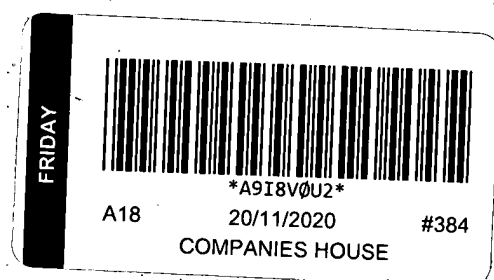


Directors' Report and  
Financial Statements for the Year Ended 31 December 2019  
for  
Thrive Renewables (Beochlich) Limited



**Thrive Renewables (Beochlich) Limited (Registered number: 03378611)**

**Contents of the Financial Statements  
for the Year Ended 31 December 2019**

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**Thrive Renewables (Beochlich) Limited**

**Company Information**  
**for the Year Ended 31 December 2019**

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**DIRECTORS:**

Matthew Clayton  
Katrina Cross  
Monika Paplaczynk

**REGISTERED OFFICE:**

c/o Thrive Renewables plc  
Deanery Road  
Bristol  
BS1 5AS

**REGISTERED NUMBER:**

03378611 (England and Wales)

**INDEPENDENT AUDITORS:**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
2 Glass Wharf  
Bristol  
BS2 0FR

**SOLICITORS:**

TLT Solicitors LLP  
One Redcliff Street  
Bristol  
BS1 6TP

Directors' Report  
for the Year Ended 31 December 2019

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The directors present their report with the audited financial statements of the company for the year ended 31 December 2019.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by Section 415A of the Companies Act 2006.

**PRINCIPAL ACTIVITIES**

The principal activity of the company during the year was the development and operation of a small-scale hydro-electric project at Balliemeanoch, Argyll.

**REVIEW OF BUSINESS**

The profit for the financial year amounted to £230,873 (2018: £170,116). The directors consider the future prospects of the company to be favourable.

**GOING CONCERN**

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Thrive Renewables Plc. The directors have received confirmation that Thrive Renewables Plc intend to support the company for at least one year after these financial statements are signed.

**COVID 19 RISK**

As of the date of this report, we are in the midst of the COVID-19 pandemic. Whilst it is challenging to be conclusive on the exposure faced at such a dynamic and unpredictable time, we are working hard to protect the safety of the team, our contractors and wider stakeholders and to operate responsibly adhering to government guidance. Our wind farm forms part of critical national infrastructure and are maintained and generating as usual with adapted practices to respect guidance and both site and individual contractor circumstances.

As the pandemic commenced in 2020 this represents a non adjusting post balance sheet event with regards to the financial statements of the company for the year ended 31 December 2019.

**DIVIDENDS**

The Company paid a final dividend of £279,510 (2018: £Nil).

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

Matthew Clayton  
Katrina Cross  
Monika Paplaczky

## **FINANCIAL RISK MANAGEMENT**

The main financial risks arising from the company's activities are liquidity risk, commodity price risk and credit risk.

### **Liquidity risk**

The company's approach to managing liquidity is to ensure, as far as possible, that it has sufficient funds to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. The company achieves this by monitoring cash flow forecasts on a 'rolling forecast' basis to ensure it has sufficient cash to meet operational needs while maintaining enough headroom on its cash reserves at all times so as not to breach borrowing limits or covenants.

### **Commodity price risk**

The company's operations result in exposure to fluctuations in energy prices. In order to manage this, management ensures that the company enters in to sale contracts where the price is fixed for an extended period. Management also ensures that once the fixed period has concluded, the contract includes a minimum renewal price (a 'floor price'). This ensures that the profits can be maintained at a minimum level to ensure the ongoing profitability of the company.

### **Credit risk**

The company's exposure to credit risk arises from its debtors from customers. At the balance sheet date the directors have concluded that no provision for doubtful debts is necessary and believe that there is no further credit risk.

