2019

Solar Income and Growth Limited Annual Report and consolidated financial statements for the year ended December 2019

Contents

Directors
Steve Mahon
Robin Chamberlayne (resigned Sept 2020)
Andrew Newman (resigned Dec 2019)
Clarke Simmons (resigned July 2020)
Richard Sloper (resigned Sept 2020)

Directors appointed after Balance Sheet date
Barry Green (appointed Sept 2020)
Paul Beynon (appointed Sept 2020)

Registered office
141-145 Curtain Road
Floor 3
London
EC2A 3BX

Registered number
08430843

Solar Income and Growth Limited - Strategic Report

Business Review

We are pleased to present the Annual Report for the year ended 31st December 2019 (FY19) for Solar Income and Growth Limited ("the Group" or "the Company"). The Group delivered revenues of £4.9m and underlying operating profits of £3.4m*, whilst generating over 11,000MWh of electricity, enough to provide renewable energy to more than 3,500 homes**. It has delivered this through its trading activities in rooftop-mounted solar PV generation located across the UK (see map on page 5) and has a successful track record accumulated over 7 years of generation.

Clean electricity

Solar-powered energy generation represents a resilient asset class: long-term demand for electricity in the UK is relatively stable, and growing. Solar PV technology provides a reliable and predictable supply of electricity, backed by well-understood and low-risk technology. Driven by Government policy to de-carbonise the power generation sector as part of its "Net 2010" emissions policy by 2050, we expect to see demand increase for 'clean' electricity. The growth in demand for such energy is expected to result in further growth opportunities for solar PV asset owners, such as Solar Income and Growth.

Electricity markets tend to be national rather than international in nature: each country sets its own legal framework for governing the markets and incentivising different fuel sources. Our strategy focuses solely on the UK. This complements our strong knowledge of UK markets and our UK track record, but also removes any currency risks between our income, costs and investor distributions.

It is imperative to the Company that trading activities are fully aligned to both Government policy on reaching net zero emissions by 2050, and to intergovernmental actions to mitigate climate change, such as the UN's Sustainable Development Goals. Not only do we believe it is critical for businesses to have a social mandate, but that this is the right thing to do for society. Our strategy to solely focus on the generation of clean electricity is clearly aligned with the mitigation of man-made climate change.

2050
Net zero emissions target

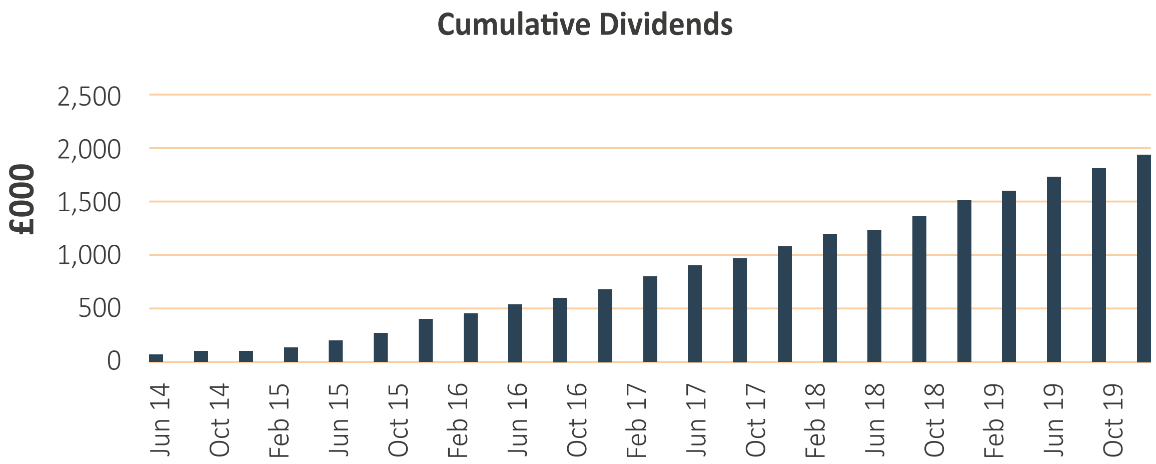
£3.4m
Group operating profit before tax

* Operating profit before depreciation, amortisation and exceptionals.
** Based on a medium-sized house using 3,100 kWh p.a.

