Bagnall Energy Limited

Annual report and accounts

For the year ended 30 September 2022

Company Number 08349679

Contents

Financial highlights and impact

for the year ended 30 September 2022

Highlights:

Bagnall's net asset value (NAV) increased by **30%** during the year, from **£257.2m** to **£334.8m**.

The NAV per share increased from **123.4p** to **136.8p**, an increase of **11%**.

Net fundraising during the period was **£46m**.

Total income generated by the underlying energy portfolio was **£82.9m** for the year, **37%** above budget.

Operating profit across the portfolio was strong during the period, at **26%** above expectations.

Portfolio highlights include:

- the acquisition of a **30MW** onshore wind farm in Finland for **£46.7m**;
- commencement of construction of 28 solar projects **(22MW)** with 25-year private wire arrangements to utility grade counterparties;
- the acquisition of three rooftop solar portfolios across the UK and Northern Ireland;
- investment into a rural fibre broadband business that is constructing a network across Wales and Scotland, further diversifying the portfolio; and
- a further **£4.5m** investment into hydropower assets in Norway

Impact:

Bagnall's underlying portfolio of energy and infrastructure assets generated approximately **235,630MWh** of electricity.

Enough to power **84,118** UK homes and the equivalent of either:

- **48,115** tonnes of CO_2e avoided
- **221,459,800** aeroplane miles offset
- **283,027** trees planted

Bagnall's portfolio now consists of **4,102** renewable generation assets.

About Bagnall

Corporate summary

Incorporated in March 2013, Bagnall Energy Limited (Bagnall), is a private limited company incorporated in the UK (registration number 08349679). As at 30 September 2022, Bagnall had 244,649,007 ordinary shares of £0.01 in issue. Bagnall carries out its trade through underlying businesses (SPVs).

Bagnall also holds an interest in lending business Bridging Trading LLP (BTLLP). BTLLP was incorporated in October 2010 and provides loans to businesses across a variety of energy and asset-backed sectors.

Investment objective

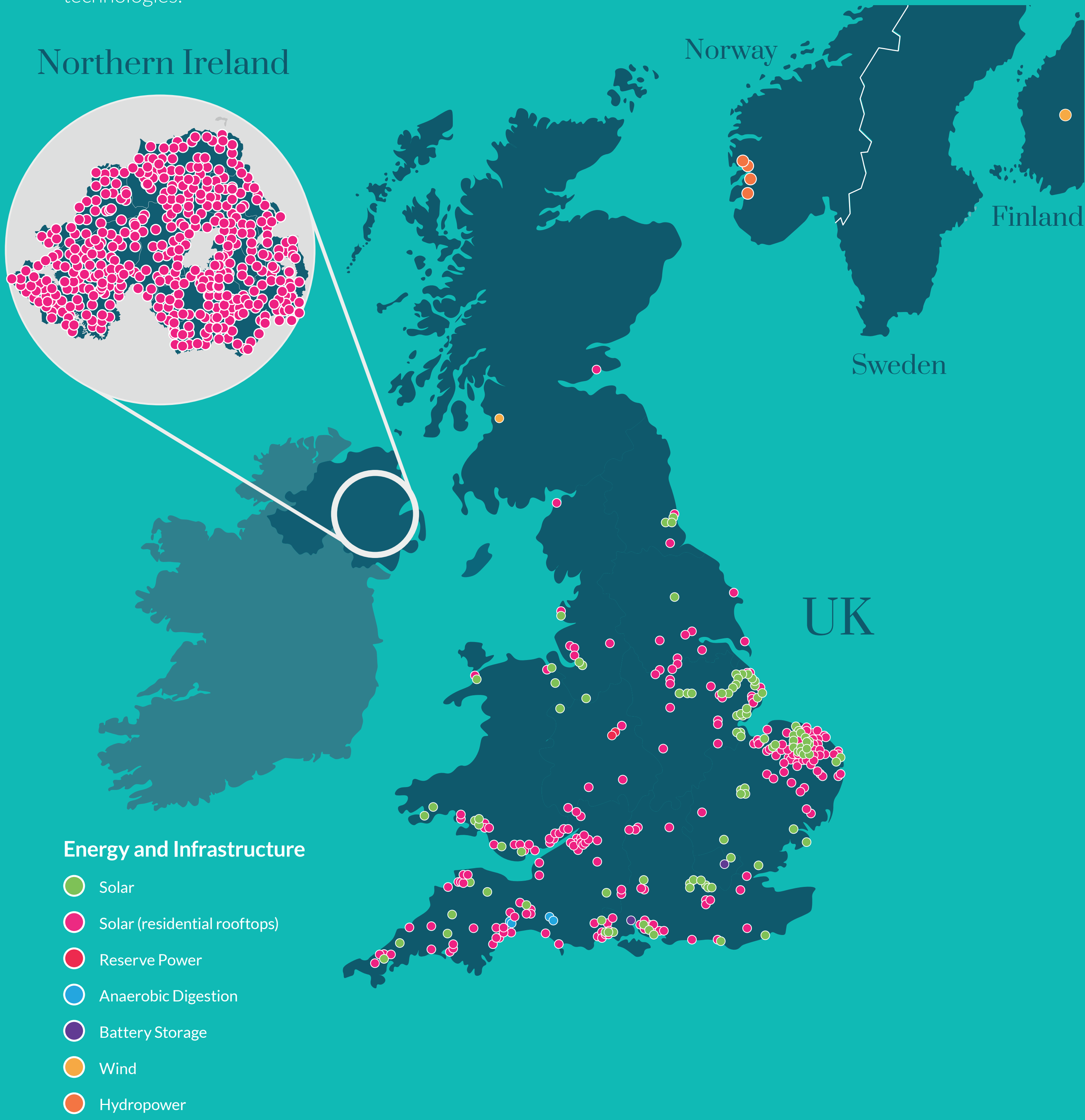
Bagnall predominantly focuses on renewable energy generation businesses, as well as other infrastructure assets.

Bagnall carries out its trade through underlying entities that:

- have a strategy to deliver steady, modest returns to investors, with a target return of 3-4.5% p.a. in the medium term;
- are considered to qualify for business relief, which will enable investors to benefit from inheritance tax relief if their investment is held for at least two years and at the date of death;
- provide a high degree of diversification – including, but not limited to, diversity across sector, technology, geography, business stage and time horizon for potential exits; and
- take into account environmental, social and governance (ESG) factors in their business

Portfolio

Bagnall has a geographically diverse group of assets utilising a range of proven renewable energy technologies.



