <b>0.44</b>            | <b>2.92</b>            |
| Change Relative to Previous Year        | -82%                     |                          | -85%                   |                        |

<sup>5</sup> See [www.carbontrust.com](http://www.carbontrust.com)

<sup>6</sup> All figures are represented in tonnes of CO<sub>2</sub> equivalent, reported both on an absolute basis and by (FTE) in accordance with guidance under the Greenhouse Gas Protocol.

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We choose to report our scope 1 (direct) and scope 2 (indirect, purchased) greenhouse gas emissions in line with the UK Government's mandatory greenhouse gas emissions reporting guidance. For completeness we also report on business travel, which falls within the category of scope 3 emissions.

To address our future emissions Carbon Trust has prepared a scope 1 & 2 target aligned with a 1.5°C emissions reduction trajectory to the Science Based Targets Initiative. Appropriate targets for the wider scope 3 value chain emissions are in development.

With scope 1 & 2 emissions largely tied to the operation of our London head office, processes are already underway to develop the operational energy efficiency and sustainability requirements for our future workplace to ensure that we are aligned with long term emissions reduction targets. Driving this is an internal team that has been established to consult with all Carbon Trust staff and draw on the expertise of those involved in our real estate, energy management and sustainability strategy projects.

During typical years, our measured scope 3 business travel emissions comprise the largest proportion of the organisational footprint. We are already looking ahead to mitigate a rise in these emissions alongside our projected organisational growth as the world returns to normal and countries open up again for travel. We have undertaken analysis of our baseline year travel emissions, highlighting the key sources to focus on, and engaged with each business unit to project future travel needs in order to develop an overall travel carbon budget.

### Offsetting

We will continue to work hard to reduce our direct emissions and offset our remaining carbon emissions to achieve carbon neutrality. To ensure an accurate and robust process, we undertake an annual independent verification of the Group's greenhouse gas emissions footprint associated with energy and travel, both domestic and international, to ISO 14064-3.

This 2020-21 footprint will be offset through the purchase of Verified Emissions Reductions (VER) certificates from Verified Carbon Standard or Gold Standard verified projects, specifically selected to deliver additional benefits towards the UN Sustainable Development Goals compatible with the Carbon Trust's mission. We offset 110% of our 2019-2020 footprint by purchasing and publicly retiring 695 tCO<sub>2</sub>e of Gold Standard VERs which are carbon removal credits (these can be found in the Gold Standard Impacts Registry by searching 'Carbon Trust'). The carbon removal credits that we purchase are carefully selected from projects that demonstrate robust long term management alongside significant and verified contribution to broader UN SDGs. The purchase of carbon removal credits is aligned with current thinking and best practice guidance on net zero carbon approaches, ensuring that Carbon Trust can be confident in the positive impact of our operational carbon neutrality process.

### Principal risks and opportunities

The Board considers the matters outlined below to be the principal risks and uncertainties that could adversely impact the Carbon Trust Group's operations, our strategy for diversified growth and our ability to deliver against our mission to accelerate the move to a sustainable, low carbon future.

## Strategic Report

Sitting alongside these risks there are also new opportunities for growth. While Governments' response to COVID-19 and any subsequent reassessment of their fiscal priorities may lead them to question in some cases the affordability and priority given to our work, we recognise an opportunity in 'Build Back Better' and similar coalitions influencing their choices. The market reaction to Brexit has made our international offer increasingly competitive, and continues to open new market opportunities, with our Amsterdam office growing in size and capacity.

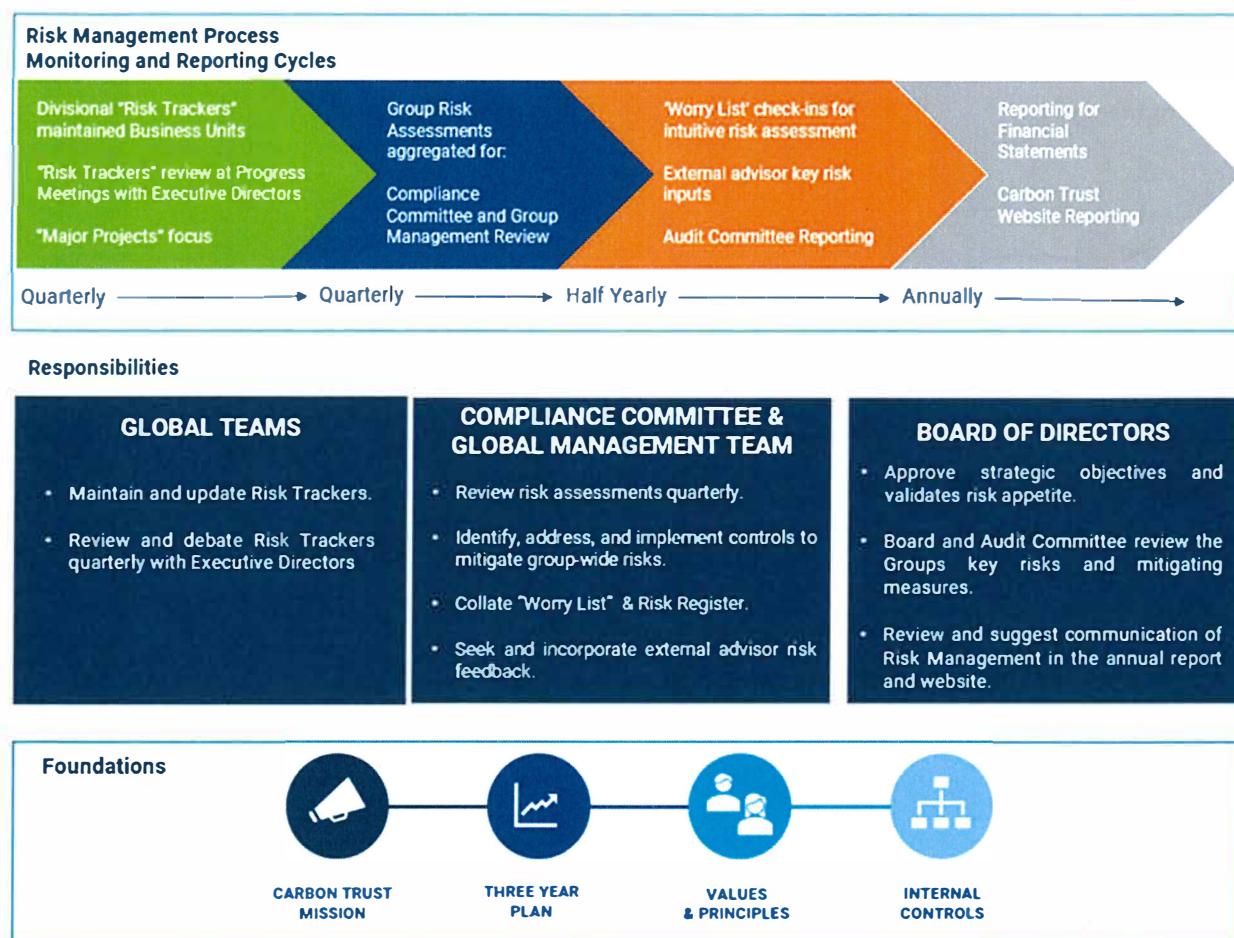
| Risk Register Category                         | Potential Exposures and Negative Impact on Business Plan                                                                                                                                                                                                               | Key Mitigation and Controls                                                                                                                                                                           |
|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Market downturn</b>                         | <ul style="list-style-type: none"> <li>Declines in funding from key partners leads to a weaker pipeline of work.</li> <li>Increase in competition.</li> </ul>                                                                                                          | Market awareness, new propositions, diversification, digital investment, and investment in major strategic initiatives                                                                                |
| <b>Impaired Mission Impact</b>                 | <ul style="list-style-type: none"> <li>Constrained innovation and fewer new propositions and ventures reduces impact and influence.</li> </ul>                                                                                                                         | Revised Mission Impact Framework and measurement against three-year KPIs<br>Increased investment in new ideas and brand                                                                               |
| <b>Low Organisational resilience</b>           | <ul style="list-style-type: none"> <li>Slow integration of new hires.</li> <li>Recruitment pace and retention not possible due to market challenges.</li> <li>Elevated workload and stress due to Covid-19 working patterns and higher demand from clients.</li> </ul> | Management and Board Review.<br><br>Upgraded HR systems and open / honest reporting channels.<br><br>Attractive employee value proposition revised to align with post-Covid work patterns             |
| <b>Damage to Brand and Reputation</b>          | <ul style="list-style-type: none"> <li>Increased potential of greenwashing. Damage to brand or reputation results.</li> </ul>                                                                                                                                          | Management oversight and careful client selection procedures. Application of Carbon Trust principles.<br><br>Larger, experienced Marketing and Communications team, investment in people and systems. |
| <b>Financial pressures</b>                     | <ul style="list-style-type: none"> <li>Over expansion creates drain on cash reserves.</li> <li>Diminished control over international activities leads to losses.</li> </ul>                                                                                            | Tight financial controls, rigorous reporting and forecasting process.<br><br>Partly flexible cost base with staged expansion.                                                                         |
| <b>Legal, contractual or regulatory issues</b> | <ul style="list-style-type: none"> <li>Contractual issues and / or disputes.</li> <li>Regulatory breaches in new jurisdictions.</li> </ul>                                                                                                                             | Compliance Committee oversight, detailed regulatory trackers.<br><br>Use of dedicated service providers/ advisors.                                                                                    |

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|                       |                                                                                                                |                                                                                                                        |
|-----------------------|----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
|                       |                                                                                                                | Expanded, knowledgeable Finance and Legal teams, investment in people and systems.                                     |
| <b>IT security</b>    | <ul style="list-style-type: none"> <li>Cyber-attack, Denial of Service, loss of client data.</li> </ul>        | Regular penetration testing, use of specialist consultants and security software.                                      |
| <b>Emerging risks</b> | <ul style="list-style-type: none"> <li>Negative social, technological, demographic or health trends</li> </ul> | Management and Board Review. Use of 'worry list' and advisors' input.<br><br>Risk Management processes outlined below. |

Further analysis of the group's financial risk profile may be found in note 25 of the financial statements on pages 51 to 53.

