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COMPANIES HOUSE
25 MAY 2022
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BayWa r.e. Operation Services Limited

Annual Report and Financial Statements

For the year ended 31 December 2020



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Company Information

| | |
|----------------------------|--|
| Directors | M D Patel D Banks M Harris |
| Registered Office | Percivals Barn Fairfield Farm Upper Weald Milton Keynes MK19 6EL |
| Independent auditor | BDO LLP Citypoint 65 Haymarket Terrace Edinburgh EH12 5HD |
| Banker | UniCredit Bank AG Moor House 120 London Wall London EC2Y 5ET |

Directors' Report for the Year Ended 31 December 2020

The Directors present this report and the financial statements for the year ended 31 December 2020.

The Company prepares financial statements using FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' and has taken advantage of certain disclosure exemptions allowed under this standard.

Principal activities

The principal activities for the year under review are operation and maintenance services to large scale solar and wind farms, and provision of asset management services for solar and wind farms.

Going Concern

The Company recorded a loss of £2,340k (2019: loss £59k) for the year to 31 December 2020. As at 31 December 2020, the Company had net liabilities of £2,593k (2019: net liabilities £253k). The loss includes an investment impairment of £1,150k in Becon Project Management and Consultancy Limited as the trading activities of that Company are planned to be merged into BayWa r.e. Operation Services Ltd.

Subsequent to the period the Company has continued to expand its service offerings and has to date provided repowering services to 3 projects. This new area of business growth, coupled with the strengthening of the core business, are considered to provide a stable platform for future growth.

In making their assessment of going concern the Directors have considered the financial projections for coming periods and have a reasonable expectation that the Company will return to profitability following a period of expansion and investment in resources and will meet its financial liabilities as they fall due. Also, BayWa r.e AG will not seek repayment of intercompany funding unless alternative funding is in place. Consequently, the financial statements have been prepared on a going concern basis.

The company has written support from its ultimate parent company, BayWa r.e AG, that states that it will provide financial support and funding to the Company for at least 12 months from the date of approval of these financial statements which is sufficient to meet all obligations as they fall due throughout the period. On this basis, we as the Directors believe that there are no matters or events that would result in a material uncertainty with regards to the business being a going concern. The financial statements have been prepared on a going concern basis.

Directors of the company

The Directors who held office during the year and up until the date of signing the financial statements were as follows:

Mr O Niedhöfer (resigned 8 January 2020)
Mr A Beattie (resigned 28 August 2020)
M D Patel (appointed 8 January 2020)
Mr S Ikin (appointed 19 April 2022, resigned 20 May 2022)
Mr D Banks (appointed 19 May 2022)
Mrs M Harris (appointed 19 May 2022)

Results

The results of the Company are set out on page 9 and show a loss before tax of £2,313k (2019: loss of £56k) and loss for the financial year of £2,340k (2019: loss of £59k).

At the year end the Company had total assets of £5,975k (2019: £6,167k) and total liabilities of £8,568k (2019: £6,420k).

The interests of the Company's employees

The Directors firmly believe that the Company's strategic ambitions can only be achieved if the Company is able to attract and retain employees. The Directors are resolved to provide a safe, motivating environment for employees to work coupled with competitive benefits and rewards. In order to provide this the Directors have set up a number of channels for employee engagement, and monitor the position of the UK employment market.

The need to foster the Company's business relationships with suppliers customers and others

The Directors recognise that strong relationships with suppliers, customers, business partners, and regulatory authorities are fundamental to achieving the Company's strategic goals. The Company proactively enters dialogue with key stakeholders, to ensure that the needs of the stakeholders and the standards and requirements of the Company are communicated and acted upon.

Directors' Report for the Year Ended 31 December 2020 (continued)

The impact of the Company's operations on the community and the environment

Having a positive impact on the environment and community are core principles in the foundation of the Company and the wider BayWa r.e. renewable energy group. The Company undertakes sustainability monitoring and audits to ensure that best environmental practice is applied across the business.

The desirability of the Company maintaining a reputation for high standards of business conduct

The Company is part of the BayWa AG group that promotes a program to ensure the regulatory standards for business conduct are not just met but exceeded. All employees are required to complete training on code of conduct, ethics, modern slavery and HSEQ on an at least annual basis. The Directors ensure that communications are open for employees should they consider that they have any concerns that the Company business conduct standard is not being met.

