

REGISTERED NUMBER: 08529856 (England and Wales)

Tiers Cross Solar Limited
Directors' Report and
Financial Statements for the Year Ended 31 December 2020



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for the Year Ended 31 December 2020**

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Tiers Cross Solar Limited

**Company Information
for the Year Ended 31 December 2020**

DIRECTORS:

E De Blasio
S R Sayeed

REGISTERED OFFICE:

5th Floor 86 Jermyn Street
London
SW1Y 6AW

REGISTERED NUMBER:

08529856 (England and Wales)

AUDITORS:

Deloitte LLP
1 New Street Square
London
EC4A 3HQ

**Directors' Report
for the Year Ended 31 December 2020**

The directors present their report with the financial statements of the Company for the year ended 31 December 2020.

PRINCIPAL ACTIVITY

The principal activity of the Company in the year under review was that of the generation and sale of electricity from solar power.

REVIEW OF BUSINESS

The loss before taxation for the year was £2,288,459 (2019: £1,768,763). The Directors do not recommend a dividend for the year ended 31 December 2020 (2019: £Nil).

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors who have held office during the period from 1 January 2020 to the date of this report are as follows:

A Rafique - resigned 6 March 2020
E De Blasio - appointed 6 March 2020
S R Sayeed - appointed 6 March 2020

The Company has granted an indemnity against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

COVID-19

The Directors have considered COVID-19 and concluded that it will have a limited impact on the Company's ability to trade. The site, service providers and liquidity are being closely monitored during this period to ensure any ensuing risks are addressed.

GOING CONCERN

The Company made a loss before taxation of £2,288,459 in the year (2019: £1,768,763) and has net liabilities of £10,382,951 (2019: £8,534,607). The Company maintained a positive cash balance of £4,244,668 at year end (2019: £4,428,827).

The Directors believe that the Company is well placed to manage its business risks successfully. Having reviewed the Company's current position and cash flow projections, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Company is part of a larger group and is a wholly owned subsidiary of Quercus Renewable Holding 1 Limited, which in turn is a subsidiary of Lux Renewable Holdings 2 Sarl (registered in Luxembourg) (the Group). The Company participates in the Group's centralised treasury and banking arrangements with its parent and fellow subsidiaries, which are ultimately reliant upon the financial support of Green Arrow Asset Selection SCA SICAV-SIF (the Fund). In completing this analysis, the Directors have considered the commitment and ability of the Group and the Fund to continue to provide such finance and have received a commitment from both the parent company of the Group and the Fund, that it has no intention within the next two years from the 31 December 2020 of demanding repayment of the loans advanced and that they will continue to support the Company as a Going Concern from the date on which the accounts are signed. A letter of support to this effect has been provided by the Directors of the parent company and the Fund. The Company is therefore expected to continue to be in a position to obtain finance via intercompany loans to operate for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the annual report and financial statements.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each person who was a Director at the date of approving the report is aware, there is no relevant audit information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each Director has taken all the steps that he (or she) is obliged to take as a Director in order to make himself (or herself) aware of any relevant audit information and to establish that the auditor is aware of that information.

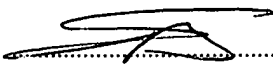
AUDITORS

In accordance with Section 485-488 of the Companies Act 2006, the Auditor, Deloitte LLP, will be deemed to be reappointed and therefore will continue in office.

The Company has taken advantage of the exemption for the requirement to disclose an enhanced business review and to prepare a Strategic Report in accordance with section 414B of the Companies Act 2006.

This report has been prepared in accordance with the provisions of Part 15 of the Companies' Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:



E De Blasio - Director

Date: 21/05/2021

**Directors' Responsibilities Statement
for the Year Ended 31 December 2020**

The directors are responsible for preparing the Annual 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 law), 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 of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Tiers Cross Solar Limited ('The Company'):

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

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of accounting policies and;
- related notes 1 to 16.

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).