Solar Income and Growth Limited - Strategic Report

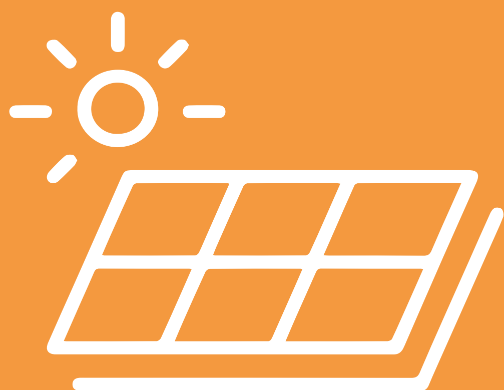
Operating History

Since the Group's creation in 2014, it has focused on the optimisation of its existing portfolio and provided stable dividends to investors. To date, the Company has paid total dividends of £1.95m to its shareholders. All systems under the existing portfolio benefit from RPI-Linked, Government-backed Feed-in Tariff ("FiT") payments, offering protection against power price volatility and allowing stable returns to investors.

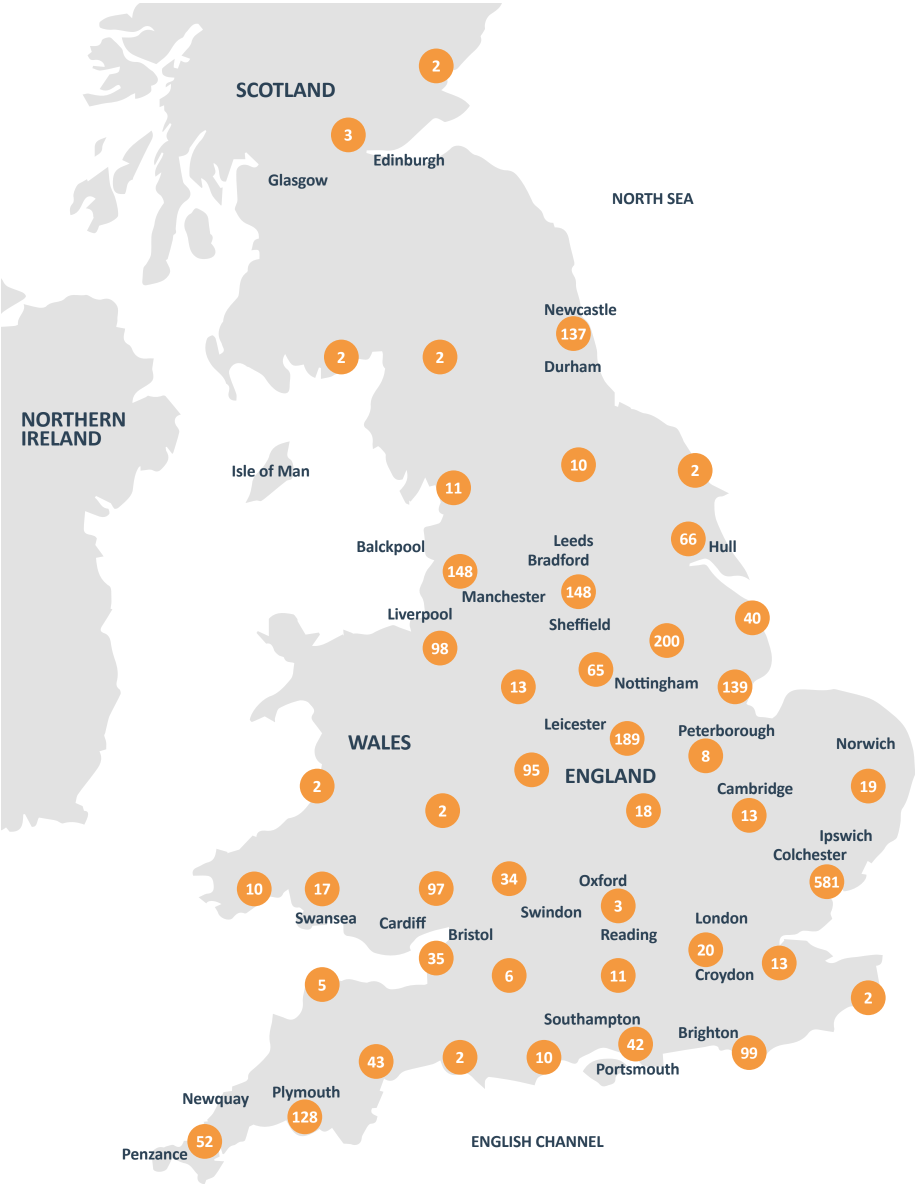


Outlook

In April 2020, the Company divested its portfolio of loan investments in non-core property sectors to focus on growing its energy portfolio. Later, in August 2020 and January 2021, the Company completed the acquisition of two groups of solar assets comprising of 8 and 68 new rooftop systems respectively, both registered under the Feed-in Tariff scheme. The Company will continue to seek new solar opportunities to build and/or acquire.



Solar Income and Growth Limited
Our Portfolio Locations



As at December 2019, the portfolio comprised of more than 2,600 solar installations spread across UK.

Installation Type	Number of installations	Capacity (kW)	Annual Generation (kWh)*	kg CO^2eq**	Homes Powered***
Commercial	37	4,986	3,536,425	3,182,783	1,141
Social Housing	769	2,444	2,187,545	1,968,791	706
Domestic	1,841	5,871	5,307,138	4,776,424	1,712
	2,647	**13,301**	**11,031,108**	**9,927,997**	**3,558**

* For the year 1st January 2019 to 31st December 2019.
** CO^2 emissions avoided.
*** Based on a medium-sized house using 3,100 kWh p.a.

Why invest in solar assets?

Low-risk technology

Solar PV is well established with over 100GW installed globally. Based on solid-state semiconductors and with no moving parts, solar PV systems are not only less susceptible to faults than other, more complex technologies, but also have consistently higher availability.

Greater forecast accuracy

Good availability of solar irradiance data allows for more reliable power generation predictions from solar PV systems when compared to power generation predictions from other technologies, such as wind power. As a result, any discrepancy between predicted power production and actual power production is reduced, which ultimately results in solar generation providing investors with more consistent returns.

Tackling climate change

Generating electricity from solar assets is not only one of the most cost-effective approaches in doing so, but also enables investors to actively contribute to tackling climate change.

