GREENCOAT YORK ASSETS LIMITED

Registration Number: 12187812 (England & Wales)

Annual Report and
Audited Financial Statements

for the period from 3 September 2019 (inception) to 31 December 2020

Contents

Management and Administration

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Registration Number
12187812

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Strategic Report

Introduction

The Directors present the Strategic Report of Greencoat York Assets Limited (the "Company") for the period ended 31 December 2020. Details of the Directors who held office during the period and as at the date of this report are given on page 1.

Structure

The Company is a private company, limited by shares and was incorporated under the laws of England and Wales on 3 September 2019.

Principal Activities

The Company is a wholly owned subsidiary of Greencoat York LP (the "LP"), whose purpose is to invest in, and manage, glasshouses and other associated heating infrastructure in the United Kingdom.

The Company invests in Special Purpose Vehicles ("SPVs") which hold the underlying assets.

The manager of the LP is Greencoat Capital LLP (the "Manager"), a Financial Conduct Authority regulated entity.

Review of Business

The Company's SPV's are measured at fair value with movements in fair value recognised in the Statement of Comprehensive Income in the period in which they arise.

The Company holds investments in two greenhouse facilities and energy centres / heating systems ("the Projects").

Key Performance Indicators

As the Company holds investments for the LP, the Directors believe that key performance indicators for the Company as a standalone entity are not relevant.

Corporate and Social Responsibility

Environmental, Social and Governance Matters

The Company welcomes the opportunity to make appropriate climate related disclosures as recommended by the Task Force on Climate-Related Financial Disclosures ("TCFD"). These initial disclosures categorised between the four thematic areas, may be developed further in future reports.

Governance

The Company and the Manager meet regularly and discuss risk management. Climate related risks are covered during these discussions, as they naturally arise from the Company's underlying investment and the Company's significant role in the decarbonisation of the UK economy.

Strategic Report continued

Corporate and Social Responsibility continued

Governance continued

In addition, the Manager has its own ESG committee that meets regularly to discuss ESG and climate related risks relating to the Company and other funds it manages. This committee has implemented an ESG Framework Policy that looks to establish best practice in climate related risk management, reporting and transparency. Representatives from the Manager also sit on the Board of the SPV's, which meet quarterly and discuss ESG and climate related risk management.

Strategy

As a company investing in UK renewable infrastructure, it plays a role in contributing towards the worldwide goal of achieving a net-zero carbon emissions economy. The Manager monitors climate related risks and appreciates their impact on the Company. More extreme weather patterns arising from global warming have the capacity to damage infrastructure in general, including above ground grid infrastructure, but it is considered unlikely that damage will be caused to the type of generating equipment owned by the Company. Appropriate insurance against property damage and business interruption is held for any such eventuality, nonetheless. It is possible that the deployment of new renewable generating capacity, required to meet future targets, could reduce the power price achieved by the Company's investment.

Risk Management

The Manager has established a Risk Management Committee that meets on a quarterly basis to discuss, amongst other matters, the risk framework of the Company and its SPV's including processes for identifying, assessing, and managing climate related risks. A formal risk matrix is maintained by the Company and reviewed and approved by the Manager on an annual basis. The Manager's Investment Committee comprises experienced members of the Manager. Whilst making investment decisions, due consideration is given to climate related risks as well as to opportunities identified during due diligence. The formal ESG checklist used is also considered by the Manager in the approval process of any new investment.

Metrics

The Manager considers the most material physical risk to the assets is flooding and has reviewed and updated the Flood Risk Assessments. As low carbon investments offering significant carbon savings on traditional agriculture and horticulture for food production, the Manager believes the assets have low transition risk.

Employees and Officers of the Company

The Company does not have any employees and therefore employee policies are not required. The Directors of the Company are listed on page 1.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Company and its investee companies, and an explanation of how they are managed are set out below.

Manager

The ability of the Company to achieve its investment objective depends heavily on the experience of the management team within the Manager and more generally on the Manager's ability to attract and retain suitable staff.