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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

Responsibilities of directors

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 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 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's operating licence and Health and Safety legislation.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- the risk of impairment in respect of the carrying value of fixed assets. We tested management's assumptions in respect of the impairment analysis performed, including challenging the discount rate, inflation rate, and cash flow forecasts through benchmarking to external data sources and performing sensitivity analysis.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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 Auditors' Report. 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.

Report on other legal and regulatory requirements

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

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.

Marianne Milnes

Marianne Milnes FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

Date: 21 May 2021

**Profit and loss account
for the Year Ended 31 December 2020**

	Notes	2020 £	2019 £
TURNOVER		2,400,077	2,931,405
Cost of sales		<u>(1,507,434)</u>	<u>(1,941,363)</u>
GROSS PROFIT		892,643	990,042
Administrative expenses		<u>(336,567)</u>	<u>(247,768)</u>
		556,076	742,274
Other operating income/(costs)		<u>-</u>	<u>158,853</u>
OPERATING PROFIT	3	556,076	901,127
Finance costs (net)	4	<u>(2,844,535)</u>	<u>(2,669,890)</u>
LOSS BEFORE TAXATION		(2,288,459)	(1,768,763)
Tax on loss	5	<u>440,115</u>	<u>(77,770)</u>
LOSS FOR THE FINANCIAL YEAR		<u><u>(1,848,344)</u></u>	<u><u>(1,846,533)</u></u>

Balance Sheet
As at 31 December 2020

	Notes	2020 £	2019 £
FIXED ASSETS			
Tangible assets	6	25,645,091	26,852,759
CURRENT ASSETS			
Debtors	7	1,160,942	844,973
Cash at bank		<u>4,244,668</u>	<u>4,428,827</u>
		5,405,610	5,273,800
CREDITORS			
Amounts falling due within one year	8	<u>(1,133,562)</u>	<u>(1,471,427)</u>
NET CURRENT ASSETS		<u>4,272,048</u>	<u>3,802,373</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		29,917,139	30,655,132
CREDITORS			
Amounts falling due after more than one year	9	(39,193,791)	(38,056,635)
PROVISIONS FOR LIABILITIES	12	<u>(1,106,299)</u>	<u>(1,133,104)</u>
NET LIABILITIES		<u>(10,382,951)</u>	<u>(8,534,607)</u>
CAPITAL AND RESERVES			
Called up share capital	13	1	1
Retained earnings		<u>(10,382,952)</u>	<u>(8,534,608)</u>
		<u>(10,382,951)</u>	<u>(8,534,607)</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the Board of Directors and authorised for issue on 21/05/2021 and were signed on its behalf by:


E De Blasio - Director

**Notes to the Financial Statements
for the Year Ended 31 December 2020**

1. GENERAL INFORMATION

Tiers Cross Solar Limited is a private limited company incorporated and domiciled in England and Wales. The address of the company's registered office is 5th Floor 86 Jermyn Street, London, England, SW1Y 6AW.

The principal activity of the Company in the year under review was that of the generation and sale of electricity from solar power.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Section 1A of Financial Reporting Standard 102 (FRS 102) 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' issued by the Financial Reporting Council. The Company has applied the amendments to FRS 102 issued by the FRC in December 2017 with effect from 1 January 2019. The transitional provisions relating to the triennial review amendments have not resulted in any restatements of comparative information by the Company.

The financial statements are presented in the functional currency of the Company, Pounds Sterling (£), as this is the currency of the primary economic environment in which the Company operates. The financial statements are rounded to the nearest £.

The last financial statements under a previous GAAP (IFRS) were for the year ended 31 December 2018 and the date of transition to FRS 102 Section 1A was therefore 1 January 2019. As a consequence of adopting FRS 102 Section 1A, a number of accounting policies have changed to comply with that standard.

There is no impact on equity or profit on loss as a result of the transition. The impact on every line item within the Profit and loss account and the Balance Sheet has been considered, and there is no effect on any line items. The current year figures are comparable with the unadjusted prior year equivalents and as a result, no impact of transition summary has been included within the Financial Statements.