The need to act fairly between members of the Company

The Directors maintain regular dialogue with the management of holding company to ensure that the Company's performance and strategic goals remain consistent with those of the wider BayWa group.

Independent Auditor

BDO LLP were retained as auditor for the financial year. Under section 487(2) of the Companies Act 2006, BDO LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

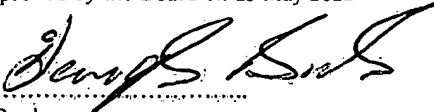
Special provisions

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

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

This report has been prepared in accordance with the provisions applicable to companies within part 15 of the Companies Act 2006 and therefore a Strategic Report has not been prepared.

Approved by the Board on 23 May 2022



D Banks
Director

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing 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 (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;
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAYWA R.E. OPERATION SERVICES 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 loss for the year 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 BayWa r.e. Operation Services Limited ("the Company") for the year ended 31 December 2020 which comprise the profit and loss account, statement of comprehensive income, balance sheet, statement of changes in equity 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 FRS 101 *Reduced Disclosure Framework* (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAYWA R.E. OPERATION SERVICES LIMITED

Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in 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
- the Directors were not entitled to take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a strategic report.

Responsibilities of Director

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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAYWA R.E. OPERATION SERVICES LIMITED

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.

The procedures that we designed and executed included:


- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud. Areas of identified risk are then tested substantively;
- assessing the design and implementation of the control environment to identify areas of material weakness to focus the design of our audit testing;
- determining whether the accounting policies and presentation adopted in the financial statements are in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice)
- identifying whether there are instances of potential bias in areas with significant degrees of judgement;
- addressing the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in accounting estimates are indicative of a potential bias; and evaluating the business rationale of significant transactions that are unusual or outside the normal course of business;
- vouching balances and reconciling items in key control account reconciliations to supporting documentation as at 31 December 2020; and
- carrying out detailed testing, on a sample basis, of transactions and balances agreeing to appropriate documentary evidence to verify the completeness, existence and accuracy of the reported financial statements

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:

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Alastair Rae (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Edinburgh
Date 24 May 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Profit and Loss Account for the Year Ended 31 December 2020

| | | Year Ended | Year Ended |
|--------------------------------------|-------------|-----------------------|--------------------|
| | | 31-Dec-20 | 31-Dec-19 |
| | Note | £000 | £000 |
| Turnover | 2 | 10,299 | 8,099 |
| Cost of sales | | <u>(3,409)</u> | <u>(3,022)</u> |
| Gross profit | | 6,890 | 5,077 |
| Administrative expenses | | <u>(9,099)</u> | <u>(5,032)</u> |
| Operating (loss)/profit | 3 | <u>(2,209)</u> | <u>45</u> |
| Interest payable and similar charges | 6 | (104) | (101) |
| Loss before tax | | <u>(2,313)</u> | <u>(56)</u> |
| Tax on loss | 7 | <u>(27)</u> | <u>(3)</u> |
| Loss for the financial year | | <u><u>(2,340)</u></u> | <u><u>(59)</u></u> |

The above results were derived from continuing operations. There were no recognised gains and losses for 2020 or 2019 other than those recognised in the profit and loss account.

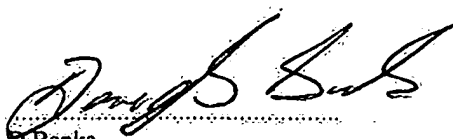
Statement of Comprehensive Income for the Year Ended 31 December 2020

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|--|--|
| | £000 | £000 |
| Loss for the financial year | (2,340) | (59) |
| Total comprehensive loss for the financial year | <u>(2,340)</u> | <u>(59)</u> |