Growth opportunity

Given broader Net Zero commitments made by the Government in 2019, the roll out of renewable generation capacity is expected to increase significantly over the coming decades. Over the next 10 years, the market for solar generation in the UK is set to double.

Climate change

Enabling investors to contribute towards tackling this global issue

10 years

Within this time the market for solar generation is set to double

Risk and Uncertainties

The following table outlines some of the risks facing the Company and a number of mitigants to them:

Type	Risk	Mitigation
Energy Price	As a result of volatility in market power prices, actual revenues may not be aligned with forecast projections.	More than 90% of the revenues of the portfolio are based on Feed-In Tariff based Government subsidies linked to RPI, which shields the Company from power price risk.
Weather	Generation may be lower than expected due to weather volatility.	Solar generation can be more accurately forecast relative to other renewable technologies, aided by a long history of weather data. Furthermore, our assets benefit from geographical diversification, reducing the exposure to any unusual localised weather patterns.
Political	The revenues could be impacted by retrospective changes to Government-backed subsidies received on renewable energy assets.	There is no history of retrospective changes to incentives from the UK Government. The forecasts are however still exposed to tax policies, which cannot be completely mitigated.
Operational	Assets underperform due to technical issues or poor maintenance.	Our assets are managed on a day-to-day basis by our experienced operation and maintenance (“O&M”) contractors. The O&M contractors are overseen by Armstrong Capital Management, an experienced renewables asset manager with a specialist focus on solar assets, and the performance is reported quarterly to the Company’s Board of Directors. Operational risk is also partly mitigated by the fact that the portfolio is diversified across 2,600 sites.
Interest rate	Debt service may be exposed to changes in interest rates.	Substantial proportion of debt is linked to the Retail Price Index (“RPI”) which matches the annual increase in subsidy payments received by our assets. By linking debt repayments to income inflation, the Group exposure is partly hedged.
Valuation	There may be volatility in market valuation of assets.	Highly predictable revenue streams backed by Government subsidies reduces volatility in the valuation of the Company.

