The Carbon Trust

Annual Report for the year ended 31 March 2022

Registered number: 04190230

Company information

Registered office:	4th 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
Bankers:	HSBC Bank Plc, 69 Pall Mall, London SW1Y 5EY Royal Bank of Scotland plc, 119/121 Victoria Street, London SW1E 6RA
Auditors:	Grant Thornton UK LLP, 30 Finsbury Square, London EC2A 1AG

Contents

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 364 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. If Carbon Trust generates a surplus, it reinvests this amount into delivering on our mission.

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 approach to climate change has evolved over the last few years 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. The three year plan was updated in 2022 to extend our targets.

We will continue to focus on innovation and creating a better operating platform, fighting climate change and continuing our international expansion. Over the next few years, we aim to deliver high-quality projects across the world to a wide 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.

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 outsize 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 2025.

Mission Impact Goals

Category	Growth Targets 2025
Reach, Breadth and Scale	Grow number of Clients in International regions
	Increase impact in International regions by over 30% by 2025
Innovation	Launch more high impact, environmentally significant new propositions by 2025
	Implement three new Accelerators by 2025
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 significantly by 2025 using our Mission Impact Assessment Tool
Recognise Broader Benefits	Assess alignment with UN Sustainable Development Goals and social and community benefits

From a Mission Impact perspective, the year to 31 March 2022 was successful, as described below –

- We increased client numbers and expanded the proportion of revenue in International Regions;
- Innovations included the launch of our Route to Net Zero digital footprinting service, an Asian Coal retirement mechanism, new Accelerators in the fields of net zero Hydrogen production, net zero carbon cooling and low carbon shipping;
- The Influence of our assignments was assessed using a new tool which reaffirmed our confidence in increasing the ambitions, strategies and actions of partners and clients to reduce their carbon intensity; and
- Our alignment to the United Nations Sustainable Development Goals (SDGs) was mapped using the B Lab Action manager which showed good Social Value ratings particularly across SDGs 7, 9, 11,12 and 13.

Further information on our Mission Impact and description of individual programmes, clients and employees will be set out in Carbon Trust's 2022 Impact Report.

Our people

Our growth ambition, supported by strong demand for our services and mission, meant we continued to expand the organisation this year. Overall, headcount increased to 364 from 271.

This growth, combined with the ongoing impacts of COVID-19 and remote working, meant supporting colleagues' onboarding and integration at Carbon Trust was key. We invested in onboarding, integration, cultural cohesion and training this year with key highlights being: refreshed organisational values to support cultural alignment; a new learning management system to support the consistent, efficient, global induction, integration and training of new colleagues; new leadership training for all managers to drive consistent management practices; and regular opportunities for colleagues to meet, network and build relationships.

Employee engagement continues to be strong with overall satisfaction at 4.1/5 (4.2 in 2021). Likelihood to recommend the organisation is also consistent at 8.4 (8.3 in 2021). The pandemic, and how our working approach evolved has been important in engaging colleagues this year. We spent time understanding the benefits and challenges – to both colleagues and the organisation - of hybrid working, before launching a comprehensive flexible working package to support both employees' work life balance and productivity, as well as ensuring in-person connections are maintained where they best support our clients, and the organisation's culture and strategic objectives. We are working to embed this approach throughout the organisation, with colleagues returning to the office more consistently from early 2022.

We engaged external consultants to help us develop and enhance our approach to diversity and inclusion. This work is ongoing. We have made good progress against our target of 40% gender representation at leadership and management levels in the organisation. The overall gender balance in the Group is 54% female / 46% male, a change from our November 2015 baseline of 36% / 64%. Women at leadership levels increased 5% to 35% in 2021-22 (versus our 2015 baseline of 15%) and at management levels by 8% to 47% (versus our baseline of 30%). In 2021-22 we reviewed and improved our reporting of ethnicity across our UK employees, and are developing improved global reporting. Our baseline in March 2022 shows overall representation of ethnic minority groups in the UK as 8% in management and14% in non-management and 10% overall.

Our mean gender pay gap is important and our gap of 18.5% at April 2022 (21%: April 2021) is reflective of similar environmental and science consultancies, and reflects a wider gap seen across STEM industries. Despite this being normalised in our area of work, it's not a gap we consider acceptable and something we are actively working to reduce. Current measures we have in place to address this during the hiring process include ensuring all job descriptions are gender neutral, mixed panels for hiring, setting defined competencies and assessment tasks during the interview process. We have a banded system for salaries to ensure consistency of pay along with being transparent about our promotion and bonus schemes. Along with fair pay, we also want the Carbon Trust to be a safe, supportive and welcoming environment for all staff and have significantly improved our flexible working and family friendly approaches to supportbalancing work and home commitments for carers. Further information on our gender pay gap is available on our website.

Our financial performance

Carbon Trust has generated strong full year results as set out in the table below. Revenues at £37.9 million are 10% higher than last financial year (£34.5 million). Gross Margin (GM) of £25.1 million is 19% greater than last year (£21.1 million). Profit before tax at £0.1 million is around £0.7 million lower than last year due to investment in digital solutions and higher employee expenses.

The two large business units of Programmes & Innovation and Business Services both increased their GM year on year, as did all our international operating units. Our teams in Mexico and South Africa expanded during the year and have added more projects and clients. Carbon Trust's activities in China and Singapore also grew and in both cases we have diversified our customer base and extended our service range.

