

2022

Solar Income and Growth Limited

Annual Report and consolidated
financial statements for the year
ended 31 December 2022



Contents

| | |
|----|--|
| 3 | Strategic report |
| 5 | Our Portfolio Locations |
| 6 | Why Invest in Solar Assets |
| 7 | Risk & Uncertainties |
| 8 | Directors' Report |
| 9 | Independent Auditors' Report |
| 12 | Consolidated Statement of Comprehensive Income |
| 13 | Consolidated Statement of Financial Position |
| 14 | Consolidated Statement of Changes in Equity |
| 15 | Consolidated Cash Flows Statement |
| 16 | Notes to the Consolidated Financial Statement |
| 34 | Company Annual Report |
| 35 | Company Statement of Financial Position |
| 36 | Notes to the Company Financial Statements |

Directors:

Andrew Webster
Barry Green
Christopher Carlson
Paul Beynon

Registered office:

Level 4, LDN:W, 3 Noble Street, London, EC2V 7EE

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 2022 (FY2022) for Solar Income and Growth Limited (“the Group” or “the Company”).

The Group operates and manages rooftop-mounted solar PV generation located across the UK (see map on page 5) and has a successful track record accumulated over 10 years of generation. Building on the success of prior years the Group delivered revenues of £5.6m (2021: £4.9m) and operating profits before depreciation of £3.9m (2021: £3.3m), whilst generating over 11,906MWh of electricity enough to provide renewable energy to more than 3,800 homes*.

In line with the Directors goal to continuously improve the corporate governance of the Group, Lubbock Fine LLP were reappointed to audit these consolidated financial statements, a copy of their opinion is on pages 9-11.

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, our UK track record, and 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 anthropogenically-induced climate change.

2050
Net zero emissions
target

£3.9m

Group operating
profit before
depreciation

* Based on a medium-sized house using 3,100 kWh p.a.

This year's highlights

The Company has continued to generate strong operating profits due to increased irradiance levels and the inflationary increase to the Feed-in-Tariffs ("FITs") in April 2022.

In contrast to the low levels of irradiance in 2021, 2022 saw the highest irradiation levels experienced by our portfolio over the past ten years.

Most of the Company's revenues come from government mandated FITs. Each April, FITs are increased by the level of inflation, as measured by the Retail Price Index ("RPI"), observed in the previous calendar year. As a result, FIT rates increased by 7.5% in April 2022, insulating group operations from the UK's inflationary pressures.

In December 2022, the Company completed the acquisition of a small portfolio of residential rooftop solar PV installations totaling 230kW of capacity. These installations benefit from FIT contracts with approximately 15 years remaining.

As part of the Group's regular upgrading of the assets, the Group replaced the invertors on a 800kW site in March 2022, improving annual site performance by 16%.

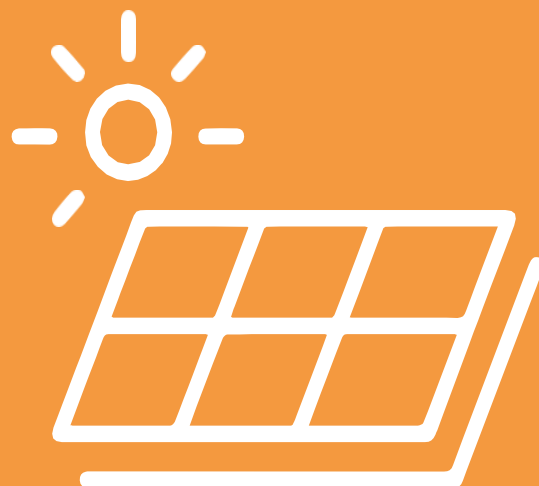
The Company manages a diversified portfolio benefiting from government backed subsidies and has been relatively unaffected from the economic impacts of the war in Ukraine and, as discussed above, is positively impacted by high inflation. The Company has continued to work with suppliers to further insulate the business by building the capacity to mitigate supply chain disruptions.

Outlook

As a result of continued high levels of UK inflation, FIT rates increased by 13.4% in April 2023

In June 2023 the Group repowered a 400kW site as part of the Group's asset remediation review and acquired a 150 kW FIT backed rooftop installation .

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 2022, the portfolio comprised of more than 2,700 solar installations spread across UK.

| Installation Type | Number of installations | Capacity (kW) | Annual Generation (mWh)* | Tonnes CO ₂ e ^{**} | Homes Powered*** |
|-------------------|-------------------------|---------------|--------------------------|--|------------------|
| Commercial | 75 | 5,294 | 4,556 | 4,100 | 1,470 |
| Social Housing | 773 | 2,477 | 1,395 | 1,256 | 450 |
| Domestic | 1,868 | 5,904 | 5,955 | 5,359 | 1,921 |
| Total | 2,716 | 13,675 | 11,906 | 10,715 | 3,841 |

* For the year 1st January 2022 to 31st December 2022.

** CO₂ emissions equivalent.

*** Based on a medium-sized house using 3,100 kWh p.a.

Why invest in solar assets?

Low-risk technology

Solar PV is a well established technology and are based on solid state semiconductors 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.

Tackling climate change

Investing in solar assets enables investors to actively contribute to tackling climate change by investing in one of the most cost-effective renewable electricity generation technologies.

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.

Growth opportunity

Given broader Net Zero commitments made by the Government, 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 more than double.

Inflation-proof income

As a significant proportion of the Company's revenue is received from government mandated schemes, which are linked to RPI, this provides a strong degree of stability and inflation proofing throughout the portfolio.

