

FREE SOLAR (STAGE 1) LIMITED

Registered in England and Wales Number 07573455

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2020



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FREE SOLAR (STAGE 1) LIMITED
Registered in England and Wales: Number 07573455

DIRECTORS, OFFICERS AND OTHER INFORMATION

Directors

C Herriott
I Shervell

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

Registered Office

The Green Easter Park
Benyon Road
Silchester
Reading
RG7 2PQ

Company Number

Registered in England and Wales: Number 07573455

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their Report and audited financial statements for the Free Solar (Stage 1) Limited ("Company") for the year ended 31 December 2020.

Directors

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

F Helliwell
D Murphy
C Herriott
I Shervell

Resigned on 26 January 2021
Resigned on 19 March 2021
Appointed on 23 March 2021

Principal Activities and Business Review

The activities of the Company are in the running and maintenance of a portfolio of existing residential photovoltaic (PV) solar installations and the collection of Feed in Tariff payments. The portfolio has been performing in line with expectation. There have been no significant additions or disposals in the year.

Future Developments

During the coming year the Company will continue to manage the solar PV assets that it owns.

Principal Risks and Uncertainties

The key risks arising in the Company are COVID-19, interest rate, credit, operational and liquidity risks which are discussed in more detail below.

The Aviva Group's approach to risk and capital management

The Company operates within the governance structure and priority framework of the Aviva Group ("Aviva").

Management of financial and non-financial risks

The Company's exposure to different types of risk is limited by the nature of its business as follows:

COVID-19

On January 30, 2020, the World Health Organisation ('WHO') declared the coronavirus (COVID-19) a public health emergency, shortly followed by declaring a Global Pandemic on 11 March 2020. This had an unprecedented impact on economies and real estate markets globally. The UK Government response to this being to initiate various emergency measures to protect occupiers and support businesses, such as the introduction of a furlough scheme and the government moratorium. In addition, the UK Government imposed various lockdowns throughout the year with the introduction of social distancing requirements and a ban on foreign travel, all of which added further stresses and demands to the economy.

Post entering into the third lockdown in late December 2020 the Government has put in place a roadmap to ease restrictions which included the roll out of the vaccination plan.

Whilst it is still not possible to fully assess the longer-term impact on specific industries or their constituents at this stage, the Directors believe the Company has a strong balance sheet and the right strategy in place to mitigate against the worst consequences of the outbreak. The Directors will continue to monitor the COVID-19 situation closely and act accordingly to protect the interests of investors.

FREE SOLAR (STAGE 1) LIMITED
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DIRECTORS' REPORT (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2020**

Management of financial and non-financial risks (continued)

Interest rate risk

The Company's principal exposure to interest rate risk comes from its loan borrowings from its parent undertaking. The loan borrowings are index linked and issued at fixed rates which expose the Company to fair value interest rate risk.

Credit risk

The Company does not have a significant exposure to credit risk as receivables are mainly short-term trading items and related party receivables. The Company's assets are managed by agents who have responsibility for the prompt collection of amounts due.

Operational risk

Operational risk arises as a result of inadequate or failed internal processes, people or systems; or from external events. Details of the Aviva Group approach to operational risk are set out in the financial statements of Aviva Investors UK Fund Services Limited, which manages and administers the Company's obligations as and when they fall due.

Liquidity risk

The Company does not have a significant exposure to liquidity risk. Liquidity risk is managed by ensuring that there is always sufficient headroom available on the unsecured loan agreement to meet the working capital requirements of the business. The Directors monitor the maturity of the Company's obligations as and when they fall due.

Going Concern

The Directors have reviewed the current and projected financial position of the Company, making reasonable assumptions about future trading performance. After making enquiries, the Directors of the Company have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Post balance sheets events

There have been no significant events since year end impacting on the financial position of the Company.

Employees

The Company has no employees (2019: none).

Independent Auditors

It is the intention of the Directors to reappoint the auditors under the deemed appointment rules of Section 487 of the Companies Act 2006.

Qualifying Indemnity Provisions

The Directors have the benefit of an indemnity provision contained in the Company's Articles of Association, subject to the conditions set out in the Companies Act 2006. This is a 'qualifying third party indemnity' provision as defined in section 234 of the Companies Act 2006.