Balance Sheet

| | Note | 31-Dec-20 £000 | 31-Dec-19 £000 |
|---|------|-------------------|-------------------|
| Fixed Assets | | | |
| Tangible assets | 8 | 194 | 221 |
| Right of use asset | 9 | 246 | 155 |
| Investments | 10 | 1,861 | 3,011 |
| Deferred tax asset | 11 | <u>27</u> | <u>27</u> |
| | | 2,301 | 3,414 |
| Current Assets | | | |
| Trade and other debtors | 11 | 3,665 | 2,730 |
| Cash at bank and in hand | | <u>9</u> | <u>23</u> |
| | | 3,674 | 2,753 |
| Creditors: Amounts falling due within one year | | | |
| Trade and other creditors | 13 | <u>(8,518)</u> | <u>(6,340)</u> |
| Net current liabilities | | <u>(4,844)</u> | <u>(3,587)</u> |
| Creditors: Amounts falling due after more than one year: | | | |
| Lease liabilities | 14 | <u>(50)</u> | <u>(80)</u> |
| Net liabilities | | <u>(2,593)</u> | <u>(253)</u> |
| Capital and reserves | | | |
| Called up share capital | 12 | 1 | 1 |
| Profit and loss account | | <u>(2,594)</u> | <u>(254)</u> |
| Total shareholders' funds | | <u>(2,593)</u> | <u>(253)</u> |

The financial statements were approved by the Board on 23/05/22 and signed on its behalf by:


 James Banks
 Director

Statement of Changes in Equity for the Year Ended 31 December 2020

| | Called up Share capital | Profit and loss account | Total shareholders' funds |
|--------------------------|------------------------------------|------------------------------------|--|
| | £000 | £000 | £000 |
| At 1 January 2019 | 1 | (195) | (194) |
| Total comprehensive loss | - | (59) | (59) |
| At 31 December 2019 | 1 | (254) | (253) |

| | Called up Share capital | Profit and loss account | Total shareholders' funds |
|--------------------------|------------------------------------|------------------------------------|--|
| | £000 | £000 | £000 |
| At 1 January 2020 | 1 | (254) | (253) |
| Total comprehensive loss | - | (2,340) | (2,105) |
| At 31 December 2020 | 1 | (2,594) | (2,593) |

The notes on pages 13 - 25 form an integral part of the financial statements.

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

1. Accounting policies

General information

The Company is a private company limited by share capital incorporated and domiciled in the United Kingdom.

The address of its registered office is:

Percivals Barn,
Fairfield Farm,
Upper Weald,
Milton Keynes,
MK19 6EL

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and expectations of future events that are believed to be reasonable under the circumstance. The Company makes estimates and assumptions concerning the future. In preparing the financial statements the Directors have made the following judgements. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Contracts and WIP

Profit from individual projects is recognised by reference to the stage of completion, costs incurred and estimated costs to complete and expected outturn of the project. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

Provision for liquidated damages

The Company makes estimates on liquidated damages due to default under customer contracts. All liquidated damages are calculated and measured per provisions in customer contracts and reviewed by both legal counsel and the Directors for accuracy.

Lease discount rate

Where the interest rate implicit in the lease cannot be readily determined, lease liabilities are discounted at the lessee's incremental borrowing rate. This is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. This involves assumptions and estimates, which would affect the carrying value of the lease liabilities (note 13) and the corresponding right-of-use assets (note 9).

In preparing the financial statements the Directors have made the following critical accounting estimate:

The IFRS 16 discount rate of 2.05% has been established with reference to the notional borrowing rate that the Company could expect to achieve in the market. As interest rates remain low 2.05% continues to be a reasonable estimate of the interest that the Company would be charged on any borrowing.

Accrued expenses

An accrual is recognised in the balance sheet when the Company has a present obligation as a result of a past event that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Accruals are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

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

Accounting policies (continued)

Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The Company has voluntarily adopted FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council and has taken advantage of certain disclosure exemptions allowed under this standard. These financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101, and have been prepared under the historical cost convention.

The financial statements are denominated in Sterling as this is the functional currency of the Company and rounded to the nearest thousand (£'000).

Summary of disclosure exemptions

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

As permitted by Companies Act 2006, s400 the Company has taken advantage of the disclosure exemption to not prepare consolidated financial statements.

Where required, equivalent disclosures are given in the group financial statements of BayWa AG. The Group financial statements of BayWa AG. Are available to the public and can be obtained from the Directors at Arabellastrasse 4, 81925 Munich, Germany.