Climate change

Enabling investors to contribute towards tackling this global issue

10 years

Within this time the market for solar generation is set to more than 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 |
|----------------------|---|---|
| Valuation | There may be volatility in market valuation of the Company's assets. | Highly predictable revenue streams backed by government mandated payments reduces volatility in the valuation of the Company. |
| 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 mandated payments for generation of renewable energy. | There is no history of retrospective changes to incentives for renewable electricity generation by the UK Government. The forecasts are still exposed to tax policies. However, the Energy Generator Levy does not impact the Company. |
| Operational | Assets under perform 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 over 2,700 sites. |
| Interest rate | Debt service may be exposed to changes in interest rates. | A substantial proportion of the Company's 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. |
| Energy Price | As a result of volatility in market electricity prices, actual revenues may not be aligned with forecast projections. | More than 90% of the Company's revenues are based on Feed-In Tariffs and other government mandated payments which are linked to RPL, and shields the Company from electricity price risk. |



Directors' Report

for the year ended 31st December 2022

The Directors present their report for the year ended 31st December 2022.

Principal activity

The principal activity of the Group is the acquisition and operation of established renewable electricity projects, principally roof-mounted solar assets located around the United Kingdom which provide a stable yield for our investors from the sale of generated electricity.

Results

The Consolidated Statement of Comprehensive Income for the year is set out on page 12.

Directors

The Directors who served during the year were:

- Barry Green
- Paul Beynon
- Christopher Carlson
- Andrew Webster

Directors' Responsibilities Statement

The directors are responsible for preparing the financial statements.

The directors have elected to prepare the group financial statements in accordance with UK adopted International Financial Reporting Standards (IFRSs) and the parent company financial statements in accordance with the UK Generally Accepted Accounting Practice. In approving the financial statements, the directors have satisfied themselves that they give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Company and Group for that period.

In preparing these financial statements, the directors have selected suitable accounting policies and then applied them consistently, made judgments and accounting estimates that are reasonable and prudent, stated the basis of preparation and accounting policies applied, and have prepared the financial statements on the 'going concern' basis.

In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make an assessment of the Company's ability to continue as a going concern.

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 the Group and enable them to ensure that the financial statements comply with 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 are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far the directors are aware there is no relevant audit information of which the Company and the Group's auditor are unaware, and
- the directors have taken all steps that ought to have been taken as directors in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Small companies note

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

This report was approved by the board and signed on its behalf



C. Carlson
Director

30 June 2023

Independent Auditors' Report

to the members of Solar Income and Growth Limited

Opinion

We have audited the financial statements of Solar Income and Growth Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31 December 2022, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been prepared in accordance with the UK Generally Accepted Accounting Standards.
- The group and parent company financial statements have been prepared in accordance with the requirements of the Company Act 2006; and
- The information given in the Strategic Report and Directors' Report is consistent with the financial statements.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 Group'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 other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the Annual Report. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

continued

Independent Auditors' Report *(continued)*

to the members of Solar Income and Growth Limited

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the Group, or parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the parent company financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing Directors' Report and from the requirement to prepare a Strategic Report.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and Directors' Report is consistent with the financial statements; and
- The Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Responsibilities of directors

The directors are responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing. Those standards require us to comply with the Financial Reporting Council's Ethical Standard.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- Enquires of management, including obtaining and reviewing supporting documentation, concerning the Company's and Group's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance of laws and regulations; and
- Discussions among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

We also obtained an understanding of the legal and regulatory framework that the Company and Group operates in, focusing on provisions of those laws and regulations that had direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act 2006 and FRS 102.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included health and safety regulations and environmental regulations etc.

continued

Independent Auditors' Report *(continued)*

to the members of Solar Income and Growth Limited

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance;
- reviewing revenue recognition on a sample basis, agreeing amounts recognised to self-billed invoices from energy suppliers and comparing this to expectations formed based on underlying meter readings and tariff rates;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the rationale of any significant transactions that are unusual or outside the normal course of the Group's operations;
- review of submissions made to external funders to ensure compliance with covenants; and
- review of the assumptions made within solar PV asset revaluation models prepared by third parties for reasonableness.

Sam Snelson

Lubbock Fine LLP
Chartered Accountants
& Statutory Auditors
Paternoster House
65 St Paul's Churchyard
London
EC4M 8AB

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditors-responsibilities. This description forms part of our Auditors' Report.

Other matters

We also draw attention to the fact that the parent company financial statements for the year ended 31 December 2022 were unaudited.

Use of our report

This report is made solely to the Group's members, as a body, in accordance with applicable law. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an Auditors' 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 Group and the Group's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2022

| | Note | 31 Dec 2022 £'000 | 31 Dec 2021 £'000 |
|--|------|-------------------------|-------------------------|
| Turnover | | 5,558 | 4,918 |
| Cost of sales | 3 | (1,323) | (1,378) |
| Gross profit | | 4,235 | 3,540 |
| Administrative expenses | 4 | (374) | (215) |
| Operating profit before depreciation | | 3,861 | 3,325 |
| Depreciation | 7 | (2,917) | (2,174) |
| Operating profit | | 944 | 1,151 |
| Finance cost | 5 | (4,145) | (2,302) |
| Loss before taxation | | (3,201) | (1,151) |
| Tax on loss | 6 | 325 | (646) |
| Loss after taxation | | (2,876) | (1,797) |
| Revaluation of solar PV assets | 7 | 6,011 | 13,166 |
| Deferred tax on revaluation of solar PV assets | 15 | (1,503) | (3,291) |
| Total other comprehensive income | | 1,632 | 8,078 |

There were no recognised gains and losses for 2022 or 2021 other than those included in the consolidated statement of comprehensive income statement.

All amounts relate to continuing operations.

The notes on pages 16 to 33 form part of these financial statements.