Strategic Report continued

Principal Risks and Uncertainties continued

Regulation

If a change in Government renewable energy policy was applied retrospectively to current operating projects including those in the Company's investment portfolio, this could adversely impact the market price for renewable energy assets or the value of the green benefits earned from generating renewable energy. The Government has evolved the regulatory framework for new projects being developed but has consistently stood behind the framework that supports operating projects as it understands the need to ensure investors can trust regulation.

Financing Risk

The Company has financed its investments through a loan of £113,746,804 provided by the LP. The Company will finance new investments by drawing amounts under the loan facility with the LP. The Company has received confirmation from the LP that it will not demand repayment of this loan for at least 12 months from the date of these financial statements unless the Company has sufficient cash to finance its ongoing obligations.

Asset Life

In the event that the glasshouses do not operate for the period of time assumed or require higher than expected maintenance expenditure to do so, it could have a material adverse effect on the financial performance and position of the investee companies.

The Manager performs regular reviews and ensures that maintenance is performed across the glasshouses portfolio. Regular maintenance ensures that equipment is in good working order to meet its expected life span.

Gas Prices

The price at which heat is sold to the growers is determined by the gas price; gas is also a cost for generating electricity for running the heat pumps and selling electricity both to the growers and exporting. The sensitivity to gas prices is therefore complex. An increase in prices would have a negative impact on the Company.

Grower Solvency

The generation of RHI income from an eligible heat use depends on having a tenant grower using the greenhouses to grow produce. The solvency of the growers is therefore a key risk to the Company and an insolvency event affecting a grower would have a negative impact on the Company.

Health and Safety and the Environment

The operation of glasshouses is subject to health and safety and environmental regulation. A breach of these or an accident could lead to damages or compensation to the extent such loss is not covered by insurance policies, adverse publicity or reputational damage.

The Company engages an independent health and safety consultant to ensure the ongoing appropriateness of its health and safety policies and procedures. The investee companies have reporting lines ensuring that the Manager is informed of events as soon as possible after they occur.

Going Concern

A review of the going concern has not been included in this report as it is disclosed in the Directors' Report.

Strategic Report continued

Principal Risks and Uncertainties continued

Outlook

Despite the COVID-19 pandemic and the late delivery of the energy centre contractor's scope, the growers have taken occupancy of both greenhouses in January 2021 and the RHI accreditation applications for both sites are in, largely de-risking the future cashflows. The final construction accounts (including LDs) remain to be settled with the contractors, but this cost risk is borne by the developer.

The Fund does not expect any material change to its business as a result of the UK exiting the EU. Being solely UK focused and deliberately low risk, the Fund's assets and most liabilities are within the UK and sterling denominated. In addition, the regulatory regime under which the assets operate is robust, longstanding and enshrined in UK legislation. A significant change in exchange rates could impact the power price. Furthermore, Britain's exit from the EU, and the repercussions of Covid-19 are likely to increase retailer and consumer demand for domestic produce, which will improve the creditworthiness of the tenant growers at the glasshouses, thereby decreasing the risk of default.

By order of the Board

DocuSigned by:
James Samworth
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James Samworth
Director
02 June 2021

Directors' Report

The Directors present their report, together with the financial statements of the Company for the period ended 31 December 2020.

Directors

Details of the Directors who held office during the period and as at the date of this report are disclosed on page 1.

Directors' Indemnity

Directors' and Officers' liability insurance cover is in place in respect of the Directors. The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour by the Court.

Except for such indemnity provisions in the Company's Articles of Association there are no qualifying third-party indemnity provisions in force.

Risks and Risk Management

The Company is exposed to financial risks such as market risk, credit risk and liquidity risk, and the monitoring of these risks is detailed in note 14 to the financial statements.

Independent Auditor

BDO LLP (the "Auditor") was appointed during the period and has expressed its willingness to continue in office.

Statement of Disclosure to Auditor

So far as each of the Directors at the time that this report was approved are aware:

- there is no relevant audit information of which the Auditor is unaware; and
- they have taken all steps they ought to have taken to make themselves aware of any audit information and to establish that the Auditor is aware of that information.

