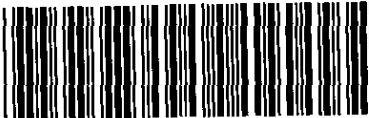


Registered number  
10693054

FRP Mercia Holdco Limited  
Annual Report and Financial Statements  
31 December 2020

MONDAY		*AACYUQI9*	
	ACO	13/09/2021	#31
	COMPANIES HOUSE		
MR		*AAFW4Q57*	
	A18	25/10/2021	#52
	COMPANIES HOUSE		
THU		*AAE4SN20*	
	A66	30/09/2021	#88
	COMPANIES HOUSE		
M		*AACWUNIJ*	
	A07	13/09/2021	#58
	COMPANIES HOUSE		

**FRP Mercia Holdco Limited**  
**Report and financial statements**  
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## **FRP Mercia Holdco Limited**

### **Strategic Report**

The directors present their Strategic Report on the group for the year ended 31 December 2020.

#### **Business review**

FRP Mercia Holdco Limited (FRP) is the parent company of the group that specialises in the provision of balancing and peaking power to the National Grid and other UK power market participants. The sites are managed by a fellow subsidiary Mercia Power Response Limited.

At 31 December 2020, the group had 121MW of operational capacity together with a further 20 MW under construction.

These sites sell power on the day ahead and intraday markets at peak times of day and also through the provision of services to National Grid to help them balance the power network in real-time.

The board are pleased with the performance of the group in the period to 31 December 2020 which was in line with budgets with key indicators EBITDA and operational availability on target. Since March 2020 the business has had to respond to the disruption of Covid-19. The business has been resilient to this disruption which has had overall no noticeable impact on the results of the Group. *The nature of the business allows for the management function to be effectively carried out remotely, working from home and the visits to sites can be carried out safely with suitable social distancing and other safety measures implemented.*

Demand for peaking and balancing power is forecast to grow, driven primarily by the growth in installed capacity of renewables. This creates a need for highly flexible, dispatchable plant that can generate at short notice during times of low renewable output or high demand. The Group has built highly flexible power plants that are able to provide this flexibility along with an intelligent dispatch platform to ensure the assets generate at times when they are needed most.

In March 2021 the 20MW of development sites was transferred out to a fellow subsidiary in preparation for a refinancing of part of FRP's debt to release funding for further development within the Mercia Power Response Group. Following the year end on 21 May 2021 FRP drew down £17.8 million (net) under a loan facility from NatWest Bank. The loan is repayable over 8 years.

## **FRP Mercia Holdco Limited**

### **Strategic Report**

#### **Principal risks and uncertainties**

##### *i) Operating risks*

*Wholesale power and gas prices* - to achieve success in merchant market the power price must, generally, be higher than the Group's cost of generation. This is outside the control of the Group. The Group believes that the fundamental underlying changes to the generation mix are sufficiently strong that prices will be regularly above the cost of generation. The Group has also mitigated this operating risk through continued investment in our intelligent dispatch platform and our joint venture with a market leading optimisation service provider.

##### *ii) Regulatory risk*

The Group manages this risk through the use of regulatory specialists and power market consultants. The Group is also actively engaged in industry forums and maintains strong relationships with regulatory bodies.

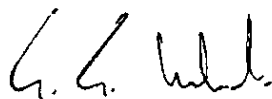
##### *iii) Financial risk*

The Group's principal financial instruments comprise cash, cash equivalents and loans. Other financial assets and liabilities, such as trade creditors and trade debtors, arise directly from the Group's operating activities.

The Group has established processes with the objective of ensuring sufficient working capital exists. Under the terms of the loan from the parent company interest unpaid rolls up into the loan, providing flexibility in the use of cash.

The main risks associated with the Company's financial assets and liabilities is credit risk. The Group has external debtors, however, these are restricted to larger well funded organisations in order to ensure that credit is not extended where there is a likelihood of default.

This report was approved by the board on 20 August 2021 and signed on its behalf.



Graham White  
Director

**FRP Mercia Holdco Limited****Registered number:** 10693054**Directors' Report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2020.

**Principal activities**

The company is the holding company for a group whose activities are the development, operation and management of peaking power plants.

**Future developments**

The directors are confident about the future of the company and its business. Reference is made to the Strategic Report where more information is included.