Consolidated Statement of Financial Position

as at 31st December 2022

| | Note | 31 Dec 2022 £'000 | 31 Dec 2021 £'000 |
|--|------|-------------------------|-------------------------|
| Non-current assets | | | |
| Solar PV | 7 | 46,267 | 42,317 |
| Current assets | | | |
| Inventories | 9 | 59 | 56 |
| Trade and other receivables | 10 | 1,700 | 1,583 |
| Cash and other equivalents | 11 | 5,116 | 3,511 |
| | | 6,875 | 5,150 |
| Current liabilities | | | |
| Loans | 12 | (4,797) | (8,838) |
| Trade and other payables | 13 | (1,244) | (375) |
| | | (6,041) | (9,213) |
| Net current assets/(liabilities) | | 834 | (4,063) |
| Non-current liabilities | | | |
| Loans | 12 | (29,820) | (24,951) |
| Provisions | 14 | (7,893) | (7,028) |
| | | (37,713) | (31,979) |
| Total assets less total liabilities | | 9,388 | 6,275 |
| Equity | | | |
| Share capital | 16 | 90 | 74 |
| Share premium | 16 | 9,091 | 7,293 |
| Revaluation reserve | | 13,514 | 9,711 |
| Accumulated deficit | | (13,307) | (10,803) |
| Total equity | | 9,388 | 6,275 |

The financial statements have been prepared in accordance with provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 June 2023. The notes on pages 16 to 33 form part of these financial statements.



Christopher Carlson

Director

Company registration number 08430843

Consolidated Statement of Changes in Equity

for the year ended 31st December 2022

| | Share capital £000 | Share premium £000 | Revaluation reserve £000 | Retained earnings £000 | Total equity £000 |
|--|-----------------------|-----------------------|-----------------------------|---------------------------|----------------------|
| Balance at 1st January 2021 | 73 | 7,196 | - | (8,803) | (1,534) |
| Loss for the year | - | - | - | (1,797) | (1,797) |
| Revaluation of solar PV assets net of related tax effects | - | - | 9,875 | - | 9,875 |
| Transfer between retained earnings and Revaluation reserve | - | - | (164) | 164 | - |
| Dividends | - | - | - | (367) | (367) |
| Issued Share capital | 1 | 97 | - | - | 98 |
| Balance at 31st December 2021 | 74 | 7,293 | 9,711 | (10,803) | 6,275 |
| Loss for the year | - | - | - | (2,876) | (2,876) |
| Revaluation of solar PV assets net of related tax effects | - | - | 4,509 | - | 4,509 |
| Transfer between retained earnings and revaluation reserve | - | - | (706) | 706 | - |
| Dividends | - | - | - | (334) | (334) |
| Issued Share capital | 16 | 1,798 | - | - | 1,814 |
| Balance at 31st December 2022 | 90 | 9,091 | 13,514 | (13,307) | 9,388 |

Consolidated Cash Flows Statement

for the year ended 31st December 2022

| | 2022 £000 | 2021 £000 |
|---|--------------|--------------|
| Cash flows from operating activities | | |
| Loss for the period before taxation | (3,201) | (1,151) |
| Adjustments to reconcile profit for the year to net cash flows from operating activities | | |
| Depreciation of property, plant and equipment | 2,917 | 2,174 |
| Finance costs | 4,145 | 2,294 |
| Profit on disposal | - | (1) |
| Cash flows from operating activities | 3,861 | 3,316 |
| Increase in trade and other receivables | (120) | (356) |
| Increase/(decrease) in trade and other payables | 631 | (279) |
| Increase in inventory | (3) | (21) |
| (Decrease)/increase in provisions | (222) | 280 |
| Cash generated from operations | 4,147 | 2,940 |
| Income tax received/(paid) | 147 | (31) |
| Net cash inflow from operating activities | 4,294 | 2,909 |
| Cash outflow from investing activities | | |
| Purchase of PV assets | (53) | (795) |
| Proceeds from disposal of fixed assets | 18 | 48 |
| Acquisitions of a subsidiary, net of cash acquired | (821) | (72) |
| Proceeds from issue of new shares | 1,814 | 93 |
| Net cash inflow/(outflow) from investing activities | 958 | (726) |
| Cash flows from financing activities | | |
| Proceeds from new borrowings | 4,295 | 1,222 |
| Repayment of borrowings | (6,684) | (2,107) |
| Interest paid | (924) | (1,237) |
| Dividend paid | (334) | (367) |
| Net cash outflow from financing activities | (3,647) | (2,489) |
| Net increase/(decrease) in cash and cash equivalents | 1,605 | (306) |
| Cash and cash equivalents at beginning of period | 3,511 | 3,817 |
| Cash and cash equivalents at end of period | 5,116 | 3,511 |

Notes to the Financial Statements

for the year ended 31st December 2022

1. General information

Solar Income and Growth Limited (“the Group” or “the Company”) is a private company limited by shares and registered in England and Wales. The address of the Company’s registered office is Level 4, LDN: W, 3 Noble Street, London, EC2V 7EE.

The nature of the Company’s operations and its principal activities are set out in the Strategic Report.

2. Significant accounting policies

The following accounting policies and measurement bases are set out below and have been applied consistently in dealing with items which are considered material in relation to the financial statements unless otherwise stated.

2.1 Basis of preparation of financial statements

The consolidated financial statements of the Group have been prepared in accordance with UK Adopted International Accounting Standards. The standalone financial statements of each entity under the Group are prepared in accordance with Financial Reporting Standards applicable in the UK and Republic of Ireland (“FRS 102”). These consolidated Financial Statements under IFRS have been prepared by making relevant adjustments applicable under IFRS to the books of the entities accounts prepared under FRS 102.

The financial statements have been prepared under the historical cost convention except for Solar PV systems and equipment which are measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the financial statements, are disclosed in note 2.2.