Going Concern

The Directors have considered COVID-19 and concluded that it will have a limited impact on the Company's ability to trade. The site, service providers and liquidity are being closely monitored during this period to ensure any ensuing risks are addressed.

The Company made a loss before taxation of £2,288,459 in the year (2019: £1,768,763) and has net liabilities of £10,382,951 (2019: £8,534,607). The Company maintained a positive cash balance of £4,244,668 at year end (2019: £4,428,827).

The Company is part of a larger group and is a wholly owned subsidiary of Quercus Renewable Holding 1 Limited, which in turn is a subsidiary of Lux Renewable Holdings 2 Sarl (registered in Luxembourg) (the Group). The Company participates in the Group's centralised treasury and banking arrangements with its parent and fellow subsidiaries, which are ultimately reliant upon the financial support of Green Arrow Asset Selection SCA SICAV-SIF (the Fund). In completing this analysis, the Directors have considered the commitment and ability of the Group and the Fund to continue to provide such finance and have received a commitment from both the parent company of the Group and the Fund, that it has no intention within the next two years from the 31 December 2020 of demanding repayment of the loans advanced and that they will continue to support the Company as a Going Concern from the date on which the accounts are signed. A letter of support to this effect has been provided by the Directors of the parent company and the Fund. The Company is therefore expected to continue to be in a position to obtain finance via intercompany loans to operate for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the annual report and financial statements.

Turnover

Turnover represents income derived from the generation and subsequent sale of energy from an operational solar park during the year. Income is generated entirely within the United Kingdom.

Turnover is measured as the fair value of the consideration received or receivable. The fair value of the consideration excludes trade discounts, volume rebates and other sales taxes. Turnover is recognised when persuasive evidence of an arrangement exists, electricity has been generated and transmitted to the grid, the price of electricity is fixed or determinable and the collectability of the resulting receivable is reasonably assured. Any un invoiced income is accrued in the period in which it has been generated.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended use.

Tangible fixed assets are depreciated to their estimated residual values on a straight line basis over their expected useful lives as follows:

Solar PV Assets 4% per annum

Solar PV Assets represents the costs of construction of solar plants, solar panels, civil/structural and electrical costs, grid connection, planning and professional fees, and associated capitalised borrowing costs that are directly attributable to bringing the assets to their working condition for their intended use.

Impairment of assets

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

- Non-financial assets

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

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

- Financial assets

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

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

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

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. **ACCOUNTING POLICIES - continued**

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Operating leases

Rentals under operating leases are charged to the Income Statement on a straight line basis over the lease term.

Finance costs

Finance costs are charged to the Income Statement using the effective interest method.

Financial instruments

FRS 102 allows entities a choice between applying the recognition and measurement requirements of:

Sections 11 and 12;

IAS 39 Financial Instruments: Recognition and Measurement;

IFRS 9 Financial Instruments

The entity has elected to apply IFRS 9 to the recognition and measurement of Financial Instruments and the disclosure requirements of Sections 11 and 12 of FRS 102.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

- Financial Assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. At 31 December 2020 and 2019, the Company only has 'loans and receivables'.

- Financial liabilities and equity

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

- Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2. **ACCOUNTING POLICIES - continued**

- Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. At 31 December 2019 and 2018, the Company only has liabilities recognised at amortised cost. Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Disclosure exemptions

The Company satisfies the criteria of being a qualifying small entity as defined in FRS 102 Section 1A. As such, advantage has been taken of the following disclosure exemptions available under FRS 102 Section 1A:

- No cash flow statement has been presented for the Company
- Disclosures in respect of financial instruments have not been prepared.

2. **ACCOUNTING POLICIES - continued**

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The most critical accounting policies and estimates in determining the financial conditions and results of the Company are those requiring a greater degree of subjective or complete judgement. These relate to:

Critical accounting judgements

- Deferred taxes and the recognition thereof

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Key sources of estimation uncertainty

- Decommissioning provision

The Company is liable for decommissioning costs at the end of the life of the project to return the solar farm site to its original state and condition. The key assumptions for the value in use calculations are those regarding the discount, inflation rates and expected costs. There is uncertainty at the present time about the exact timing and quantum of these costs. A provision for decommissioning has been recognised on the Directors' best estimate of the decommissioning obligation. The estimated future cash outflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

- Useful life of property, plant and equipment

The Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. It is estimated that the useful life of the solar farm to be 25 years from the date of connection to the electricity grid on 23 October 2014.