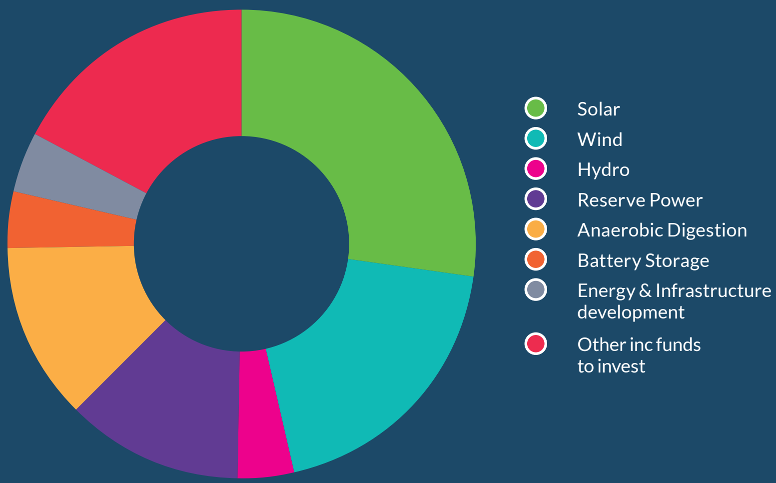
Portfolio analysis and breakdown

As at 30 September 2022, Bagnall's portfolio was valued at £329m across 45 different holdings, with the largest sector exposure being solar energy.

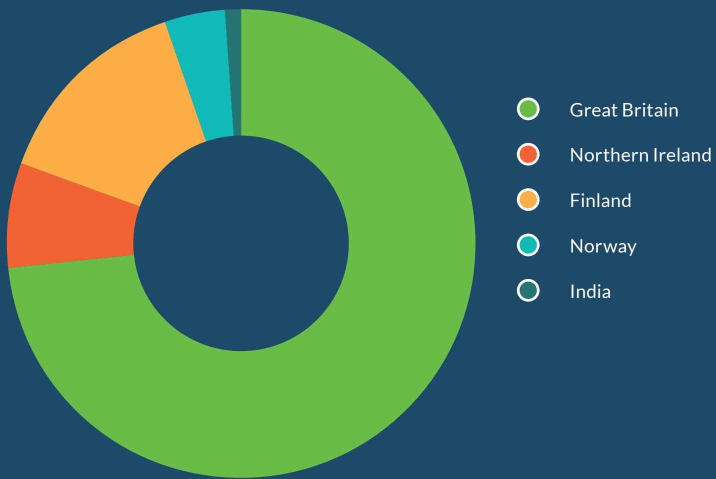
Bagnall's energy portfolio is becoming increasingly geographically diversified. This diversification offers access to new technologies and power markets, providing a more consistent and predictable revenue mix across the portfolio. Its full sector and geography split are shown below.

The portfolio valuation is the largest driver of NAV, with cash and working capital comprising the balance.

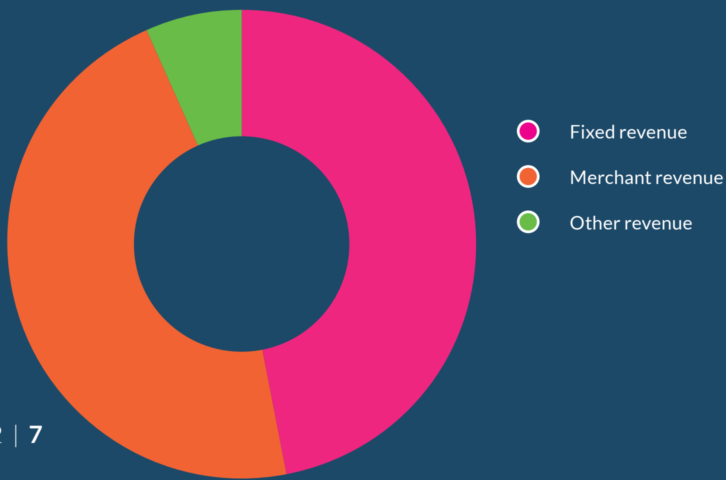
Portfolio composition by Sector



Portfolio composition by geography



Portfolio net revenue split for Sept-2022



Detailed portfolio breakdown

Asset	Technology	Equity/Loan	Valuation (£'m)
21st Century Energy Limited	Solar	Equity	92.0
Argyll Solar Limited	Solar	Equity	
Armstrong (Solar) LLP	Solar	Equity	
Aycliffe Solar Limited	Solar	Equity	
Billingham Solar Limited	Solar	Equity	
Blyth Solar Farm Limited	Solar	Equity	
Broken Scar Limited	Solar	Equity	
BVP Solar Finance Limited	Solar	Equity	
Carrow Solar Limited	Solar	Equity	
Clean Electricity Limited	Solar	Equity	
Downing Commercial Rooftop Limited	Solar	Equity	
Downing Residential Rooftop Limited	Solar	Equity	
Eider Renewables Limited	Solar	Equity	
Eider Solar LLP	Solar	Equity	
Ethical Renewable Developments LLP	Solar	Equity	
Freetricity (Solar) LLP	Solar	Equity	
Galgorm Renewables Limited	Solar	Equity	
Galgorm Solar LLP	Solar	Equity	
Garganey Sustainable Energy Solutions Limited	Solar	Equity	
Goldcrest Renewables Limited	Solar	Equity	
Indigo Generation Limited	Solar	Equity and loan	
Ironhide Generation Limited	Solar	Equity and loan	
Lambridge Solar Limited	Solar	Equity	
Lumley Solar Limited	Solar	Equity	
Populo Energy Limited	Solar	Equity	
Progressive Power Generation Limited	Solar	Equity	
Regis Solar LLP	Solar	Equity	
Rockhopper Renewables Limited	Solar	Loan	
Sedgeletch Solar Limited	Solar	Equity	
Shearwater Renewables Limited	Solar	Equity	
Solcap Energy (Solar) LLP	Solar	Equity	
Tilling Energy Limited	Solar	Equity	
UK Renewable Power Limited	Solar	Equity	
West Kingsmill Solar Limited	Solar	Equity	
Wickham Solar Limited	Solar	Equity	
Woodbridge Solar Limited	Solar	Equity	
Wylam Power Generation Limited	Solar	Equity	
C & G Renewables Limited	Wind	Equity	62.4
Aquilo Power LLP	Wind	Equity	
Magnus Finnish HoldCo Oy	Wind	Equity	
Nerth Energy Limited	Wind	Equity	
Rockberg AS	Hydro	Equity	14.7
BFG Projects Limited	Reserve power	Equity	41.4
Magnus Assets One Limited	Reserve power	Equity and loan	
Chalkhill Aberclay Finance Limited	Anaerobic digestion	Equity	41.4
Condate Biogas Limited	Anaerobic digestion	Equity and loan	
Gorst Energy Limited	Anaerobic digestion	Equity and loan	
Green Puffin Limited	Anaerobic digestion	Equity and loan	
Sustainable Energy Generation Limited	Anaerobic digestion	Equity and loan	
Willowglen Renewables Limited	Anaerobic digestion	Equity and loan	
Nursling Energy Limited	Battery storage	Equity	12.8
Shift Energy Limited	Battery storage	Equity	
Downing Energy Development Limited	Energy & Infrastructure development	Equity	12.6
Magnus Fibre Company Limited	Energy & Infrastructure development	Equity	
Downing Fibre Development Limited	Energy & Infrastructure development	Equity	
Bridging Trading LLP	Other	Members Capital	57.5
Evogreen Limited	Other	Equity	
Other quoted equity, cash and working capital	Other	Equity	
Total			**334.8**