Going concern

The Company recorded a loss of £2,340k (2019: loss £59k) for the year to 31 December 2020. As at 31 December 2020, the Company had net liabilities of £2,593k (2019: net liabilities £253k). The loss includes an investment impairment of £1,150k in Becon Project Management and Consultancy Limited as the trading activities of that Company are planned to be merged into BayWa r.e. Operation Services Ltd.

Subsequent to the period the Company has continued to expand its service offerings, and has to date provided repowering services to 3 projects. This new area of business growth, coupled with the strengthening of the core business, are considered to provide a stable platform for future growth

In making their assessment of going concern the Directors have considered the financial projections for coming periods and have a reasonable expectation that the Company will return to profitability following a period of expansion and investment in resources and will meet its financial liabilities as they fall due. Also, BayWa r.e AG will not seek repayment of intercompany funding unless alternative funding is in place. Consequently, the financial statements have been prepared on a going concern basis.

The company has written support from its ultimate parent company, BayWa r.e AG, that states that it will provide financial support and funding to the company for at least 12 months from the date of approval of these financial statements and is sufficient to meet all obligations. On this basis, we as the Directors believe that there are no matters or events that would result in a significant material uncertainty with regards to the business being a going concern. The financial statements have been prepared on a going concern basis.

Revenue recognition

The Company derives its revenue from operation and maintenance service contracts with large scale solar generation farms. Revenue is recognised over the period to which the contract relates, amounts invoiced in advance or arrears are recognised as deferred and accrued income respectively.

Interest receivable and payable

Interest receivable is recognised on a time-proportion basis using the effective interest method and recognised in the profit and loss account.

Interest payable is recognised on a time-proportion basis using the effective interest method and recognised in the profit and loss account.

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

Accounting policies (continued)

Tax

Income tax for the period comprises deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Income tax is recognised in the Company's profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. 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.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Tangible fixed assets

Tangible fixed assets are stated at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible fixed assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation commences when the asset is ready for its intended use. Gains and losses on disposals are determined by comparing the proceeds received with the carrying amount and are recognised within other income/(expenditure) net in the profit and loss account.

Depreciation is charged so as to write off the cost of assets, other than land, over their estimated useful lives as follows:

| Asset class | Depreciation method and rate |
|-----------------------------------|---|
| Motor vehicles | over the 3 year estimated useful life of the assets |
| Furniture, fittings and equipment | over the 3 year estimated useful life of the assets |
| Computer equipment | over the 3 year estimated useful life of the assets |
| Equipment | over the 3 – 5 year estimated useful life of the assets |

Investments

Investments are held at cost less any provision for impairment. Cost of investment includes amount paid to third parties. Investments are stated at cost where it is reasonable that the economic benefits arising from the investment will exceed the carrying amount of the investment. Cost relating to investment are held at cost where, in the opinion of the Directors it is highly likely that future economic benefits arising from the investment will exceed the carrying value of the investment.

Cash at bank and in hand

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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

Accounting policies (continued)

Trade debtors

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. Trade and other debtors are expected to be collected in the normal operating cycle of the business and therefore classified as current assets.

Trade debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred. Borrowings are classified as current liabilities unless the Company has unconditional right to defer settlement of the liability at least 12 months after the reporting date.

Leases

Existing leases have been assessed under the IFRS16 criteria and the leases are now accounted for in the most appropriate manner. All new leases will be assessed to identify whether IFRS16 needs to be applied with the assets capitalised and a corresponding lease liability set up when required.

Identifying leases

The Company accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- There is an identified asset.
- The Company obtains substantially all the economic benefits from use of the asset; and
- The Company has the right to direct use of the asset.

The Company considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

Recognition

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case an estimate of the Company's incremental borrowing rate on

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

Accounting policies (continued)

Leases (continued)

commencement of the lease is used. At 31 December 2020 the Company has 20 (2019 – 10) fixed payment leases and no variable payment leases.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee.
- the exercise price of any purchase option granted in favour of the Company if it is reasonably certain to assess that option.
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease.
- initial direct costs incurred; and

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

Nature of leasing activities (in the capacity as lessee)

The Company has two leases for a property in Milton Keynes. Rentals comprise of fixed rental payments with periodic reviews of the rental cost. There is no provision for rentals to increase each year.