Financial Statements

The Board is of the opinion that the financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholders to assess the performance, strategy and business model of the Company.

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 the auditor's report thereon.

Results and Dividends

The results for the period are set out in the Statement of Comprehensive Income.

Dividend payments made during the period amounted to £nil. The Directors do not recommend the payment of any dividends for the period ended 31 December 2020.

Directors' Report continued

Going Concern

At the balance sheet date, the Company had net liabilities of £1.1m. The Company continues to meet its day-to-day liquidity requirements through its cash resources and the ongoing financial support provided by the LP. As at 31 December 2020, the Company had a cash balance of £0.1m, and owed the LP £113.8m as disclosed in note 12.

The Company has received confirmation from the LP that it will not demand repayment of the loan or seek repayment of interest on this loan for at least a 12-month period unless the Company has sufficient cash to finance its ongoing obligations.

Following the outbreak of COVID-19, the wellbeing and safe working practices of the employees of the investment manager, operation and maintenance service providers, asset managers and the local communities in which the LCF 5 and LCF 6 plants are based is a high priority of the Company. The situation and Government's response to it continues to be monitored and assessed. The Manager is working closely with relevant industry bodies and actively engaging stakeholders on risk management strategies. In line with Government guidance, changes to work procedures and certain work restrictions were applied across the portfolio of assets managed by Greencoat. Construction of the two greenhouse sites continued throughout the year, despite the COVID-19 pandemic.

The applications for the crucial RHI Accreditation were submitted in January 2021, well in advance of the 31 March deadline.

The investee companies' revenues are derived from the sale of heat to the growers. The major revenue stream (RHI) is government backed. Therefore, once accredited, management expect revenue inflow to be in line with forecast.

The (tenant) growers have pre-sold the crops that they plan to grow in the greenhouses when they take occupancy in 2021 and have carried on operating their other greenhouses throughout the pandemic, as they are essential to food supply, so we believe that there is low risk to occupancy. We also confirm that our credit checking service (Bureau van Dijk) has not identified any deterioration in the credit standing of the growers.

Based on the assessment outlined above, including the various risk mitigation measures in place, the Manager does not consider that the effects of COVID-19 have created a material uncertainty over the assessment of the Company as a going concern.

On the basis of this review, and after making due enquiries, the Manager has reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of this report.

In forming this conclusion, the Manager has considered the funds committed to the Company by the Partnership and the limited expenses which the Company is required to pay. Accordingly, the Manager has continued to adopt the going concern basis in preparing these financial statements.

Likely Future Developments

The Directors expect the activity and performance of the Company's investee companies to be satisfactory in the forthcoming year and are not aware of any potential circumstance that would adversely affect operations.

Directors' Report continued

Subsequent Events

Events after the end of the reporting period are disclosed in note 16.

Inclusion in the Strategic Report

In accordance with s414C(11) of the Companies Act 2006, the information relating to the principal activities of the Company, a business review and the principal risks and uncertainties of the Company have been included in the Strategic Report.

By order of the Board

DocuSigned by:
James Samworth
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James Samworth
Director
02 June 2021

Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Directors' Report and a Strategic Report which comply with the requirements of the Companies Act 2006.

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

The Directors confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with UK GAAP, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Directors' Report and the Strategic Report include a fair review of the development and performance of the Company and the position of the Company, together with a description of the principal risks and uncertainties it faces; and
- so far as each Director is aware, there is no relevant audit information of which the Company's Auditor is unaware, and each Director has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

By order of the Board

DocuSigned by:
James Samworth
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James Samworth
Director
02 June 2021

Independent Auditor's Report

Independent Auditor's Report to the Members of Greencoat York Assets Limited

Opinion on the financial statements

In our opinion the financial statements:

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

We have audited the financial statements of Greencoat York Assets Limited ("the Company") for the period ended 31 December 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, 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 for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Independent Auditor's Report continued

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.

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

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 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 Auditor's Report continued

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 gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with relevant laws and regulations and applicable accounting standards. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Manager, in particular around the key accounting estimate, being the valuation of the investment portfolio, that represented a risk of material misstatement due to fraud.