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

GROUP KPIs	2022 (£M)	2021 (£M)	2020 (£M)	2019 (£M)
TOTAL REVENUE[1]	37.9	34.5	27.2	22.1
GROSS MARGIN[1]	25.1	21.1	16.7	16.9
CONSOLIDATED (LOSS)/PROFIT AFTER TAX [2]	(0.1)	2.3	(0.2)	1.7
GROUP UNRESTRICTED CASH BALANCES[3]	16.9	21.4	17.0	16.6

Our strategy to grow international business, is illustrated by £15.2m revenue coming from international clients for work delivered outside the UK, representing 40% of our total revenue (2021: £10.6m, 31% of total revenue). We deliver material international programmes for the UK Government like the Transforming Energy Access programme, which are included in our UK revenues. The Group's major expense is on employees which rose to £19.9m in the year to March 2022 from £16.7m a year earlier, as we added to headcount and increased variable compensation.

The Carbon Trust Group recorded an accounting deficit for the year of £0.1m (2021: £2.3m surplus) as result of higher employee expenses and investment in new digital propositions.

The Group's balance sheet remains very strong and at the year-end the net assets were at £25.8m (2021: £25.9m). Cash holdings continued at a significant level so that at 31 March 2022 total cash including liquid assets was £31.1m (2021: £35.2m) and unrestricted cash, over which we have complete control, was £16.9m (2021:£21.4m). We have actively managed our legacy investment portfolio, which is reflected in our financial statements at a value of £1.0m (2021: £1.0m) predominantly made of our holdings in the Carbon Neutral Real Estate Fund. We capitalised selected expenditure related to our digital solutions platform, creating an intangible asset of £0.9m at 31 March 2022. We continue to manage a small portfolio of interest free loans.

[1] Revenue in the consolidated statement of comprehensive income on page 23. Gross margin is Revenue less direct Cost of Sales.
[2] See the consolidated statement of comprehensive income on page 23.
[3] Group unrestricted cash balances, includes liquid investments of £8.5m included in note 20 on page 46, see also cash note 21 on page 47.

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 2023.

Our environmental performance and new Science Based Targets

During 2021/22 Covid 19 restrictions and work from home mandates were significantly reduced, and finally lifted in the final quarter of the year in the UK, allowing for significantly increased use of the Carbon Trust offices. Health and wellbeing measures put in place to protect our colleagues and other staff in the buildings during the increased return to work have impacted upon our scope 1 and scope 2 emissions. Overall, these emissions have risen by 18% to 79.1 tCO2e compared to 2020/21. On a per full time equivalent (FTE) basis, scope 1 and 2 emissions fell by 11% to 0.26 tCO2e/FTE due to significant expansion of staff numbers.

With requirements for increased air circulation via more mechanical ventilation and openable windows, there has been a significant rise in heating demand to counteract the heat losses. This led to a 27% increase in emissions from gas use and a 21% increase in electricity consumption by common building services equipment.

With the Carbon Trust offices' higher levels of occupancy alongside a greatly increased total number of staff, direct office lighting and power consumption also rose by 17%. Due to automated lighting controls and active energy management in the office, the increase has been much lower than across shared building services. With Covid 19 restrictions easing in relation to international travel, the Carbon Trust has carefully reintroduced business travel. Compared to 2020/21, where travel was extremely limited, emissions have increased to 13.5 tCO2e. Most of this increase has been the limited number of international flights, making up 77% of the travel footprint.

To manage future scope 1 and scope 2 emissions, the Carbon Trust has publicly committed to and set a science based target aligned with 1.5°C trajectory, with an initial target of 50% emissions reduction by 2030 compared to a2018 baseline. To achieve this an internal committee of experts has been established to ensure that our future London office, due 2023, will be able to deliver emissions performance that meets the 2030 target.

As part of the science based target, the Carbon Trust has committed to reducing scope 3 emissions and has set a number of targets for key emissions categories:

- Set Scope 3 science-based targets, aligned at a minimum, to a well below 2°C pathway
- Reduce Scope 3 GHG emissions from business travel by 65% per FTE by 2030
- Commit that 56% of its suppliers, by emissions covering purchased goods and services, will have SBTs by 2026
- Go further by positively influencing our remaining sources of emissions as well as having a positive overall impact through our wider work helping organisations move to Net Zero

Further to the science based targets, the Carbon Trust is committed to achieving Net Zero and is currently working on this target.

More information on our environmental performance is set out in Carbon Trust's 2022 Impact Report.

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 decarbonised future.