Sustainability and responsible investment

As an active investor in renewable energy, our investments naturally contribute to climate change mitigation by reducing the greenhouse gas emissions from burning fossil fuels to generate power. Bagnall's investments facilitate the UK achieving its legally binding aim of net zero and furthers the UK's green finance and energy security strategies. We continue to monitor developments from the UK Infrastructure Bank, BEIS and Defra and their implications for the renewable energy sector. We are also closely monitoring the progress of emerging sectors, such as hydrogen and other longer duration storage.

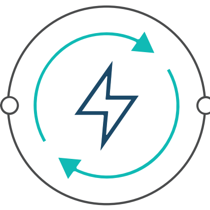
Downing advocates the common view that there can be no net zero carbon, and therefore a limitation in warming of 2°C above pre-industrial levels by mid-century, without renewable energy. We also acknowledge each type of renewable energy has its limitations and drawbacks. For example, hydropower needs careful consideration from a biodiversity perspective, and wind and solar are intermittent generation technologies. In addition, supply chains need scrutiny when constructing new generation facilities.

Downing has a robust process for identifying and managing both ESG risk and opportunity in our sustainable investment approach. This includes: the identification of material factors given the type of infrastructure asset; an initial assessment for all deals; detailed assessments for deals that progress, referencing guidance from the Global Real Estate Suitability Benchmark (GRESB), Taskforce for Climate Related Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB), and the Sustainable Finance Disclosures Regulation (SFDR); discussion and governance at investment committee; and enhanced due diligence and monitoring by the ESG team and asset managers on identified risks.

Following investment, the Company is an active owner. The Asset Manager monitors our portfolio's emissions – made and avoided – and other ESG credentials, like jobs created and biodiversity impacts, as we report below.

Our environmental impact year ending September 2022:

235,630MWh
energy generated.



Equivalent to
84,118
UK households annual electricity

48,115
tonnes of CO_2 avoided.

Equivalent of
221,459,800
aeroplane miles offset

There are three distinct stages to achieve benefits in emissions: data, reduction and removal. As with many other investors, our main focus for the early 2020s is data. This includes more carbon lifecycle assessments for Bagnall's investments, understanding embodied (materials used, transport and waste) and operational emissions of investments. We identify physical and transition climate risks, following the guidance of TCFD. For example, we assess the impact of extreme weather or changes in precipitation, sea levels etc. on Bagnall's investments, and whether there may be opportunities for further investment as a result of policy, incentives or customer preferences.

Green Energy Education

Earth Energy Education
empowering the sustainable future

In 2021 the Company and Downing announced their commitment to the UN's sustainability Development Goal 13.3, which is designed to "improve education, awareness-raising and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning" and appointed Earth Energy Education to help fulfil this. Earth Energy Education is a company founded by teaching professionals with the aim of teaching young people about renewable energy through site visits and in-school workshops.

During the 2021/22 school year, over 106 primary school children from 2 different schools visited the Company's ground mount solar sites. The purpose of these visits was to get children out of the classroom and provide an interactive platform to teach them about sustainable energy production, the importance of promoting biodiversity at renewable energy sites and engaging them in discussions about mitigating climate change from an early age.

As well as the site visits, Earth Energy Education also visited the schools to run informative workshops on renewable energy for 139 children. For example, the "solar toy design and make" workshops gave the children the opportunity to see how sunlight can be used as an energy source in a hands-on way. It was noted that several students who had previously struggled to engage in classroom-based lessons, responded well to such interactive learning opportunities.

The Company intends to extend this agreement into the 2022/23 school year and is also looking at ways to enable school visits to more sites across the portfolio.

A plan for biodiversity gain

Downing has previously committed to performing an ongoing programme of ecological site surveys to identify, refine and optimise our contribution to Sustainable Development Goal (SDG) 15. During the period the asset manager appointed specialists to perform the surveys on seven ground mounted solar sites. The reports set out the baseline habitat conditions of the sites using the Biodiversity Net Gain (BNG) v3.1 metric, alongside recommendations for potential site-specific biodiversity gains. This enables a streamlined view of how to optimise habitats in this portfolio.

All ecological reports have been finalised on a site-by-site basis. At the portfolio level, results showed that the hedgerows on site were typically found to be species rich, and therefore the biggest source of biodiversity. For most sites, it was reported that the ground mounted solar panels were raised sufficiently that shading was not negatively impacting the grassland beneath. The Investment Manager is pleased that the portfolio is already displaying good biodiversity and based on the enhancements proposed by the ecological specialists, the asset manager is now establishing a biodiversity enhancement project plan. Examples of recommendations include adjusting the intensity of sheep grazing to improve the quality of the grass, sectioning off margins with tussock grass, deploying doormouse boxes and developing ponds. The surveys highlighted a number of species of interest which will be given extra attention. An example site of interest is detailed in Ketton 1, below.

Species observed at Ketton 1

Ketton 1 is a 9.04MW ground mounted solar site in Stamford, UK. The site has a land area of 38 acres, made up of predominantly grassland.

Several important animal species were observed on site such as bullfinch and woodpigeon which are both “Amber listed” bird species. The bullfinch is amber listed due to the recent breeding population decline and wood pigeon due to the UK now having more than 20% of the European total of the species. The asset manager intends to erect specifically tailored bird boxes to support these birds.

Brown hare was also seen on the site, which is a Species of Principal Importance for the conservation of biodiversity in England under the Natural Environment and Rural Communities (NERC) Act, an act which requires public authorities to have regard for conserving biodiversity. The biodiversity assessment pointed to a number of opportunities to improve the grassland and hedgerow habitats at the site which would benefit the brown hare, since their diet mainly consist of grass and shrubs. Improving the grassland on the sites will also benefit the birds in the area, as many of the important birds live off insects which would increase if the condition of the grassland was improved.

In the coming year and when weather conditions allow, the asset manager is looking to conduct ecological baseline surveys for some of the Company’s hydropower and wind assets to help bolster sustainable land management across the portfolio of land managed.