Directors' Report  
for the Year Ended 31 December 2019

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**DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

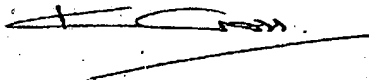
**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**INDEPENDENT AUDITORS**

The independent auditors, PricewaterhouseCoopers LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**



.....  
Katrina Cross - Director

Date: 12 November 2020

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinion**

In our opinion, Thrive Renewables (Beochlich) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis for opinion**

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

### **Independence**

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

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

### **Reporting on other information**

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### **Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

### **Responsibilities for the financial statements and the audit**

#### **Responsibilities of the directors for the financial statements**

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

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



Independent Auditors' Report to the Members of  
Thrive Renewables (Beochlich) Limited

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**Auditors' responsibilities for the audit of the financial statements**

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

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

**Use of this report**

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

**OTHER REQUIRED REPORTING**

**Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

**Entitlement to exemptions**

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



Colin Bates (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol

Date: 12 November 2020 .....

Thrive Renewables (Beochlich) Limited (Registered number: 03378611)

Statement of Comprehensive Income  
for the Year Ended 31 December 2019

	Notes	2019 £	2018 £
<b>TURNOVER</b>		491,875	447,755
Cost of sales		<u>(151,020)</u>	<u>(205,820)</u>
<b>GROSS PROFIT</b>		340,855	241,935
Administrative expenses		<u>(50,058)</u>	<u>(26,376)</u>
<b>OPERATING PROFIT</b>		290,797	215,559
Interest receivable and similar income		<u>1,577</u>	<u>1,494</u>
		292,374	217,053
Interest payable and similar expenses	4	<u>(1,817)</u>	<u>(265)</u>
<b>PROFIT BEFORE TAXATION</b>	5	290,557	216,788
Tax on profit	7	<u>(59,684)</u>	<u>(46,672)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		230,873	170,116
<b>OTHER COMPREHENSIVE INCOME</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>230,873</u>	<u>170,116</u>

The notes on pages 11 to 26 form part of these financial statements

Thrive Renewables (Beochlich) Limited (Registered number: 03378611)

Balance Sheet  
31 December 2019

	Notes	2019 £	2018 £
<b>FIXED ASSETS</b>			
Tangible assets	10	106,494	141,539
<b>CURRENT ASSETS</b>			
Debtors	11	813,226	379,783
Cash at bank and in hand		<u>84,969</u>	<u>515,603</u>
		898,195	895,386
<b>CREDITORS</b>			
Amounts falling due within one year	12	<u>(335,643)</u>	<u>(352,728)</u>
<b>NET CURRENT ASSETS</b>		<u>562,552</u>	<u>542,658</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		669,046	684,197
<b>CREDITORS</b>			
Amounts falling due after more than one year	13	(37,432)	-
<b>PROVISIONS FOR LIABILITIES</b>	17	-	<u>(3,946)</u>
<b>NET ASSETS</b>		<u>631,614</u>	<u>680,251</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	474,500	474,500
Retained earnings	19	<u>157,114</u>	<u>205,751</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>631,614</u>	<u>680,251</u>

The financial statements on pages 8 to 26 were approved by the Board of Directors on 12th November 2020 and were signed on its behalf by:



.....  
Matthew Clayton - Director

The notes on pages 11 to 26 form part of these financial statements

**Thrive Renewables (Beochlich) Limited (Registered number: 03378611)**

**Statement of Changes in Equity**  
**for the Year Ended 31 December 2019**

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	Called up share capital £	Retained earnings £	Total equity £
<b>Balance at 1 January 2018</b>	474,500	35,635	510,135
<b>Changes in equity</b>			
Profit for the year	-	170,116	170,116
Total comprehensive income	-	170,116	170,116
<b>Balance at 31 December 2018</b>	<u>474,500</u>	<u>205,751</u>	<u>680,251</u>
<b>Changes in equity</b>			
Profit for the year	-	230,873	230,873
Total comprehensive income	-	230,873	230,873
Dividends	-	(279,510)	(279,510)
<b>Balance at 31 December 2019</b>	<u>474,500</u>	<u>157,114</u>	<u>631,614</u>

The notes on pages 11 to 26 form part of these financial statements

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**Notes to the Financial Statements  
for the Year Ended 31 December 2019**

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**1. STATUTORY INFORMATION**

Thrive Renewables (Beochlich) Limited is a private company, limited by shares. It is domiciled and incorporated in the UK and registered in England & Wales.