The Company also leases certain cars and vans. Leases of cars and vans comprise only fixed payments over the lease terms.

The percentages in the table below reflect the current proportions of lease payments that are either fixed or variable.

| | Lease contracts number | Fixed payments % |
|---|---------------------------|---------------------|
| Property leases with period uplifts to market rentals | 2 | 100% |
| Leases of equipment | 2 | 100% |
| Leases of cars and vans | 16 | 100% |
| | 20 | 100% |

The Company may negotiate break clauses in any future property leases. On a case-by-case basis, the Company will consider whether the absence of a break clause would expose the Company to excessive risk. Typically, factors considered in deciding to negotiate a break clause include:

- the length of the lease term.
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the Company.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and account, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the profit and loss account.

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

Accounting policies (continued)

Pension

The Company operates defined contribution pension schemes (salary exchange scheme, in addition to the government's workplace pension). Membership to both schemes are voluntary and employees qualify to join the pension salary exchange scheme after six months of employment with the Company, whilst the government's workplace pension is deferred for the first three months of employment.

Share capital

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

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

2. Turnover

The analysis of the Company's revenue for the year from continuing operations is as follows:

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|--|--|
| | £000 | £000 |
| Revenue generated from principal activities, net of VAT | 10,281 | 8,099 |

All revenue is derived from the United Kingdom.

3. Operating (loss)/profit

Arrived at after charging:

| | Year Ended 31 December 2020 | Year ended 31 December 2019 |
|---|--|--|
| | £000 | £000 |
| Amortisation of right of use assets | 176 | 102 |
| Depreciation expense | 163 | 113 |
| Auditor's remuneration: audit of these financial statements | 15 | 10 |
| | | |

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

4. Staff costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

| | Year Ended 31 December 2020 | Year ended 31 December 2019 |
|--------------------------------|--|--|
| | £000 | £000 |
| Wages and salaries | 4,669 | 2,986 |
| Social security costs | 491 | 334 |
| Employer pension contributions | 238 | 150 |
| | 5,398 | 3,470 |

The monthly average number of persons employed by the company (including Directors) during the year, was as follows:

| | 2020 | 2019 |
|-----------------------------|-------------|-------------|
| | No. | No. |
| Average number of employees | 114 | 71 |

All staff were employed to provide operational and commercial management services to renewable energy generation farms.

Key management personnel were remunerated £289k (2019 - £244k) during the year.

5. Directors' remuneration

The Directors' remuneration for the year was as follows:

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|--------------------------------|--|--|
| | £000 | £000 |
| Remuneration | 243 | 205 |
| Employer pension contributions | 16 | 17 |
| | 259 | 222 |

Remuneration attributable to the highest paid director in the year was £141k (2019 - £149k) and Company pension contributions paid in the year to the highest paid Director was £9k (2019 - £9k).

The number of Directors accruing retirement benefits during the year was 2 (2019 - 2).

6. Interest payable and similar charges

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|--------------------------------------|--|--|
| | £000 | £000 |
| Interest payable and similar charges | 104 | 101 |

Interest payable and similar charges for the year relates to interest on lease liabilities (£8k, 2019: £5k) and working capital loans from BayWa r.e. AG (£96k, 2019: £96k). Interest on working capital is paid at base rate of the one-month GBP LIBOR for the month preceding any disbursement, plus a margin of 165 basis points.

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

7. Taxation

Tax charged in the income statement

| | Year ended 31 December 2020 £000 | Year ended 31 December 2019 £000 |
|---------------------|---|---|
| Deferred tax charge | (27) | (3) |

The tax on profit on ordinary activities before taxation for the year is greater than the standard rate of corporation tax in the UK (2019 – greater than standard rate of corporation tax in the UK) of 19% (2019 – 19%).