Aviva plc granted in 2004 an indemnity to the Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985 (which continue to apply in relation to any provision made before 1 October 2007). This indemnity is a 'qualifying third party indemnity' for the purposes of sections 309A to 309C of the Companies Act 1985. These qualifying third party indemnity provisions remain in force as at the date of approving the Directors' Report by virtue of paragraph 15, Schedule 3 of The Companies Act 2006 (Commencement Number 3, Consequential Amendments, Transitional Provisions and Savings) Order 2007.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Statement of Directors' responsibilities in respect of the financial statements

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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 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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

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

In preparing their report, the Directors have taken advantage of the exemption for small companies in accordance with section 415(A) of the Companies Act 2006. A strategic report has not been included in these audited financial statements as the Company qualifies for exemption as a small entity under Section 414B of the Companies Act 2006 relating to small entities.

21 September 2021

On behalf of the Board on 2021

DocuSigned by:

I Shervell
Director

Independent auditors' report to the members of Free Solar (Stage 1) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Free Solar (Stage 1) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2020; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of Free Solar (Stage 1) Limited (continued)

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

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

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

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue. Audit procedures performed by the engagement team included:

Independent auditors' report to the members of Free Solar (Stage 1) Limited (continued)

- Discussions with management, including consideration of known or suspected instances of non compliance with laws and regulation and fraud;
- Reviewing relevant Board meeting minutes;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, entries posted containing unusual account descriptions, and entries posted with unusual amounts; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Thomas Norrie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 September 2021

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £	2019 £
Turnover	5	2,350,466	2,218,082
Cost of sales		(527,572)	(483,870)
Gross profit		<u>1,822,894</u>	<u>1,734,212</u>
Administrative expenses		(144,205)	(84,606)
Operating profit	6	<u>1,678,689</u>	<u>1,649,606</u>
Profit on disposal of tangible assets		-	70,854
Profit before interest and taxation		<u>1,678,689</u>	<u>1,720,460</u>
Finance costs	7	(332,106)	(434,999)
Profit before taxation		<u>1,346,583</u>	<u>1,285,461</u>
Tax on profit	8	(298,345)	(237,999)
Total comprehensive income for the year		<u><u>1,048,238</u></u>	<u><u>1,047,462</u></u>

Continuing Operations

All amounts reported in the Statement of Comprehensive Income for the years ended 31 December 2020 and 31 December 2019 relate to continuing operations.

The notes on pages 12 to 20 form an integral part of these financial statements.

FREE SOLAR (STAGE 1) LIMITED
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**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Note	2020 £	2019 £
FIXED ASSETS			
Tangible assets	9	<u>5,225,470</u>	<u>5,594,206</u>
CURRENT ASSETS			
Debtors	10	667,020	1,303,331
Cash at bank and in hand		<u>305,714</u>	<u>317,636</u>
		972,734	1,620,967
CREDITORS			
Amounts falling due within one year	11	<u>(443,561)</u>	<u>(546,243)</u>
Net current assets		529,173	1,074,724
Total assets less current liabilities		<u>5,754,643</u>	<u>6,668,930</u>
CREDITORS			
Amounts falling due after more than one year	12	(4,637,494)	(5,850,673)
PROVISIONS FOR LIABILITIES			
Taxation including deferred taxation	8	(542,653)	(459,367)
Net assets		<u>574,496</u>	<u>358,890</u>
CAPITAL AND RESERVES			
Called up share capital	13	1	1
Retained earnings		<u>574,495</u>	<u>358,889</u>
Total equity		<u>574,496</u>	<u>358,890</u>

The notes on pages 12 to 20 form an integral part of these financial statements.