**Result for the year and dividends**

The loss for the financial year was £3,345,659 (2019: Loss of £6,751,634). The directors do not recommend payment of a dividend.

**Events since the balance sheet date**

On 21 May 2021 the Group drew down £17.8 million (net) under a loan facility from NatWest Bank. The loan is repayable over 8 years. The loan was taken to finance further development of the group whether by acquisition of operational sites or the development of new ones.

**Directors**

The following persons served as directors during the year:

Graham White  
Paul Tittley  
Andrew Leach  
Neil O'Brien  
Graham Shaw  
Richard Thompson (Appointed 25 September 2020)  
Daniel Cambridge (Resigned 25 September 2020)

**Political donations**

No political donations were made in the period.

**Disclosure of information to auditors**

Each person who was a director at the time this report was approved confirms that:

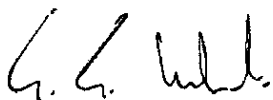
- so far as he is aware, there is no relevant audit information of which the company's auditor is unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of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

**Third party indemnity provisions**

The company maintains Directors and Officers insurance cover.

This report was approved by the board on 20 August 2021 and signed on its behalf.

Graham White  
Director



## **FRP Mercia Holdco Limited**

### **Statement of Directors' Responsibilities**

The directors are responsible for preparing the directors' report, the strategic 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 group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 group and company and of the profit or loss of the group and company for that period. In preparing these financial statements, the directors are required to:

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

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

**FRP Mercia Holdco Limited**  
**Independent auditor's report**  
**to the member of FRP Mercia Holdco Limited**

**Opinion on the financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of FRP Mercia Holdco Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise of the Consolidated Income Statement, Consolidated and Company Statements of Financial Position, Group and Company Statements of Changes in Equity, Consolidated statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 - *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

**Basis of 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

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

**Conclusions relating to going concern**

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

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

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

**Other information**

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

We have nothing to report in this regard.

**FRP Mercia Holdco Limited**  
**Independent auditor's report**  
**to the member of FRP Mercia Holdco Limited**

**Other Companies Act 2006 reporting**

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

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

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

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

**Responsibilities of Directors**

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

*Extent to which the audit was 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 obtained an understanding of the legal and regulatory frameworks applicable to the Group based on our understanding of the Group and sector experience and discussions with management. The most significant considerations for the Group are the Companies Act 2006, corporate taxes and VAT and employment tax legislation.
- We enquired of management and obtained and reviewed supporting documentation, concerning the Group's policies and procedures relating to:
  - o identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - o detecting and responding to the risks of fraud and whether they had knowledge of any actual, suspected or alleged fraud; and
  - o the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.



**FRP Mercia Holdco Limited**  
**Independent auditor's report**  
**to the member of FRP Mercia Holdco Limited**

- 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 manipulate financial results and management bias in accounting estimates.

Based on our understanding of the environment and assessment of the incentive and opportunity for fraud we carried out the following procedures:

- We reviewed correspondence with the relevant authorities to identify any irregularities or instances of non-compliance with laws and regulations. We corroborated our enquiries of management through our review of board minutes.
- We used data assurance techniques to identify and analyse the complete population of all journals in the year to identify and substantively test any which we considered were indicative of management override. We also tested the consolidation journals and other adjustments made in the preparation of the financial statements
- We reviewed the Group's accounting policies for non-compliance with relevant standards. Our work also included considering significant accounting estimates for evidence of misstatement or possible bias and testing any significant transactions that appeared to be outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

*Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.*

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

**Use of our report**

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Gareth Singleton  
(Senior Statutory Auditor)  
for and on behalf of BDO LLP  
Statutory Auditor  
Birmingham, UK  
23 August 2021

DocuSigned by:  
*Gareth Singleton*  
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BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**FRP Mercia Holdco Limited**  
**Consolidated Income Statement**  
**for the year ended 31 December 2020**

	<b>Notes</b>	<b>2020</b> <b>£</b>	<b>2019</b> <b>£</b>
<b>Turnover</b>	<b>3</b>	19,826,731	11,193,855
<b>Cost of sales</b>		(12,310,048)	(6,881,716)
<b>Gross profit</b>		<u>7,516,683</u>	<u>4,312,139</u>
Administrative expenses		(5,347,613)	(4,650,452)
Other operating income		18,436	-
<b>Operating profit/(loss)</b>	<b>4</b>	<u>2,187,506</u>	<u>(338,313)</u>
Interest receivable		1,163	-
Interest payable	<b>5</b>	(5,534,328)	(6,413,321)
<b>Loss on ordinary activities before taxation</b>		<u>(3,345,659)</u>	<u>(6,751,634)</u>
Tax on loss on ordinary activities	<b>6</b>	-	-
<b>Loss for the financial year</b>		<u>(3,345,659)</u>	<u>(6,751,634)</u>

There was no other comprehensive income in either year.