The Board takes overall responsibility for the Carbon Trust's internal controls and risk management. Responsibilities for some aspects of corporate governance have been delegated to the Audit, Remuneration and Nomination Committees. The Board adopts policies and instructions for controlling all perceived risks and these are supplemented by detailed processes, policies and guidelines within the Group. The Compliance Committee supports the Board in this work by discussing, steering and monitoring these issues and preparing materials to support decisions by the full Board. The Carbon Trust Risk Management processes and responsibilities are outlined in further detail below.



## Section 172 (1) statement

The Board of directors has acted in a way that that they consider in good faith, to be most likely to promote the success of The Carbon Trust. The Board has emphasised the importance of engaging the Group's management and employees in the formation and approval of the three-year plan business plan for the period 2021-2024 (see pages 4-5) and have had regard to the following:

- the likely consequences of any decision in the long term, including in respect of the development of the Group's strategy and the ability to remain agile in a rapidly changing and developing sector;
- the interests of the company's employees, including in respect of mental health and well-being, inclusion and professional development through recruitment, maintaining an open and honest culture, staff surveys and feedback opportunities, the establishment of focus groups;
- the need to foster the company's business relationships with suppliers, customers and partners and to engage with and work with new clients and sectors;
- the impact of the company's operations on the community and the environment through the work we do, the culture of the Group and the development of internal policies and principles including in respect of HSE, Modern Slavery and Procurement;
- the desirability of the company maintaining a reputation for high standards of business conduct and integrity; and
- the need to act fairly as between members of the company.

## Strategic Report

Further details on how the Board considers its stakeholders can be found in the Director's Report on pages 17-19.

By order of the Board,

A handwritten signature in black ink, consisting of a large loop and a horizontal stroke, positioned above the printed name.

Tom Delay  
Chief Executive

14 July 2021

## Directors' Report

### Directors' Report

The directors present their annual report together with the financial statements and Auditors' report for the year ended 31 March 2021. Some of the matters to be dealt with in this report have been included in the strategic report found on pages 4 to 16.

### Principal activities

The Carbon Trust is the parent company of the Carbon Trust group. The group's mission is to accelerate the delivery of a sustainable, low carbon economy.

We work with businesses, governments and organisations around the world supporting them to realise ambitious plans for a sustainable, low carbon future. Our services primarily involve environmental consultancy including with offshore wind, energy systems, target setting, assurance of carbon and environmental impacts, and programme design/management.

Over many years our work in the area of climate change and sustainability has led to the Carbon Trust becoming a recognised global leader in this field. Further information on our strategy, business performance and our direct environmental impact may be found in the strategic report on pages 4 to 16.

### Directors

During the year ended 31 March 2021 and up until the date of this report, the directors of the Carbon Trust were:

| Name                                           | Position                 | Date of appointment        |
|------------------------------------------------|--------------------------|----------------------------|
| Julia King,<br>the Baroness Brown of Cambridge | Chair                    | Appointed 16 July 2018     |
| Tom Delay                                      | Chief Executive          | Appointed 13 July 2001     |
| Michael Rea                                    | Chief Operations Officer | Appointed 1 April 2008     |
| Timon Drakesmith                               | Chief Financial Officer  | Appointed 20 July 2020     |
| Tim Weller                                     | Deputy Chair             | Appointed 19 June 2007     |
| Paul Jefferiss                                 | Director                 | Appointed 16 May 2001      |
| Dorothy Mackenzie                              | Director                 | Appointed 28 November 2012 |
| Eric Soubeiran                                 | Director                 | Appointed 1 February 2020  |

### Results and reserves

The Group reported a profit after tax of £2.3m (2020: £0.2m loss) as discussed in the Strategic Report above. It has £25.9m of net assets (2020:£23.6m) as detailed in note 26 to the financial statements, on page 53 to 54.

The Group's financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. The audited financial statements for the year ended 31 March 2021 are set out on pages 25 to 55.

The Carbon Trust is not permitted to pay a dividend which is prohibited in the company's articles of association.

## Directors' Report

### Going concern

In adopting the going concern basis for preparing the financial statements, the directors have considered the Group's business activities and strategy as well as the risks to the Group and the applicable controls.

The business activities of the Group are reviewed by the Board each year in a full business planning process and thereafter considered on a regular basis to ensure the plan accurately reflects the position of the Group.

The Board has considered a variety of revenue scenarios prepared by management and informed by available sector based economic forecasts which stress-test the Group's ability in the exceptional economic environment caused by COVID-19, to manage its cash position, flex resource to client demand and deliver against its mission. Based on these multiple scenarios and their divergence from the Group's revenue and expenditure forecasts developed as part of the business planning process, as well as the unrestricted group reserves available to the company, the Board is satisfied that the Group has adequate resources to operate for the foreseeable future and considers it appropriate for the group to adopt a going concern basis in preparing its financial statements.

### Political and charitable contributions

The Group did not make any charitable or political contributions during the year.

### Directors' indemnity

The company has in place directors' and officers' liability insurance, which gives appropriate cover for legal action taken against the directors. The company has also granted indemnities to the directors and the company secretary in respect of certain losses and liabilities to third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provisions remain in force as at the date of this report.

### Directors' responsibilities statement

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

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

In preparing the 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

## Directors' Report

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.

The directors, acting in accordance with section 172 of the UK Companies Act 2006, have taken into account the views and interests of a wide set of stakeholders, including customers and partners, the wider community and our people and consider such stakeholders' interests when making decisions as further detailed in the s172 (1) statement above.

The directors confirm that:

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Subject to the receipt of any objections as provided under statute or the company's Articles of Association, the company is relying on section 487 of the Companies Act 2006 for the deemed reappointment of Grant Thornton UK LLP as auditors.

To the best of our knowledge:

- the group financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report and directors' report include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board,



Laura Byrne  
Company Secretary

14 July 2021

## Independent Auditor's report

### Independent auditor's report to the members of The Carbon Trust

#### Opinion

We have audited the financial statements of The Carbon Trust (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2021, which comprise Consolidated statement of comprehensive income, Statements of financial position, Statements of changes in total funds and Consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (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 March 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from **macro-economic** uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period. 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 the parent company's ability to continue as a going concern for a period

## Independent Auditor's report

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. The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

### Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### 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.

### Matter on which we are required to report under the Companies Act 2006

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

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

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

### Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the

## Independent Auditor's report

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.

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

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

#### *How we obtained an understanding of the legal and regulatory framework*

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the parent company and the group and industry in which it operates through our commercial and sector experience; making enquiries of management and those charged with governance; and inspection of the parent company's and the group's key external correspondence. We corroborated our enquiries through our review of board minutes and other information obtained during the course of the audit.

#### *Which laws and regulations we identified as being significant in the context of the parent company and the group*

- Through the understanding that we obtained, we determined the most significant legal and regulatory frameworks which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks including Financial Reporting Standard 102 'The Financial Reporting

## Independent Auditor's report

Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and the Companies Act 2006 and the relevant taxation legislation.

*How we assessed the susceptibility of the parent company's and the group's financial statements to material misstatement, including how fraud might occur*

- We assessed the susceptibility of the parent company's and the group's financial statements to material misstatement, including how fraud might occur, by considering management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to the estimation and judgemental areas of recognition of revenue arising from contracts; potential management bias in determining accounting estimates, especially in relation to the calculation and recognition of deferred tax assets and the valuation and potential impairments of investments both in subsidiaries and those held as part of a portfolio; and through management override of controls.
- Our audit procedures included:
  - Making enquiries of management concerning the parent company's and the group's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations. We considered whether there is a culture of honesty and ethical behaviour within the parent company and the group and whether there is a strong emphasis of prevention and deterrence of fraud amongst those charged with governance. We also enquired with management and those charged with governance whether they were aware of any instances of non-compliance with laws and regulations, or whether they had any knowledge of actual, suspected, or alleged fraud;
  - Gaining an understanding of the controls that management has in place to prevent and detect fraud;
  - Challenging significant accounting assumptions, estimates and judgements made by management, including those relevant to the estimation and judgemental areas of recognition of revenue arising from contracts and potential management bias in determining accounting estimates, especially in relation to the calculation and recognition of deferred tax assets and the valuation and potential impairments of investments both in subsidiaries and held as part of a portfolio;
  - Journal entry testing, with a focus on journals indicating large or unusual transactions based on our understanding of the business and risk assessment obtained through the use of our data analytics software. The use of data analytics enabled us to identify the transactions that carried a perceived higher level of risk, which included a risk of adjustments to revenue, in order to focus our testing;
  - Gaining and understanding of and testing significant identified related party transactions;
  - Assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item; and
  - Performing audit procedures to consider the compliance of disclosures in the financial statements with the applicable financial reporting requirements.

## Independent Auditor's report

- Our audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

*How we assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations*

- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - Understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
  - Knowledge of the industry in which the parent company and the group operates; and
  - Understanding of the legal and regulatory requirements specific to the parent company and the group including; the provisions of the applicable legislation, the regulators rules and the applicable statutory provisions.