The differences are reconciled below:

| | Year ended 31 December 2020 £000 | Year ended 31 December 2019 £000 |
|--|---|---|
| (Loss) on ordinary activities before taxation | <u>(2,313)</u> | <u>(56)</u> |
| Corporation tax credit/(charge) at standard rate 19% (2019:19%) | 439 | 11 |
| Effect of non-deductible expenditure in determining taxable profit | (223) | (1) |
| Effect of timing differences | (8) | (13) |
| Adjustment in relation to prior period – deferred tax | (27) | - |
| Deferred tax asset not recognised | <u>(208)</u> | <u>-</u> |
| Total tax charge | <u>(27)</u> | <u>(3)</u> |

Deferred taxation

| | Year ended 31 December 2020 £000 | Year ended 31 December 2019 £000 |
|--------------------|---|---|
| Deferred tax asset | <u>-</u> | <u>27</u> |

As at 31 December 2020 there is a deferred tax asset relating to tax losses carried forward of £235,000 (2019: £Nil) not being recognised.

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

8. Tangible assets

| | Motor vehicles | Furniture, fittings and equipment | Computer equipment | Equipment | Total |
|---------------------------------|-------------------|--|-----------------------|------------|------------|
| | £000 | £000 | £000 | £000 | £000 |
| Cost | | | | | |
| At 1 January 2020 | 77 | 85 | 256 | - | 418 |
| Additions | 41 | 5 | 53 | 37 | 136 |
| Disposal | (15) | - | - | - | (15) |
| At 31 December 2020 | <u>103</u> | <u>90</u> | <u>309</u> | <u>37</u> | <u>539</u> |
| Accumulated depreciation | | | | | |
| At 1 January 2020 | 29 | 41 | 127 | - | 197 |
| Charge for the year | 50 | 26 | 81 | 6 | 163 |
| Disposals | (15) | - | - | - | (15) |
| At 31 December 2020 | <u>64</u> | <u>67</u> | <u>208</u> | <u>6</u> | <u>345</u> |
| Net book value | | | | | |
| At 31 December 2019 | <u>48</u> | <u>44</u> | <u>129</u> | <u>129</u> | <u>221</u> |
| At 31 December 2020 | <u>39</u> | <u>23</u> | <u>101</u> | <u>31</u> | <u>194</u> |

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

9. Right of use assets

| Right of use assets | Land and buildings £'000 | Motor vehicles £'000 | Equipment £'000 | Total £'000 |
|---------------------------------|-------------------------------------|-------------------------------------|----------------------------|------------------------|
| As at 1 January 2020 | 108 | 129 | - | 237 |
| Additions | - | 106 | 161 | 267 |
| As at 31 December 2020 | <u>108</u> | <u>235</u> | <u>161</u> | <u>504</u> |
| Accumulated depreciation | | | | |
| At 1 January 2020 | 34 | 48 | - | 82 |
| Charge for the year | 34 | 104 | 38 | 176 |
| At 31 December 2020 | <u>68</u> | <u>152</u> | <u>38</u> | <u>258</u> |
| Net book value | | | | |
| At 31 December 2019 | <u>74</u> | <u>81</u> | <u>-</u> | <u>155</u> |
| At 31 December 2020 | <u>40</u> | <u>83</u> | <u>123</u> | <u>246</u> |

10. Investments

| Cost | Investment in subsidiaries £000 | Total £000 |
|-------------------------|--|-----------------------|
| At 1 January 2020 | <u>3,011</u> | <u>3,011</u> |
| At 31 December 2020 | <u>3,011</u> | <u>3,011</u> |
| Impairment | £000 | £000 |
| At 1 January 2020 | - | - |
| Impairment for the year | <u>(1,150)</u> | <u>(1,150)</u> |
| At 31 December 2020 | <u>(1,150)</u> | <u>(1,150)</u> |
| Carrying amount | £000 | £000 |
| At 1 January 2020 | <u>3,011</u> | <u>3,011</u> |
| At 31 December 2020 | <u>1,861</u> | <u>1,861</u> |

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

Recognised through administration expenses during the year is an investment impairment of £1,150k in Becon Project Management and Consultancy Limited. This impairment has been recognised due to fall in volume of trading as significant number of customer contracts have been transferred to BayWa r.e Operation Services Limited, immediate parent company.