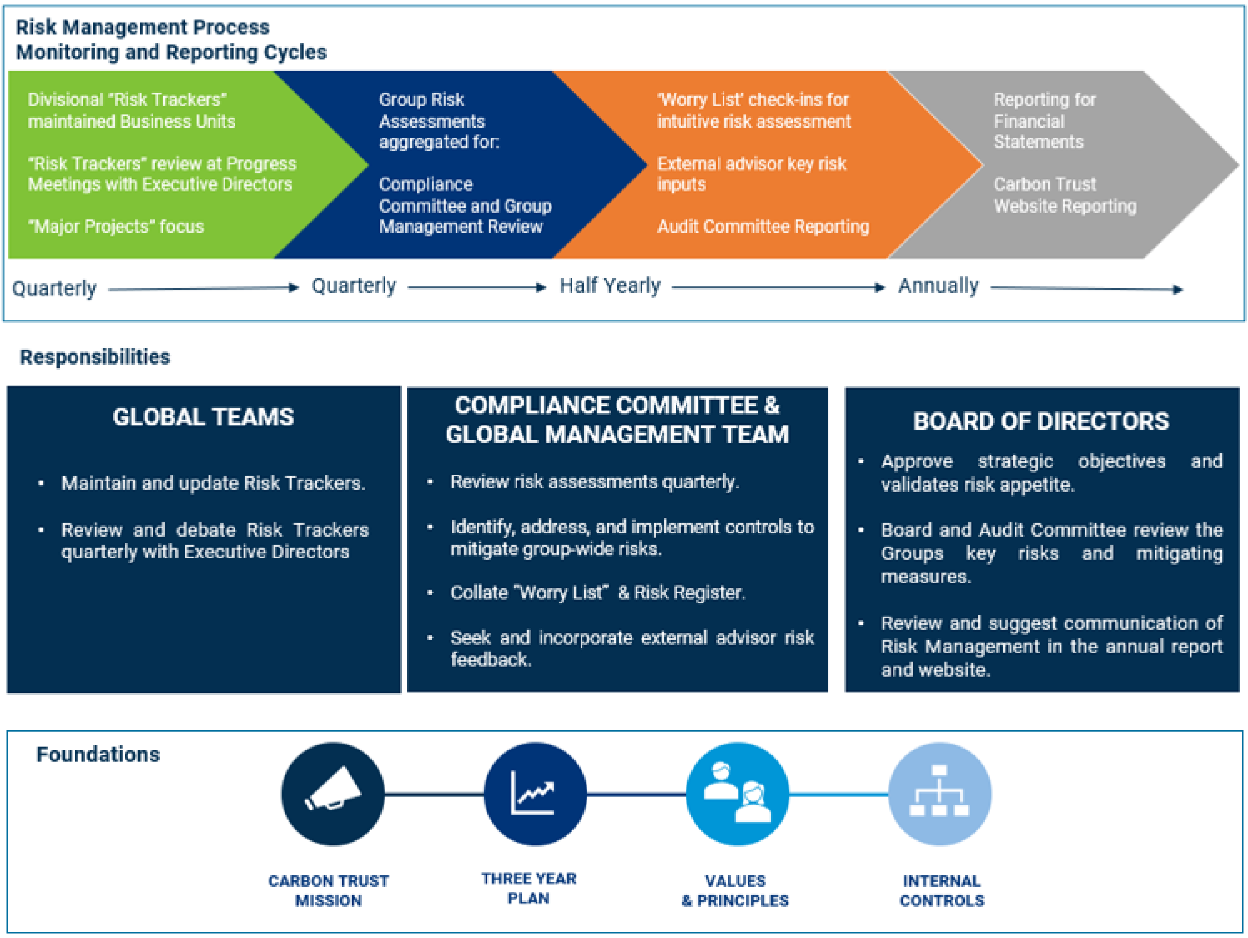
Sitting alongside these risks there are also new opportunities for growth. Tackling climate change has become a key priority for governments, institutions and businesses across the world. Global events such as the war in Ukraine, the continued prevalence of, and recovery from, COVID-19 as well as the continued de-prioritisation of climate-related issues in some countries are challenges to our work and mission but the growth in the UK, European and global markets is an opportunity for the group to expand.

Risk Register Category	Potential Exposures and Negative Impact on Business Plan	Key Mitigation and Controls
Market downturn	• Declines in funding from key partners leads to a weaker pipeline of work • Increase in competition • Increase in investment in the sector creates more competive market	Market awareness, new propositions, diversification, digital investment, and investment in major strategic initiatives
Impaired Mission Impact	• Constrained innovation and fewer new propositions and ventures reduces impact and influence	Revised Mission Impact Framework and other tools. Measurement against three-year KPIs. Increased investment in new ideas and brand
People Risk	• Slow integration of new hires • Recruitment pace and retention not possible due to market challenges • Elevated workload and stress due to higher demand from clients	Management and Board Review and key focus Upgraded HR systems and open / honest reporting channels Attractive employee value proposition revised to align with post-Covid work patterns and introduction of new benefits and employee-related policies
Damage to Brand and Reputation	• Increased potential of greenwashing in the market, including by clients and partners • Challenges communicating Carbon Trust's own environmental targets and pathway • Consequential potential negative impact to brand or reputation	Management oversight and careful client selection procedures. Application of Carbon Trust principles Larger, experienced Marketing and Communications team, investment in people and systems. Increased focus on regulatory framework of green claims

Financial pressures	• Over expansion or investment in new digital platform creates drain on cash reserves • Diminished control over larger international activities leads to losses	Tight financial controls, rigorous reporting and forecasting process Staged expansion
Legal, contractual or regulatory issues	• Contractual or compliance issues and / or disputes • Regulatory breaches in new jurisdictions	Reporting, Systems and Risk oversight, detailed regulatory trackers Use of dedicated service providers/ advisors. Expanded, knowledgeable Finance and Legal teams, investment in people and systems
IT security	• Cyber-attack, Denial of Service, loss of client data	Regular penetration testing, use of specialist consultants and security software Frequent employee training
Emerging risks	• Negative social, technological, demographic or health trends	Management and Board Review. Use of 'worry list' and advisors' input 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 page 50.

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 and Remuneration 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 Reporting Systems and Risk 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 they consider in good faith, to be most likely to promote the success of the Carbon Trust whilst at the same time having regard for the interests of our customers, our people, our partners and suppliers and the wider communities in which we operate and to ensure that we maintain a reputation for high standards of business conduct, integrity and excellence.

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 2023-2025 (see pages 4-5).

The Board recognises our key stakeholders, being our customers, our people, our partners and suppliers and the communities in which we operate, and believes in the importance of 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 through collaboration with suppliers, customers and partners and to engage with and work with new clients and sectors and to promote and challenge the ambitions of such key stakeholders;
- 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 the setting of the group's Science Based Target and Net Zero Target, HSE, Modern Slavery and Procurement;
- The desirability of the company maintaining a reputation for excellence and high standards of integrity; and
- The need to act fairly as between members of the company.

Further details on how the Board considers its stakeholders can be found in the Director's Report on pages 14 to 17.

By order of the Board,

Tom Delay, Chief Executive

12 July 2022

Directors' Report

The directors present their annual report together with the financial statements and Auditors' report for the year ended 31 March 2022. Some of the matters to be dealt with in this report have been included in the strategic report found on pages 4 to 13.

Principal activities

The Carbon Trust is the parent company of the Carbon Trust group. The group's mission is to accelerate the move to a decarbonised future.

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 13.