All of the result comes from the continuing operations of the group.

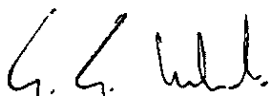
**FRP Mercia Holdco Limited**  
**Consolidated and Company Statements of Financial Position**  
**as at 31 December 2020**

	Notes	Group		Company	
		2020	2019	2020	2019
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	7	55,345,529	50,286,227	-	-
Investments	8	-	-	1	1
		<u>55,345,529</u>	<u>50,286,227</u>	<u>1</u>	<u>1</u>
<b>Current assets</b>					
Debtors	9	5,802,748	5,272,243	74,839,724	67,836,200
Cash at bank and in hand		<u>1,897,931</u>	<u>1,810,345</u>	<u>1,897,931</u>	<u>1,810,345</u>
		<u>7,700,679</u>	<u>7,082,588</u>	<u>76,737,655</u>	<u>69,646,545</u>
<b>Creditors: amounts falling due within one year</b>	10	(9,393,531)	(7,020,462)	(4,171,181)	(3,552,547)
<b>Net current (liabilities)/assets</b>		<u>(1,692,852)</u>	<u>62,126</u>	<u>72,566,474</u>	<u>66,093,998</u>
<b>Total assets less current liabilities</b>		<u>53,652,677</u>	<u>50,348,353</u>	<u>72,566,475</u>	<u>66,093,999</u>
<b>Creditors: amounts falling due after more than one year</b>	11	(72,627,374)	(65,977,391)	(72,627,374)	(66,129,372)
<b>Net liabilities</b>		<u>(18,974,697)</u>	<u>(15,629,038)</u>	<u>(60,899)</u>	<u>(35,373)</u>
<b>Capital and reserves</b>					
Called up share capital	13	1	1	1	1
Profit and loss account	14	(18,974,698)	(15,629,039)	(60,900)	(35,374)
<b>Total equity</b>		<u>(18,974,697)</u>	<u>(15,629,038)</u>	<u>(60,899)</u>	<u>(35,373)</u>

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Income Statement in these financial statements. The loss for the year was £25,526 (2019: Profit £12,412).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Graham White  
Director  
20 August 2021



Registered number  
10693054

**FRP Mercia Holdco Limited**  
**Group statement of Changes in Equity**  
**for the year ended 31 December 2020**

	<b>Share capital</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 1 January 2019</b>	1	(8,877,405)	(8,877,404)
Loss for the financial year		(6,751,634)	(6,751,634)
<b>At 31 December 2019</b>	<u>1</u>	<u>(15,629,039)</u>	<u>(15,629,038)</u>
<b>At 1 January 2020</b>	1	(15,629,039)	(15,629,038)
Loss for the financial year		(3,345,659)	(3,345,659)
<b>At 31 December 2020</b>	<u>1</u>	<u>(18,974,698)</u>	<u>(18,974,697)</u>

**FRP Mercia Holdco Limited**  
**Company statement of Changes in Equity**  
**for the year ended 31 December 2020**

	<b>Share capital</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 1 January 2019</b>	1	(47,786)	(47,785)
Profit for the financial year		12,412	12,412
<b>At 31 December 2019</b>	<u>1</u>	<u>(35,374)</u>	<u>(35,373)</u>
<b>At 1 January 2020</b>	1	(35,374)	(35,373)
Loss for the financial year		(25,526)	(25,526)
<b>At 31 December 2020</b>	<u>1</u>	<u>(60,900)</u>	<u>(60,899)</u>