The consolidated financial statements and notes are presented in Sterling (“GBP”) which is the Group’s and the Company’s functional currency. Monetary amounts in these financial statements are rounded to the nearest £’000.

Going Concern

The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report further describes the Group’s objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk. The Group meets its day-to-day working capital requirements through cash, and has credit facilities and loan notes.

In performing their review, management have focused their forecasting around the bi-annual senior bank debt repayments in March and September, repayments of its other bank loans in June and December 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 their banking requirements and debt repayment due in September 2023 and March 2024. Solar Income and Growth Limited is part funded by short term debt totaling £5m (2021 - £3.0m) that falls for renewal before June 2024.

Management expect to maintain this level of funding through renewal of the debt position or by issuing equity replacements. Management are satisfied that given historic renewal trends the offering remains attractive ensuring the funding requirement will continue to be renewed as per previous years.

However management consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31st December 2022

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to the financial period end on 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement, when applicable, the costs on initial recognition of an investment in an associate or a joint venture.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31st December 2022

2.2 Critical accounting judgments and sources estimation uncertainty

The preparation of the financial information requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that and prior periods, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period are as follows:

Bad debt provision

Management monitor the ageing and exposure of debt to ensure that debtors are recorded at the recoverable value. Any changes to the bad debt provision are recorded in the profit and loss in the period incurred. Details of the provision are given in Note 14.

Valuation of Solar PV assets

The Group revalue the Solar PV assets on an annual basis, the Solar PV assets are held at their fair value and management rely upon third party experts to perform the valuation exercise. The third party experts make a number of assumptions and judgements on market forces in order to value the assets. These assumptions and judgements are in line with competitors in the market. See note 7 for further details of the methodology used.

2.3 Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value with the corresponding gain or loss being recognised in profit or loss.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31st December 2022

When a business combination is achieved in stages, the Group's previously-held interests in the acquired entity is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

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.

All revenue is attributable to the principal activity of the Group, being power generation. All revenue is earned in the UK and there are no branches overseas.

Feed-in Tariffs (FIT) – the FIT scheme was designed by the UK government to promote the uptake of renewable and low-carbon electricity generation. FIT generators receive quarterly payments for the electricity generated by their accredited installations. The revenue is based on the price when the installation was constructed and then uplifted for RPI on an annual basis every April.

Export tariffs – the Company sells electricity under the terms of Power Purchase Agreements. Under such arrangements revenue is recognised according to contractual prices per unit of output multiplied by the actual power output delivered to the customer in the period.

2.5 Finance expense

Finance expenses comprise interest expense on borrowings. Interest expenses that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

Other interest expenses are recognised as an expense in the period in which they are incurred.

2.6 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank, cash in process from credit card providers and cash in transit deposited in commercial bureau de change.

2.7 Taxation

The tax expense represents the sum of the tax currently payable and the deferred tax charge.

Provision is made for current tax on taxable profits for the period. Taxable profit differs from profit before taxation as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Deferred tax is provided in full on all temporary differences. Deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available against which to offset the deductible temporary differences. Deferred tax is calculated at the tax rates that are enacted or substantively enacted by the balance sheet date and are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity or to other comprehensive income, in which case the related deferred tax is also dealt with in equity or in other comprehensive income.

Temporary differences arise where there is a difference between the accounting carrying value in the statement of financial position and the amount attributed to that asset or liability for tax purposes.

2.8 PV Systems and equipment

The Group's accounting policy for PV Solar systems and equipment is initially recognised at cost and subsequently at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation. A revaluation surplus is credited to the revaluation reserve in shareholders' equity. The revaluation model was adopted from September 2021 and in accordance with IAS8 and IAS16 this change has been applied prospectively.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31st December 2022

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Solar PV Systems: 25 years

Repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the revaluation surplus to retained earnings.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.9 Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, and the disappearance of an active market for a security.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For fair value less costs of disposal, attributable EBITDA and a valuation multiple is used as a valuation methodology. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31st December 2022

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

2.10 Leases

The Group has applied IFRS 16 during the period. The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies the lease of low-value assets recognition exemption to leases of rooftops that are considered to be low value due to the peppercorn rent agreement. Lease payments on low value assets are recognised as expenses on a straight line basis over the lease term. All leases held by the Group are deemed to be low value.

2.11 Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group and Company becomes party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are initially recognised at fair value and are carried at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. Trade receivables subject to the invoice discounting facility are recognised in the balance sheet until they are settled by the customer.

IFRS 9 requires the Group to record expected credit losses on all loans and trade receivables referring to a period of either 12 months or the entire duration of the instrument's contract. The Group applies the simplified approach, recognising expected credit loss on all receivables based on their residual contractual duration.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, overdrafts and short term highly liquid investments such as bank deposits less advances from banks repayable within three months from the date of advance.

Trade payables

Trade payables are initially recognised at fair value and are carried at amortised cost.

Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable issue costs. Finance charges, including premiums payable on settlement or redemption and direct-issue costs, are accounted for on an accrual basis in the income statement using the effective interest rate method.

2.12 Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Share capital is determined using the nominal value of shares that have been issued.

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

The revaluation reserve comprises the gains and losses from the revaluation of Solar PV assets.

Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31st December 2022

2.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3. Cost of sales

| | 2022 | 2021 |
|----------------------------|--------------|--------------|
| | £'000 | £'000 |
| Insurance | 68 | 54 |
| Operations and maintenance | 565 | 661 |
| Management fee | 514 | 530 |
| Roof rental | 176 | 133 |
| | <u>1,323</u> | <u>1,378</u> |

During the year, the Company incurred expenses of £90k (2021 - £280k) in respect of repairs at a commercial site within the Group.