Environmental and Land Management

There are also several ongoing initiatives across the portfolio to ensure sites are managed in a way to maximize the agricultural, landscaping, biodiversity and wildlife potential. Examples of these include:

Partnerships with local farmers have seen 97 acres of land grazed by sheep this year, contributing to the diversification of land use and biodiversity.

Protection of the well-established badger setts on our solar farms. Great effort is made to give the setts a wide berth when undertaking site maintenance.

Environmental, Social and Governance Objectives

Over the period, we have agreed a set of metrics against which we intend to track the ESG performance of our investments over time.

Environmental	Social	Governance
Renewable energy capacity	Jobs supported	Board independence & expertise
Renewable electricity / heat generated	Number of accidents, injuries and fatalities	Ratio male to female board members and wider board diversity
GHG emissions avoided	Existence of a formal community engagement / complaints handling process	ABC policies in place and regularly reviewed
Action taken to avoid or minimise habitat degradation	Number of engagements with stakeholders including local community complaints	Material contractor due diligence
Natural habitat creation / restoration	Ability to host education visits	
Environmental incidents including non-compliance with permits / regulations	Education/community visits	

Bagnall's performance against its ESG KPIs:

Environmental performance	Key Performance Indicators
4,102	Number of renewable generation assets
327,700 MWh	MW of installed renewable generation capacity
235,630 MWh	MWh energy generated
48,115	GHG emissions avoided (tCO2e)
84,118	Equivalent UK homes powered
3	Number of bird boxes
3	Number of bat boxes
Social performance	
42	Number of health and safety audits
9	Number of accidents, injuries, serious injuries
No complaints	Number of engagements with stakeholders including local community complaints
9	Education/community events

Approach to sustainability

ESG themes, led by climate change, continue to present risk and opportunity to our stakeholders. In order to ensure we meet the responsibilities we have to investors, ESG factors are integrated within our governance procedures which ensures they are considered at every decision making point throughout the portfolio, from portfolio construction to the ongoing management and any ultimate exit.

The Board have delegated the day-to-day management of the portfolio to a professional asset manager, which shares the commitment to sustainable investing and ESG integration. The asset manager continues to further the integration of ESG factors throughout its management of the portfolio lifecycle.

Downing as the Investment Manager has an exclusion policy which governs origination and deal screening, but the Company does not employ specific strategies. Instead, material ESG themes for a sector, region or individual asset are embedded into investment decisions via a scorecard in order to reduce portfolio risk, provide a foundation for future engagement and enhance return.

Memberships, Associations and Participation

Many rigorous external reporting frameworks exist to provide standardized and validated sustainability data and engagement opportunities. Collaboration and sharing expertise are fundamental to sustainable investment at the Investment Manager. We support the below to give investors confidence that sustainability targets and commitments are being actively integrated.

Certified B Corporation

Downing as the Investment Manager were extremely proud to have completed the certification following an in-depth verification process with B-Lab in September 2022. We have joined 5,000 other companies in making a legally binding commitment to caring about the environment, our customers, staff and communities, and to promote good governance.

PRI Principles for Responsible Investment

For the last assessment (Submitted in 2021 for the year ending 2020) we scored four out of five for Listed Equity Stewardship & Voting, and Infrastructure. We scored three out of five for ESG integration to Listed Equity and Debt.

If ESG factors are material to fiduciary duty in the decision to invest, they're also material in the ongoing active engagement with all investments. A core way to demonstrate a rigorous approach to engagement is via being a signatory to the UK Financial Reporting Council Stewardship Code (2020) and closely integrating its twelve principles.

We are active participants in the IIGCC investor coalition on climate. Over 2022 this included ten engagements to decarbonise high emitters and membership of the power utilities working group for the Climate Action 100+ initiative, and contributions to the UK Green Taxonomy Advisory Group.

We are active with GRESB and support its mission to provide standardised, validated sustainability data & benchmarking for real assets.

Governance is a core area for shareholder value protection and creation. In order to advance this, we support the International Corporate Governance Network's Global Governance Principles.

Over the period, we have agreed a set of ESG KPIs against which we intend to track the ESG performance of our investments over time.

Target 7.1: by 2030, ensure universal access to affordable, reliable and modern energy services.

Target 7.2: by 2030, increase substantially the share of renewable energy in the global energy mix.

Target 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

Target 13.3: Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

Target 15.5: Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species.

Target 15.9: By 2030, integrate ecosystem and biodiversity values into national and local planning, development processes, poverty reduction strategies and accounts.

Target 15.a: Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems.

Principles of responsible asset management

We have selected an Asset Manager that is committed to embedding responsible investment considerations as part of their normal business operations.

Our expectation is that three key principles of integration, influence and disclosure should underpin their approach, and that the Asset Manager should be focused on continuous improvement.

1. Integration

To meet our expectations, the Asset Manager should establish a responsible investment system throughout the lifecycle of our investments. This should be set out with due consideration of the Principles for Responsible Investment's six principles, the British Private Equity & Venture Capital Association's responsible investment Framework, the Investment Association's guidelines, GRESB criteria, and in due course, New Philanthropy Capital's Impact Risk Classification.

Where any ESG issues are identified, key performance indicators should be established and monitored, with regular reporting on progress. The Asset Manager should effectively act as a steward on our behalf and ultimately on behalf of our shareholders.

We expect active engagement by the asset manager both with the portfolio of assets under management and, where appropriate, in the development of policies relating to our investment sectors.

2. Influence

Through active ownership, we aim to engage with individual businesses managing ESG risks and opportunities better than their competitors to create value and a competitive advantage, while promoting positive benefits to society and the environment. At a minimum, all our portfolio companies will be required to comply with all laws and regulations.

We will task our Asset Manager with supporting our underlying businesses in their journey towards better understanding and managing ESG risks, but also to help them identify and maximise emerging opportunities.

Our sector focus on renewable energy means we have an opportunity to deliver measurable carbon savings and contribute to the communities we are part of. While the 'E' is inherent, we also take our social responsibilities seriously.

As our shareholders are increasingly asking what difference we are making, we must increase our levels of disclosure. Therefore, we will be stepping up our reporting and demanding more data and transparency from our Asset Manager to support this commitment.

3. Disclosure

Over time, we will seek appropriate disclosure of ESG matters from our underlying companies, so we have a better understanding of the performance of the portfolio and can share this with shareholders. However, as we invest mostly in smaller UK companies and assets, we accept this will take time. We believe Downing's asset management team is well structured to capture and report on an increasing volume of data, while its in-house system can, in due course, support third-party assessments, such as GRESB for infrastructure.

We believe trust, respect and transparency form the basis of our long-lasting relationships. Therefore, we will aim to provide clear, honest and transparent reporting and other relevant communications on ESG matters affecting us and our investments, including sharing our data and performance, and collaborating with other businesses in the sector to support the development of a responsible investment ecosystem.