*Which matters about non-compliance with laws and regulations and fraud were communicated the audit team*

- Communications within the audit team in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in relation to the estimation and judgemental areas of recognition of revenue arising from contracts; potential management bias in determining accounting estimates, especially in relation to the calculation and recognition of deferred tax assets and the valuation and potential impairments of investments both in subsidiaries and those held as part of a portfolio; and through management override of controls in the preparation of the financial statements.

## 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



**Paul Holland BSc BFP FCA**

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

20 July 2021

Consolidated statement of comprehensive income  
As at 31 March 2021

|                                                          | Notes | 31 March<br>2021<br>£000 | 31 March<br>2020<br>£000 |
|----------------------------------------------------------|-------|--------------------------|--------------------------|
| Turnover                                                 | 6     | 34,529                   | 27,187                   |
| Expenditure                                              | 7     | (33,705)                 | (27,501)                 |
| <b>Operating profit/(loss)</b>                           |       | <b>824</b>               | <b>(314)</b>             |
| Finance income                                           | 8     | 124                      | 402                      |
| Finance costs                                            | 9     | (91)                     | (388)                    |
| <b>Profit/(loss) before tax</b>                          |       | <b>857</b>               | <b>(300)</b>             |
| Tax on profit/(loss)                                     | 11    | 1,404                    | 51                       |
| <b>Profit/(loss) for the year</b>                        |       | <b>2,261</b>             | <b>(249)</b>             |
| <b>Total comprehensive income/(deficit) for the year</b> |       | <b>2,261</b>             | <b>(249)</b>             |

The accompanying notes on pages 31 to 55 form part of these financial statements.

Consolidated statement of financial position  
As at 31 March 2021

|                                         | Notes | 31 March 2021<br>£000 | 31 March 2020<br>£000 |
|-----------------------------------------|-------|-----------------------|-----------------------|
| <b>Non-current assets:</b>              |       |                       |                       |
| Intangible assets                       | 12    | 238                   | 317                   |
| Property, plant and equipment           | 13    | 221                   | 233                   |
| Financial assets - investment portfolio | 14    | 1,003                 | 3,462                 |
| Interest free loans receivable          | 17    | 326                   | 554                   |
| <b>Total non-current assets</b>         |       | <b>1,788</b>          | <b>4,566</b>          |
| <b>Current assets:</b>                  |       |                       |                       |
| Interest free loans receivable          | 17    | 356                   | 401                   |
| Trade and other receivables             | 18    | 8,870                 | 6,984                 |
| Accrued income                          | 19    | -                     | 60                    |
| Liquid Investments                      | 20    | 11,000                | 8,500                 |
| Cash and cash equivalents               | 21    | 24,185                | 18,615                |
| <b>Total current assets</b>             |       | <b>44,411</b>         | <b>34,560</b>         |
| <b>Total assets</b>                     |       | <b>46,199</b>         | <b>39,126</b>         |
| <b>Current liabilities:</b>             |       |                       |                       |
| Trade and other payables                | 22    | (10,203)              | (8,978)               |
| Deferred income                         | 23    | (9,416)               | (5,597)               |
| <b>Total current liabilities</b>        |       | <b>(19,619)</b>       | <b>(14,575)</b>       |
| <b>Provisions for liabilities</b>       | 24    | <b>(726)</b>          | <b>(997)</b>          |
| <b>Total liabilities</b>                |       | <b>(20,345)</b>       | <b>(15,572)</b>       |
| <b>Net assets</b>                       |       | <b>25,854</b>         | <b>23,554</b>         |
| <b>Funds:</b>                           |       |                       |                       |
| Members' fund                           | 26    | -                     | -                     |
| Retained earnings                       | 26    | 25,828                | 23,567                |
| Translation reserve                     |       | 26                    | (13)                  |
| <b>Total funds</b>                      |       | <b>25,854</b>         | <b>23,554</b>         |

Signed on behalf of the board



Baroness Brown of Cambridge, Chair  
14 July 2021



Tom Delay, Chief Executive  
14 July 2021

Registered number: 04190230

The accompanying notes on pages 31 to 55 form part of these financial statements.

Company statement of financial position  
As at 31 March 2021

|                                               | Notes | 31 March 2021<br>£000 | 31 March 2020<br>£000 |
|-----------------------------------------------|-------|-----------------------|-----------------------|
| <b>Non-current assets:</b>                    |       |                       |                       |
| Intangible assets                             | 12    | 238                   | 317                   |
| Property, plant and equipment                 | 13    | 179                   | 216                   |
| Financial assets - investment in subsidiaries | 16    | 9,747                 | 9,081                 |
| Interest free loans receivable                | 17    | 326                   | 554                   |
| <b>Total non-current assets</b>               |       | <b>10,490</b>         | <b>10,168</b>         |
| <b>Current assets:</b>                        |       |                       |                       |
| Interest free loans receivable                | 17    | 356                   | 401                   |
| Trade and other receivables                   | 18    | 1,693                 | 1,473                 |
| Accrued income                                | 19    | -                     | 49                    |
| Liquid Investments                            | 20    | 3,000                 | 3,000                 |
| Cash and cash equivalents                     | 21    | 11,162                | 5,559                 |
| <b>Total current assets</b>                   |       | <b>16,211</b>         | <b>10,482</b>         |
| <b>Total assets</b>                           |       | <b>26,701</b>         | <b>20,650</b>         |
| <b>Current liabilities:</b>                   |       |                       |                       |
| Trade and other payables                      | 22    | (4,896)               | (3,033)               |
| Deferred income                               | 23    | (5,974)               | (4,234)               |
| <b>Total current liabilities</b>              |       | <b>(10,870)</b>       | <b>(7,267)</b>        |
| <b>Provisions for liabilities</b>             | 24    | <b>(709)</b>          | <b>(513)</b>          |
| <b>Total liabilities</b>                      |       | <b>(11,579)</b>       | <b>(7,780)</b>        |
| <b>Net assets</b>                             |       | <b>15,122</b>         | <b>12,870</b>         |
| <b>Funds:</b>                                 |       |                       |                       |
| Members' fund                                 | 26    | -                     | -                     |
| Retained earnings                             | 26    | 15,122                | 12,870                |
| <b>Total funds</b>                            |       | <b>15,122</b>         | <b>12,870</b>         |

Signed on behalf of the board



Baroness Brown of Cambridge, Chair  
14 July 2021



Tom Delay, Chief Executive  
14 July 2021

Registered number: 04190230

The accompanying notes on pages 31 to 55 form part of these financial statements.

Consolidated statement of changes in total funds  
For the year ended 31 March 2021

|                                                     | Retained<br>earnings<br>£000 | Translation<br>reserve<br>£000 | Total<br>members'<br>funds<br>£000 | Total funds<br>£000 |
|-----------------------------------------------------|------------------------------|--------------------------------|------------------------------------|---------------------|
| <b>At 31 March 2019</b>                             | <b>23,843</b>                | <b>45</b>                      | <b>23,888</b>                      | <b>23,888</b>       |
| Loss for the year                                   | (249)                        | -                              | (249)                              | (249)               |
| Currency translation differences<br>arising in year | -                            | (58)                           | (58)                               | (58)                |
| Elimination of subsidiary                           | (27)                         | -                              | (27)                               | (27)                |
| <b>At 31 March 2020</b>                             | <b>23,567</b>                | <b>(13)</b>                    | <b>23,554</b>                      | <b>23,554</b>       |
| Profit for the year                                 | 2,261                        | -                              | 2,261                              | 2,261               |
| Currency translation differences<br>arising in year | -                            | 39                             | 39                                 | 39                  |
| <b>At 31 March 2021</b>                             | <b>25,828</b>                | <b>26</b>                      | <b>25,854</b>                      | <b>25,854</b>       |

Company statement of changes in total funds  
For the year ended 31 March 2021

|                     | Retained<br>earnings<br>£000 | Total<br>members'<br>funds<br>£000 | Total funds<br>£000 |
|---------------------|------------------------------|------------------------------------|---------------------|
| At 31 March 2019    | 15,501                       | 15,501                             | 15,501              |
| Loss for the year   | (2,631)                      | (2,631)                            | (2,631)             |
| At 31 March 2020    | 12,870                       | 12,870                             | 12,870              |
| Profit for the year | 2,252                        | 2,252                              | 2,252               |
| At 31 March 2021    | 15,122                       | 15,122                             | 15,122              |

Consolidated statement of cash flows  
For the year ended 31 March 2021

|                                                                                                    | Notes | 31 March<br>2021<br>£000 | 31 March<br>2020<br>£000 |
|----------------------------------------------------------------------------------------------------|-------|--------------------------|--------------------------|
| <b>Cash flow from operating activities</b>                                                         |       |                          |                          |
| <b>Profit/(loss) for the financial year</b>                                                        |       | 857                      | (300)                    |
| <b>Adjustments:</b>                                                                                |       |                          |                          |
| • Change in fair value of investment portfolio and interests accounted for using the equity method |       | 61                       | 367                      |
| • Adjustment for dividends received from investments                                               |       | (61)                     | (157)                    |
| • Depreciation of property, plant and equipment                                                    |       | 97                       | 50                       |
| • Amortisation of intangible assets                                                                |       | 79                       | -                        |
| • Interest receivable (net of bank charges)                                                        |       | (33)                     | (197)                    |
| • Movement in loans and other working capital balances                                             |       | (560)                    | 982                      |
| • Movement on deferred income                                                                      |       | 3,819                    | (1,906)                  |
| • Tax credits                                                                                      |       | 1,404                    | 51                       |
| <b>Cash (outflow)/inflow from operations</b>                                                       |       | <b>5,663</b>             | <b>(1,110)</b>           |
| <b>Cash flow from investing activities:</b>                                                        |       |                          |                          |
| • Bank interest received (net of bank charges)                                                     |       | 33                       | 181                      |
| • Purchase of intangible fixed assets                                                              |       | -                        | (317)                    |
| • Purchase of property, plant and equipment                                                        |       | (85)                     | (233)                    |
| • Net receipts from disposal of investments                                                        |       | 2,398                    | -                        |
| • Dividends received from investments                                                              |       | 61                       | 157                      |
| • Disposal of subsidiary                                                                           |       | -                        | (27)                     |
| • Transfer to Liquid investments                                                                   |       | (2,500)                  | (3,500)                  |
| <b>Cash outflow from investing activities</b>                                                      |       | <b>(93)</b>              | <b>(3,739)</b>           |
| <b>Decrease in cash and cash equivalents</b>                                                       |       | <b>5,570</b>             | <b>(4,849)</b>           |
| Cash and cash equivalents at the start of the year                                                 |       | 18,615                   | 23,464                   |
| Decrease in cash and cash equivalents                                                              |       | 5,570                    | (4,849)                  |
| <b>Cash and cash equivalents at the end of the year</b>                                            | 21    | <b>24,185</b>            | <b>18,615</b>            |

The Group holds no debt and so does not include a net debt statement.