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements. Our tests included, but were not limited to:

- enquiries of management;
- review of minutes of board meetings throughout the period; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.
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We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and discussed how and where these might occur and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in the audit procedures described above 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 would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Investment Manager that represented a risk of material misstatement due to fraud.

Independent Auditor's Report continued

Auditor's Responsibilities for the Audit of the Financial Statements continued

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: https://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 Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Elizabeth Hooper

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Elizabeth Hooper (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London, United Kingdom
Date: 02 June 2021
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Comprehensive Income

	Note	For the period 3 September 2019 to 31 December 2020 £
Interest Income		7,286,568
Total income		**7,286,568**
Operating expenses		(238,638)
Investment acquisition costs		(24,906)
Operating profit		**7,023,024**
Interest on shareholder loan	12	(8,145,857)
Loss on ordinary activities before tax		**(1,122,833)**
Taxation	4	-
Loss on ordinary activities after tax		**(1,122,833)**
Total comprehensive loss attributable to the shareholder of the Company		**(1,122,833)**

The accompanying notes on pages 18 to 26 form an integral part of these financial statements.

Statement of Financial Position

	Note	As at 31 December 2020 £
Non-current assets		
Investments	5	109,537,702
		109,537,702
Current assets		
Shareholder loan interest receivable		7,286,568
Other receivables	6	2,975
Cash and cash equivalents		85,729
		7,375,272
Current liabilities		
Payables	7	(4,289,002)
		(4,289,002)
Net current assets		**3,086,270**
Non-current liabilities		
Amounts owed to Greencoat York LP	8	(113,746,804)
		(113,746,804)
Net liabilities		**(1,122,832)**
Capital and reserves		
Share capital	9	1
Retained losses		(1,122,833)
Shareholders' funds		**(1,122,832)**

The financial statements were approved by the Board of Directors and authorised for issue on 02 June 2021 and signed on its behalf by:

DocuSigned by:
James Samworth
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James Samworth
Director

Company registration number 12187812

The accompanying notes on pages 18 to 26 form an integral part of these financial statements.

Statement of Changes in Equity

	Share Capital	Retained losses	Total
	£	£	£
Balance at inception as at 3 September 2019	-	-	**-**
Issue of share capital	1	-	**1**
Total comprehensive loss for the period	-	(1,122,833)	**(1,122,833)**
Balance at 31 December 2020	**1**	**(1,122,833)**	**(1,122,832)**

The accompanying notes on pages 18 to 26 form an integral part of these financial statements.

Statement of Cash Flows

	Note	For the period 3 September 2019 to 31 December 2020 £
Net cash flows generated used in operating activities	13	**(225,845)**
Cash flows from investing activities		
Acquisition of investments	5	(109,537,702)
Investment acquisition costs paid		(24,906)
Net cash used in investing activities		**(109,562,608)**
Cash flows from financing activities		
Loans drawn down in the period	8	109,984,182
Loan interest paid in the period		(110,000)
Net cash generated from financing activities		**109,874,182**
Net increase in cash and cash equivalents during the period		85,729
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period		**85,729**

The accompanying notes on pages 18 to 26 form an integral part of these financial statements.

Notes to the Financial Statements

1. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period.

Basis of accounting

The financial statements of the Company have been prepared on the historical cost basis, as modified for the measurement of certain financial instruments at fair value through profit or loss, and in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" and the Companies Act 2006.

The preparation of these financial statements requires the use of estimates and assumptions that affect the amounts and disclosures in these financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Accounting for subsidiaries

The Directors have concluded that the Company's subsidiaries should be excluded from consolidation as the interests in subsidiaries are held as part of an investment portfolio as defined in paragraph 9.9 (b) of FRS 102 and are measured at fair value with movements in fair value recognised in the Statement of Comprehensive Income in the period in which they arise.

Functional and presentational currency

The financial statements are presented in Sterling (£ or GBP), which is the Company's functional currency.

Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income.