Directors’ Report

for the year ended 31st December 2019

The Directors present their report and the non-statutory financial statements for the year ended 31st December 2019.

Principal activity

The principal activity of the Group is the acquisition and operation of established power projects, principally roof-mounted solar assets as well as other renewable energy assets located around the United Kingdom providing a stable yield for our investors from the sale of generated power.

Results

The Profit and Loss Account for the year is set out on page 9.

Directors

The Directors who served during the year were:

- Steve Mahon
- Robin Chamberlayne (resigned September 2020)
- Andrew Newman (Resigned December 2019)
- Richard Sloper (Resigned September 2020)
- Clarke Simmons (Resigned July 2020)

Post balance sheet events

On 11th March 2020, the World Health Organisation declared a global pandemic of the novel strain of coronavirus (COVID 19) and recommended containment and mitigation measures worldwide. This is a fast moving situation and the overall impact on businesses and the economy is still unclear. The Directors have made an initial consideration of the impact of the pandemic on the Company and believe that the Company will continue to trade and do not foresee any downturn in trading.

In April 2020, the Company de-merged its management shares and divested its holding in its non-solar loan portfolio held in a subsidiary, AEI Lending Limited, in order to focus completely on its energy operations.

S. Mahon

Steve Mahon
Director

30th June 2020

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2019

	Note	2019 Unaudited £000	2018 Unaudited £000
Turnover	2	4,858	4,759
Cost of sales		(1,070)	(968)
Gross profit		3,788	3,791
Administrative expenses		(407)	(257)
Operating profit before Depreciation and amortisation		3,381	3,534
Depreciation and amortisation		(1,940)	(1,955)
Operating profit		1,441	1,579
Interest payable and expenses		(1,900)	(2,134)
Loss before taxation and Non-recurring costs		(459)	(555)
Non-recurring expense	3	(99)	(612)
Loss before taxation		(558)	(1,167)
Tax on loss		147	20
Loss for the financial year		(411)	(1,147)

There were no recognised gains and losses for 2018 or 2019 other than those included in the consolidated statement of comprehensive income. There was no other comprehensive income for 2019 (2018:£NIL). The notes on pages 13 to 20 form part of these financial statements.

Consolidated Balance Sheet

as at 31st December 2019

	Note		2019 Unaudited £000		2018 Unaudited £000
Fixed assets					
Intangible assets	4		12,038		12,772
Tangible assets	5		21,088		22,361
Investments			1,941		1,941
			35,067		37,074
Current assets					
Inventory		63		-	
Debtors: amounts falling due within one year	6	865		1,211	
Cash at bank and in hand	7	4,359		3,667	
		5,287		4,878	
Creditors: amounts falling due within one year	8	(10,198)		(10,622)	
Net current liabilities			(4,911)		(5,744)
Total assets less current liabilities			30,156		31,330
Creditors: amounts falling due after more than one year	9		(28,437)		(28,499)
Provisions for liabilities					
Deferred tax		(2,725)		(2,968)	
			(2,725)		(2,968)
Net liabilities			(1,006)		(137)
Capital and reserves					
Called up share capital			70		70
Share premium account			6,901		6,901
Profit and loss account			(7,977)		(7,108)
Equity attributable to owners of the parent Group			(1,006)		(137)

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A small entities. The financial statements were approved and authorised for issue by the Board and were signed on its behalf by Steve Mahon, Director, on 30th June 2020. The notes on pages 13 to 20 form part of these financial statements.