Directors

During the year ended 31 March 2022 and up until the date of this report, the directors of the Carbon Trust were:

Name	Position	Date of appointment
Julia King, 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 loss after tax of £0.1m (2021: £2.3m profit) as discussed in the Strategic Report above. It has £25.8m of net assets (2021:£25.9m) as detailed in note 26 to the financial statements, on page 52 to 53.

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 2022 are set out on pages 23 to 54.

The Carbon Trust is a limited by guarantee company with no shareholders so is not able or not permitted to pay a dividend which is prohibited in the company's articles of association.

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 board has considered the longer-term viability of the Group, reviewing this over a 3 year period based on the strategy as outlines on page 4. 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.

To assess the Group’s viability, management performed scenario analysis where 3 revenue scenarios were considered – base case, downside case and reverse stress case:

The base case scenario was modelled on the 3-year business plan approved by the Board where the following key assumptions are built into the plan:

- Gross Margin is projected to grow by over 20% year on year
- A planned increase in headcount of around a fifth is anticipated
- Future investment of several million pounds in the Online Solutions platform is planned

A downside scenario was considered whereby Gross Margin declines by 10% over the 3-year period from base case, headcount additions slow down significantly over the 3-year period and expenditure is reduced including spend on the Online Solutions platform. In the reverse stress case it is assumed that no new revenue is generated and only existing contracted revenue obligations are fulfilled. In such a scenario the Group would be able to continue operating at its current headcount level until November 2023 before liquidity becomes signficantly contrained. The board do not believe that to be a reasonably possible downside scenario.

The Board has considered the 3 revenue scenarios prepared by management and are informed by available sector based economic forecasts which stress-test the Group's ability to manage its cash position, in exceptional economic circumstances to flex resource to meet 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.

Disclosure concerning employment of disabled person:

The Group has during the financial year;

a) given full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities
b) continued the employment of, and arranged appropriate training for, employees of the Group who have become disabled persons during the year and
c) otherwise continued the training, career development and promotion of disabled persons employed by the group.

Directors' Report

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.

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, acting in accordance with section 414C of the UK Companies Act 2026, have included certain items due to their strategic importance within the Strategic Report found on pages 4 to 13 which ordinarily would be included within the Directors Report.

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.

Directors' Report

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
12 July 2022

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 2022, which comprise the Consolidated statement of comprehensive income, Statements of financial position, Statements of changes in total funds, 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 2022 and of the group's loss 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 of at least twelve months from when the financial statements are authorised for issue.

Independent Auditor's report

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 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. 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:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the parent company and the group and sector 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 relevant external correspondence. We corroborated our enquiries through inspection of board minutes and other relevant information obtained during the course of the audit.
- 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 United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; the Companies Act 2006; and the relevant taxation legislation.
- 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 with a risk of fraud including potential management bias, of recognition of revenue arising from significant contracts that remained open at the end of the year and through management override of controls.

- Our audit procedures included:
  - Gaining an understanding of the controls that management has in place to prevent and detect fraud;
  - Journal entry testing, with a focus on journals indicating large or unusual transactions or account combinations based on our understanding of the business;
  - Gaining an understanding of and testing significant identified related party transactions; and
  - Performing audit procedures to consider the compliance of disclosures in the financial statements with the applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as 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.
- The engagement partner's 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 sector in which the parent company and the group operates;
  - Understanding of the relevant legal and regulatory frameworks specific to the parent company and the group including: the provisions of the applicable legislation; and the applicable statutory provisions.
- Communications within the audit team in respect of potential non-compliance with laws and regulations and fraud included the estimation and judgemental areas with a risk of fraud, including potential management bias, of recognition of revenue arising from significant contracts that remained open at the end of the 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.

Independent Auditor's report

Grant Thornton UK LLP

Paul Holland BSc BFP FCA

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

12 July 2022

Consolidated statement of comprehensive income
As at 31 March 2022

	Notes	31 March 2022 £000	31 March 2021 £000
Revenue	6	37,887	34,529
Cost of Sales		(12,790)	(13,447)
Gross Margin		**25,097**	**21,082**
Expenditure	7	(24,966)	(20,258)
Operating profit		131	824
Finance income	8	58	124
Finance costs	9	(58)	(91)
Profit before tax		131	857
Tax on profit	11	(249)	1,404
(Loss)/profit the year		**(118)**	**2,261**
Total comprehensive (deficit)/income for the year		**(118)**	**2,261**

The accompanying notes on pages 29 to 54 form part of these financial statements.

Consolidated statement of financial position
As at 31 March 2022

	Notes	31 March 2022 £000	31 March 2021 £000
Non-current assets:			
Intangible assets	12	1,089	238
Property, plant and equipment	13	191	221
Financial assets – investment portfolio	14	991	1,003
Interest free loans receivable	17	182	326
Total non-current assets		**2,453**	**1,788**
Current assets:			
Interest free loans receivable	17	202	356
Trade and other receivables	18	11,635	8,870
Accrued income	19	805	-
Liquid Investments	20	8,500	11,000
Cash and cash equivalents	21	22,583	24,185
Total current assets		**43,725**	**44,411**
Total assets		**46,178**	**46,199**
Current liabilities:			
Trade and other payables	22	(10,838)	(10,203)
Deferred income	23	(8,971)	(9,416)
Total current liabilities		**(19,809)**	**(19,619)**
Provisions for liabilities	24	(588)	(726)
Total liabilities		**(20,397)**	**(20,345)**
Net assets		**25,781**	**25,854**
Funds:			
Members' fund	26	-	-
Retained earnings	26	25,710	25,828
Translation reserve		71	26
Total funds		**25,781**	**25,854**

Signed on behalf of the board

Brown of Cambridge

Baroness Brown of Cambridge, Chair
12 July 2022

Tom Delay, Chief Executive
12 July 2022

Registered number: 04190230

The accompanying notes on pages 29 to 54 form part of these financial statements.