Management commitment

To ensure our Asset Manager is fully aligned with our ESG approach, and to ensure the right decisions are being made day to day, their executive should be committed to providing all the necessary training and resources to ensure appropriate implementation by all members of the team.

We also seek alignment of their senior management via targets and objectives relating to the environmental and social performance of the assets under management. Furthermore, we expect this to influence their compensation going forward.

Trading report

Key financial metrics

	30 September 2022	30 September 2021
NAV	£334,767,496	£257,189,794
NAV per share	£1.37	£1.23
Annual total NAV return	10.86%	4.10%
Compound annual NAV return (since inception)	3.31%	2.47%
Profit after tax for the period	£31,570k	£9,916k

Portfolio summary

As at 30 September 2022, Bagnall held a portfolio of over 4,100 energy installations. Located predominantly in the UK, the portfolio includes six renewable generation and renewables enabling technologies, including solar, wind, hydropower, battery storage and reserve power.

The majority of assets benefit from a range of different government-backed subsidy schemes, including the Renewable Obligation (RO) and Feed-in Tariff (FiT) schemes. Given pricing is fixed per MWh and also index linked, revenues received through these schemes are deemed low risk. The portfolio also benefits from a stable income in the form of Renewable Energy Guarantee of Origin certificates (REGOs) in the UK and Guarantee of Origin certificates (GOs) in the Nordics. REGOs and GOs are certificates provided to generators per MWh of renewable electricity produced which can be sold to a utility company. The certificates have experienced greater demand from consumers in the last year, driving up the price and increasing the benefits received by the assets. During the year to 30 September 2022, approximately 47% of revenues were generated through fixed subsidies and 46% through the sale of electricity via power purchase agreements, the majority of which are with large utility companies.

The portfolios mix of core renewables and flexible generation assets benefited strongly from positive market conditions during the year. The electricity market saw particularly volatile pricing, driven by record highs in natural gas prices in Europe. Already inflated gas prices going into 2022, were worsened by the invasion of the Ukraine combined with low levels of gas in European storage facilities.

The portfolio maintains exposure to power prices, which the Company actively controls by monitoring power markets and employing an energy markets specialist to ensure exposure is managed effectively. During the year, the opportunity was taken to sell forward some of the generation and lock in high power prices. The portfolio is therefore expected to benefit from the current market conditions for a number of years. Some of this value has been recognised in the portfolio valuation. A strategic decision was made for a part of generation in the Nordics to remain unfixed, this has been of great benefit to the assets as they have received high power prices in times of market volatility. The portfolio revenue for the year was £82.9m, 37% above budget.

In addition to strong power pricing, UK inflation has continued to increase against recent levels. The portfolio is well positioned to benefit from rising inflation, given the subsidy income and some other energy sales arrangements are directly linked to RPI. There is also a correlation between power prices and inflation, which has been particularly evident over the course of 2022 when high energy prices were a significant driver of inflation in the UK and Europe.

On 17 November 2022, the UK government announced the introduction of a new levy on excess profits produced by electricity generators. The Company believes that it falls outside of the scope of the UK government's proposed electricity generator levy because it falls under certain thresholds.

The Company's European portfolio is focused on Northern Europe, which results in exposure to electricity markets with average prices materially lower than those of the UK and Central and Southern Europe. Norway has introduced a tax of 23% of the revenues above 700NOK/MWh for renewable energy assets. This will have an immaterial impact on the Company's NAV.

More broadly the European Commission has recommended the introduction of a price cap of EUR180/MWh which is in the process of being implemented by the member states. The Company confirms its price forecasts for its European portfolio fall below EUR180/MWh from 1 January 2023, and so to the extent the EU price cap is introduced by the Finnish government at this level, this will have no impact on the Company's NAV.

Acquisitions and disposals

In August 2022, Bagnall acquired a 30MW onshore windfarm in Finland for £46.7m. The windfarm is in the Northern Ostrobothnia region, about 70km east of the city of Seinäjoki and approximately 100km northwest of the city of Jyväskylä. The wind energy project is situated in the municipality of Soini in Finland and consists of seven newly constructed turbines.

In November 2021, Bagnall deployed £1.7m to Downing Residential/Commercial Rooftop Ltd to acquire a portfolio of nine commercial and 114 residential solar assets of c.1MWp across the UK. Additionally, in March 2022, £1.3m was deployed to acquire a portfolio of c.1MWp rooftop installations in Northern Ireland.

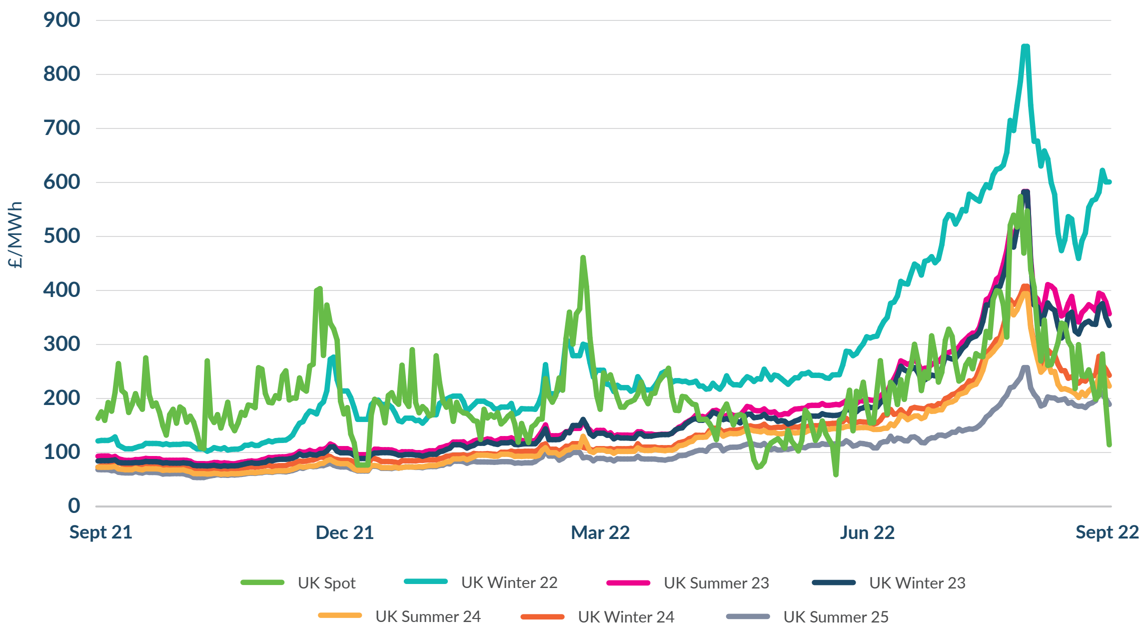
In August 2022, Bagnall deployed £6.25m into Downing Energy Development, which represents the first phase of funding for a c.£25m commitment to construct 28 solar pv generation facilities which all supply energy under long term offtake arrangements to a large water utility. The balance of funding is required across 2023 and 2024.