4. Administration expenses

| | 2022 | 2021 |
|------------------------|--------------|--------------|
| | £'000 | £'000 |
| Accounting fees | 55 | 31 |
| Legal and professional | 42 | 64 |
| Director fees | 22 | 19 |
| Bank charges | 101 | 100 |
| Other costs | 154 | 1 |
| | <u>374</u> | <u>215</u> |

The aggregate staff and directors' remuneration is £22k for the current year (2021: £19k).

The average monthly number of persons, excluding directors, employed by the company during the period was nil (2021:nil).

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31st December 2022

5. Finance cost

| | 2022 | 2021 |
|---------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Interest payable on bank loans | 3,444 | 1,570 |
| Interest payable on other loans | 701 | 732 |
| | <u>4,145</u> | <u>2,302</u> |

Bank loans totaling £24,170k as at 31 December 2022 accrue interest at 1.19% above base and is indexed for RPI on a semi-annual basis.

Bank loans totaling £3,235k as at 31 December 2022 accrue interest at 5.65% .

Other loans are unsecured and accrue interest between 6-8.5%.

6. Tax

| | 2022 | 2021 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Profit and loss | | |
| Current tax | | |
| Current tax charge for the period | <u>237</u> | <u>(112)</u> |
| Deferred tax | | |
| Origination and reversal of temporary differences | (416) | 758 |
| Adjustment in relation to prior periods | (146) | - |
| Total tax charge | <u>(325)</u> | <u>646</u> |
| Other comprehensive income | | |
| Current tax | | |
| Current tax charge for the period | <u>-</u> | <u>-</u> |
| Deferred tax | | |
| Deferred tax on revaluation | 1,503 | 3,291 |
| Total tax charge | <u>1,178</u> | <u>3,291</u> |

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31st December 2022

6. Tax *(continued)*

The tax expense for the period can be reconciled to the accounting profit as follows:

| | 2022 | 2021 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Loss before tax from continuing operations | (3,201) | (1,151) |
| Income tax credit calculated at 19% (2021: 19%) | (589) | (219) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 667 | 101 |
| Tax losses utilised | (5) | - |
| Revaluation of Solar PV assets | 1,503 | 3,291 |
| Acquisition of subsidiaries | 31 | 208 |
| Disposal of subsidiaries | - | - |
| Change in rate of deferred tax balances | 261 | 854 |
| Deferred tax recognised directly in equity | - | (55) |
| Adjustments in relation to prior periods | (256) | - |
| Other timing differences | (434) | (243) |
| Total charge for the period | <u>1,178</u> | <u>3,937</u> |
| Comprising: | | |
| Deferred tax charged to profit and loss | (325) | 646 |
| Deferred tax charged to other comprehensive income | 1,503 | 3,291 |
| | <u>1,178</u> | <u>3,937</u> |

Factors that may affect future tax charges

The calculation of deferred tax balances at the year end is at the UK main corporation tax rate of 25% which was enacted on 24 May 2021.

The group has tax losses of £1,529,062 (2021: £1,529,062) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the group. They have arisen in companies that have been loss-making for some time and there is no evidence of recoverability in the near future. If the group were to recognise all unrecognised deferred tax assets, the profit would increase by £382,266 (2021: £382,266).

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31st December 2022

7. Solar PV systems

| | PV systems £'000 |
|-----------------------------------|-----------------------------|
| Gross carrying value | |
| At 1 st January 2022 | 43,022 |
| Acquired | 821 |
| Additions | 53 |
| Revaluation | 6,011 |
| Disposals | (33) |
| Transfer | (2,828) |
| At 31 st December 2022 | <u>47,046</u> |
| Depreciation | |
| At 1 st January 2022 | 705 |
| Charge for the year | 2,917 |
| Disposal | (15) |
| Transfer | (2,828) |
| At 31 st December 2022 | <u>779</u> |
| Carrying amount | |
| At 31 st December 2021 | 42,317 |
| At 31 st December 2022 | <u>46,267</u> |

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31st December 2022

7. Solar PV systems *(continued)*

The Solar PV assets were revalued at September 2022 to £46.5m (September 2021: £42.8m) by Amberside Valuations, an independent valuer, and depreciation has been calculated using this amount over the remaining estimated useful life. The directors do not consider the property value to be impaired as at 31 December 2022.

If the Solar PV assets had not been included at fair value they would have been included under the historical cost convention as follows:

| | 2022 £'000 | 2021 £'000 |
|--------------------------|-----------------------------|-----------------------------|
| Cost | 41,207 | 40,836 |
| Accumulated depreciation | <u>(13,408)</u> | <u>(11,458)</u> |
| Net book value | <u>27,799</u> | <u>29,378</u> |

The fair value of the Solar PV assets (Level 3) are estimated using a future cash flows approach which estimates the future value of cash flows that the Group should receive. This is calculated using a discount rate derived from analysis of competitors within the solar and infrastructure industry. The estimated cash flows takes into account future irradiation, degradation of solar PV assets, inflation rates and impacts of government subsidies.

The most significant inputs, all of which are unobservable, are the future irradiation, inflation rates and the discount rate. The estimated fair value increases if future irradiation increases, inflation rates increase or discount rates decrease. The overall valuations are sensitive to all three assumptions.

The calculation of the fair value of the Solar PV assets is most sensitive to changes in inflation rates and the discount rates.