The company's registered number and office address can be found on the company information page.

**2. ACCOUNTING POLICIES**

**Basis of preparation**

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of derivative financial assets and financial liabilities measured at fair value through profit and loss.

The particular accounting policies adopted, which have been applied consistently throughout the current and the prior financial year, are described below.

The company has taken advantage of the following disclosure exemptions, where applicable, in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework".

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
  - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
  - paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statements of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

## 2. ACCOUNTING POLICIES - continued

### **New standards, amendments and IFRIC interpretations**

The Company has adopted IFRS 16, 'Leases' using the modified retrospective approach from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed below.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payment, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4%.

For leases previously classified as operating leases the Company recognised the carrying amount of the lease asset and lease liability as at 1 January 2019 as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. There is no measurement adjustment for variable lease payments related to revenue or payment increases based on an index or rate.

#### (i) Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonable similar characteristics;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.

#### (ii) Measurement of lease liabilities

	£
Operating lease commitments disclosed as at 31 December 2018	92,474
Decrease to lease commitments	(30,658)
Updated commitments	<u>61,816</u>
Discounted using the lessee's incremental borrowing rate at the date of initial application	<u>56,656</u>
Lease liability recognised as at 1 January 2019	<u>56,656</u>
Of which are:	
	£
Current lease liabilities	9,423
Non-current lease liabilities	<u>47,233</u>
	<u>56,656</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019

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**2. ACCOUNTING POLICIES - continued**

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability.

(iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policies affected the following items in the balance sheet on 1 January 2019:

	£
- right-of-use asset land and buildings - increase by	56,656
- lease liabilities - increase by	56,656

The net impact on retained earnings on 1 January 2019 was £nil.

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 which have had a material impact on the company.

**Turnover**

Turnover, which is stated net of value added tax, represents amounts received or receivable in relation to the company's principal activities in the United Kingdom.

Revenue from the supply of electricity and associated benefits represents the value of electricity generated under contracts to the extent that there is a right to consideration and is measured and recorded at the fair value of the consideration due.

The company recognises revenue when performance obligations have been satisfied which is when electricity has been generated and transferred to the customer along with the associated benefits and the customer subsequently has control of these.

The directors consider that there is only one class of business and hence segmental information by class is not provided. The total turnover of the company for the financial year has been derived from its principal activity wholly undertaken in the UK.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a lease, over the lease term, whichever is the shorter.

Plant and machinery - Straight line over 20 years

## **2. ACCOUNTING POLICIES - continued**

### **Financial instruments**

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument. 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.

### **Debtors**

Debtors includes trade receivables, loans and other receivables. Debtors that have fixed or determinable payments that are not quoted in an active market are classified as 'amortised cost'. Debtors are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

### **Impairment of financial assets**

The Company assesses on a forward looking basis the Expected Credit Losses (ECLs) associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk, and takes into account any collateral the Company holds that would mitigate such losses.

Details of how the company has considered the impairment requirements of IFRS 9 and details of its approach to providing for ECLs can be found in note 16.

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flow of the investment have been affected.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

### **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.



Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019

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**2. ACCOUNTING POLICIES - continued**  
**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.

**Financial liabilities**

Financial liabilities are classified as either financial liabilities "at fair value through profit and loss" or "other financial liabilities".

**Financial liabilities at fair value through profit and loss**

Financial assets and liabilities at fair value through profit or loss are held for trading. A financial asset or liability is classified in this category if it is acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading. Assets and liabilities in this category are classified as current assets if they are expected to be settled within 12 months; otherwise, they are classified as non-current.

**Other financial liabilities**

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using 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.

**Taxation**

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised only to the extent that the directors consider that it is probable that there will be suitable taxable profits against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

## **2. ACCOUNTING POLICIES - continued**

### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

### **Leases**

As explained above, the Company has changed its accounting policy for leases where the Company is the lessee. The new policy is described below and the impact of the change in note 15.

Until 31 December 2019, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee were classified as operating leases. Payment made under operating leases were charged to profit and loss on a straight line basis over the period of the lease.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as 'operating leases'. These liabilities are measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of 1 January 2019.