Bagnall also deployed a further £4.5m into its existing holding in Rockberg AS, a portfolio of hydropower plants in Norway. The money was applied towards the construction of two new run-of-river hydropower plants with a further £3.2m to be invested to acquire those facilities once construction is completed.

Market developments

UK power market

The energy markets were to be dominated by the Ukraine conflict throughout the year. Russia halted exports of gas through the Nord Stream 1 pipeline in the summer. As a result, the market feared scarce gas supply for the coming winter which in turn drove gas and power prices for the next winter season to unprecedented levels. French nuclear capacity showing low availability due to technical issues pushed prices up further. In September, the Nord Stream 1 pipeline was sabotaged, which will impact its long-term availability. As a result, market prices increased again, especially towards the back end of the curve.

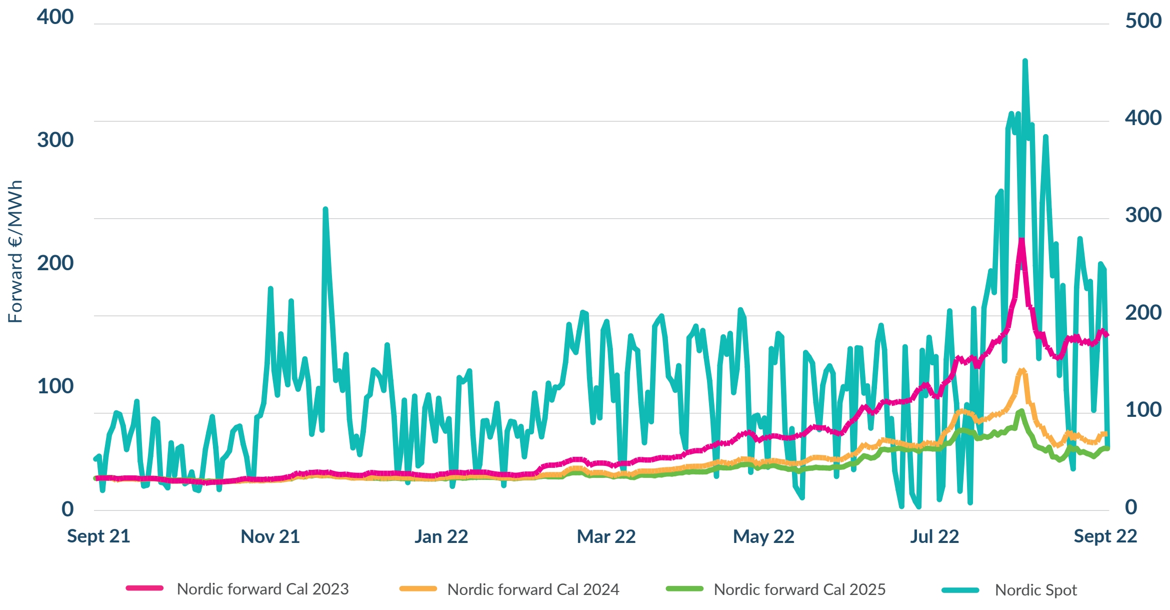


Nordic power market

Power prices in the Nordics were also affected by the events mentioned above, especially in the southern price zones. Prices in northern Norway are typically much lower, owing to more abundant wind and hydropower output, as well as grid capacity constraints limiting movement of electricity from North to South.

The volatility in wind generation added to the volatility in the spot market, which was amplified by cold spells and low hydrology levels throughout the first quarter of 2022. The Nordics experienced a warm and dry summer, impacting the water levels of the hydropower plants. Consequently, spot prices were very volatile and negatively correlated with the availability of wind during the Summer. Increased precipitation in the Autumn lowered the volatility of the spot market by the end of the year.

Forward power prices continued to increase in the second half of 2022 on the back of power price increases in continental Europe. The spot market continued to remain very volatile, driven by weather and news from the gas market about supply from Russian pipelines and liquefied natural gas.



Portfolio performance

In the year to September 2022, the portfolio generated approximately 235,630MWh of clean electricity, enough to power 84,118 UK homes.

Operating profit across the portfolio was excellent during the period, at £27.2m – 26% above expectations. This was driven by particularly high power prices captured throughout the portfolio, especially for the reserve power and anaerobic digestion (AD) businesses. Notably, the reserve power portfolio generated an operating profit £3.4m over expectations. Availability and reliability were strong for the hydropower and reserve power portfolios respectively, reflecting good maintenance regimes driven by the Asset Manager. Overall, energy generation for the portfolio was in line with expectations.

Solar energy

Bagnall's solar portfolio consists of 4,072 installations, including ground-mounted, commercial rooftop and residential rooftop systems. These assets benefit from either RO, Northern Ireland Renewables Obligation (NIRO), or FiT government-backed schemes supporting their revenues. The remaining revenues are generated through the sale of electricity via external counterparties or on-site energy sales agreements.

Operating profit across the solar portfolio was in line with expectations for the period, supported by strong levels of irradiation and power prices.

Anaerobic digestion

Bagnall currently has an interest in a series of AD plants. This technology uses a mix of feedstocks, such as crops or organic waste, to create biogas, which is either injected directly into the gas network or converted to heat and electricity through a combined heat and power generator.

Operating profit was 46.2% above expectations, driven by strong generation performance and high power and gas prices.

Wind energy

Bagnall currently has interests in three onshore wind assets, totalling 32.46MWp of generating capacity. Combined, the assets own a total of 13 turbines, with six situated in the UK, in Lincolnshire and Scotland, and the remaining seven situated in Finland as part of the newly operational wind farm, Magnus Finnish HoldCo Oy.

As with the solar portfolio, the UK assets generate income through the FiT government-backed subsidy scheme and through the sale of electricity. In Finland, income is generated through the sale of green Guarantee of Origin certificates and through the sale of electricity.

Operating profit across the wind portfolio was 11.9% below expectations. This was predominantly driven by lower-than-expected wind speeds across the portfolio, as well as substantial gearbox works required during the period for the UK portfolio, resulting in significant downtime.

Reserve power

Bagnall currently has interests in six gas peaking projects in the UK, totalling 102MW of capacity. The reserve power assets benefit from volatility in the power markets and only generate electricity during short periods of high pricing. They are a transitional technology – providing much needed reserve capacity that can be provided in a very short space of time if there are fluctuations in generation output from the UK's wind and solar fleets caused by unfavourable weather conditions. These kinds of projects are necessary to enable greater penetration of renewables on the grid as they help the national electricity grid to deal with the increased volatility of generation output that comes with ever greater renewable generation.