Company statement of financial position
As at 31 March 2022

	Notes	31 March 2022 £000	31 March 2021 £000
Non-current assets:			
Intangible assets	12	1,089	238
Property, plant and equipment	13	103	179
Financial assets – investment in subsidiaries	16	9,747	9,747
Interest free loans receivable	17	182	326
Total non-current assets		**11,121**	**10,490**
Current assets:			
Interest free loans receivable	17	202	356
Trade and other receivables	18	7,262	1,693
Accrued income	19	27	-
Liquid Investments	20	3,000	3,000
Cash and cash equivalents	21	9,906	11,162
Total current assets		**20,397**	**16,211**
Total assets		**31,518**	**26,701**
Current liabilities:			
Trade and other payables	22	(4,865)	(4,896)
Deferred income	23	(6,196)	(5,974)
Total current liabilities		**(11,061)**	**(10,870)**
Provisions for liabilities	24	(569)	(709)
Total liabilities		**(11,630)**	**(11,579)**
Net assets		**19,888**	**15,122**
Funds:			
Members' fund	26		-
Retained earnings	26	19,888	15,122
Total funds		**19,888**	**15,122**

Signed on behalf of the board

Baroness Brown of Cambridge, Chair
12 July 2022

Tom Delay, Chief Executive
12 July 2022

Registered number: 04190230

The accompanying notes on pages 29 to 54 form part of these financial statements.

Consolidated statement of changes in total funds
For the year ended 31 March 2022

	Retained earnings £000	Translation reserve £000	Total members' funds £000	Total funds £000
At 31 March 2020	**23,567**	**(13)**	**23,554**	**23,554**
Profit for the year	2,261	-	2,261	2,261
Currency translation differences arising in year	-	39	39	39
At 31 March 2021	**25,828**	**26**	**25,854**	**25,854**
Loss for the year	(118)	-	(118)	(118)
Currency translation differences arising in year	-	45	45	45
At 31 March 2022	**25,710**	**71**	**25,781**	**25,781**

Company statement of changes in total funds
For the year ended 31 March 2022

	Retained earnings £000	Total members' funds £000	Total funds £000
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**
Profit for the year	4,766	4,766	4,766
At 31 March 2022	**19,888**	**19,888**	**19,888**

Consolidated statement of cash flows
For the year ended 31 March 2022

	Notes	31 March 2022 £000	31 March 2021 £000
Cash flow from operating activities			
Profit for the financial year		131	857
Adjustments:			
• Change in fair value of investment portfolio and interests accounted for using the equity method		12	61
• Adjustment for dividends received from investments		(41)	(61)
• Depreciation of property, plant and equipment		129	97
• Amortisation of intangible assets		79	79
• Interest receivable (net of bank charges)		29	(33)
• Movement in loans and other working capital balances		(2,732)	(560)
• Movement on deferred income		(445)	3,819
• Tax (charge)/credit		(249)	1,404
Cash (outflow)/inflow from operations		**(3,087)**	**5,663**
Cash flow from investing activities:			
• Bank interest received (net of bank charges)		(29)	33
• Purchase of intangible fixed assets		(930)	-
• Purchase of property, plant and equipment		(97)	(85)
• Net receipts from disposal of investments		-	2,398
• Dividends received from investments		41	61
• Transfer to Liquid investments		2,500	(2,500)
Cash inflow/(outflow) from investing activities		**1,485**	**(93)**
(Decrease)/Increase in cash and cash equivalents		**(1,602)**	**5,570**
Cash and cash equivalents at the start of the year		24,185	18,615
(Decrease)/Increase in cash and cash equivalents		(1,602)	5,570
Cash and cash equivalents at the end of the year	21	**22,583**	**24,185**

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 4th 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 13.

2 Basis of preparation

The consolidated financial statements for the year to 31 March 2022 on pages 23 to 54 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.

The group paid £132,000 (2021: £128,000) and the company paid £87,000 (2021: £86,750) 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.

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 board has considered the longer-term viability of the Group, reviewing this over a 3 year period based on the strategy as outlines on page 4. 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.

To assess the Group's viability, management performed scenario analysis where 3 revenue scenarios were considered – base case, downside case and reverse stress case:
The base case scenario was modelled on the 3-year business plan approved by the Board where the following key assumptions are built into the plan:

- Gross Margin is projected to grow by over 20% year on year
- A planned increase in headcount of around a fifth is anticipated
- Future investment of several million pounds in the Online Solutions platform is planned

A downside scenario was considered whereby Gross Margin declines by 10% over the 3-year period from base case, headcount additions slow down significantly over the 3-year period and expenditure is reduced including spend on the Online Solutions platform. In the reverse stress case it is assumed that no new revenue is generated and only existing contracted revenue obligations are fulfilled. In such a scenario the Group would be able to continue operating at its current headcount level until November 2023 before liquidity becomes signficantly contrained. The board do not believe that to be a reasonably possible downside scenario.

The Board has considered the 3 revenue scenarios prepared by management and are informed by available sector based economic forecasts which stress-test the Group's ability to manage its cash position, in exceptional economic circumstances to flex resource to meet 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. For further information refer to the directors' report on pages 14 to 17.

Company – 'The Carbon Trust'

The group financial statements consolidate the financial statements of the Carbon Trust ('the company') and all its subsidiary undertakings to the 31 March 2022. 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 £4,766,000 (2021: £2,252,000). The company has also adopted the following disclosure exemptions: the requirement to present a statement of cash flows and related notes.

3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Carbon Trust and its group subsidiaries as at 31 March 2022.