### **Going concern**

The financial statements adopt the going concern basis on the grounds that the directors believe the company has adequate resources to continue in operational existence for the foreseeable future.

Since March, the impact of uncertainty created by the Covid-19 pandemic and 'lock down' Measures have reduced demand for power. In the UK, electricity demand has dropped by between 10 and 20% as industrial and commercial demand has reduced, making every day's demand profile closer to a typical weekend. Our power sales structures and an exceptionally windy first quarter have provided healthy revenues for early 2020. The timing of the end of the lock down, both in the UK and globally, may have a material impact on electricity prices in the fourth quarter of the year, and the overall revenues for 2020. We continue to monitor this carefully to mitigate the impact.

**3. JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, which are described in note 2 above, the directors are required to continually evaluate judgements, estimates and assumptions based on historical experience and other factors that are considered to be relevant.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a risk of causing a material adjustment to the carrying amount of assets and liabilities are addressed below.

**Impairment of tangible fixed assets**

Determining whether tangible fixed assets are impaired requires an estimation of the value in use of the related assets. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the asset and the pre-tax discount rate in order to calculate present value. Forecast wind volumes are based on wind studies carried out at the commencement of each project, adjusted for experience as necessary. Electricity prices are determined with reference to externally sourced forward price curves, on contracted rates as appropriate. Forecasts cover the expected life of each project. There is no evidence of impairment.

**Estimation of tangible fixed asset useful lives**

The useful life used to depreciate tangible fixed assets relates to the expected future performance of the assets acquired and management's estimate of the period over which economic benefits will be derived from the asset. There is no evidence of any changes to the asset useful lives.

**4. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2019	2018
	£	£
Interest payable	-	265
Leasing	<u>1,817</u>	<u>-</u>
	<u>1,817</u>	<u>265</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019

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**5. PROFIT BEFORE TAXATION**

The profit before taxation is stated after charging:

	2019	2018
	£	£
Operating lease charges	-	24,041
Variable lease payments	9,559	-
Depreciation - owned assets	81,400	103,298
Depreciation - on right of use asset	<u>10,301</u>	<u>-</u>

Operating profit is stated as profit from operations, but before investment income and finance costs.

Operating lease charges in 2018 included both the minimum commitment and variable element.

**6. AUDITORS' REMUNERATION**

	2019	2018
	£	£
Fees payable to the company's auditors for the audit of the company's financial statements	<u>3,500</u>	<u>2,775</u>

Auditors remuneration is disclosed above. Fees payable to the company's auditors for non-audit services to the company are not required to be disclosed because these are disclosed in the consolidated financial statements of Thrive Renewables plc.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2019**

**7. TAX ON PROFIT**

**Analysis of tax expense**

	2019	2018
	£	£
Current tax	68,477	57,936
Deferred tax	(8,793)	(11,264)
<b>Total tax expense in statement of comprehensive income</b>	<b>59,684</b>	<b>46,672</b>

**Factors affecting the tax expense**

The tax assessed for the year is higher (2018 - higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2019	2018
	£	£
Profit before income tax	290,557	216,788
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	55,206	41,190
Effects of:		
Expenses not deductible for tax purposes	3,277	4,157
Effects of change in tax rate	1,035	1,325
Adjustment in respect of previous year	166	-
<b>Total tax expense in statement of comprehensive income</b>	<b>59,684</b>	<b>46,672</b>

In the budget in March 2020 the Government announced they were reversing legislation for the reduction in corporation tax from 19% to 17% which was due to take effect on 1 April 2020. As stated in our accounting policy deferred tax is calculated at rates that have been enacted at the balance sheet date. Therefore, the above liabilities have been calculated using the 17% corporation tax rate. The difference in deferred tax liabilities if calculated at 19% is (£570).

**8. DIVIDENDS**

	2019	2018
	£	£
Dividend paid of £0.58906 per share (2018: £0.00 per share)	279,510	-

The payment of the dividend has no tax consequences for the company.