## Notes to the financial statements

### 1 Company information

The Carbon Trust ('the company') is a company registered in England and Wales (registered number 04190230) limited by guarantee incorporated in the United Kingdom under the Companies Act 2006. Its registered office is 4<sup>th</sup> Floor, Dorset House, 27-45 Stamford Street, London, SE1 9NT. The company is a public benefit entity. The nature of the group's operations and its principal activities are set out in the strategic report on pages 4 to 16.

### 2 Basis of preparation

The consolidated financial statements for the year to 31 March 2021 on pages 25 to 55 comprise the financial statements for the company and its subsidiaries (together referred to as 'the group'). The company and consolidated financial statements have been prepared in accordance with 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 financial statements are presented in pounds sterling and all values are rounded to the nearest one thousand pounds except where otherwise indicated.

#### Going Concern

The consolidated financial statements have been prepared on a going concern basis, the Board have considered a variety of revenue scenarios prepared by management and informed by available sector based economic forecasts which stress-test the Group's ability to manage its cash position, in the exceptional economic circumstances caused by COVID-19 to flex resources to meet client demand and deliver against its mission. Based on these scenarios and their divergence from the group's revenue and expenditure forecasts developed as part of the business planning process, as well as the unrestricted group reserves available to the company, the Board is satisfied that the group has adequate resources to operate for the foreseeable future and considers it appropriate for the group to adopt a going concern basis in preparing its financial statements. For further information refer to the directors' report on pages 17 to 19.

The group financial statements consolidate the financial statements of the Carbon Trust ('the company') and all its subsidiary undertakings to the 31 March 2021. The company has taken advantage of section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in these financial statements. The company's profit for the year was £2,252,000 (2020: £2,631,000). The company has also adopted the following disclosure exemptions: the requirement to present a statement of cash flows and related notes.

The group paid £128,000 (2020: £106,000) and the company paid £86,750 (2020: £75,000) to its auditors in respect of the audit of the financial statements of the company, see note 7 for the breakdown. Fees paid to Grant Thornton UK LLP for non-audit services to the company itself are not disclosed for the Carbon Trust as group financial statements are prepared which are required to disclose such fees on a consolidated basis.

Directors' remuneration is disclosed in note 10.

## Notes to the financial statements

### 3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Carbon Trust and its group subsidiaries as at 31 March 2021.

#### Subsidiaries

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual company financial statements.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- reclassifies the parent's share of components previously recognised in other comprehensive income; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

### 4 Key judgements and estimates

In preparing these financial statements to conform to Generally Accepted Accounting Practice and by applying the group's accounting policies, management are required to use judgements in applying estimates and assumptions which affect the reported amounts. The items in the financial statements where these judgements and estimates have been made include:

#### (i) Revenue

Assessing the stage of completion of a long-term contract requires judgement to be based on a range of factors, including but not limited to, progress milestones achieved, costs incurred relative to total expected costs, and an assessment as to whether milestones and or costs are representation of progress. In addition, estimates may in the passage of time not be proved to be correct and may impact the recognition of revenue, costs, profits, and provision for losses on contracts.

#### (ii) Financial assets - investment portfolio

Unlisted investments held within the investment portfolio are not traded on an active market and therefore judgement is used in determining the fair value of these investments. In line with the International Private Equity and Venture Capital (IPEVC) guidelines, the management makes judgements as to the fair value of its investments portfolio, based on internal and external indicators. Firstly recent market transactions are used, in the absence of

## Notes to the financial statements

transactions in the investee company, market transactions of like companies are considered. Where available the investee company trading results and or projections are taken into account, and earnings or revenue multiples from market transactions of like companies are used in preparing a detailed assessment of the enterprise values for all companies. The carrying value of investments is compared to the group's share of the enterprise value, taking into account of variations in securities rights to preferential returns. The enterprise value used in the fair value review is calculated on the Value in Use ('VIU') basis, being the discounted pre-tax cash flows of the investee companies. The assumptions used are further discussed in note 14 and their sensitivities discussed note 25.

The principal assumptions underlying the estimation of fair value of the group's investment in the Low Carbon Workplace Limited Partnership are those related to the fair value of investment properties held by the underlying Limited Partnership. In the underlying Limited Partnership, valuations are performed by Jones Lang La Salle Limited ("JLL Limited", who are professional, third party, independent Chartered Surveyors) at the year-end in accordance with RICS Appraisal and Valuation Standards. Assumptions include the receipt of contractual rentals, expected future market rentals, void periods, lease incentives, maintenance requirements, appropriate yields/discount rates and, for development properties, future development expenditure and development management fees. These valuations are regularly compared to actual market yield data and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

### **(iii) Contingent assets - interest in deferred consideration**

The company makes judgements as to the likelihood of deferred consideration becoming due from the development of onshore wind farm sites. These take into consideration planning risk, technical feasibility risk, grid connection risk and financial risk.

### **(iv) Interest free loans receivable**

Management has judged that Invest NI bears all the risks and reward arising from the Carbon Trust's loan portfolio financed by Invest NI grants and derecognise the loans and repayable grant.

A provision for impairment of loan receivables is established when management estimate that the group will not be able to recover all amounts owed.

### **(v) Deferred Tax**

Management has made judgement as to the probable future profits in its various subsidiary companies when considering recognition of deferred tax assets relating to tax losses.

## **5 Accounting policies**

The group's accounting policies applied in preparing the consolidated financial statements for the year ended 31 March 2021 are set out below.

### **a) Foreign currency**

#### **i) Foreign currency transactions**

Transactions in foreign currencies are translated into sterling at exchange rates prevailing on the date of the transactions.

## Notes to the financial statements

Exchange differences are recognised in the statement of comprehensive income on settlement of these transactions. Balances outstanding at 31 March are translated at the year-end exchange rate, with unrealised differences recognised in the statement of comprehensive income.

### ii) Financial statements of foreign operations

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated from their functional currency to sterling at the exchange rate prevailing at the reporting date. Income and expenses of foreign operations are translated at average exchange rates in the period in which they arise.

Exchange differences arising on retranslation are recognised directly in other comprehensive income and are shown as a separate component of other comprehensive income.

### b) Turnover

**Revenue** is recognised to the extent it is probable that the economic benefits will flow to the group and revenue can be reliably measured.

- Revenue is measured at the fair value of the consideration received or receivable excluding discounts, rebates, value added taxes and sales taxes.
- Revenue represents amounts receivable in respect of services provided or fees net of VAT and sales taxes.
- Revenue on services provided is recognised on a percentage completion basis and is calculated as that proportion of the total contract value which costs incurred to date bear to total expected costs for that contract.
- Long-term contracts are included in turnover on the basis of sales value of work performed during the year by reference to the total contract value and stage of completion of these contracts. The amount by which revenue is in excess of payments on account is included in debtors as accrued income. Payments in excess of recorded revenue are included in creditors as deferred income.

**Grant income** represents non-competitive funding from government departments and Non Departmental Public Bodies (NDPBs). Grant income is recognized based on the accruals model in accordance with FRS 102 section 24.4.

The following conditions must be met before revenue is recognised:

- **Grant income relating to revenue** is recognised in the statement of comprehensive income to match with the expenditure which it is funding. Where grant income is received in advance of the related expenditure being incurred, it is treated as deferred income and held in the statement of financial position. The deferred income is released to the statement of comprehensive income when the related expenditure is incurred.
- **Where grant income is contracted, but has not yet been received in cash when the related expenditure is incurred**, the grant is recognised on the statement of financial position as accrued income

## Notes to the financial statements

### c) Operating leases

Amounts payable in respect of operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

### d) Pension costs

The group makes contributions directly to the providers of employees' defined contribution personal pension plans, which are money purchase schemes. Contributions are charged to the statement of comprehensive income when payable. Differences between contributions payable in the period and contributions actually paid are shown either as accruals or prepayments in the consolidated statement of financial position.

### e) Research and development

Research and development expenditure is written off as incurred.

### f) Income tax

The group's income is taxed under normal principles, with the exception of grant income, where the company has an agreement with Her Majesty's Revenue and Customs that grant income is not subject to tax. Similarly no tax deduction is available for expenses funded out of grant income. Income tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the reporting date.

### g) Intangible assets

Intangible assets consist of computer software and website development costs and are measured at cost less accumulated amortisation and accumulated impairment losses. Planning and training costs relating to computer software are expensed to the profit and loss in the period in which they occur.

The assets do not have an infinite life and will therefore be amortised on a straight-line basis over their expected useful lives. Both types of intangible assets are assessed as having a useful economic life of four years.