31 September 2022
£'000

Change in inflation

| | |
|--|--------------|
| Change in fair value of Solar PV asset for increase in inflation by 0.5% | 675 |
| Change in fair value of Solar PV asset for decrease in inflation by 0.5% | <u>(665)</u> |

Change in discount rates

| | |
|---|--------------|
| Change in fair value of Solar PV asset for increase in discount rates by 1% | (1,659) |
| Change in fair value of Solar PV asset for decrease in discount rates by 1% | <u>1,867</u> |

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31st December 2022

8. Business acquisition

The Company acquired 100% of the shares in Wind Power Generation Ltd at an equity value of £258,000 on 21st December 2022. The acquisition represented an additional capacity of 227kW to the Company's portfolio of residential rooftops that is backed by the government mandated Feed-in Tariff scheme. The PV installations have approximately 15 years remaining on their FIT contracts and represents further protected future cashflows from rising inflation. The acquisition has not contributed to the profit and loss of the Company given the timing of the completion, however the company acquired identifiable assets of £818k in fixed assets, £14k in cash, £30k in trade receivables, combined with liabilities of £600k in 3rd party debt.

9. Inventory

| | 2022 £'000 | 2021 £'000 |
|-----------|-----------------------------|-----------------------------|
| Inventory | 59 | 56 |
| | <u>59</u> | <u>56</u> |

The inventory of £59k (2021: £56k) relates to spare parts held as stock for maintaining the Solar PV assets.

10. Trade and other receivables

| | 2022 £'000 | 2021 £'000 |
|--------------------------------|-----------------------------|-----------------------------|
| Trade debtors | 33 | 45 |
| Other debtors | 33 | 156 |
| Prepayments and accrued income | 1,634 | 1,382 |
| | <u>1,700</u> | <u>1,583</u> |

Power generated is billed quarterly once the generation has been certified. It is typically recovered within 90 days of the following quarter end and balances due do not bear any interest.

The fair value of these short term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31st December 2022

11. Cash and cash equivalents

| | 2022 £'000 | 2021 £'000 |
|---------------------------|-----------------------------|-----------------------------|
| Cash and cash equivalents | 2,764 | 1,422 |
| Restricted cash | 2,352 | 2,089 |
| | <u>5,116</u> | <u>3,511</u> |

Restricted cash is held within a debt and maintenance reserve account. The debt reserve account is restricted for use for servicing bank loans. The maintenance reserve account is restricted for use on maintenance of Solar PV assets.

12. Loans

| | 2022 £'000 | 2021 £'000 |
|-------------|-----------------------------|-----------------------------|
| Current | | |
| Bank loans | 2,484 | 2,069 |
| Other loans | 2,313 | 6,769 |
| | <u>4,797</u> | <u>8,838</u> |
| Non-current | | |
| Bank loans | 24,921 | 21,131 |
| Other loans | 4,899 | 3,820 |
| | <u>29,820</u> | <u>24,951</u> |

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

| | 2022 £'000 | 2021 £'000 |
|--------------------------|-----------------------------|-----------------------------|
| Repayable by instalments | <u>15,502</u> | <u>13,264</u> |

Bank loans totaling £24,170k as at 31 December 2022 are secured by way of a charge on the shares of a subsidiary holding company and its subsidiaries.

Bank Loans totaling £3,235k as at 31 December 2022 are secured by way of a charge on the shares of a subsidiary company and its subsidiaries.

All covenant requirements of the bank loans of the Group have been complied with during the year and post year end.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31st December 2022

13. Trade and other payables

| | 2022 £'000 | 2021 £'000 |
|----------------|-----------------------------|-----------------------------|
| Trade payables | 32 | 93 |
| Accruals | 592 | 264 |
| Other payables | 383 | 18 |
| Tax payable | 237 | - |
| | <u>1,244</u> | <u>375</u> |

14. Provisions

| | Deferred tax £'000 | Other provisions £'000 | Total £'000 |
|--------------------------------------|-------------------------------------|---|------------------------------|
| As at 1 st January 2022 | 6,748 | 280 | 7,028 |
| Charged to profit and loss | (416) | (222) | (638) |
| Revaluation | 1,503 | - | 1,503 |
| As at 31 st December 2022 | <u>7,835</u> | <u>58</u> | <u>7,893</u> |

See note 15 for breakdown of deferred tax balance.

15. Deferred tax

| | 2022 £'000 | 2021 £'000 |
|--|-----------------------------|-----------------------------|
| On revaluation | 4,794 | 3,291 |
| Capital allowances in excess of depreciation | 3,041 | 3,457 |
| | <u>7,835</u> | <u>6,748</u> |

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31st December 2022

16 Called up share capital and share premium

| | 2022 | 2021 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Authorised, allotted, called up and full paid share capital | | |
| 8,762,978 (Dec 21: 7,283,588) Ordinary A Shares of £0.01 each | 88 | 73 |
| 213,583 (Dec 21: 83,726) C redeemable shares of £0.01 | 2 | 1 |
| | <u>90</u> | <u>74</u> |
| | 2022 | 2021 |
| | £'000 | £'000 |
| Share premium | 9,091 | 7,293 |

The holders of the A ordinary shares have the rights and restrictions as set out in the Articles of Association of the Company. These are entitled to one vote per share and are non-redeemable.

The holders of the C redeemable shares have the rights and restrictions as set out in the Articles of Association of the Company. These are entitled to one vote per share and are redeemable subject to certain requirements.

During the prior year, the Company issued 5,735 A ordinary shares of £0.01 each for a consideration of £1.09 each, generating £6,176 of share premium after issues costs.

During the prior year, the Company issued 83,726 C redeemable shares of £0.01 each for a consideration of £1.04 each, generating £86,412 of share premium after issue costs.

During the year, the Company issued 38,600 C redeemable shares of £0.01 each for a consideration of £1.12 each, generating £42,178 of share premium after issue costs.

During the year, the Company issued 17,409 C redeemable shares of £0.01 each for a consideration of £1.19 each, generating £20,222 of share premium after issue costs.

During the year, the Company issued 73,848 C redeemable shares of £0.01 each for a consideration of £1.24 each, generating £89,417 of share premium after issue costs.