**9. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

The company had no employees in either year. The remuneration of the directors was paid by and is dealt with in the financial statements of Thrive Renewables plc. It is not practicable to allocate their remuneration between their services as directors of Thrive Renewables plc and their services as directors of other companies within the Thrive Renewables plc group. The directors are considered to be the key management.

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019

10. TANGIBLE ASSETS

	Right of use asset £	machinery £	Plant and Totals £
<b>COST</b>			
At 1 January 2019	-	1,882,721	1,882,721
Additions	-	-	-
Adoption of IFRS16	<u>56,656</u>	<u>-</u>	<u>56,656</u>
At 31 December 2019	<u>56,656</u>	<u>1,882,721</u>	<u>1,939,377</u>
<b>ACCUMULATED DEPRECIATION</b>			
At 1 January 2019	-	1,741,182	1,741,182
Charge for year	<u>10,301</u>	<u>81,400</u>	<u>91,701</u>
At 31 December 2019	<u>10,301</u>	<u>1,822,582</u>	<u>1,832,883</u>
<b>NET BOOK VALUE</b>			
At 31 December 2019	<u>46,355</u>	<u>60,139</u>	<u>106,494</u>
At 31 December 2018	<u>-</u>	<u>141,539</u>	<u>141,539</u>

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Amounts owed by group undertakings	732,710	299,104
Deferred tax asset	4,847	-
Prepayments and accrued income	<u>75,669</u>	<u>80,679</u>
	<u>813,226</u>	<u>379,783</u>

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2019**

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2019 £	2018 £
Lease liability (see note 14)	9,800	-
Trade creditors	10,860	10,398
Corporation Tax	68,477	57,936
Social security & other taxes	22,498	29,031
Group relief creditor	97,673	97,673
Accruals and deferred income	<u>126,335</u>	<u>157,690</u>
	<u>335,643</u>	<u>352,728</u>

**13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2019 £	2018 £
Lease liability (see note 14)	<u>37,432</u>	<u>-</u>

**14. FINANCIAL LIABILITIES - BORROWINGS**

	2019 £	2018 £
Current:		
Lease liability (see note 15)	<u>9,800</u>	<u>-</u>
Non-current:		
Lease liability (see note 15)	<u>37,432</u>	<u>-</u>

**Terms and debt repayment schedule**

	1 year or less £	1-2 years £	2-5 years £	Totals £
Lease liability	<u>9,800</u>	<u>10,192</u>	<u>27,240</u>	<u>47,232</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019

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**15. LEASING AGREEMENTS**

In 2018, prior to implementation of IFRS16, the companies commitments for property leases were accounted for as non-cancellable operating leases. All payments made for these commitments were credited to the profit and loss account as they became due. Disclosure of the minimum lease commitments payable each year under those leases was disclosed by way of a note as below:

	Non Cancellable Operating Leases	
	2019	2018
	£	£
Within one year	-	15,286
Between one and five years	-	48,188
In more than five years	-	29,000
	-	<u>92,474</u>

From 1 January 2019, leases are recognised as a right of use asset and a corresponding liability.

(i) The Company's leasing activities and how they are accounted for

The Company leases land on which the wind turbines they operate are located. Lease contracts are typically made for fixed periods of 20 years of operation or the period of which planning permission is granted on the site.

Leases typically include a minimum payment and a variable element based on revenue. As at 1st January 2019 the Company has recognised a right to use asset and a leasing liability based on these minimum payments. Variable elements are accounted for in the year as land rental payment.

Assets and liabilities arising from a lease are initially measures on a present value basis. Lease liabilities include the net present value of minimum lease payments only.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate the individual lease would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses recent third-party financing received by the individual lessee (or another member of the Thrive Renewables plc group) as a starting point, adjusted to reflect changes in financing conditions since the third party financing was received.



Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019

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**15. LEASING AGREEMENTS - continued**

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability, until they take effect. When adjustment to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are depreciated over the lease term on a straight line basis.

**(ii) Variable lease payments**

Some property leases contain variable payment terms that are linked to revenue generated from the project. Variable payment terms are used for a variety of reasons, including minimising the fixed cost base of the Company. Variable lease payments that depend on revenue are recognised in profit and loss in the period in which the condition that triggers those payments occurs.