The expected useful lives of assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

At each financial year, the group's directors assess whether there are any indicators of impairment. If any such indication exists then the assets will be impaired to its recoverable amount at the date of the impairment test.

### h) Tangible fixed assets

Tangible fixed assets are shown at cost less accumulated depreciation and any accumulated impairment losses. Depreciation, commences when the asset is brought into use and is calculated over their expected useful lives using the straight line method. It is provided as follows:

- Fixtures and fittings - five years;
- Office equipment and computers - three years; and
- Plant & machinery - four years.

## Notes to the financial statements

### i) Financial assets - investment portfolio

#### (i) Recognition and measurement

Investments are recognised or derecognised when the purchase or sale of the investment becomes unconditional. The group manages its investment portfolio with a view to realising the future value of the investments and the receipt of dividends.

Equity investments are recognised initially at fair value. Subsequently all quoted and unquoted equity investments are measured at 'fair value through profit and loss' and are carried in the statement of financial position at fair value. All unlisted investments are held at fair value by applying the IPEVC valuation guidelines.

Any acquisition costs arising from the purchase of equity investments are expensed immediately in the statement of comprehensive income.

#### (ii) Income and losses

Investment income arises from the sale of investments within the investment portfolio, being the difference between the net sale proceeds and the carrying value at the start of the accounting period, and unrealised profits or losses on the revaluation of investments, being the movement in the fair value of investments between the start and end of the accounting period. These are included within finance costs or income as appropriate in the statement of comprehensive income.

### j) Interest free loans

Loans made under the Energy Efficiency Loans Scheme are classified as concessionary loans. These loans are measured as the amount paid to third parties and are shown in the statement of financial position. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the value of estimated future cash flows.

### k) Trade receivables

Trade and other receivables are measured at transaction price, less any impairment.

### l) Liquid investments

Liquid investments comprise cash deposits that mature after 3 months but within 6 months.

### m) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash held at bank with immediate access and bank deposits with maturities of three months or less.

### n) Liabilities for goods and services

Trade payables represent goods and services invoiced and not yet paid. Trade and other payables are measured at the transaction price and recognised at the date on which the goods and services are receivable by the group. Where the group is not yet in receipt of a supplier invoice and there is an obligation to pay for goods and services receivable, the amount is recognised as an accrual.

### o) Provision for liabilities

- The group recognises a provision for annual leave accrued by employees as a result of services rendered in the current reporting period and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary costs payable for the period of absence.

## Notes to the financial statements

- The company recognises a provision relating to its constructive obligations to make loans under the group's interest free Energy Efficiency Loans Scheme.
- The group recognizes a deferred tax liability relating to the equity investments held in the group's investment portfolio.

### p) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable timing differences. Deferred tax assets are only recognised to the extent that it is probable that they can be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated using the tax rates and laws that are enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference. Deferred tax expense (income) is presented either in the statement of comprehensive income, other comprehensive income or equity depending on the transactions that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets with debtors. 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; and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously.

## 6 Turnover

Turnover is analysed below

|                       | 31 March 2021 | 31 March 2020 |
|-----------------------|---------------|---------------|
|                       | £000          | £000          |
| Revenue               | 33,188        | 25,307        |
| Green Business Fund   | -             | 927           |
| <b>Grant income</b>   | <b>1,341</b>  | <b>953</b>    |
| <b>Total turnover</b> | <b>34,529</b> | <b>27,187</b> |

Turnover by clients' geography

|                       | 31 March 2021 | 31 March 2020 |
|-----------------------|---------------|---------------|
|                       | £000          | £000          |
| United Kingdom        | 26,546        | 22,633        |
| Overseas              | 7,983         | 4,554         |
| <b>Total turnover</b> | <b>34,529</b> | <b>27,187</b> |

## Notes to the financial statements

Grant income is received from the following funders:

|                                                  | 31 March 2021 | 31 March 2020 |
|--------------------------------------------------|---------------|---------------|
|                                                  | £000          | £000          |
| BEIS                                             | 9             | 142           |
| Scottish Government                              | 470           | 750           |
| IKEA                                             | 1,787         | -             |
| European Union Grants                            | -             | 28            |
| Other Grants                                     | -             | 37            |
| <b>Total grant receipts and grant receivable</b> | <b>2,266</b>  | <b>957</b>    |
| Movement in deferred grant income                | (925)         | (4)           |
| <b>Total grant income</b>                        | <b>1,341</b>  | <b>953</b>    |

The movement on deferred income arises as cash grant received in the year to 31 March 2021 settles accrued grant income recorded in the year to 31 March 2020.

### 7 Analysis of expenditure

Included in expenditure:

|                                               | 31 March 2021 | 31 March 2020 |
|-----------------------------------------------|---------------|---------------|
|                                               | £000          | £000          |
| Depreciation on property, plant and equipment | 97            | 50            |
| Amortisation of intangible assets             | 79            | -             |
| Research and development expenditure          | -             | 483           |
| Operating lease rentals                       | 506           | 395           |
| Net foreign exchange losses                   | 199           | 63            |

During the year the group obtained the following services from the company's auditor and paid fees:

|                                                                              | 31 March 2021 | 31 March 2020 |
|------------------------------------------------------------------------------|---------------|---------------|
|                                                                              | £000          | £000          |
| Fees payable to the company's auditor: company's annual accounts             | 87            | 75            |
| Audit fees payable to the company's auditor and its associates: subsidiaries | 41            | 31            |
| Audit-related assurance services and other assurance services                | 15            | 12            |
| Taxation services                                                            | 96            | 64            |

### 8 Finance income

|                                                        | 31 March 2021 | 31 March 2020 |
|--------------------------------------------------------|---------------|---------------|
|                                                        | £000          | £000          |
| Bank interest receivable                               | 63            | 218           |
| Gain on disposal of investments and group undertakings | -             | 27            |
| Dividend income                                        | 61            | 157           |
|                                                        | <b>124</b>    | <b>402</b>    |

# Notes to the financial statements

## 9 Finance costs

|                                                            | 31 March 2021 | 31 March 2020 |
|------------------------------------------------------------|---------------|---------------|
|                                                            | £000          | £000          |
| Change in fair value of investment portfolio (see note 14) | 61            | 367           |
| Bank charges and interest expense                          | 30            | 21            |
|                                                            | <b>91</b>     | <b>388</b>    |

## 10 Staff costs and directors' remuneration

|                       | 31 March 2021 | 31 March 2020 |
|-----------------------|---------------|---------------|
|                       | £000          | £000          |
| Wages and salaries    | 14,304        | 10,647        |
| Social security costs | 1,622         | 1,218         |
| Pension costs         | 750           | 639           |
|                       | <b>16,676</b> | <b>12,504</b> |

The average number of Carbon Trust group employees over the year (including executive directors) was 235 (2020: 205). The number of group employees as at 31 March 2021 was 271 (2020: 217).

The staff costs include the following in respect of the highest paid director:

|                               | 31 March 2021 | 31 March 2020 |
|-------------------------------|---------------|---------------|
|                               | £000          | £000          |
| <b>Highest paid director:</b> |               |               |
| Emoluments                    | 402           | 404           |

The remuneration of the executive directors, who are the key management personnel of the group, was as follows:

|                             | 31 March 2021 | 31 March 2020 |
|-----------------------------|---------------|---------------|
|                             | £000          | £000          |
| <b>Executive directors:</b> |               |               |
| Emoluments                  | 815           | 697           |

The remuneration of the non-executive directors was as follows:

|                                    | 31 March 2021 | 31 March 2020 |
|------------------------------------|---------------|---------------|
|                                    | £000          | £000          |
| <b>Non-executive directors:</b>    |               |               |
| Emoluments                         | 102           | 102           |
| <b>Total directors' emoluments</b> | <b>917</b>    | <b>799</b>    |

No directors receive contributions to pension schemes.

## Notes to the financial statements

### 11 Tax

#### a) Analysis of tax credit for the year:

|                                      | 31 March 2021  | 31 March 2020 |
|--------------------------------------|----------------|---------------|
|                                      | £000           | £000          |
| <b>Current tax:</b>                  |                |               |
| UK corporation tax                   | -              | (99)          |
| Adjustment in respect of prior years | 54             | (1)           |
| Overseas tax                         | 32             | 11            |
| <b>Total current tax</b>             | <b>86</b>      | <b>(89)</b>   |
| <b>Deferred tax:</b>                 |                |               |
| Current year                         | (1,490)        | 38            |
| <b>Total income tax credit</b>       | <b>(1,404)</b> | <b>(51)</b>   |

#### b) Factors affecting tax credit for the year

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

|                                                                                                              | 31 March 2021  | 31 March 2020 |
|--------------------------------------------------------------------------------------------------------------|----------------|---------------|
|                                                                                                              | £000           | £000          |
| Gain/(loss) on ordinary activities before taxation                                                           | 857            | (300)         |
| Gain/(loss) on ordinary activities multiplied by the 2019 UK corporation tax company rate of 19% (2019: 19%) | 163            | (57)          |
| <b>Effects of:</b>                                                                                           |                |               |
| Expenses not deductible for tax purposes                                                                     | 323            | 225           |
| Non-taxable income                                                                                           | (344)          | (208)         |
| Tax losses carried forward                                                                                   | 621            | 258           |
| Tax losses utilised                                                                                          | (905)          | (307)         |
| Research and development (RD&D) tax credits                                                                  | -              | (50)          |
| Adjustment to RD&D tax credit in respect of prior year                                                       | 54             | (1)           |
| Deferred tax movements                                                                                       | (1,490)        | 38            |
| Chargeable gains                                                                                             | 174            | 51            |
| <b>Total income tax credit</b>                                                                               | <b>(1,404)</b> | <b>(51)</b>   |

## Notes to the financial statements

### c) Deferred tax

|                                                                   | 31 March 2021 | 31 March 2020 |
|-------------------------------------------------------------------|---------------|---------------|
|                                                                   | £000          | £000          |
| Deferred tax on financial assets held at fair value (see note 24) | (467)         | 38            |
| Deferred tax credit                                               | (1,023)       | -             |
| Total deferred tax (credit)/charge                                | (1,490)       | 38            |

A deferred tax asset of £1.0m (2020: £nil) has been recognised through the subsidiary company; Carbon Trust Advisory Limited as it is probable it will have sufficient future taxable profits available to enable a deferred tax asset to be recovered.