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 expects 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 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 the interest-free loans paid to third parties and financed by Invest NI grants are derecognised along with the repayable grant. A financial asset can only be recognised when the risks and rewards of the asset lie with the entity and management has judged that Invest NI bears all the risks and rewards arising from the Carbon Trust's loan portfolio financed by Invest NI grants. The Carbon Trust collects the outstanding loans and returns the cash received net of service fees to Invest NI.
- Management has made judgement that a provision for impairment of loan receivables is established when the group will not be able to recover all amounts owed. The is detailed in section 5(j) which outlines the accounting policy for a recognition of an impairment provision.

(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.

(vi) Capitalisation of development costs

Management has made judgement that the expenditure incurred in developing the online digital solutions platform has meet the criteria of an intangible asset and has capitalised these costs.

5 Accounting policies

The group's accounting policies applied in preparing the consolidated financial statements for the year ended 31 March 2022 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. 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

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 unless the expenditure has been capitalised to the extent they meet the recognition criteria of an Intangible asset (see note g) below).

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:

- *website development costs*. This asset does not have an infinite life, it is assessed as having a useful economic life of four years and will therefore be amortised on a straight-line basis over its expected useful live. This is measured at cost less accumulated amortisation and accumulated impairment losses.

- *digital solutions platform*. This asset has been developed in the current financial year. As the company cannot reliably estimate the useful life of this asset is is planned to be amortised over a 10 year life in accordance with FRS102 where if an entity is unable to make a reasonable estimate of the useful life of the asset it should assume a life that does not exceed 10 years. This asset is currently classified as a work in progress intangible asset where amortisation will begin next financial year. This is measured at cost.

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;

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.
- 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.

Notes to the financial statements

6 Revenue

Revenue is analysed below

	31 March 2022 £000	31 March 2021 £000
Commercial income	34,093	33,188
Grant income	3,794	1,341
Total revenue	**37,887**	**34,529**

Revenue by clients' geography

	31 March 2022 £000	31 March 2021 £000
United Kingdom	22,708	23,897
Overseas	15,179	10,632
Total revenue	**37,887**	**34,529**

Grant income is received from the following funders:

	31 March 2022 £000	31 March 2021 £000
BEIS	15	9
Scottish Government	-	470
IKEA Foundation	1,920	1,787
BEIS PACT	781	-
Other Grants	25	-
Total grant receipts and grant receivable	**2,741**	**2,266**
Movement in accrued/(deferred) grant income	1,053	(925)
Total grant income	**3,794**	**1,341**

7 Analysis of expenditure

Included in expenditure:

	31 March 2022 £000	31 March 2021 £000
Depreciation of property, plant and equipment	129	97
Amortisation of intangible assets	79	79
Research and development expenditure	434	-
Operating lease rentals	625	506
Net foreign exchange losses	85	199

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

	31 March 2022	31 March 2021
	£000	£000
Fees payable to the company's auditor: company's annual accounts	87	87
Audit fees payable to the company's auditor and its associates: subsidiaries	45	41
Audit-related assurance services and other assurance services	13	15
Taxation services	23	96

8 Finance income

	31 March 2022	31 March 2021
	£000	£000
Bank interest	17	63
Dividend income	41	61
	58	**124**

9 Finance costs

	31 March 2022	31 March 2021
	£000	£000
Change in fair value of investment portfolio (see note 14)	12	61
Bank charges and interest expense	46	30
	58	**91**

10 Staff costs and directors' remuneration

	31 March 2022	31 March 2021
	£000	£000
Wages and salaries	16,879	14,304
Social security costs	2,074	1,622
Pension costs	964	750
	19,917	**16,676**

The average number of Carbon Trust group employees over the year (including executive directors) was 316 (2021: 235). The number of group employees as at 31 March 2022 was 364 (2021: 271).

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

	31 March 2022	31 March 2021
	£000	**£000**
Highest paid director:		
Emoluments	456	402

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

	31 March 2022	31 March 2021
	£000	**£000**
Executive directors:		
Emoluments	1,017	815

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

	31 March 2022	31 March 2021
	£000	**£000**
Non-executive directors:		
Emoluments	102	102
Total directors' emoluments	**1,119**	**917**

No directors receive contributions to pension schemes.

Notes to the financial statements

11 Tax

a) Analysis of tax credit for the year:

	31 March 2022 £000	31 March 2021 £000
Current tax:		
UK corporation tax	-	-
Adjustment in respect of prior years	(36)	-
Overseas Tax	52	54
RDD Claim	(46)	32
Total current tax	**(30)**	**86**
Deferred tax:		
Current year	321	(1,490)
Tax rate changes	(42)	-
Total deferred tax	**279**	**1,490**
Total income tax charge/(credit)	**249**	**(1,404)**

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 2022 £000	31 March 2021 £000
Gain on ordinary activities before taxation	131	857
Gain on ordinary activities multiplied by the **202**2 **U**K corporation tax company rate of 19% (2021: 19%)	25	163
Effects of:		
Expenses not deductible for tax purposes	11	323
Non-taxable income	(7)	(344)
Effect of unrecognised deferred tax	344	621
Tax losses utilised	-	(905)
Tax rate changes	(42)	-
Research and development (RD&D) tax credits	(46)	-
Tax due to non-controlling interest & JV	12	-
Overseas tax	(12)	
Adjustment to RD&D tax credit in respect of prior year	(36)	54
Deferred tax movements	-	(1,490)
Chargeable gains	-	174
Total income tax charge/(credit)	**249**	**(1,404)**

c) Deferred tax

	31 March 2022	31 March 2021
	£000	£000
Deferred tax on financial assets held at fair value (see note 24)	2	(467)
Deferred tax charge/(credit)	277	(1,023)
Total deferred tax charge/(credit)	**279**	**(1,490)**

A deferred tax asset of £0.7m (2021: £1.0m) is 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 (see note 18).