- Residual value of property, plant and equipment

The Company reviews the estimated residual value of property, plant and equipment at the end of each reporting period. The key assumptions for the value in use calculations are those regarding the future metal prices, inflation and discount rates. The estimated future cash inflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. The estimated future cash flows are applied as a reduction to the depreciable value of the property, plant and equipment.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2020**

3. OPERATING PROFIT

The loss before income tax is stated after charging:

	2020 £	2019 £
Fees payable to auditors for the audit of these financial statement	10,000	11,650
Net foreign exchange loss/(gains)	1,420	(282)
Depreciation	1,290,960	1,288,374
Impairment of Fixed Assets	125,607	-
Operating Lease Expense	195,162	190,892
Other operating income	-	(158,853)

The other income of £158,853 received in the 2019 relates to insurance income received to cover damages to two transformers and the resulting business interruption. No insurance income was received in the year ended 31 December 2020.

The Directors received £5,000 in remuneration for their duties in respect of the Company for the current year (2019: £0). There are no employees in the Company in the current and prior year and therefore no employee costs.

4. FINANCE COSTS (NET)

	2020 £	2019 £
Interest paid on loans from group undertakings	2,173,639	1,981,005
Bank loan interest paid	655,826	670,653
Finance Charges - Decommissioning	15,070	18,232
	<u>2,844,535</u>	<u>2,669,890</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

5. TAXATION

(a) Income tax charged in the Income Statement

	2020 £	2019 £
Current tax:		
UK Corporation tax on the loss for the period	-	-
Deferred tax:		
Origination and reversal of timing differences	(138,211)	59,329
Adjustment in respect of previous periods	(301,904)	18,441
Total tax per income statement	<u>(440,115)</u>	<u>77,770</u>

(b) The charge for the year can be reconciled to the profit per the Income Statement as follows:

	2020 £	2019 £
Accounting loss before taxation	<u>(2,288,459)</u>	<u>(1,768,763)</u>
Tax on loss at standard UK tax rate of 19.00% (2019: 19.00%)	(434,807)	(336,064)
Expenses not deductible	208,219	172,215
Fixed asset timing differences	15,538	15,538
Deferred Tax not recognised	72,840	207,640
Adjustment from previous periods	(301,905)	18,441
Tax (credit)/charge for the period	<u>(440,115)</u>	<u>77,770</u>

(c) Deferred tax

	2020 £	2019 £
Fixed asset timing differences	(680,716)	(603,737)
Losses	<u>1,205,123</u>	<u>688,029</u>
Asset at end of period	<u>524,407</u>	<u>84,292</u>

Unrecognised Deferred Tax Amounts

A deferred tax asset of £516,173 (2019: £443,333) has not been recognised on the grounds that recoverability is not certain.

Impact of The Finance Bill 2021

The Finance Bill 2021 has set out measures to increase the rate of Corporation Tax to 25% on profits over £250,000 from April 2023. Although this has not yet been substantively enacted, had it been adopted at the balance sheet date, there would have been an immaterial impact on the tax credit for the period and an immaterial impact on the carrying amount of the deferred tax asset.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

6. TANGIBLE FIXED ASSETS

	Plant and machinery etc £
COST	
At 1 January 2020	33,509,106
Additions	250,774
Disposals	(162,218)
Movement in provision	(41,876)
At 31 December 2020	<u>33,555,786</u>
DEPRECIATION	
At 1 January 2020	6,656,347
Charge for year	1,290,958
Disposals	(36,610)
At 31 December 2020	<u>7,910,695</u>
NET BOOK VALUE	
At 31 December 2020	<u>25,645,091</u>
At 31 December 2019	<u>26,852,759</u>

The movement in provision relates to the decommissioning provision (see note 12).