There is an additional unrecognised deferred tax asset of £2,923,303 (2020: £3,827,225) as at 31 March 2021 in respect of losses carried forward which are revalued to the future corporation tax rate of 19% (2020: 19%). This deferred tax asset has not been recognised on the basis that there is insufficient evidence, in the group companies it is held in, of taxable profits arising in the future against which it can be recovered.

## 12 Intangible assets

### The group and the company

|                                        | 31 March   |
|----------------------------------------|------------|
|                                        | £000       |
| <b>Costs:</b>                          |            |
| At 1 April 2020                        | 317        |
| Additions                              | -          |
| Disposals                              | -          |
| As at 31 March 2021                    | 317        |
| <b>Amortisation:</b>                   |            |
| At 1 April 2020                        | -          |
| Charge for the year                    | (79)       |
| As at 31 March 2020                    |            |
| <b>Net book value at 31 March 2021</b> | <b>238</b> |
| Net book value at 31 March 2020        | 317        |

The group intangible assets relate to website and software development costs which have been capitalised under FRS 102. The directors have assessed the probability of future economic benefits, based on reasonable and supportable assumptions about conditions that will exist over the life of the asset.

As at 31 March 2021 the group's directors have assessed whether there are any indicators of impairment and do not consider the asset to be impaired in accordance with FRS 102.

## Notes to the financial statements

### 13 Property, plant and equipment

#### The group

|                                        | Fixtures and<br>fittings<br>£000 | Office equipment<br>and computers<br>£000 | Total<br>£000 |
|----------------------------------------|----------------------------------|-------------------------------------------|---------------|
| <b>Cost</b>                            |                                  |                                           |               |
| At 1 April 2020                        | 133                              | 542                                       | 675           |
| Additions                              | -                                | 85                                        | 85            |
| Disposals                              | -                                | (234)                                     | (234)         |
| At 31 March 2021                       | 133                              | 393                                       | 526           |
| <b>Depreciation</b>                    |                                  |                                           |               |
| At 1 April 2020                        | (128)                            | (314)                                     | (441)         |
| Charge for the year                    | (2)                              | (95)                                      | (97)          |
| Disposals                              | -                                | 234                                       | 234           |
| At 31 March 2021                       | (130)                            | (175)                                     | (305)         |
| <b>Net book value at 31 March 2021</b> | <b>3</b>                         | <b>218</b>                                | <b>221</b>    |
| Net book value at 31 March 2020        | 5                                | 228                                       | 233           |

#### The company

|                                        | Fixtures and<br>fittings<br>£000 | Office equipment<br>and computers<br>£000 | Total<br>£000 |
|----------------------------------------|----------------------------------|-------------------------------------------|---------------|
| <b>Cost</b>                            |                                  |                                           |               |
| At 1 April 2020                        | 127                              | 530                                       | 657           |
| Additions                              | -                                | 53                                        | 53            |
| Disposals                              | -                                | (234)                                     | (234)         |
| At 31 March 2021                       | 127                              | 349                                       | 476           |
| <b>Depreciation</b>                    |                                  |                                           |               |
| At 1 April 2020                        | (127)                            | (314)                                     | (441)         |
| Charge for the year                    | -                                | (90)                                      | (90)          |
| Disposals                              | -                                | 234                                       | 234           |
|                                        | (127)                            | (170)                                     | (297)         |
| <b>Net book value at 31 March 2021</b> | <b>-</b>                         | <b>179</b>                                | <b>179</b>    |
| Net book value at 31 March 2020        | -                                | 216                                       | 216           |

At the 31 March 2021 the gross carrying value of fully depreciated property, plant and equipment still in use by the group was £201,457 (2020: £376,672).

## Notes to the financial statements

### 14 Financial assets - investment portfolio

#### The group

Financial assets relate to equity investments held as part of the group's venture capital portfolio, which are classified as 'fair value through profit and loss' in accordance FRS 102.

|                    | 31 March 2021 | 31 March 2020 |
|--------------------|---------------|---------------|
|                    | £000          | £000          |
| Equity investments | 1,004         | 3,462         |

The movement in the value of the equity investments during the year is as follows:

|                                                                                          | 2021      | 2021    | 2021    | 2020  |
|------------------------------------------------------------------------------------------|-----------|---------|---------|-------|
|                                                                                          | £000      | £000    | £000    | £000  |
|                                                                                          | Net asset |         |         |       |
|                                                                                          | IPEVC     | basis   | Total   | Total |
| At 1 April 2020                                                                          | -         | 3,462   | 3,462   | 3,829 |
| Redemption of shares                                                                     | -         | (2,398) | (2,398) | -     |
| Change in fair value recognised in the income statement using IPEVC valuation guidelines | -         | -       | -       | (292) |
| Change in fair value recognised using net assets                                         | -         | (61)    | (61)    | (75)  |
| At 31 March 2021                                                                         | -         | 1,003   | 1,003   | 3,462 |

No additions were made in the year. All unlisted investments are held at a fair value using IPEVC valuation guidelines with the exception of the Carbon Neutral Real Estate Limited Partnership (CNRE LP) - this is a fund which circulates to unit holders an independent fund valuation quarterly. They have been valued on an independent net asset basis from the March valuation return provided to unit holders.

### 15 Interests accounted for using the equity method

The group's interests in joint ventures in the year to 31 March 2021 were as follows:

|                            | 31 March 2021 | 31 March 2020 |                          |
|----------------------------|---------------|---------------|--------------------------|
|                            | Holding %     | Holding %     | Country of incorporation |
| Sackville LCW (GP) Limited | 33.3          | 33.3          | England and Wales        |

At 31 March 2021 the group's principal interests and share of post-tax results in joint ventures, which were directly and indirectly held and included in the consolidated financial statements, are as follows:

|                                                       | 31 March 2021 | 31 March 2020 |
|-------------------------------------------------------|---------------|---------------|
|                                                       | £000          | £000          |
| Total interests accounted for using the equity method | -             | -             |
| Total share of joint ventures' profits                | -             | -             |

## Notes to the financial statements

### Sackville LCW (GP) Limited (Sackville)

The group, through its subsidiary CTCL, held a net investment of £50 (2020: £50), being 33.3% (2020: 33.3%) of Sackville, a joint venture established with Stanhope plc and Threadneedle Property Investments Limited. CTCL's subsidiary, Carbon Trust Advisory Limited (CTA), works with the joint venture.

### 16 Subsidiaries

The following represent the significant subsidiaries of the group and company.

|                                            | % Holding<br>2021 | % Holding<br>2020 | Country of incorporation<br>and registration |
|--------------------------------------------|-------------------|-------------------|----------------------------------------------|
| <b>Directly held:</b>                      |                   |                   |                                              |
| Carbon Trust Enterprises Limited (CTEL)    | 100               | 100               | England and Wales                            |
| Carbon Trust Investments Limited (CTIL)    | 100               | 100               | England and Wales                            |
| Carbon Trust International Limited (CTInt) | 100               | 100               | England and Wales                            |
| <b>Indirectly held:</b>                    |                   |                   |                                              |
| Carbon Trust Advisory Limited              | 100               | 100               | England and Wales                            |
| Carbon Trust Assurance Limited             | 100               | 100               | England and Wales                            |
| Carbon Trust (Beijing) Consulting Limited  | 100               | 100               | China                                        |
| Carbon Trust Africa (Pty) Ltd.             | 100               | 100               | South Africa                                 |
| Carbon Trust Europe BV                     | 100               | 100               | The Netherlands                              |
| Carbon Trust Mexico S.A de C.V.            | 100               | 100               | Mexico                                       |
| Carbon Trust Singapore Pte, Ltd            | 100               | 100               | Singapore                                    |

All subsidiaries of the group have a year end of 31 March with the exception of Carbon Trust (Beijing) Consulting Limited and Carbon Trust Mexico S.A. de C.V whose year end is 31 December.

## Notes to the financial statements

### The company

|                                     | Total 2021<br>£000 | Total 2020<br>£000 |
|-------------------------------------|--------------------|--------------------|
| <b>Cost:</b>                        |                    |                    |
| At 1 April                          | 59,139             | 59,189             |
| Disposals during the year           | -                  | (50)               |
| <b>At 31 March</b>                  | <b>59,139</b>      | <b>59,139</b>      |
| <b>Provisions for impairments:</b>  |                    |                    |
| At 1 April                          | (50,058)           | (47,062)           |
| Uplift / (Impaired) during the year | 666                | (2,996)            |
| <b>At 31 March</b>                  | <b>(49,392)</b>    | <b>(50,058)</b>    |
| <b>Net book value:</b>              |                    |                    |
| <b>At 31 March</b>                  | <b>9,747</b>       | <b>9,081</b>       |

The company holds an investment of £1 in its subsidiary company, CTIL, which acquires and holds venture capital investments.

The company holds an investment of £57.0m (2020: £57.0m) in CTEL which has a carrying value of £9.6m at 31 March 2021 (2020: £8.9m) and an investment of £2.1m in CTInt (2020: £2.1m), which has a carrying value of £0.2m (2020: £0.2m) at 31 March 2021. This represents 100% of the ordinary issued share capital of these companies.