There is an additional unrecognised deferred tax asset of £4,443,665 (2021: £2,923,303) as at 31 March 2022 in respect of losses carried forward which are revalued to the future corporation tax rate of 25% (2021: 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

	Website: Completed	Digital solutions Platform: WIP	Total
	£000	£000	£000
Cost			
At 1 April 2021	317	-	317
Additions	-	930	930
At 31 March 2022	317	930	1,247
Amortisation			
At 1 April 2021	(79)	-	(79)
Charge for the year	(79)	-	(79)
At 31 March 2022	(158)	-	(158)
Net book value at 31 March 2022	**159**	**930**	**1,089**
Net book value at 31 March 2021	238	-	238

The group's intangible assets consist of website development costs (completed) and a digital solutions platform (WIP) which have been developed in year and 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 2022 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.

13 Property, plant and equipment

The group

	Fixtures and fittings £000	Office equipment and computers £000	Total £000
Cost			
At 1 April 2021	133	393	526
Additions	21	78	99
At 31 March 2022	154	471	625
Depreciation			
At 1 April 2021	(130)	(175)	(305)
Charge for the year	(9)	(120)	(129)
At 31 March 2022	(139)	(295)	(434)
Net book value at 31 March 2022	**15**	**176**	**191**
Net book value at 31 March 2021	**3**	**218**	**221**

The company

	Fixtures and fittings £000	Office equipment and computers £000	Total £000
Cost			
At 1 April 2021	127	349	476
Additions	-	17	17
At 31 March 2022	127	366	493
Depreciation			
At 1 April 2021	(127)	(170)	(297)
Charge for the year	-	(93)	(93)
As 31 March 2022	(127)	(263)	(390)
Net book value at 31 March 2022	**-**	**103**	**103**
Net book value at 31 March 2021	**-**	**179**	**179**

At the 31 March 2022 the gross carrying value of fully depreciated property, plant and equipment still in use by the group was £201,457 (2021: £201,457).

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 2022	31 March 2021
	£000	£000
Equity investments	991	1,003

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

	2022	2022	2022	2021
	£000	£000	£000	£000
	IPEVC	Net asset basis	Total	Total
At 1 April 2021	**-**	**1,003**	**1,003**	**3,462**
Redemption of shares	-	-	-	(2,398)
Change in fair value recognised using net assets	-	(12)	(12)	(61)
At 31 March 2022	**-**	**991**	**991**	**1,003**

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 2022 were as follows:

	31 March 2022 Holding %	31 March 2021 Holding %	Country of incorporation
Sackville LCW (GP) Limited	33.3	33.3	England and Wales

At 31 March 2022 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 2022	31 March 2021
	£000	£000
Total interests accounted for using the equity method	-	-
Total share of joint ventures' profits	-	-

Sackville LCW (GP) Limited (Sackville)

The group, through its subsidiary Carbon Trust Enterprises Limited (CTEL), held a net investment of £50 (2021: £50), being 33.3% (2021: 33.3%) of Sackville, a joint venture established with Stanhope plc and Threadneedle Property Investments Limited. CTEL'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 2022	% Holding 2021	Country of incorporation and registration
Directly held:			
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
Indirectly held:			
Carbon Trust Advisory Limited (CTA)	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.

The company

	Total 2022 £000	Total 2021 £000
Cost:		
At 1 April	59,139	59,139
Disposals during the year	-	-
At 31 March	**59,139**	**59,139**
Provisions for impairments:		
At 1 April	(49,392)	(50,058)
Uplift /(Impaired) during the year	-	666
At 31 March	**(49,392)**	**(49,392)**
Net book value:		
At 31 March	**9,747**	**9,747**

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 (2021: £57.0m) in CTEL which has a carrying value of £9.6m at 31 March 2022 (2021: £9.6m) and an investment of £2.1m in CTInt (2021: £2.1m), which has a carrying value of £0.2m (2021: £0.2m) at 31 March 2022. 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 (2021: £1) in Carbon Trust Europe BV, an investment of £1 (2021: £1) in Carbon Trust Singapore Pte. Ltd, an investment of £884,000 (2021: £884,000) in Carbon Trust (Beijing) Consulting Limited and an investment of £184,379 (2021: £184,379) in Carbon Trust Africa (Pty) Limited both representing 100% of the total registered share capital. It has an investment of £196,601 (2021: £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 2022 the value of these investments are held at £196,603 (2021: £196,603).

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:

CTA - £10.4m (2021: £10.4m): via one fully paid ordinary share of £1 valued at £5.2m (2021: £5.2m), which provides sustainability and other advisory consultancy services

Carbon Trust Assurance Limited - £4.8m (2021: £4.8m): via one fully paid ordinary share of £1 valued at £0.3m (2021: £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.

17 Interest free loans receivable

The group and the company

	31 March 2022	31 March 2021
	£000	£000
Non-current loans	182	326
Current loans	202	356
	384	**682**

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 2022 the gross value of interest free loans receivable is £0.9m (2021: £1.3m). 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 £0.3m (2021: £0.4m) are restricted for reuse in Wales.

18 Trade and other receivables

The group

	31 March 2022	31 March 2021
	£000	£000
Trade and other receivables	10,293	7,466
Prepayments	596	381
Deferred Tax Asset	746	1,023
	11,635	**8,870**

The company

	31 March 2022	31 March 2021
	£000	£000
Trade and other receivables	1,011	362
Amounts owed by group undertaking	5,790	1,026
Prepayments	461	305
	7,262	**1,693**

19 Accrued income

Accrued income consists of grant income due from funding providers:

The group

	31 March 2022 £000	31 March 2021 £000
Overseas Development Aid programme delivery contracts	59	-
Other	2	-
BEIS PACT	744	-
	805	**-**

The company

	31 March 2022 £000	31 March 2021 £000
Overseas Development Aid programme delivery contracts	25	-
Other	2	-
	27	**-**

20 Liquid Investments

The group

	31 March 2022 £000	31 March 2021 £000
Cash deposits > than 3 months maturity	8,500	11,000
	8,500	**11,000**

The company

	31 March 2022 £000	31 March 2021 £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 (2021: £1m), which is restricted for use in Wales and £2m (2021: £2m) which is received in advance of costs being paid. The remaining deposits of £5.5m (2021: £8.0m) are classified as unrestricted funds.