Consolidated Cashflow Statement *(continued on next page)*

for the year ended 31st December 2019

	2019 Unaudited £000	2018 Unaudited £000
Comprehensive income for the year		
Loss for the period	(411)	(1,147)
Adjustments to reconcile profit for the period to net cash flows from operating activities		
Depreciation of plant property and equipment	1,221	1,226
Amortisation	734	734
Interest paid	1,900	2,134
Interest received		(88)
Investment impairment	(17)	611
Cash flows from operating activities	**3,427**	**3,470**
Increase / (decrease) in trade and other receivables	346	(25)
Decrease / (increase) in trade and other payables	77	(3,063)
Increase in stock	(63)	-
Cash generated from operations	**3,787**	**382**
Income tax paid	(243)	(20)
Net cash inflow from operating activities	**3,544**	**362**
Cash flows from investing activities		
Proceeds from redemption of investment	66	2,607
Purchase of investments	-	(1,887)
Proceeds from issue of shares	-	954
Interest received	-	88
Net cash inflow from investing activities	**66**	**1,762**
Cash flows from financing activities		
Proceeds from new borrowings	674	925
Interest paid	(1,236)	(1,453)
Repayment of borrowings	(1,900)	(1,850)
Dividend paid	(458)	(433)
Net cash outflow from financing activities	**(2,920)**	**(2,811)**
Net increase / (decrease) in cash and cash equivalents	**690**	**(687)**
Cash and cash equivalents at beginning of period	**3,667**	**4,354**
Cash and cash equivalents at end of period	**4,359**	**3,667**

Consolidated Statement of Comprehensive Income
for the year ended 31st December 2019

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1st January 2019	70	6,901	(7,108)	(137)
Comprehensive income for the year				
Loss for the year	-	-	(411)	(411)
Dividends: Equity capital	-	-	(458)	(458)
At 31st December 2019	70	6,901	(7,977)	(1,006)

The notes on pages 13 to 20 form part of these financial statements.

Notes to the Consolidated Financial Statement
for the year ended 31st December 2019

1. General information

Solar Income and Growth Limited is a private company limited by shares incorporated in England and Wales, registered number 08430843. Its registered office and principal place of business is 141 145 Curtain Road, Floor 3, London, EC2A 3BX.

These financial statements represent the non statutory consolidated financial statements of the Group headed by Solar Income and Growth Limited. The statutory Unaudited financial statements of the Company are published at Companies House.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the applicable law.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

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

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

The Group meets its day-to-day working capital requirements through cash generated from operations, a long-term bank facility and short-term loan notes. In performing their review, management have focussed their forecasting around the bi annual bank debt repayments in March and September and the short term debt held by the parent company Solar Income and Growth Limited.

Management are satisfied that the historic cash flow trends and performance demonstrate that the Group and Company will meet its banking requirements and debt repayment due in March 2021 and September 2021.

Since the year end in December 2019 Solar Income and Growth Limited has renewed the short term debt due in March 2020 and 2021. At the time of signing this report, there is short term debt totalling £10.6m that falls for renewal in March 2022 and thereafter.

Given the groups demonstrated ability to renew short term debt annually, management remain confident of the group's ability to maintain this level of funding through a mix of renewal of the debt position and issuing new equity. However, as with assumption, management recognise the uncertainty over this and continue to seek to reduce the group's reliance on short term loan notes.

The Directors therefore consider that the Group has adequate resources to continue in operational existence for the foreseeable future and have prepared the financial statements on a going concern basis which they believe is appropriate.

2.4 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable in respect of power exported to the grid and associated tariffs, provided in the normal course of business, net of discounts and VAT.

2.5 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.6 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.7 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.8 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Capitals for Balance Sheet date in the countries where the Group operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

2.9 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

2.10 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Other intangible fixed assets - The period until the end of the leases which varies between 2032 and 2037.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

2.11 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method.