21 September 2021

The financial statements on pages 9 to 20 were approved by the Board of Directors on 2021 and signed on its behalf by:

DocuSigned by:

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I Shervell
 Director

FREE SOLAR (STAGE 1) LIMITED
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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up Share capital	Retained earnings	Total equity
	£	£	£
Balance at 1 January 2019	1	894,368	894,369
Total comprehensive income for the year	-	1,047,462	1,047,462
Dividends for the year	-	(1,582,941)	(1,582,941)
Balance at 31 December 2019	<u>1</u>	<u>358,889</u>	<u>358,890</u>
Total comprehensive income for the year	-	1,048,238	1,048,238
Dividends for the year	-	(832,632)	(832,632)
Balance at 31 December 2020	<u><u>1</u></u>	<u><u>574,495</u></u>	<u><u>574,496</u></u>

The notes on pages 12 to 20 form an integral part of these financial statements

FREE SOLAR (STAGE 1) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1 GENERAL INFORMATION

Free Solar (Stage 1) Limited ("the Company") runs and maintains a portfolio of existing residential PV solar installations in the UK.

The Company is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is The Green Easter Park, Benyon Road, Silchester, Reading RG7 2PQ.

2 STATEMENT OF COMPLIANCE

The Financial Statements have been prepared in compliance with UK accounting standards including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ("FRS 102"), and the Companies Act 2006.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout all the years presented unless otherwise stated.

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Cash Flow Statement

The Company has taken advantage of the exemption, under FRS 102, from preparing a statement of cash flows, on the basis that it is a qualifying entity and the Company's cash flows are included within the consolidated statement of cash flows of its parent entity, Aviva Investors REaLM Infrastructure Limited Partnership.

Strategic Report

A strategic report has not been included in these audited financial statements as the Company qualifies for exemption as a small entity under Section 414B of the Companies Act 2006 relating to small entities.

Basis of preparation

These Financial Statements have been prepared on a going concern basis and under the historical cost convention.

Going concern basis

The Directors have reviewed the current and projected financial position of the Company, making reasonable assumptions about future trading performance. After making enquiries, the Directors of the Company have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

FREE SOLAR (STAGE 1) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably. In practical terms this means revenue from electricity generation is recognised in the period the electricity was generated.

Accrued revenue

Accrued revenue comprises of energy that has been generated but has not been billed yet.

Administrative expenses

Administrative expenses include all costs not directly incurred in the operation of the Company's portfolio. This includes administration and management expenses.

Finance costs

Finance costs are recognised on an effective interest rate basis and include loan facility interest.

Distributions to equity holders

Dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividend and other distributions are approved by the company's shareholders. These amounts are recognised in the Statement of Changes in Equity.

Tangible fixed assets

Tangible fixed assets are stated at their historic purchase cost, together with any incidental expenses of acquisition less accumulated depreciation. Costs include the original purchase price of the asset and the cost attributable to bringing the asset to its working condition for its intended use.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposable proceeds and the carrying amount is recognised in profit or loss and included in profit and loss account.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the expected useful economic life of that asset as follows:

PV Solar Installations	-	25 years straight-line
PV Solar Inverter	-	12 years straight-line

Cash at bank and in hand

Cash at bank and in hand comprises of cash and cash on deposit with banks, both of which are immediately available.

FREE SOLAR (STAGE 1) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided in full, using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognised directly in changes in equity is recognised in the Statement of Changes in Equity and not in the Statement of Comprehensive Income.

Loans and borrowings

Borrowings are recognised at the fair value of the consideration received net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as a finance expense in the Statement of Comprehensive Income.

Borrowings are classified as current liabilities in the financial statements unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. The adjustments that resulted from the use of United Kingdom Retail Price Index ("RPI") on the interest payment date have been adjusted as part of the loans in these audited financial statements.

Impairment of non-financial assets

At each balance sheet date, non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a discount rate that represents the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income.

FREE SOLAR (STAGE 1) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

i. Financial assets

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument.

Basic financial assets, including trade and other receivables, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

Other financial assets are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Statement of Comprehensive Income.

Financial assets that are classified as receivable within one year are measured at the undiscounted amount of the cash or other consideration expected to be received, net of impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

ii. Financial liabilities

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Basic financial liabilities, including creditors and loans payable, are initially measured at transaction price (including transaction costs), except for those financial liabilities classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs).

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Commitments to make which meet the conditions above are measured at cost (which may be nil) less impairment.