21 Cash and cash equivalents

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

The group

	31 March 2022	31 March 2021
	£000	£000
Carbon Trust unrestricted funds	11,416	13,330
Carbon Trust group balances restricted for reuse in low carbon technology investments	1,413	1,614
Carbon Trust group balances restricted for reuse in Wales	1,331	1,131
Cash received in advance of costs being paid (restricted funds)	8,423	8,110
	22,583	**24,185**

Included in the balance is cash equivalents of £7.8m (2021: £8m) 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 2022	31 March 2021
	£000	£000
Carbon Trust unrestricted funds	4,223	5,499
Carbon Trust group balances restricted for reuse in Wales	1,331	1,131
Cash received in advance of costs being paid (restricted funds)	4,352	4,532
	9,906	**11,162**

Included in the balance is cash equivalents of £1.5m (2021: £1.5m) 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 2022	31 March 2021
	£000	£000
Trade payables	1,914	1,620
Other taxes and social security	1,077	956
Accruals	7,847	7,627
	10,838	**10,203**

The company

	31 March 2022 £000	31 March 2021 £000
Trade payables	797	666
Amounts owed to group undertakings	1,934	1,173
Accruals	2,134	3,057
	4,865	**4,896**

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 2022 £000	31 March 2021 £000
Corporate partner	5,768	5,580
European and other grants	-	4
IKEA Foundation	1,068	1,348
Overseas Development Aid programme delivery contracts	2,135	2,484
	8,971	**9,416**

The company

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

	31 March 2022 £000	31 March 2021 £000
Corporate partner	5,128	4,622
European and other grants	-	4
IKEA Foundation	1,068	1,348
	6,196	**5,974**

24 Provision for liabilities

The group

	Deferred tax obligation £000	Holiday accrual £000	Loan obligation £000	Total 31 March 2022 £000	Total 31 March 2021 £000
At 1 April 2021	**17**	**623**	**86**	**726**	**997**
Deferred tax credit to the income statement	2	-	-	2	(467)
Amount raised	-	569	-	569	709
Amount used/transferred	-	(623)	(86)	(709)	(513)
At 31 March 2022	**19**	**569**	**-**	**588**	**726**

The company

	Holiday accrual £000	Loan obligation £000	Total 31 March 2022 £000	Total 31 March 2021 £000
At 1 April 2021	**623**	**86**	**709**	**513**
Amount raised	569	-	(569)	709
Amount used/transferred	(623)	(86)	(709)	(513)
At 31 March 2022	**569**	**-**	**569**	**709**

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.

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 £31m (2021: £35.0m), a 1% increase in the interest rate would have resulted in an additional £0.31m of interest income (2021: £0.35m) 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 2022.

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

	31 March 2022	**31 March 2021**
	£000	**£000**
At 1 April	577	627
Charge for the year – specific provision	-	28
Release of provision	(14)	(9)
Write off of debts due from dissolved companies against specific provision	(24)	(69)
At end of year	**539**	**577**

As at 31 March 2022 the analysis of loans receivable were as follows:

	31 March 2022	31 March 2021
	£000	£000
Gross value of loans	923	1,259
Less provision for past due and impaired	(539)	(577)
Net value of loans	**384**	**682**

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% £89k, respectively (2021 - +/- 2% £17k, +/-10% £87k 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 £0.02m increase in the impairment, and a 5% increase in the discount rates would result in an £0.08m 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.

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 2022		31 March 2021
	Book value	Fair value	Book value	Fair value
	£000	£000	£000	£000
Financial assets				
Trade receivables	10,293	10,259	7,463	7,463
Interest free loans receivable	384	384	682	682
Cash and cash equivalents	22,583	22,557	24,185	24,185
Liquid investments	8,500	8,500	11,000	11,000
Investment portfolio	620	991	620	1,004
Total financial assets	**42,380**	**42,691**	**43,950**	**44,334**

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 7 (2021: 8) members of the company at the end of the year are the 7 (2021: 7) directors. In the prior year the Secretary of State of Business, Innovation and Skills was the 8th member.

Members fund: The members' fund at 31 March 2022 was £nil (2021: £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 2022 was £71,000 loss (2021: £26,000). It arises from the revaluation of the net assets in subsidiary companies denominated in foreign currencies.

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

The group

	31 March 2022 £000	31 March 2021 £000
Unrestricted reserves	21,582	21,488
Reserves restricted for use in low carbon technology	1,413	1,614
Reserves restricted for use in Wales	2,715	2,726
Retained earnings	**25,710**	**25,828**

The company

	31 March 2022 £000	31 March 2021 £000
Unrestricted reserves	17,445	12,396
Reserves restricted for use in Wales	2,715	2,726
Retained earnings	**20,160**	**15,122**

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 leases 2022 £000	Operating leases 2021 £000
Due within a year	520	344
Due between one and five years	157	31

The company

	Operating leases 2022 £000	Operating leases 2021 £000
Due within a year	200	225
Due between two and five years	14	31

The group has entered into a number of large multi programme delivery contracts. Under these multiyear contracts the group has entered into contract commitments with sub-contractors to the value of £0.8m (2021:£8.6m).

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 £0.1m (2021: £0.3m) loans net of provisions, £0.1m (2021: £0.3m) cash and recognises £0.2m (2021: £0.6m) as repayable to Invest Northern Ireland from these assets.

30 Contingent assets

The group through its subsidiary CTEL 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 £nil (2021: £0.2m).The directors consider future receipts under these rights to be no longer remote and have valued the asset accordingly at £245,000 (2021: £nil)

31 Post Balance Sheet events

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