CTInt acts as a holding company for the Carbon Trust group's investments in overseas businesses. CTInt has a £1 investment (2020: £1) in Carbon Trust Europe BV, an investment of £1 (2020: £1) in Carbon Trust Singapore Pte. Ltd, an investment of £884,000 (2020: £884,000) in Carbon Trust (Beijing) Consulting Limited and an investment of £184,379 (2020: £184,379) in Carbon Trust Africa (Pty) Limited both representing 100% of the total registered share capital. It has an investment of £196,601 (2020: £196,601) in Carbon Trust Mexico S.A. de C.V. representing 99.8% of the total registered share capital. The remaining share capital is held by CTIL. In the year to 31 March 2021 the value of these investments are held at £196,603 (2020: £196,601).

CTEL undertakes the Carbon Trust group's commercial activities. CTEL also owns equity in the following companies, which represents 100% of their ordinary issued share capital:

Carbon Trust Advisory Limited - £10.4m (2020: £10.4m): via one fully paid ordinary share of £1 valued at £5.2m (2020: £5.2m), which provides sustainability and other advisory consultancy services

Carbon Trust Assurance Limited - £4.8m (2020: £4.8m): via one fully paid ordinary share of £1 valued at £0.3m (2020: £0.3m), which focuses on providing organisations with certification of their performance in taking action to reduce their carbon emissions and water and waste usage, with the endorsement of the Carbon Trust Standards.

## Notes to the financial statements

### 17 Interest free loans receivable

#### The group and the company

|                   | 31 March 2021 | 31 March 2020 |
|-------------------|---------------|---------------|
|                   | £000          | £000          |
| Non-current loans | 326           | 554           |
| Current loans     | 356           | 401           |
|                   | <b>682</b>    | <b>955</b>    |

Loans receivable comprise balances due under the group's interest free Energy Efficiency Loans Scheme, which are held at cost less bad debts as described in note 5(j). At 31 March 2021 the gross value of interest free loans receivable is £1.3m (2020: £1.6m). Loans are concessionary interest free loans. The loans are made to finance energy efficient equipment replacement with the principal repayable from the derived savings in energy bills.

The repayments received from loans during the year of £0.4m (2020: £0.7m) are restricted for reuse in Wales.

### 18 Trade and other receivables

#### The group

|                             | 31 March 2021 | 31 March 2020 |
|-----------------------------|---------------|---------------|
|                             | £000          | £000          |
| Trade and other receivables | 7,466         | 6,715         |
| Prepayments                 | 381           | 269           |
| Deferred Tax Asset          | 1,023         | -             |
|                             | <b>8,870</b>  | <b>6,984</b>  |

#### The company

|                                   | 31 March 2021 | 31 March 2020 |
|-----------------------------------|---------------|---------------|
|                                   | £000          | £000          |
| Trade and other receivables       | 362           | 907           |
| Amounts owed by group undertaking | 1,026         | 370           |
| Prepayments                       | 305           | 196           |
|                                   | <b>1,693</b>  | <b>1,473</b>  |

## Notes to the financial statements

### 19 Accrued income

Accrued income consists of grant income due from funding providers:

#### The group

|       | 31 March 2021 | 31 March 2020 |
|-------|---------------|---------------|
|       | £000          | £000          |
| IKEA  | -             | 10            |
| Other | -             | 50            |
|       | -             | 60            |

#### The company

|       | 31 March 2021 | 31 March 2020 |
|-------|---------------|---------------|
|       | £000          | £000          |
| IKEA  | -             | 10            |
| Other | -             | 39            |
|       | -             | 49            |

### 20 Liquid Investments

#### The group

|                                        | 31 March 2021 | 31 March 2020 |
|----------------------------------------|---------------|---------------|
|                                        | £000          | £000          |
| Cash deposits > than 3 months maturity | 11,000        | 8,500         |
|                                        | 11,000        | 8,500         |

#### The company

|                                        | 31 March 2021 | 31 March 2020 |
|----------------------------------------|---------------|---------------|
|                                        | £000          | £000          |
| Cash deposits > than 3 months maturity | 3,000         | 3,000         |
|                                        | 3,000         | 3,000         |

Included in Liquid investments for both company and group is £1m (2020: £1m), which is restricted for use in Wales and £2m (2020: £2m) which is received in advance of costs being paid. The remaining deposits are classified as unrestricted funds.

## Notes to the financial statements

### 21 Cash and cash equivalents

Cash and cash equivalent balances held at year end are analysed in the tables below:

#### The group

|                                                                                       | 31 March 2021 | 31 March 2020 |
|---------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                       | £000          | £000          |
| Carbon Trust unrestricted funds                                                       | 13,330        | 11,624        |
| Carbon Trust group balances restricted for reuse in low carbon technology investments | 1,614         | 1,874         |
| Carbon Trust group balances restricted for reuse in Wales                             | 1,131         | 1,072         |
| Cash received in advance of costs being paid (restricted funds)                       | 8,110         | 4,045         |
|                                                                                       | <b>24,185</b> | <b>18,615</b> |

Included in the balance is cash equivalents of £8m (2020: £10.5m) relating to cash on deposit with a maturity of less than 3 months. The remaining balance is cash in bank with immediate access.

#### The company

|                                                                 | 31 March 2021 | 31 March 2020 |
|-----------------------------------------------------------------|---------------|---------------|
|                                                                 | £000          | £000          |
| Carbon Trust unrestricted funds                                 | 5,499         | 1,779         |
| Carbon Trust group balances restricted for reuse in Wales       | 1,131         | 1,072         |
| Cash received in advance of costs being paid (restricted funds) | 4,532         | 2,708         |
|                                                                 | <b>11,162</b> | <b>5,559</b>  |

Included in the balance is cash equivalents of £1.5m (2020: £4.5m) relating to cash on deposit with a maturity of less than 3 months. The remaining balance is cash in bank with immediate access.

### 22 Trade and other payables

#### The group

|                                 | 31 March 2021 | 31 March 2020 |
|---------------------------------|---------------|---------------|
|                                 | £000          | £000          |
| Trade payables                  | 1,620         | 3,114         |
| Other taxes and social security | 956           | 1,227         |
| Accruals                        | 7,627         | 4,637         |
|                                 | <b>10,203</b> | <b>8,978</b>  |

## Notes to the financial statements

### The company

|                                    | 31 March 2021 | 31 March 2020 |
|------------------------------------|---------------|---------------|
|                                    | £000          | £000          |
| Trade payables                     | 666           | 1,051         |
| Amounts owed to group undertakings | 1,173         | 186           |
| Accruals                           | 3,057         | 1,796         |
|                                    | <b>4,896</b>  | <b>3,033</b>  |

### 23 Current deferred income

#### The group

Deferred income relates to receipts in advance of the related costs being incurred. It is made up as follows:

|                                                       | 31 March 2021 | 31 March 2020 |
|-------------------------------------------------------|---------------|---------------|
|                                                       | £000          | £000          |
| The Scottish Government                               | -             | 418           |
| Corporate partners                                    | 5,580         | 4,621         |
| European and other grants                             | 4             | 100           |
| IKEA                                                  | 1,348         | -             |
| Overseas Development Aid programme delivery contracts | 2,484         | 458           |
|                                                       | <b>9,416</b>  | <b>5,597</b>  |

#### The company

Deferred income relates to receipts in advance of the related costs being incurred. It is made up as follows:

|                         | 31 March 2021 | 31 March 2020 |
|-------------------------|---------------|---------------|
|                         | £000          | £000          |
| The Scottish Government | -             | 418           |
| Corporate partners      | 4,622         | 3,742         |
| European Grants         | 4             | 74            |
| IKEA                    | 1,348         | -             |
|                         | <b>5,974</b>  | <b>4,234</b>  |

## Notes to the financial statements

### 24 Provision for liabilities

#### The group

|                                                | Deferred tax<br>obligation<br>£000 | Holiday<br>accrual<br>£000 | Loan<br>obligation<br>£000 | Total<br>31 March<br>2021<br>£000 | Total<br>31 March<br>2020<br>£000 |
|------------------------------------------------|------------------------------------|----------------------------|----------------------------|-----------------------------------|-----------------------------------|
| At 1 April 2020                                | 484                                | 264                        | 249                        | 997                               | 864                               |
| Deferred tax credit to the<br>income statement | (467)                              | -                          | -                          | (467)                             | 38                                |
| Amount raised                                  | -                                  | 623                        | 86                         | 709                               | 513                               |
| Amount used/transferred                        | -                                  | (264)                      | (249)                      | (513)                             | (418)                             |
| <b>At 31 March 2021</b>                        | <b>17</b>                          | <b>623</b>                 | <b>86</b>                  | <b>726</b>                        | <b>997</b>                        |

#### The company

|                         | Holiday<br>accrual<br>£000 | Loan<br>obligation<br>£000 | Total<br>31 March<br>2021<br>£000 | Total<br>31 March<br>2020<br>£000 |
|-------------------------|----------------------------|----------------------------|-----------------------------------|-----------------------------------|
| At 1 April 2020         | 264                        | 249                        | 513                               | 402                               |
| Amount raised           | 623                        | 86                         | 709                               | 513                               |
| Amount used/transferred | (264)                      | (249)                      | (513)                             | (402)                             |
| <b>At 31 March 2021</b> | <b>623</b>                 | <b>86</b>                  | <b>709</b>                        | <b>513</b>                        |

The provision for deferred tax is proportional to the fair value of grant funded investments. The change in the current year is as a result of our change in our holdings as explained in note 14. Future movements in this provision will depend on changes to these valuations or in changes in our holdings, should they occur.

Holiday accrual is proportional to the payroll cost of vacation days due to employees which have yet to taken.