Going concern

At the balance sheet date the Company had net liabilities of £1.1m. The Company continues to meet its day-to-day liquidity requirements through its cash resources and the ongoing financial support provided by the LP. As at 31 December 2020, the Company had a cash balance of £0.1m and owed the LP £113.8m as disclosed in note 8. The Company has received confirmation from the LP that it will not demand repayment of the loan or seek repayment of interest on this loan for at least 12 months unless the Company has sufficient cash to finance its ongoing obligations.

The Directors have reviewed Company forecasts and projections taking into account foreseeable changes in investment and trading performance, which show that the Company has sufficient financial resources to meet its current obligations as they fall due for a period of not less than 12 months from the date of signature of these financial statements,

On this basis, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Notes to the Financial Statements continued

1. **Accounting policies** continued

Investment income

Interest income on shareholder loan investments are accounted for on an accruals basis using the effective interest rate method. Income in respect of the provision of management services to the SPVs is recognised on an accruals basis. Provisions are made against income where recovery is considered doubtful.

Interest payable and expenses

Interest payable and expenses are accounted for on an accruals basis.

Operating profit

Operating profit is stated after investment acquisition costs but before finance costs.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

At 31 December 2020 the carrying amounts of cash and cash equivalents, receivables, payables, accrued expenses and short term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the original instruments and their expected realisation. The fair value of advances and other balances with related parties which are short term or repayable on demand is equivalent to their carrying amount.

Financial assets

Financial assets are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are held at amortised cost or at fair value through profit or loss.

Amortised cost

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as financial assets held at amortised cost. Amortised cost is calculated using the effective interest rate method less any impairment losses. Debtors that are due within one year of the period end are recognised at the undiscounted amount receivable. All debtor balances are held at the undiscounted amount at 31 December 2020.

Fair value through profit or loss

Investments, including shareholder loans, are held at cost plus accrued interest during the construction phase and from operational phase (January 2021 onwards) they will be held at fair value through profit or loss upon initial recognition since they form part of an investment portfolio, the performance of which is measured and evaluated on a fair value basis. Gains or losses resulting from the movement in fair value are recognised in the Statement of Comprehensive Income in the period in which they arise. Fair value is defined as the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. Fair value is calculated on an unlevered, discounted cashflow basis.

Notes to the Financial Statements continued

1. Accounting policies continued

De-recognition of financial assets

A financial asset (in whole or in part) is derecognised either:

- when the Company has transferred substantially all the risks and rewards of ownership; or
- when it has neither transferred nor retained substantially all the risks and rewards and when it no longer has control over the assets or a portion of the asset; or
- when the contractual right to receive cashflows has expired.

Financial liabilities

Financial liabilities are classified according to the substance of contractual agreements entered into and are recorded on the date on which the Company becomes party to such contractual requirements of the financial liability.

All loans and borrowings are initially recognised at cost, being fair value of consideration received, net of any incurred transaction costs where applicable. After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Loan balances as at the period-end have not been discounted to reflect amortised cost, as the amounts are not materially different from the outstanding balances. The Company's other financial liabilities measured at amortised cost include trade and other payables and other short-term monetary liabilities which are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Derecognition of financial liabilities

A financial liability (in whole or in part) is derecognised when the Company has extinguished its contractual obligations, it expires or it is cancelled. Any gain or loss on derecognition is taken to the Statement of Comprehensive Income.

Finance expenses

Borrowing costs are recognised in the Statement of Comprehensive Income in the period to which they relate on an accruals basis.

Share capital

Financial instruments issued by a company are treated as equity if the holder has a residual interest in the net assets of that company. The Company's ordinary shares are classified as equity instruments.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits held on call with banks that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Taxation

Tax for the period comprises current tax.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. Current tax is charged or credited to the Statement of Comprehensive Income.

Notes to the Financial Statements continued

2. Critical accounting estimates and judgements

The preparation of financial statements requires the application of estimates and assumptions which may affect the results reported in the financial statements. Estimates, by their nature, are based on both judgement and information available at the time.