**FRP Mercia Holdco Limited**  
**Consolidated statement of Cash Flows**  
**for the year ended 31 December 2020**

	2020 £	2019 £
<b>Operating activities</b>		
Loss for the financial year	(3,345,659)	(6,751,634)
Adjustments for:		
Interest receivable	(1,163)	-
Interest payable	5,534,328	6,413,321
Depreciation	1,800,488	1,684,962
Increase in debtors	(530,505)	(3,449,534)
Increase in creditors	1,910,157	185,124
	<u>5,367,646</u>	<u>(1,917,761)</u>
Cash generated by/(used in) operating activities	<u>5,367,646</u>	<u>(1,917,761)</u>
<b>Investing activities</b>		
Acquisition of tangible fixed assets	(6,859,790)	(5,841,649)
Interest received	1,163	-
	<u>(6,858,627)</u>	<u>(5,841,649)</u>
Cash used in investing activities	<u>(6,858,627)</u>	<u>(5,841,649)</u>
<b>Financing activities</b>		
Proceeds from new loans	4,750,000	67,977,391
Repayment of loans	-	(58,443,178)
Interest paid	(3,171,433)	(1,789,928)
	<u>1,578,567</u>	<u>7,744,285</u>
Cash generated by financing activities	<u>1,578,567</u>	<u>7,744,285</u>
<b>Net cash generated/(used)</b>		
Cash generated by/(used in) operating activities	5,367,646	(1,917,761)
Cash used in investing activities	(6,858,627)	(5,841,649)
Cash generated by financing activities	1,578,567	7,744,285
	<u>87,586</u>	<u>(15,125)</u>
Net cash generated/(used)	<u>87,586</u>	<u>(15,125)</u>
Cash and cash equivalents at 1 January	<u>1,810,345</u>	<u>1,825,469</u>
Cash and cash equivalents at 31 December	<u>1,897,931</u>	<u>1,810,345</u>
Cash and cash equivalents comprise:		
Cash at bank	<u>1,897,931</u>	<u>1,810,345</u>

The company is a qualifying entity for the purposes of FRS 102 and has elected to take the exemption under paragraph 1.12(b) of FRS 102 not to present the company statement of cash flows.

**FRP Mercia Holdco Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020**

**1 Summary of significant accounting policies**

***Basis of preparation***

The financial statements have been prepared under the historical cost convention and in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Income in these financial statements.

The following principal accounting policies have been applied:

**Parent company disclosure exemptions**

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the parent company;
- No statement of comprehensive income has been presented for the parent company; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

***Basis of consolidation***

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

***Going concern***

The financial statements have been prepared on a going concern basis. In reaching this assessment the directors have carried out a detailed going concern assessment on the Group and Company. The Company is a holding company and as such the assessment of the going concern of the Company is consistent with the Group it heads.

The Group has net liabilities of £18,974,697 and net current liabilities of £1,692,852 at the Statement of Financial Position date. The Group is performing in line with its business plan. The development of the asset base has been funded through a loan from the Group's controlling party which is long term and not due for repayment for over four years. Under the terms of the loan unpaid interest rolls up into the loan to leave a minimum level of working capital in the Group. After the year end the Group drew down £17.8 million (net) under a loan facility from NatWest Bank. The loan is repayable over 8 years and was taken to finance further development of the group whether by acquisition of operational sites or the development of new ones. The business plan including detailed trading and cash flow forecasts through to December 2023 illustrates that the business can service the debt from trading operations for the foreseeable future, being a period of one year from the date of approval of the financial statements, and the forecast performance of the business will allow for the longer term debt to be repaid at its due date through an orderly refinance.

Since March 2020 the business has had to respond to the disruption of Covid-19. The business has been resilient to the disruption of Covid-19 which has had overall no noticeable impact on the results of the Group.

The Group continues to perform in line with the plan prepared prior to Covid-19 and the directors expect this to be the case in the future. The business plan operating model and forecasts demonstrate that the Group is expected to meet its liabilities as they fall due and comply with relevant covenants. Therefore, the directors are content that the going concern basis of preparation is appropriate.

**FRP Mercia Holdco Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020**

***Note 1 continued***

***Revenue***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

- the amount of turnover can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The sale of energy is measured at the contractual value of metered units supplied during the year. Revenue from triads (a bonus issued for generating energy at times of peak demand) is recognised when amounts receivable can be estimated with a reasonable degree of certainty.