During the year, the Company issued 127,505 C redeemable shares of £0.01 each for a consideration of £1.10 each, generating £133,744 of share premium after issue costs.

During the year, the Company issued 839 A ordinary shares of £0.01 each for a consideration of £1.10 each, generating £911 of share premium after issue costs.

During the year, the Company issued 133,534 A ordinary shares of £0.01 each for a consideration of £1.12 each, generating £142,094 of share premium after issue costs.

During the year, the Company issued 428,635 A ordinary shares of £0.01 each for a consideration of £1.15 each, generating £470,346 of share premium after issue costs.

During the year, the Company issued 458,479 A ordinary shares of £0.01 each for a consideration of £1.17 each, generating £508,382 of share premium after issue costs.

During the year, the Company issued 790 A ordinary shares of £0.01 each for a consideration of £1.22 each, generating £920 of share premium after issue costs.

During the year, the Company issued 328,844 A ordinary shares of £0.01 each for a consideration of £1.24 each, generating £386,843 of share premium after issue costs.

During the year, the Company issued 764 A ordinary shares of £0.01 each for a consideration of £1.28 each, generating £927 of share premium after issue costs.

The average dividend paid per A ordinary share was £0.04 (2021 - £0.05) per share for the year.

The average dividend paid per C redeemable share was £nil (2021 - £nil) for the year.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31st December 2022

17 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Management fees of £514k (2021: £530k) were payable to Armstrong Capital Management Limited, a company which provides key management personnel to the Group.

18 Capital commitments

During the year, the Group entered into an agreement to acquire solar installations from a third party. At the balance sheet date the Group is committed to spending £249k (2021: £298k) on the acquisition of the remaining installations.

19 Financial risk management objectives and policies

Policies

The Group's financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables and loans payable to other entities. The Group does not trade in derivatives or in foreign currency.

The main risks arising from the Group's financial instruments are credit risk, liquidity risks and inflation rate risk. The Group uses different methods to manage and minimise its exposure to risks. These include monitoring liquidity risk through the development of future rolling cash flow forecasts.

The final approval and monitoring of any of these policies is done by the Directors who review and agree on the policies for managing each of the risks as summarised below.

Risk exposures

a. Credit risk

All trade receivables are subject to credit risk exposure. An allowance for impairment is made, on power generated but not certified on a line by line basis, where there is, based on previous experience, evidence of a likely reduction in the recoverability. The Group's exposure is spread over a large number of independent balances.

A sensitivity analysis was performed to highlight the potential impact of significant fluctuations in the provision required for customers and the impact on the loss before tax:

| | 2022 £'000 | 2021 £'000 |
|------------------------------------|-----------------------------|-----------------------------|
| 25% increase in provision required | (103) | (106) |
| 25% decrease in provision required | 103 | 106 |

b. Liquidity risk

The Group's objective is to maximise its cash availability by evaluating current charges of various suppliers and the Group will seek additional funds from existing investors or new investors or a combination of both, should these be required.

Details of the amount of the Group's loans and the contractual maturity of these loans can be found in note 12.

c. Interest rate risk and maturity analysis

The Directors believe that the exposure to inflation rate fluctuations is significant on loans but mitigated by revenues being linked to RPI too. The revenues are government backed and increase every April in line with RPI. The bank loans are linked to RPI and increase semi-annually.

A sensitivity analysis was performed to highlight the impact of fluctuations in the inflation rate.

| | 2022 £'000 | 2021 £'000 |
|------------------------------------|-----------------------------|-----------------------------|
| 25% increase in provision required | (103) | (106) |
| 25% decrease in provision required | 103 | 106 |

31 Solar Income and Growth

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31st December 2022

19. Financial risk management objectives and policies *(continued)*

Credit Risk Management

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Groups' exposure to, and the credit ratings of, its counter parties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counter parties. Periodic evaluation is performed on the financial condition of accounts and other receivables.

Note 10 gives detail on the Groups' exposure to credit risk.

Capital Management

The Group's objective when managing capital is to ensure that adequate funding and resources are obtained to enable it to develop future projects, whilst in the meantime safeguarding the Group's ability to continue as a going concern. This is to enable the Group to provide appropriate returns for shareholders and benefits for other stakeholders.

The Directors intend to utilise financing sources, be that debt or equity, that best suit the Group's working capital requirements and market conditions.

20. Fair value measurement of financial instruments

The fair value of the financial assets and financial liabilities of the Group, at each reporting date, approximates to their carrying amount as disclosed in the Consolidated Statement of Financial Position and in the related notes.

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- 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 asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

The fair value of the financial assets and liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The cash and cash equivalents, other receivables, trade payables and other current liabilities approximate their carrying value amounts largely due to the short-term maturities of these instruments. The directors consider the fair value of the long term borrowings to be materially consistent with the value they are held at in the financial statements. Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 31 December 2022.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31st December 2022

21. Fair value measurement of financial instruments (continued)

| Financial assets: | Carrying amount | Fair value | Carrying amount | Fair value |
|---------------------------------|-----------------|---------------|-----------------|---------------|
| | 2022 £'000 | 2022 £'000 | 2021 £'000 | 2021 £'000 |
| Trade and other receivables | 1,631 | 1,631 | 1,541 | 1,541 |
| Cash and cash equivalents | 5,116 | 5,116 | 3,511 | 3,511 |
| Total | 6,747 | 6,747 | 5,052 | 5,052 |
| Financial liabilities: | | | | |
| Trade and other payables | 1,244 | 1,244 | 375 | 375 |
| Bank loans and other borrowings | 34,617 | 34,617 | 33,789 | 33,789 |
| Total | 35,861 | 35,861 | 34,164 | 34,164 |

22. Post balance sheet events

Post the balance sheet date, the Group acquired 100% of the shares in a company which owns a 150 kW FIT backed rooftop installation.