Investment in subsidiaries

| Name | Registered Office | Holding | Nature of Business |
|---|---|----------------------|---|
| Becon Project Management & Consultancy Services Limited | Ground Floor West Suite, Prospect House, 5 Thistle Street, Edinburgh, EH2 1DF | 100% Ordinary shares | Construction of civil engineering projects and management consultancy |
| A R Beattie Contracts Limited | Ground Floor West Suite, Prospect House, 5 Thistle Street, Edinburgh, EH2 1DF | 100% Ordinary shares | Dormant |

11. Trade and other debtors

| | 2020 | 2019 |
|----------------------------------|--------------|--------------|
| | £000 | £000 |
| Due within one year: | | |
| Trade debtors | 2,427 | 1,879 |
| Amounts due from group companies | 76 | 290 |
| Prepayments and accrued income | 857 | 183 |
| Other debtors | 305 | 378 |
| Corporation tax | - | - |
| | <u>3,665</u> | <u>2,730</u> |
| Due after more than one year: | | |
| Deferred tax asset | - | 27 |
| | <u>-</u> | <u>27</u> |
| Aggregate amounts | <u>3,665</u> | <u>2,757</u> |

The maximum exposure to credit risk at each reporting date is in the fair value of each debtor shown above. The Directors consider that the carrying amount of trade and other debtors approximate their fair value.

12. Called up share capital

Allotted, called up and paid

| | 2020 | | 2019 | |
|----------------------------|--------------|-------------|--------------|-------------|
| | No. | £000 | No. | £000 |
| Ordinary shares of £1 each | <u>1,000</u> | <u>1</u> | <u>1,000</u> | <u>1</u> |

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

13. Trade and other creditors

| | 2020 | 2019 |
|---------------------------------|-------|-------|
| | £000 | £000 |
| Trade creditors | 889 | 292 |
| Accrued expenses | 682 | 362 |
| Deferred income | 650 | - |
| Lease liabilities | 160 | 82 |
| Amounts due to group companies | 5,071 | 5,332 |
| Social security and other taxes | 1,066 | 272 |
| | 8,518 | 6,340 |

The Directors consider that the carrying amount of trade and other creditors approximate their fair value. The Company has £4,500k (2019: £4,500k) working capital loan agreement with parent company, BayWa r.e Renewable Energy GmbH of which £3,435k (2019: £3,815k) was outstanding at the balance sheet date. Interest is payable at the base rate of the one-month GBP LIBOR for the month preceding any disbursement, plus a margin of 165 basis points. The working capital loan agreement has no specified repayment date.

14. Lease liabilities

| Cost | Land and buildings £'000 | Motor vehicles £'000 | Equipment £'000 | Total £'000 |
|------------------------|--------------------------------|----------------------------|--------------------|----------------|
| As at 1 January 2020 | 82 | 80 | - | 162 |
| Additions | - | 112 | 116 | 228 |
| Interest charge | 1 | 4 | 3 | 8 |
| Lease payments | (37) | (106) | (45) | (188) |
| As at 31 December 2020 | 46 | 90 | 74 | 210 |

Maturity profile of lease liability is:

| | | | | |
|--|----|----|----|-----|
| Not later than one year | 35 | 79 | 46 | 160 |
| Later than 1 year and not later than 5 years | 11 | 11 | 28 | 50 |
| | 46 | 90 | 74 | 210 |

15. Pension and other schemes

The Company operates a defined contribution pension scheme. The pension charge for the year represents contributions payable by the Company to the scheme and amounted to £238k (2019: £150k). At 31 December 2020 £26k (2019: £19k) was payable to the pension scheme.

16. Related party transactions

During the year the Company provided services totalling £120k (2019: £96k) to companies in which Mr O Niedhoefer and Mr S Beattie are Directors. At the balance sheet date £31k (2019 - £nil) was outstanding. The Company also received revenue totalling £16k (2019: £nil) and paid £51k (2019: £nil) for services from Wallace DS, a company that Mr S Beattie is a Director.

The Company has taken advantage of the exemption within FRS 101 not to disclose transactions within the wholly owned group.

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

17. Parent and ultimate parent undertaking

The Company's immediate parent company is BayWa r.e.UK Limited, a company incorporated in UK. The Company's ultimate and most senior parent entity producing publicly available financial statements is BayWa AG, a Company incorporated in Germany. These financial statements are available upon request from Arabellastr. 4, 81925 Munich, Germany.

The largest and smallest group financial statements in which the company's results are consolidated are the financial statements of BayWa AG.