Valuation of investments

The estimates and assumptions that may have a significant impact on the carrying value of assets and liabilities are those used to determine the fair value of the investments. Given that the underlying assets are under construction, the fair value of investments are held at equity and loan cost plus accrued interest.

3. Operating profit

The operating profit is stated after:

	For the period 3 September 2019 to 31 December 2020 £
Auditor's Remuneration	
Auditor's remuneration for the audit of the financial statements	11,850
Operating expenses	226,788
Acquisition cost	24,906

4. Taxation

	For the period 3 September 2019 to 31 December 2020 £
UK Corporation tax	-

The tax assessed for the period shown in the Statement of Comprehensive Income is lower than the standard rate of corporation tax of 19 per cent. The differences are explained below:

	For the period 3 September 2019 to 31 December 2020 £
Loss for the period before tax	(1,122,833)
Loss for the period multiplied by the standard rate of corporation tax of 19 per cent	(213,338)
Non-deductible items	41,646
Effect of other reliefs	(137,850)
Increase in unrecognised deferred tax asset	309,542
	-

Notes to the Financial Statements continued

5. Investments

	Loans	Equity investments	Total
	£	£	£
Opening balance as at 3 September 2019	-	-	**-**
Additions	104,512,897	5,024,805	**109,537,702**
Closing balance at 31 December 2020	**104,512,897**	**5,024,805**	**109,537,702**

The shareholder loans and the equity investments are held at cost plus accrued interest.

Fair value measurements

FRS 102 requires disclosure of fair value measurement by level. The level of fair value hierarchy within the financial assets or financial liabilities is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the following three levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The determination of what constitutes 'observable' requires judgement by the Company. The Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The only financial instruments held at fair value are the instruments held by the Company in the SPVs, which are fair valued at each reporting date. The Company's investments have been classified within level 3 as the investments are not traded and contain unobservable inputs. Due to the nature of the investments, they are always expected to be classified as level 3. There have been no transfers between levels during the year ended 31 December 2020.

Schedule of realised investments

There are no realised investments, other than the repayment of shareholder loans at par value, as at 31 December 2020.

6. Other receivables

	As at 31 December 2020
	£
Prepayments	1,900
Amounts due from investee companies	1
Other debtors	1,074
Total	**2,975**

Notes to the Financial Statements continued

7. Payables

	As at 31 December 2020 £
Loan interest payable	4,273,297
Accruals	15,705
Total	**4,289,002**

8. Loans and borrowings

	As at 31 December 2020 £
Opening balance	-
Loans drawn down in the period	109,984,182
Interest capitalised in the period	3,762,622
Closing balance	**113,746,804**

As disclosed in note 12, the Company has received a shareholder loan from the LP which is repayable on demand or on the termination date of 24 September 2039, whichever is earlier, and bears interest at a rate of 7.00 per cent per annum. Interest is payable quarterly, on 31 March, 30 June, 30 September and 31 December each year, and any unpaid interest is capitalised on these dates. As at 31 December 2020, the loan balance was £113,746,804 and loan interest outstanding was £4,273,245.

The loan balance as at 31 December 2020 has not been adjusted to reflect amortised cost, as the amounts are not materially different from the outstanding balances.

9. Share capital

Issued	Number of shares issued	Share capital £	Total £
Balance at inception – 3 September 2019	-	-	**-**
Share issued during the period	1	1	**1**
Closing balance - 31 December 2020	1	1	**1**

Notes to the Financial Statements continued

10. Financial instruments

	Note	Measured at amortised cost £	Measured at fair value £	Total £
Financial assets as at 31 December 2020				
Investments - Equity	5	-	5,024,805	**5,024,805**
Investments - Shareholder loans	5	-	104,512,897	**104,512,897**
Shareholder loan interest receivable		-	7,286,568	**7,286,568**
Other receivables (excluding prepayments)	6	1,075	-	**1,075**
Cash		85,729	-	**85,729**
		86,804	**116,824,270**	**116,911,074**

	Note	Measured at amortised cost £	Measured at fair value £	Total £
Financial liabilities as at 31 December 2020				
Payables	7	(15,705)	-	**(15,705)**
Loan interest payable	7	(4,273,297)	-	**(4,273,297)**
		(4,289,002)	**-**	**(4,289,002)**

11. Unconsolidated subsidiaries

The Directors consider the following investee companies to be subsidiaries of the Company. The Directors have concluded that these subsidiaries should be excluded from consolidation as these interests in subsidiaries are held as part of an investment portfolio.