Non-current debt instruments which meet the following conditions, are subsequently measured at amortised cost using the effective interest rate method:

a) Returns to the holder are (i) a fixed amount, or (ii) a fixed rate of return over the life of the instrument, or (iii) a variable return that, throughout the life of the instrument, is equal to a single reference quoted or observable interest rate, or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.

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

c) Contractual provision that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.

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

Other debt instruments not meeting these conditions are measured at amortised cost, using the effective interest rate method.

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

iii. Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments disclosure exemption

The Company has taken advantage of the exemption, under FRS 102, from disclosure of its financial instruments, on the basis that it is a qualifying entity and the Company's financial instruments are disclosed within the consolidated financial statements of its parent entity, Aviva Investors REaLM Infrastructure Limited Partnership.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Company financial statements.

The Company has taken advantage of the exemption, under FRS 102, from disclosure of transactions with related parties who are wholly owned within the same Group. The Group includes the Company, its parent undertakings and its fellow subsidiary undertakings.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Company's Financial Statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. The estimates and associated assumptions are based on historical experience, expectations of future events and other factors that are considered to be relevant. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected.

4.1 Critical accounting estimates and assumptions

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

a) Impairment of tangible fixed assets, financial assets and trade debtors

Tangible fixed assets, financial assets and trade debtors are reviewed for impairment at each balance sheet date. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

b) Accounting estimate - depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the expected useful economic life of that asset as follows: PV Solar Installations over 20 years and PV Solar Inverter over 12 years. Depreciation is considered to be a critical accounting estimate and the underlying assumptions are reviewed on an ongoing basis. Revisions to this accounting estimate is recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5 TURNOVER

Analysis of the Company's turnover is as follows:

	2020	2019
<i>Turnover analysed by class of business</i>	£	£
Electricity production	<u>2,350,466</u>	<u>2,218,082</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

6 OPERATING PROFIT

	2020	2019
	£	£
<i>This is stated after charging:</i>		
Depreciation of owned tangible fixed assets	382,232	383,297
Auditors' remuneration – audit services	<u>11,232</u>	<u>11,198</u>

The Company did not have any employees during the current year or previous year. Directors were employed and remunerated by Aviva Investors Employment Services Limited. No recharge was made by the parent company for their services (2019: £nil). During the year no non-audit fees were paid to statutory auditors (2019: £nil).

7 FINANCE COSTS

	2020	2019
	£	£
Loan interest payable to parent undertaking	<u>332,106</u>	<u>434,999</u>

8 TAX ON PROFIT

	2020	2019
	£	£
<i>Corporation tax:</i>		
Corporation tax at 19% (2019 – 19%)	64,967	111,765
Group relief payable	<u>162,883</u>	<u>82,554</u>
	227,850	194,319
Adjustments in respect of prior periods	<u>(12,791)</u>	<u>(1,122)</u>
Total current tax charge	<u>215,059</u>	<u>193,197</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	28,001	44,802
Adjustments in respect of prior periods	1,111	-
Effect of tax rate change on opening balance	54,174	-
Total deferred tax charge	<u>83,286</u>	<u>44,802</u>
Tax on profit	<u>298,345</u>	<u>237,999</u>

Factors affecting the tax charge for the year:

The tax assessed for the year is higher (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019 – 19%). The differences are explained below.

	2020	2019
	£	£
Profit before taxation	<u>1,346,583</u>	<u>1,285,461</u>
Tax at 19% (2019 – 19%)	255,851	244,238
Effects of:		
Other tax adjustments, reliefs and transfers	-	(10,052)
Chargeable gains	-	10,206
Group relief claimed	(162,883)	(82,554)
Payment for group relief	162,883	82,554
Adjustments in respect of prior periods	(12,791)	(1,122)
Adjustments in respect of prior periods – deferred tax	1,111	-
Changes in tax rates	-	(5,271)
Re-measurement of deferred tax for changes in tax rates	54,174	-
Tax charge for the year	<u>298,345</u>	<u>237,999</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

8 TAX ON PROFIT (continued)

	2020 £	2019 £
Provision for deferred tax:		
Fixed asset timing differences	542,653	459,367
Total deferred tax liability	<u>542,653</u>	<u>459,367</u>
<i>Movement in the provision:</i>		
At start of year	459,367	414,565
Charge for the year	83,286	44,802
At end of year	<u>542,653</u>	<u>459,367</u>

Factors that may affect future tax charges

During 2020, the reduction in the UK corporation tax rate that was due to take effect from 1 April 2020 was cancelled and as a result, the rate remained at 19%. This revised rate has been used in the calculation of the Company's deferred tax and liabilities as at 31 December 2020 and increased the Company's deferred tax liability by approximately £57,100.