***Tangible fixed assets***

Tangible fixed assets are measured at cost less accumulative depreciation and any accumulative impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method, as follows:

Electricity generating plant	over 40 years
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

***Investments***

Investments in subsidiaries are measured at cost less any accumulated impairment losses.

***Impairment of fixed assets***

Fixed assets are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell 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 (CGUs). Fixed assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

***Cash and cash equivalents***

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.



**FRP Mercia Holdco Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020**

***Note 1 continued***

***Debtors***

Short term debtors are measured at transaction price (which is usually the invoice price), less any impairment losses for bad and doubtful debts. Loans and other financial assets are initially recognised at transaction price including any transaction costs and subsequently measured at amortised cost determined using the effective interest method, less any impairment losses for bad and doubtful debts.

***Site development***

Costs incurred on bringing new sites to development are included within short term debtors until such time as contracts are placed for site development and gensets ordered when the costs incurred to date on the site are transferred to fixed assets. When the decision is made not to proceed with a site costs incurred to date are written off to the profit and loss account.

***Creditors***

Short term creditors are measured at transaction price (which is usually the invoice price). Loans and other financial liabilities are initially recognised at transaction price net of any transaction costs and subsequently measured at amortised cost determined using the effective interest method.

***Taxation***

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income. Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

***Provisions***

Provisions (ie liabilities of uncertain timing or amount) are recognised when there is an obligation at the reporting date as a result of a past event, it is probable that economic benefit will be transferred to settle the obligation and the amount of the obligation can be estimated reliably.

***Leased assets***

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases. Operating lease payments are recognised as an expense on a straight line basis over the lease term.

**FRP Mercia Holdco Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020**

**2 Critical accounting estimates and judgements**

In the process of applying the company's accounting policies, the company is required to make certain judgements, estimates and assumptions that it believes are reasonable based on the information available. The significant judgements relate to the following:

Other sources of estimation uncertainty

Useful lives of tangible fixed assets

Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in the company's accounting policy. The selection of these estimated lives requires the exercise of management judgement. Useful lives are periodically reviewed and should management's assessment of useful lives shorten then depreciation charges in the financial statements would increase and carrying amounts of tangible fixed assets would reduce accordingly. The carrying amount of tangible fixed assets by each class is included in note 7.

<b>3 Analysis of turnover</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Development, operation and management of peaking power plants.	<u>19,826,731</u>	<u>11,193,855</u>
By geographical market:		
UK	<u>19,826,731</u>	<u>11,193,855</u>
<b>4 Operating loss</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
This is stated after charging:		
Depreciation of owned tangible fixed assets	1,800,488	1,706,741
Auditors' remuneration for audit services	6,500	-
Auditors' remuneration for other services	2,050	13,099
Operating lease rentals - land and buildings	405,686	298,413
Neither the Company or Group has any employees. It is not possible to split out amounts paid to the directors for their services to the Company or Group so none are disclosed.		
<b>5 Interest payable</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Loan from parent company	<u>5,534,328</u>	<u>6,413,321</u>
<b>6 Taxation</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Analysis of charge in period</b>		
Tax on profit on ordinary activities	<u>-</u>	<u>-</u>

**FRP Mercia Holdco Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020**

**Note 6 continued**

**Factors affecting tax charge for year**

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Loss on ordinary activities before tax	<u>(3,345,659)</u>	<u>(6,751,634)</u>
Standard rate of corporation tax in the UK	19%	19%
	<b>£</b>	<b>£</b>
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax	(635,675)	(1,282,810)
Effects of:		
Expenses not deductible for tax purposes	667,508	837,961
Movement in unrecognised deferred tax	(31,833)	444,849
Current tax charge for period	<u>-</u>	<u>-</u>

**Factors that may affect future tax charges**

The group's future tax charge will be influenced by any changes to the corporate tax regime such as rates of capital allowance and restrictions on the deductibility of interest.