Company	Company number	Ownership interest as at 31 December 2020
Low Carbon Farming 5 Limited	11093291	100%
Low Carbon Farming 6 Limited	11093101	100%

12. Related party transactions

The Company has received a shareholder loan from the LP which is repayable on demand or on the termination date of 24 September 2039, whichever is earlier, and bears interest at a rate of 7.00 per cent per annum. Interest is payable quarterly, on 31 March, 30 June, 30 September and 31 December each year, and any unpaid interest is capitalised on these dates. Total interest charged during the year was £8,145,857, of which £3,762,622 was capitalised and £nil was paid. As at 31 December 2020, the loan balance was £113,746,804 and loan interest outstanding was £4,273,235.

During the period, the Company provided shareholder loans to investee companies totalling £104,512,897. These loans are repayable on demand and bear interest at a rate of 7.00 per cent. Interest is repayable quarterly, on 31 March, 30 June, 30 September and 31 December each year, and any unpaid interest is capitalised on these dates.

Notes to the Financial Statements continued

13. Reconciliation of cash flows from operating activities

	Note	For the period 3 September 2019 to 31 December 2020 £
Loss on ordinary activities before tax		**(1,122,833)**
Adjustments for:		
Interest expense		8,145,857
Investment interest income		(7,286,568)
Investment acquisition costs		24,906
Movement in receivables		(2,975)
Movement in payables		15,769
Net cash flows generated from/(used in) operating activities		**(225,845)**

14. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including, interest rate risk and foreign currency risk), credit risk and liquidity risk. An explanation of those risks is set out below.

Interest rate risk

The Company's interest rate risk on interest bearing financial assets is limited to interest earned on cash. The Board considers that the shareholder loan investments and shareholder loan payable do not carry any interest rate risk as they bear interest at a fixed rate.

Foreign currency risk

Foreign currency risk is defined as the risk that the fair values of future cashflows will fluctuate because of changes in foreign exchange rates. The Company's financial assets and liabilities are denominated in GBP and substantially all of its revenues and expenses are in GBP. The Company is not considered to be materially exposed to foreign currency risk.

Credit risk

Credit risk is the risk of loss due to the failure of a borrower or counterparty to fulfil its contractual obligations. The Company is exposed to credit risk in respect of shareholder loan investments, accrued shareholder loan interest, cash at bank and other receivables. The Company's credit risk exposure is minimised by dealing with financial institutions with investment grade credit ratings. The Company has advanced loans to its investee companies and does not consider these loans a risk as they are intra-group. No balances are past due or impaired.

Liquidity risk

The Directors do not consider the liquidity risk to be material due to the limited working capital required to meet the day to day commitments of the Company. The Company has a loan liability from the LP that is repayable on demand, however, has received a letter of support from the LP confirming that this will not be recalled within the next 12 months.

Notes to the Financial Statements continued

15. Controlling party

The LP holds 100 per cent of the shares of the Company and the LP is the immediate and ultimate parent of the Company. The LP was registered in England and Wales on 11 April 2019 under the Limited Partnerships Act 1907 with registration number LP020158. The consolidated financial statements of the LP include the financial statements of the Company and the LP is the largest entity that includes the Company in its consolidated financial statements. Consolidated financial statements are not publicly available.

16. Events after the end of the reporting period

The growers have taken occupancy of both greenhouses in January 2021 and the RHI accreditation applications for both sites have been made.

On 3 March 2021, the Government announced its intention to increase the rate of corporation tax from April 2023 to 25 per cent on profits over £250,000. This change could have a material impact on the valuations of the investee companies, and is being considered by the Manager.