In Budget of 3 March 2021 the UK Government announced that UK corporation tax rate will increase to 25% from 1 April 2023. As of 31 December 2020, this measure had not been substantively enacted and therefore no impact is reflected in the calculation of the Company's deferred tax assets and liabilities as at 31 December 2020. This measure would increase the Company's deferred tax liability by approximately £171,400.

9 TANGIBLE ASSETS

	PV Solar Installations £	PV Solar Inverter £	Total £
Cost			
At start of year	8,269,187	612,861	8,882,048
Additions in year	-	15,058	15,058
Disposals in year	-	(8,072)	(8,072)
At end of year	<u>8,269,187</u>	<u>619,847</u>	<u>8,889,034</u>
Accumulated depreciation			
At start of year	2,871,340	416,502	3,287,842
Disposals in year	-	(6,510)	(6,510)
Charge for the year	330,766	51,466	382,232
At end of year	<u>3,202,106</u>	<u>461,458</u>	<u>3,663,564</u>
Net book value			
At 31 December 2019	<u>5,397,847</u>	<u>196,359</u>	<u>5,594,206</u>
At 31 December 2020	<u>5,067,081</u>	<u>158,389</u>	<u>5,225,470</u>

10 DEBTORS

	2020 £	2019 £
<i>Amounts falling due within one year:</i>		
Trade debtors	29,824	-
Taxation	6,629	-
Prepayments and accrued income	630,567	1,303,331
	<u>667,020</u>	<u>1,303,331</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

11 CREDITORS: Amounts falling due within one year

	2020	2019
	£	£
Trade creditors	145,534	4,312
Amounts owed to group undertakings	91,662	186,661
Taxation	18,284	130,049
Accruals and deferred income	188,081	225,221
	<u>443,561</u>	<u>546,243</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayments and are payable on demand.

12 CREDITORS: Amounts falling due after more than one year

	2020	2019
	£	£
Loan from parent undertaking due in more than five years	<u>4,637,494</u>	<u>5,850,673</u>

In 2013, the Company entered into a loan facility for a total available amount of £10,022,035 with Aviva Investors Infrastructure Income No. 1 Limited. The loan from parent undertaking bears interest at 5.55 % per annum with an RPI uplift, is unsecured, and is repayable on 31 December 2037. An amount of £43,809 (2019: £108,527) representing Retail Price Index (RPI) adjustment on the loan was added to the loan principal during the period.

13 CALLED UP SHARE CAPITAL

	2020	2019
	£	£
<i>Issued and fully paid</i>		
Ordinary Shares of £1 each	<u>1</u>	<u>1</u>

14 ULTIMATE PARENT UNDERTAKING & CONTROLLING PARTY

The Company's immediate parent undertaking is Aviva Investors Infrastructure Income No. 1 Limited, a company incorporated in the United Kingdom, and its ultimate parent undertaking is Aviva Investors Infrastructure Income Unit Trust, which is registered in Jersey.

Aviva Investors Infrastructure Income Limited Partnership, which has 100% interest of the Company, is both the largest and the smallest group of undertakings to consolidate these financial statements at 31 December 2020. The consolidated financial statements of Aviva Investors Infrastructure Income Limited Partnership are available on application to:

Aviva Company Secretarial Services Limited
St Helen's
1 Undershaft, London
EC3P 3DQ

The General Partner of the Aviva Investors Infrastructure Income Limited Partnership is the Aviva Investors Infrastructure GP Limited, a company incorporated in Great Britain and registered in England and Wales.