Loan obligations are equal to the outstanding irrevocable commitments to fund future loans.

Provisions are used when the obligation is triggered: deferred tax when investment sales are completed; holiday accrual when vacation is taken and loan obligation when loan offers are honoured.

## Notes to the financial statements

### 25 Financial risk management and financial instruments

#### Financial risk factors

##### i) Foreign currency risk

At the present time the group's exposure to foreign currency risk is limited. Revenues are mostly contracted in sterling or the international subsidiary's domestic currency, and non-domestic receipts are converted upon receipt into local currency. Non-sterling contracts are limited to contracts in US\$, Japanese Yen, and Euro. Exposure to international subsidiaries' net assets is minimal.

##### ii) Interest rate risk

The group's income and operating cash flows are substantially independent of changes in market interest rates. Its interest rate risk is limited to interest earned on cash balances. The group earns interest income at variable rates on its cash balances. The interest income is sensitive to changes in interest rates receivable on cash balances. For example, based on the year-end balances for cash and cash equivalents and Liquid assets £35m (2020: £27.0m), a 1% increase in the interest rate would have resulted in an additional £0.35m of interest income (2020: £0.27m) on an annualised basis.

##### iii) Credit risk

The group's principal financial assets are cash balances, interest free loan receivables, trade and other receivables and venture capital investments. All the cash balances held by the group are invested with large financial organisations.

The main credit risk the group faces is in relation to its Energy Efficiency Loan Scheme. This risk is actively managed with formal credit checking procedures at customer acquisition, and allowances for impairment are made where appropriate. Our bad debt provisioning policy is restricted to provide for loans in administration and where, in the opinion of management, recovery is not possible.

The maximum risk that the group is exposed to is limited to the carrying value of the non-repayable loan receivable balances at 31 March 2021.

The movement in the provision for impairment for loans receivables is as follows:

|                                                                            | 31 March 2021 | 31 March 2020 |
|----------------------------------------------------------------------------|---------------|---------------|
|                                                                            | £000          | £000          |
| At 1 April                                                                 | 627           | 809           |
| Charge for the year - specific provision                                   | 28            | 19            |
| Release of provision                                                       | (9)           | (46)          |
| Write off of debts due from dissolved companies against specific provision | (69)          | (155)         |
| At end of year                                                             | 577           | 627           |

## Notes to the financial statements

As at 31 March 2021 the analysis of loans receivable were as follows:

|                                          | 31 March 2021 | 31 March 2020 |
|------------------------------------------|---------------|---------------|
|                                          | £000          | £000          |
| Gross value of loans                     | 1,259         | 1,582         |
| Less provision for past due and impaired | (577)         | (627)         |
| <b>Net value of loans</b>                | <b>682</b>    | <b>955</b>    |

### iv) Liquidity and cash management

The group's commercial activity is subject to commercial credit risk and liquidity of trade receivables. The remainder of Carbon Trust activity is grant funded in advance and has limited liquidity and cash flow risk. The group has some of its own funds generated from commercial profits, investment sales and loan repayments that are held for future reinvestment.

Cash levels are monitored to ensure sufficient resources are available to meet the group's requirements. Cash surpluses are placed on term deposits to manage liquidity whilst optimising the rate of return on cash resources, giving due consideration to risk.

### v) Equity price risk

The group is exposed to fluctuations in the fair value of its venture capital portfolio through its income statement as a result of changes in the outcome of the valuation guidelines applied per note 5(i).

The group's investment in CNRE LP is valued at net asset value, comprising buildings and net working capital; the latest valuation being incorporated in these financial statements. A potential change in valuation should the value of the properties increase or decrease by +/-2%, +/- £17k, and +/-10% £87k, respectively (2020 - +/- 2% £47k, +/- 10% £230k respectively).

The company is subject to fluctuations in its subsidiaries valuations, depending on the assumptions underlying the impairment review. A 5% change in profit margin in future year, without any mitigating actions would result in an £0.06m increase in the impairment, and a 5% increase in the discount rates would result in an £0.2m increase in the impairment.

### vi) Capital risk management

As a company limited by guarantee, the company is unable to distribute funds to its members and any profits are reinvested in the business. Due to the activities of the group there is no current general business need for any borrowings. As such, the capital risk management policy of the group is limited to liquidity management and compliance with any restrictions included under the terms of the grant offers.

## Notes to the financial statements

### vii) Categories of financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and liability are disclosed in note 5 to the financial statements.

|                                | 31 March 2021 |               | 31 March 2020 |               |
|--------------------------------|---------------|---------------|---------------|---------------|
|                                | Book value    | Fair value    | Book value    | Fair value    |
|                                | £000          | £000          | £000          | £000          |
| <b>Financial assets</b>        |               |               |               |               |
| Trade receivables              | 7,463         | 7,463         | 6,715         | 6,715         |
| Interest free loans receivable | 682           | 682           | 955           | 955           |
| Cash and cash equivalents      | 24,185        | 24,185        | 18,615        | 18,615        |
| Liquid investments             | 11,000        | 11,000        | 8,500         | 8,500         |
| Investment portfolio           | 620           | 1,004         | 2,100         | 3,462         |
| <b>Total financial assets</b>  | <b>43,950</b> | <b>44,334</b> | <b>36,885</b> | <b>38,247</b> |

### viii) Fair value of financial instruments

Note 14 in the financial statements analyses the financial instruments that are measured subsequent to initial recognition at fair value, grouped into 2 categories: valued under IPEVC and net asset basis.

## 26 Funds attributable to members of the company

The eight (2020: 9) members of the company at the end of the year are the:- the Secretary of State for Business, Innovation and Skills and the seven (2020: 7) directors who are not representatives of government departments or bodies.

**Members fund:** The members' fund at 31 March 2021 was £nil (2020: £nil). Each member is required to pay an amount, not exceeding £1 only, if the Carbon Trust is wound up whilst he or she is a member or within one year after ceasing to be a member. This payment is in settlement of the Carbon Trust's debts and liabilities contracted before he or she ceased to be a member, and of the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributors among themselves.

**Translation Reserve:** The translation reserve at 31 March 2021 was £26,000 loss (2020: £13,000 loss). It arises from the revaluation of the net assets in subsidiary companies denominated in foreign currencies.

## Notes to the financial statements

**Retained earnings:** Comprise the earnings retained for reinvestment in the businesses. These are analysed below between restricted and unrestricted reserves:

### The group

|                                                      | 31 March 2021 | 31 March 2020 |
|------------------------------------------------------|---------------|---------------|
|                                                      | £000          | £000          |
| Unrestricted reserves                                | 21,488        | 18,915        |
| Reserves restricted for use in low carbon technology | 1,614         | 1,874         |
| Reserves restricted for use in Wales                 | 2,726         | 2,778         |
| <b>Retained earnings</b>                             | <b>25,828</b> | <b>23,567</b> |

### The company

|                                      | 31 March 2021 | 31 March 2020 |
|--------------------------------------|---------------|---------------|
|                                      | £000          | £000          |
| Unrestricted reserves                | 12,396        | 10,092        |
| Reserves restricted for use in Wales | 2,726         | 2,778         |
| <b>Retained earnings</b>             | <b>15,122</b> | <b>12,870</b> |

## 27 Financial commitments

At 31 March the total commitments for future minimum lease payments under non-cancellable operating leases relating to property leases and office equipment were as follows:

### The group

|                                | Operating<br>leases 2021 | Operating<br>leases 2020 |
|--------------------------------|--------------------------|--------------------------|
|                                | £000                     | £000                     |
| Due within a year              | 344                      | 347                      |
| Due between one and five years | 31                       | 71                       |

### The company

|                                | Operating<br>leases 2021 | Operating<br>leases 2020 |
|--------------------------------|--------------------------|--------------------------|
|                                | £000                     | £000                     |
| Due within a year              | 225                      | 267                      |
| Due between two and five years | 31                       | -                        |

The group through its subsidiary Carbon Trust Advisory Limited has entered into contracts to deliver UK central government procured Overseas Development Aid (ODA) programme delivery contracts.

## Notes to the financial statements

Under these multiyear contracts the group has entered into contract commitments with sub-contractors to deliver the ODA contract objectives funded by the UK Government. The group has future contract commitments of £8.6m to sub-contractors (2020:£9.6m).

### 28 Related party transactions

There are no related party transactions.

### 29 De-recognition of concessionary loans and repayable grants

The company acts as agent for Invest Northern Ireland in administering the jointly branded energy efficiency loans scheme in Northern Ireland. Since 1 October 2016, when a new commercially funded contract came into force replacing the previous grant funding, Invest Northern Ireland bears all the risks and rewards of ownership of this loans portfolio. The loans, associated cash balances and repayable grant were derecognised from the group's and company's statement of financial position as at 31 March 2017. The company receives an administration fee for its services to Invest Northern Ireland. From 1 October 2018 the company started returning cash to Invest NI at their request, the company collects the outstanding loans and returns the cash received net of service fees to Invest NI.

The company holds legal title to £0.3m (2020: £1.1m) loans net of provisions, £0.3m (2020: £0.1m) cash and recognises £0.6m (2020: £1.2m) as repayable to Invest Northern Ireland from these assets.

### 30 Contingent assets

The group through its subsidiary Carbon Trust Enterprises Limited received through a capital dividend the right to 34% of deferred consideration due under the sale and purchase agreement for the wind farm lease options sold by Partnerships No1 Limited in September 2017. The amount received under this agreement in the current year was £0.2m (2020: £nil). The directors consider future receipts under these rights to be remote and have valued them accordingly at £nil.

### 31 Post Balance Sheet events

Management has determined there are no adjusting or non-adjusting events which require disclosure in the financial statements.