23. Ultimate parent undertaking and controlling party

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

2022

Solar Income and Growth Limited

Company only annual report
and financial statements for the
year ended 31 December 2022



Company Balance Sheet

as at 31st December 2022

| | Note | 31 Dec 2022 | | 31 Dec 2021 | |
|---|------|---------------|---------------|---------------|---------------|
| | | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | 3 | | - | | 240 |
| Current assets | | | | | |
| Cash at Bank | | 390 | | 60 | |
| Debtors | 4 | 22,833 | | 21,695 | |
| | | <u>23,223</u> | | <u>21,755</u> | |
| Creditors: amounts falling due within one year | 5 | (2,720) | | (4,182) | |
| Net current assets | | | 20,503 | | 17,573 |
| Total assets less current liabilities | | | <u>20,503</u> | | <u>17,813</u> |
| Creditors: amounts falling due after one year | 6 | | (4,899) | | (4,535) |
| Net assets | | | <u>15,604</u> | | <u>13,278</u> |
| Capital and reserves | | | | | |
| Called up share capital | 7 | | 90 | | 74 |
| Share premium | 7 | | 9,084 | | 7,286 |
| Profit and loss account | 7 | | 6,430 | | 5,918 |
| Shareholders' funds | | | <u>15,604</u> | | <u>13,278</u> |

The financial statements have been prepared in accordance with 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 on 30 June 2023. The notes on pages 36 to 39 form part of these financial statements.



Christopher Carlson
Director

Company registered number: 08430843

Notes to the Financial Statements

for the year ended 31st December 2022

1. General information

Solar Income and Growth Limited is a private company limited by shares incorporated in England and Wales. The registered office is Level 4, LDN: W, 3 Noble Street, London ,EC2V 7EE.

2. Significant accounting policies

The following accounting policies and measurement bases are set out below and have been applied consistently in dealing with items which are considered material in relation to the financial statements unless otherwise stated.

2.1 Basis of preparation of financial statements

These financial statements have been prepared in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”) and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Amounts in these financial statements are rounded to the nearest £’000.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties. The principal accounting policies adopted are set out below.

2.2 Consolidation

These financial statements represent the results and financial position of the parent company and do not consolidate the results and balance sheets of the Company’s subsidiary undertakings.

2.3 Going Concern

The business activities of the Company and its subsidiaries (“the Group”), together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report further describes the Group’s objectives, policies and processes for managing its capital; its financial risk management objectives details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk. The Group meets its day-to-day working capital requirements through cash, and has credit facilities and loan notes.

In performing their review, management have focused their forecasting around the bi-annual senior bank debt repayments in March and September , repayments of its other bank loans in June and December 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 their banking requirements and debt repayment due in September 2023 and March 2024. Solar Income and Growth Limited is part funded by short term debt totaling £5.0m (2021 - £3.0m) that falls for renewal before June 2024.

Management expect to maintain this level of funding through renewal of the debt position or by issuing equity replacements. Management are satisfied that given historic renewal trends the offering remains attractive ensuring the funding requirement will continue to be renewed as per previous years.

However management consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes to the Financial Statements (continued)

for the year ended 31st December 2022

2.4 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

2.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments. Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument. Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

2.6 Equity Instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

2.7 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred Tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Notes to the Financial Statements (continued)

for the year ended 31st December 2022

2.8 Depreciation

Depreciation is calculated on a basis to write off each of the assets over their useful life.

2.9 Average number of employees

The average monthly number of persons employed by the company during the period was nil (2021: nil).

3. Fixed asset investments

| | Intangible assets £'000 | Investments in subsidiary companies £'000 | Total £'000 |
|---|----------------------------|---|----------------|
| Cost as at 1 st January 2022 | 200 | 40 | 240 |
| Disposals | (200) | (40) | (240) |
| As at 31 st December 2022 | - | - | - |
| Net book value 31st December 2022 | - | - | - |
| Net book value 31 st December 2021 | 200 | 40 | 240 |

4. Debtors

| | 2022 £'000 | 2021 £'000 |
|-------------------------|---------------|---------------|
| Intercompany receivable | 22,741 | 21,411 |
| Trade debtors | 70 | 163 |
| VAT | 19 | 13 |
| Other debtors | 1 | 106 |
| Prepayments | 2 | 2 |
| | 22,833 | 21,695 |

5. Creditors: amounts falling due within one year

| | 2022 £'000 | 2021 £'000 |
|---------------------------------|---------------|---------------|
| Trade creditors | 20 | 2 |
| Accruals | 109 | 20 |
| Intercompany payable | 20 | 679 |
| Other loans due within one year | 2,313 | 3,437 |
| Other creditors | 258 | 5 |
| VAT | - | 39 |
| | 2,720 | 4,182 |

Notes to the Financial Statements (continued)

for the year ended 31st December 2022

6. Creditors: falling due after one year

| | 2022 | 2021 |
|--------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Other loans due after one year | 4,899 | 4,535 |

7. Called up share capital

| | 2022 | 2021 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Authorised, allotted, called up and full paid share capital | | |
| 8,762,978 (Dec 21: 7,283,588) | | |
| Ordinary A Shares of £0.01 each | 88 | 73 |
| 213,583 (Dec 21: 83,726) C redeemable shares of £0.01 | 2 | 1 |
| | <u>90</u> | <u>74</u> |

During the year, the Company issued 1,479,390 A ordinary shares for aggregate consideration of £1,660k.

During the year, the Company issued 129,857 C redeemable shares for aggregate consideration of £153k.

8. Dividends

| | 2022 | 2021 |
|------------------|--------------|--------------|
| | £'000 | £'000 |
| Dividends issued | 334 | 367 |