The reserve power portfolio performed exceptionally well during the period, generating £3m higher operating profit than expected, equivalent to 65.7% above budget. The energy markets were particularly active, caused by high demand from France following nuclear shortages, low wind generation and higher demand in the UK. This resulted in volatile market pricing and therefore significant trading opportunities, which the portfolio was able to capture.

Hydropower

During the period, Bagnall acquired an interest in an additional run-of-river hydropower plant in Norway, bringing the total up to five plants. These have a total generating capacity of 8.2MW.

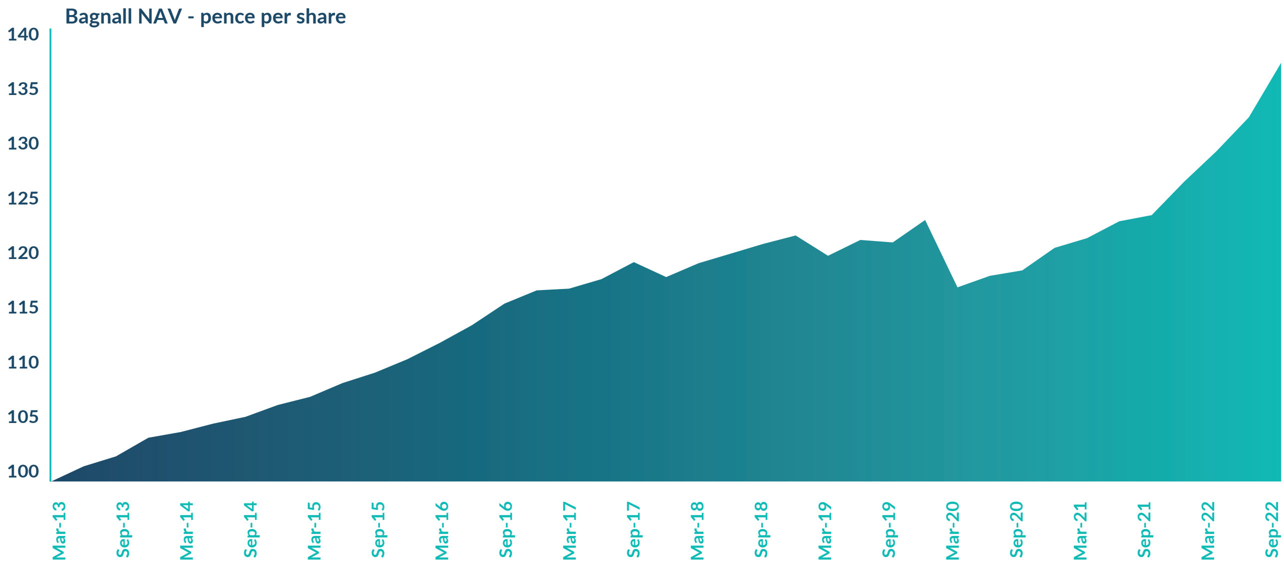
Plant availability was strong, and generation was above expectations for the period. This, combined with high power prices, resulted in an exceptional operating profit of £922,391, 188% over expectations.

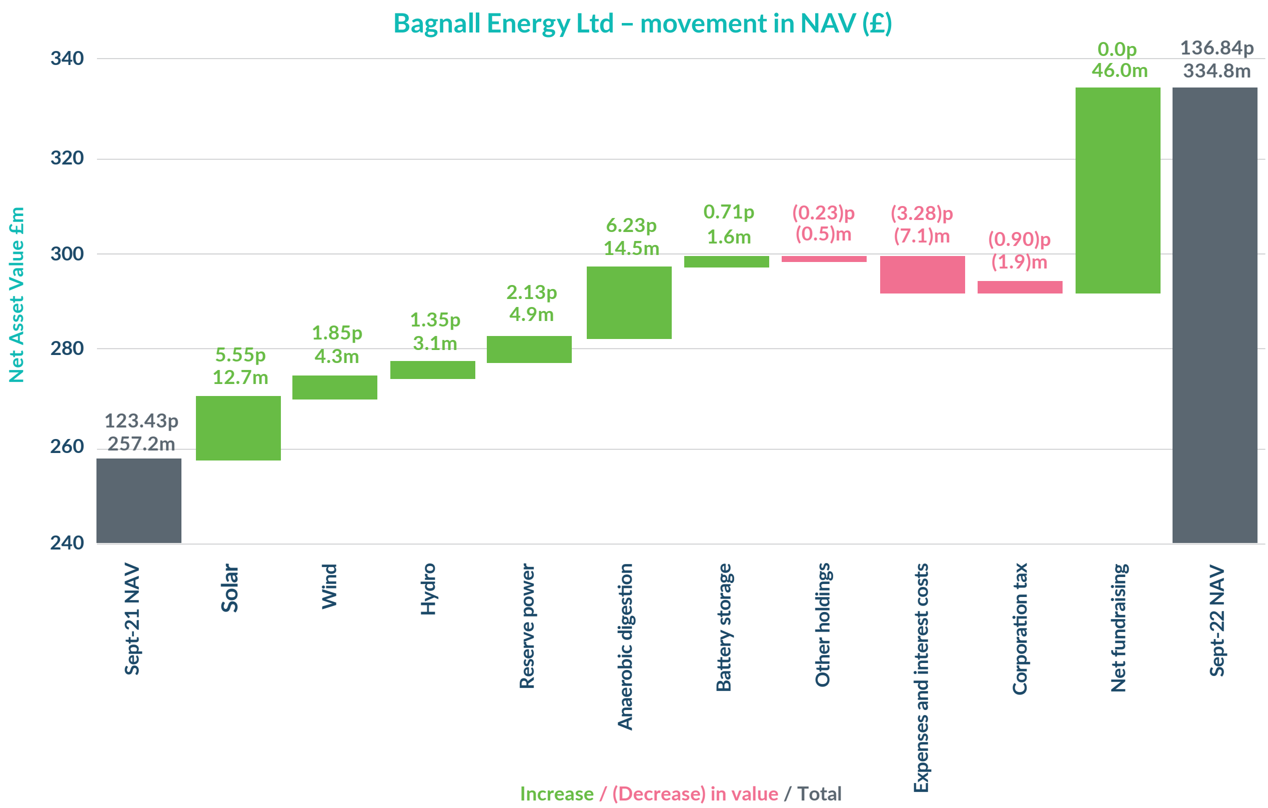
Other sectors

Bagnall has an interest in a rural fibre broadband business that is constructing a network across Wales and Scotland, a solar energy equipment supply company and two battery storage companies that provide energy management solutions for arenas, stadiums and other large facilities.

Company valuation

In the **12 months** to **30 September 2022**, the NAV per share for Bagnall increased from **123.4** to **136.8** pence per share.