Expenses relating to variable leases payments not included in lease liabilities  
(included in administrative expenses) £9,559

The total cash outflow for leases in 2019 was £20,799.

	2019 £	Leases 2018 £
Net obligations repayable		
Within one year	9,800	-
Between one and five years	37,432	-
	<u>47,232</u>	<u>-</u>

The amounts above represent the minimum future lease payments. There may be additional amounts payable based on revenue but these amounts are contingent on future performance.

Variable lease payments are based on up to 5% of revenue if this is above the minimum lease commitment.

## 16. FINANCIAL INSTRUMENTS

### **Fair value of financial instruments**

All financial instruments are initially held at fair value net of transaction costs and related fees and subsequently held at amortised cost other than derivatives which are held at fair value. The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximates to their fair values. Where the financial instruments are of short maturity, the carrying value is equal to their fair value.

### **Assessment on Expected Credit Loss on financial assets:**

The Company's financial assets are held in a business model whose purpose is to collect contractual cash flows and consist solely of principle and interest.

The Company's financial assets are subject to consideration in respect of ECLs.

The Company keeps this position under regular review, using available reasonable and supportive forward looking information including:

- monitoring the continued timely collection of receivables;
- changes in counterparty credit ratings;
- any actual or expected changes in the industry or economic conditions that could cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower; and
- significant changes in the value or nature of collateral supporting the obligation, or the quality of any third party guarantees or credit enhancements.

Financial assets are written off when there is no reasonable expectation of recovery. The Company establishes a provision for doubtful debts if they are more than 90 days past due. The Company continues to engage in enforcement activity until it is determined that the debt is uncollectible, at which point the outstanding amount is written off in full. At 31 December 2019 no amounts are past due and no provision for impairment has been made (2018 Nil).

Given the nature of the financial assets in place the ECL applied to each is deemed to be minimal and therefore the identified impairment loss immaterial.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2019**

**17. PROVISIONS FOR LIABILITIES**

	2019 £	2018 £
Deferred tax	<u>(4,847)</u>	<u>3,946</u>
Balance at 1 January	3,946	15,210
Credit to statement of comprehensive Origination and reversal of timing differences	<u>(8,793)</u>	<u>(11,264)</u>
Balance at 31 December	<u>(4,847)</u>	<u>3,946</u>

Deferred tax relates to accelerated capital allowances.

**18. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid: Number:	Class:	Nominal value: £1	2019 £	2018 £
474,500	Ordinary		<u>474,500</u>	<u>474,500</u>

**19. RESERVES**

	Retained earnings £
At 1 January 2019	205,751
Profit for the year	230,873
Dividends	<u>(279,510)</u>
At 31 December 2019	<u>157,114</u>
	Retained earnings £
At 1 January 2018	35,635
Profit for the year	<u>170,116</u>
At 31 December 2018	<u>205,751</u>

**20. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

Thrive Renewables plc is regarded by the directors as being the company's immediate ultimate parent undertaking and ultimate controlling party, a company incorporated in England and Wales, and is the smallest and largest group of undertakings to consolidate these financial statements.

Copies of the consolidated financial statements of Thrive Renewables plc can be obtained from the Company Secretary at Deanery Road, Bristol, BS1 5AS.

**21. RELATED PARTY DISCLOSURES**

As a wholly-owned subsidiary of Thrive Renewables plc, the company has taken advantage under Financial Reporting Standard 101 of the exemption from the requirement to disclose related party transactions within the group.

**22. POST BALANCE SHEET EVENTS**

**COVID 19 RISK**

As of the date of this report, we are in the midst of the COVID-19 pandemic. Whilst it is challenging to be conclusive on the exposure faced at such a dynamic and unpredictable time, we are working hard to protect the safety of the team, our contractors and wider stakeholders and to operate responsibly adhering to government guidance. Our wind farm forms part of critical national infrastructure and are maintained and generating as usual with adapted practices to respect guidance and both site and individual contractor circumstances.

As the pandemic commenced in 2020 this represents a non adjusting post balance sheet event with regards to the financial statements of the company for the year ended 31 December 2019.