Depreciation is provided on the following basis:

Plant and machinery - The period until the end of the lease which varies between 2032 and 2037.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss

2.12 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.13 Cash and cash equivalents

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

2.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.16 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out right short term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.17 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3. Non recurring administrative expenses

	2019 unaudited £000	2018 unaudited £000
Impairment of non core investments	99	612
	99	612

Non recurring expenses relate exclusively to the impairment to the carrying value of investments held in the Group's investing vehicle, AEI Lending. AEI Lending and all of its operations were disposed of in April 2020, see note 12 Post Balance Sheet Events

4. Intangible assets

	Other intangibles unaudited £000	Total unaudited £000
Cost		
At 1st January 2019	14,997	14,997
Additions	-	-
At 31st December 2019	14,997	14,997
Amortisation		
At 1st January 2019	2,225	2,225
Charge for the year on owned assets	734	734
At 31st December 2019	2,959	2,959
Net book value		
At 31st December 2019	12,038	12,038
At 31st December 2018	12,772	12,772

Notes to the Consolidated Financial Statement *(continued)*
for the year ended 31st December 2019

5. Tangible fixed assets

	Plant and machinery unaudited £000	Total unaudited £000
Cost or valuation		
At 1st January 2019	26,276	26,276
Disposals	(66)	(66)
At 31st December 2019	26,210	26,210
Depreciation		
At 1st January 2019	3,916	3,916
Charge for the year on owned assets	1,206	1,206
At 31st December 2019	5,122	5,122
Net book value		
At 31st December 2019	21,088	21,088
At 31st December 2018	22,361	22,361

6. Debtors

	2019 unaudited £000	2018 unaudited £000
Trade debtors	797	738
Other debtors	23	438
Prepayments and accrued income	45	35
	865	1,211

7. Cash and cash equivalents

	2019 unaudited £000	2018 unaudited £000
Cash at bank and in hand	2,394	1,790
Restricted cash	1,965	1,879
	4,359	3,669

Notes to the Consolidated Financial Statement *(continued)*
for the year ended 31st December 2019

8. Creditors: Amounts falling due within one year

	2019 unaudited £000	2018 unaudited £000
Trade creditors	92	272
Other creditors	331	273
Accruals and deferred income	491	307
Tax due to HMRC	14	-
Loans and overdrafts	9,270	9,770
	10,198	10,622

The following liabilities were secured:

	2019 unaudited £000	2018 unaudited £000
Bank loans	1,899	2,066
Other loans	7,371	7,704
	9,270	9,770

Notes to the Consolidated Financial Statement *(continued)*

for the year ended 31st December 2019

9. Creditors: Amounts falling due after more than one year

	2019 unaudited £000	2018 unaudited £000
Bank loans	25,474	26,789
Other Loans	2,963	1,710
	28,437	28,499

The following liabilities were secured:

	2019 unaudited £000	2018 unaudited £000
Bank loans	25,474	26,789
Other Loans	2,963	1,710
	28,437	28,499

The aggregate amount of liabilities repayable wholly or in part more than five years after the balance sheet date is:

	2019 unaudited £000	2018 unaudited £000
Repayable by instalments	15,852	20,003
	15,852	20.003

Notes to the Consolidated Financial Statement *(continued)*
for the year ended 31st December 2019

10. Post balance sheet events

On 11th March 2020, the World Health Organisation declared a global pandemic of the novel strain of coronavirus (COVID 19) and recommended containment and mitigation measures worldwide. This is a fast moving situation and the overall impact on businesses and the economy is still unclear.

The Directors have made an initial consideration of the impact of the pandemic on the Company and believe that the Group will continue to trade and do not foresee any downturn in trading.

In April 2020, the Company demerged its management shares and divested its holding in its non-solar loan portfolio held in a subsidiary, AEI Lending Limited, in order to focus completely on its energy operations.

11. Controlling party

The Company is owned by a number of individual shareholders. There is no overall controlling party.