Borrowing costs of £1,979,536 (2019: £2,084,645) are included within tangible fixed assets.

The solar farm has been pledged as collateral for the bank loan entered into by the entity.

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £	2019 £
Prepayments	132,158	90,674
Accrued income	424,836	499,414
VAT	79,541	11,740
Other debtors	-	158,853
	<u>636,535</u>	<u>760,681</u>
Amount due after more than one year		
Deferred Tax	<u>524,407</u>	<u>84,292</u>
Aggregate amounts	<u>1,160,942</u>	<u>844,973</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £	2019 £
Trade creditors	25,478	-
Accruals	33,727	529,826
Amounts owed to group undertakings	43,395	-
Loans (see note 10)	<u>1,030,962</u>	<u>941,601</u>
	<u>1,133,562</u>	<u>1,471,427</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020 £	2019 £
Loans (see note 10)	<u>39,193,791</u>	<u>38,056,635</u>

Included in the Creditors balance are amounts totalling £32,967,469 (2019: £35,620,850) which are due for repayment after more than five years.

10. LOANS

	2020 £	2019 £
Amount due for settlement within 12 months		
Bank Loans	<u>1,030,962</u>	<u>941,601</u>
Amount due for settlement after 12 months		
Bank Loans	14,670,532	15,707,016
Loans from Parent Company	<u>24,523,259</u>	<u>22,349,619</u>
	<u>39,193,791</u>	<u>38,056,635</u>
Total Borrowings	<u>40,224,753</u>	<u>38,998,236</u>

All loans are Sterling denominated.

The other principal features of the company's borrowings are as follows:

The loans from parent company are repayable on demand, carry interest of 9.5% per annum charged on the outstanding loan balances and have a maturity of 15 years. The parent company has agreed not to call upon these loans for repayment for a period of at least two years from the period ended 31 December 2020.

The bank loan is split into two tranches:

- Tranche A: £10,525,025 at a fixed interest rate of 3.995% payable over 19 years
- Tranche B: Index linked £10,974,975 at a fixed interest rate of 1.506% payable over 19 years

The weighted average interest rates paid during the year was 7.23% (2019: 6.64%).

On issue of the bank loan, borrowing costs of £1,259,027 were capitalised, which are being amortised over the life of the loan using the effective interest method.

11. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2020 £	2019 £
Within one year	193,924	191,367
Between one and five years	775,698	765,469
In more than five years	<u>3,475,763</u>	<u>3,621,824</u>
	<u>4,445,385</u>	<u>4,578,660</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

12. PROVISIONS FOR LIABILITIES

	£
Balance at 31 December 2019	1,133,104
Unwind of discount rate	15,070
Movement in provision	(41,875)
Balance at 31 December 2020	1,106,299

The Company's decommissioning provision results from its obligation at the end of the lease periods on 28 November 2043, to return the solar farm to its original state and condition. The Company has estimated the net present value of the decommissioning provision to be £1,106,299 as at 31 December 2020 (2019: £1,133,104). The discount factor, being the adjusted risk free rate related to the liability, was 1.5% as at 31 December 2020 (2019: 1.8%).

13. CALLED UP SHARE CAPITAL

	No.	2020 £	No.	2019 £
Allocated, called up and fully paid				
Ordinary shares of £0.01 each	100	1	100	1

14. RELATED PARTY DISCLOSURES

The company has applied the exemption granted by paragraph 33.1A of FRS 102 Related Party Disclosures not to disclose transactions with members of the same group.

15. POST BALANCE SHEET EVENTS

There are no events after the balance sheet date to disclose.

16. ULTIMATE CONTROLLING PARTY

In the Directors' opinion the ultimate parent undertaking and controlling party is Green Arrow Capital having its registered address in Via Parigi, 11, 00185, Rome, Italy.

The Company's immediate parent is Quercus Renewable Holding 1 Limited, a company incorporated in the United Kingdom, and having its registered office at 5th Floor 86 Jermyn Street, London, England, SW1Y 6AW.