**7 Tangible fixed assets**

<b>Group</b>	<b>Electricity generating plant £</b>
<b>Cost</b>	
At 1 January 2020	52,099,633
Additions	<u>6,859,790</u>
At 31 December 2020	<u>58,959,423</u>
<b>Depreciation</b>	
At 1 January 2020	1,813,406
Charge for the year	<u>1,800,488</u>
At 31 December 2020	<u>3,613,894</u>
<b>Carrying amount</b>	
At 31 December 2020	<u>55,345,529</u>
At 31 December 2019	<u>50,286,227</u>

**FRP Mercia Holdco Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020**

**8 Investments**

<b>Company</b>	<b>Investments in subsidiary undertakings</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
<b>Cost</b>		
At 1 January 2020	1	1
At 31 December 2020	1	1

The list of subsidiary companies is:

<b>Company</b>	<b>Company no.</b>	<b>Interest %</b>
Mercia Power Response (Albion Close) Limited	10276812	100
Mercia Power Response (Asher Lane 2 ) Limited	10217188	100
Mercia Power Response (Chesterfield Road) Limited	10217080	100
Mercia Power Response (Common Lane) Limited	10276850	100
Mercia Power Response (Cuckoo Road) Limited	10276822	100
Mercia Power Response (Fulwood Road) Limited	11495004	100
Mercia Power Response (Geddington Road) Limited	11857803	100
Mercia Power Response (Graphite Way) Limited	10279538	100
Mercia Power Response (Hallam Way) Limited	12395582	100
Mercia Power Response (Manners Avenue 2) Limited	10276831	100
Mercia Power Response (Nottingham Road) Limited	10217239	100
Mercia Power Response (Outgang Lane) Limited	10276869	100
Mercia Power Response (Pontefract Road) Limited	10217285	100
Mercia Power Response (Private Road No.5) Limited	10217008	100
Mercia Power Response (Sandy Lane) Limited	10269414	100
Mercia Power Response (The Wood Yard) Limited	10276847	100
Mercia Power Response (Wellington Road) Limited	11969489	100
Mercia Power Response (Whittington Road) Limited	10217287	100

All interests are in ordinary shares. The investments are direct ownership. All of the subsidiaries are registered in England and their registered offices are the same as that of the Company.

All of the subsidiaries listed in this note are exempt from the requirements of the Companies Act 2006 (the Act) relating to the audit of individual accounts as the Ultimate Holding Company has given a guarantee under section 479C of the Act in respect of the period.

<b>9 Debtors</b>	<b>2020</b>	<b>2019</b>
<b>Group</b>	<b>£</b>	<b>£</b>
Trade debtors	62,171	-
Amounts owed by group undertakings and undertakings in which the company has a participating interest	-	68,465
Other debtors	1,070,963	1,777,110
Prepayments and accrued income	3,923,457	2,823,934
Costs incurred on sites for future development	746,157	602,734
	<b>5,802,748</b>	<b>5,272,243</b>

Other debtors includes taxation and social security costs of £Nil (2019: £451,001)

**FRP Mercia Holdco Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020**

**Note 9 continued**

**Company**

Amounts owed by group undertakings and undertakings in which the company has a participating interest  
Costs incurred on sites for future development  
Other debtors

2020	2019
£	£
73,068,078	65,530,007
1,025,489	602,734
<u>746,157</u>	<u>1,703,459</u>
<u>74,839,724</u>	<u>67,836,200</u>

Included in amounts owed by group undertakings are amounts due after more than one year of £72,727,307 (2019: £66,077,307).

**10 Creditors: amounts falling due within one year**

**Group**

Trade creditors  
Amounts owed to group undertakings and undertakings in which the company has a participating interest  
Other taxes and social security costs  
Accruals and deferred income

2020	2019
£	£
1,496,020	1,520,403
1,053,165	-
227,339	-
<u>6,617,007</u>	<u>5,500,059</u>
<u>9,393,531</u>	<u>7,020,462</u>

**Company**

Trade creditors  
Amounts owed to group undertakings and undertakings in which the company has a participating interest  
Other taxes and social security costs  
Accruals and deferred income

24,193	89,009
56,291	-
227,339	-
<u>3,863,358</u>	<u>3,463,538</u>
<u>4,171,181</u>	<u>3,552,547</u>

Accruals and deferred income for both Company and Group include £3,611,285 (2019: £3,073,381) due to the Company's immediate parent company as accrued interest.

**11 Creditors: amounts falling due after one year**

**Group**

Amounts owed to group undertakings and undertakings in which the company has a participating interest (see note 12)

2020	2019
£	£
<u>72,627,374</u>	<u>65,977,391</u>

**Company**

Amounts owed to group undertakings and undertakings in which the company has a participating interest (see note 12)

<u>72,627,374</u>	<u>66,129,372</u>
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**12 Loans**

**Group and Company**

Loans not wholly repayable within five years:  
Due to immediate parent company

2020	2019
£	£
<u>72,627,374</u>	<u>65,977,391</u>

Analysis of maturity of debt:  
Between two and five years

<u>72,627,374</u>	<u>65,977,391</u>
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The loan is from the Company's immediate parent company and carries an interest rate of 7.9%. The loan is secured by a floating charge over the group's assets.

**FRP Mercia Holdco Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020**

<b>13 Share capital</b>	<b>Nominal value</b>	<b>2020 Number</b>	<b>2020 £</b>	<b>2019 £</b>
Allotted, called up and fully paid:				
A Ordinary shares	£0.01 each	100	1	1
B Ordinary shares	£0.01 each	12	-	-
			<u>1</u>	<u>1</u>

The A ordinary shares have attached to them 65% of the voting, dividend and capital distribution rights (pro rata between them according to the number of shares held) and the B ordinary shares have attached to them 35% of the voting, dividend and capital distribution rights (pro rata between them according to the number of shares held).

<b>14 Profit and loss account</b>	<b>2020 £</b>	<b>2019 £</b>
At 1 January	(15,629,039)	(8,877,405)
Loss for the financial year	(3,345,659)	(6,751,634)
	<u>(18,974,698)</u>	<u>(15,629,039)</u>
At 31 December		

**15 Events after the reporting date**

In March 2021 the 20MW of development sites was transferred out to a fellow subsidiary in preparation for a refinancing of part of FRP's debt to release funding for further development within the Mercia Power Response Group. On 21 May 2021 the FRP drew down £17.8 million (net) under a loan facility from NatWest Bank. The loan is repayable over 8 years.

<b>16 Capital commitments</b>	<b>2020 £</b>	<b>2019 £</b>
Amounts contracted for but not provided in the accounts	<u>2,829,686</u>	<u>677,959</u>

**17 Other financial commitments**

Total future minimum lease payments under non-cancellable operating leases:

	<b>Land and buildings 2020 £</b>	<b>Land and buildings 2019 £</b>
Falling due:		
within one year	394,820	298,913
within two to five years	1,519,280	1,135,654
in over five years	931,263	814,212
	<u>2,845,363</u>	<u>2,248,779</u>

**FRP Mercia Holdco Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020**

**18 Related party transactions**

The Company is funded by way of an interest bearing inter-company loan from its immediate parent company, Mercia Power Response (Holdings) Limited. The maximum amount outstanding during the year was the balance at 31 December 2020 of £72,627,374. The loan is repayable in May 2024 and interest is charged over the life of the loan at 7.9%

The Company funds the developments being carried out by its subsidiaries by way of interest bearing inter-company loans. The maximum amount outstanding on these loans during the period was the balance at 31 December 2020 of £73,068,078. The loans have no fixed repayment date and interest is charged over the life of the loan at 7.9%.

During the year the Group purchased a site for development from Power Balancing Services Limited (PBS), a company owned by Mr White and Mr Leach, directors of the company, on an arms length basis for £406,900.

**19 Controlling party**

The Company's immediate parent company is Mercia Power Response (Holdings) Limited. Its ultimate parent company is Averon Park Limited, whose registered office is C/O Foresight Group LLP, The Shard, 32 London Bridge Street, London SE1 9SG, which is considered by the directors to be the company's controlling party.

**20 Presentation currency**

The financial statements are presented in Pound Sterling.

**21 Legal form of entity and country of incorporation**

FRP Mercia Holdco Limited is a private company limited by shares and incorporated in England.

**22 Principal place of business**

The address of the company's principal place of business and registered office is:

Strelley Hall  
Main Street, Strelley  
Nottingham  
NG8 6PE

**23 Net debt reconciliation**

	<b>Cash £</b>	<b>Loans £</b>	<b>Total</b>
As at 1 January 2020	(1,810,345)	65,977,391	64,167,046
Cash flows	(87,586)	4,750,000	4,662,414
Acquisition of subsidiaries			-
Other non-cash changes		1,899,983	1,899,983
As at 31 December 2020	<u>(1,897,931)</u>	<u>72,627,374</u>	<u>70,729,443</u>