Valuation movements

During the period, Bagnall's NAV increased from £257.2m to £334.8m, and the NAV per share increased from 123.4p to 136.8p. The main drivers of the increase in valuation were increases in power price forecasts and inflation, strong operational performance, and several optimisation initiatives.

Solar

The total return of the solar portfolio was £12.7m, contributing 5.55p to the NAV per share for the period. This was driven by an increase in long term power price forecasts, strong inflation, and several portfolio optimisation initiatives, including favourable fixed power price arrangements.

Wind

The total return of the wind assets across the portfolio was £4.3m, contributing 1.85p to the NAV per share for the period. This was due to an increase in long term power price forecasts, high inflation, and favourable foreign exchange (FX) movements.

Hydropower

The total return of the hydropower portfolio was £3.1m, contributing 1.35p to the NAV per share over the period. This increase was attributable to the strong operational performance of the assets, as well as an increase in long term power price forecasts, strong inflation, and favourable FX movements.

Reserve power

The total return of the gas peaking portfolio was £4.9m, contributing 2.13p to the NAV per share for the period. This increase was driven by excellent operational performance, as well as increases in power price forecasts and strong inflation during the period.

Anaerobic digestion

The total return of the anaerobic digestion portfolio was £14.5m, contributing 6.23p to the NAV per share for the period. This was mainly due to exceptionally strong operating profits and an increase in long term forecasts for gas and electricity prices.

Battery storage

The battery storage portfolio increased by £1.6m, contributing 0.71p to the NAV per share over the period. This growth was driven by an increase in long term forecasts in relation to increasing power price volatility and strong inflation during the period, but was slightly offset by an increase in capital expenditure forecasts and construction delays.

Other holdings

The value of Bagnall's holdings in other sectors decreased by £0.5m, detracting 0.23p from the NAV per share for the period.

Expenses and interest costs

Expenses mainly consist of the Company's management, legal and professional fees. These fees are in line with expectations for the year ending 30 September 2022. Interest is the amount paid and accrued on Bagnall's Crowd Bond debt, which is charged at variable rates between 2.25% and 4% per annum.

Fundraising

During the year ending 30 September 2022, Bagnall increased capital by £46m net of redemptions. This takes the total equity raised, net of redemptions, to £286m since inception. The issuance of new shares has no material impact on Bagnall's NAV.

Outlook

The directors are pleased with the results for the period. The inflation-linked nature of a material element of the revenues ensures the portfolio is protected in the current environment. At portfolio level, the Investment Manager's in-house Asset Management team will continue its focus on delivering positive operational performance, along with optimisation initiatives where appropriate.

The Company will continue to leverage the expertise of the Investment Manager to deliver strong operational performance, while placing its sustainability goals at the centre of its operational objectives.

We continue to take a discerning approach to pursuing investment opportunities that will deliver the greatest value to shareholders. The Company is actively progressing over £100m+ of near term pipeline opportunities. Opportunities span such sectors as solar, wind, hydropower, flexible generation, fibre broadband and energy development in the UK, as well as wind and hydropower in the Nordic region.


SIEMENS
SIEMENS

Board of directors

Bagnall has an experienced Board of Directors who are responsible for the strategy and management the company. The four directors have complementary experience in a variety of different businesses. The directors hold board meetings at least quarterly and liaise with the Investment Manager regarding potential opportunities on an ongoing basis.

James Watson (Chairman)

James is a qualified solicitor who has worked for 20 years on complicated energy-related transactions and financings. He first worked at Clifford Chance, before moving to the energy infrastructure team at Pinsent Masons. He now heads up an international team of 70 cross-sector legal specialists at international law firm Osborne Clarke, looking at how the energy transition will contribute to decarbonisation/net zero in the infrastructure, energy, transport and finance sectors.

He is a leader in developing dynamic, energy and tech-related legal solutions to deliver a decarbonised, digital future for investors and sustainable businesses around the globe. As a transactional energy lawyer, he specialises in supporting innovation and transformation in the energy and utilities sector. He advises investors, funds, banks and developers in developing, investing in and financing projects in the renewables sectors. These include solar, onshore wind and hydropower, as well as a range of subsectors, such as battery storage, bioenergy, resource management, waste to energy (including RDF/SRF supply and export, AD and biomass), bio fuels, hydrogen, combined heat and power, peaking plant, cleantech and power management.

Roberto Castiglioni

Roberto has 20 years' experience in all aspects of the energy sector in the UK and EMEA, and is currently CEO of Ikigai Capital. In November 2017, after researching the storage and flexibility space for two years, he founded Argonaut Power, one of the first behind-the-meter solar and storage financing platforms in the UK. Roberto chose to focus the company strategy on industrial and commercial (I&C) energy solutions. This approach draws on his deep understanding of non-recourse financing and development of traditional and decentralised energy, his knowledge of I&C customer challenges, and research into technology advancements in Europe and the US in the field of microgrids.

Roberto was previously the senior investment director at Ingenious Infrastructure, a division of Ingenious Group, and seed funder of Argonaut Power. During his six years at Ingenious, he was responsible for the Estate Planning renewable energy funds, managing around £250m worth of investments in solar, wind, anaerobic digestion, combined heat and power, and short-term loans successfully sold down to retail investors. He also managed Ingenious' £15m Energy Efficiency Fund, sold in 2016, and designed the energy saving arrangements used by the fund.

Javier Cavada Camino

Javier has more than 20 years of global experience in the energy industry, operating across technology, power generation, lifecycle services, and project development. In January 2022, he became president and CEO of Mitsubishi Power, EMEA, leading the Japanese corporation's energy business in the region and driving its growth by leading on its energy transition.

Prior to his current executive role, Javier was the president and CEO of Highview Power, the UK-headquartered leader in long duration energy storage. In 2020, Highview Power raised £60m in growth capital from international investors. Before Highview Power, Javier served 17 years at Wärtsilä as president of the energy division and member of the executive board, leading its transition to renewables and increased energy storage capability, with 70GW installed across 180 countries.

Javier is also a board director at Portuguese multinational energy firm Galp, where he oversees its decarbonisation strategy. He remains a non-executive member of the board of Highview Power and is also chairman of Gazelle Wind Power, an offshore wind technology platform headquartered in Ireland. Javier holds a PhD degree in industrial engineering and, among other awards, has been recognised as a distinguished alumnus by the University of Cantabria in Spain.

Tony McGing

Tony is a partner of Downing LLP. He previously worked at Kingston Smith Chartered Accountants, joining in 1986 after graduating from Kings College London with a degree in maths and management. While at Kingston Smith he focused on auditing small and medium sized businesses and qualified as a Chartered Accountant. He joined Downing in 1992 and has driven the company's growth from 10 to over 150 staff members. He has carried out various roles throughout his time at Downing, with a particular focus on the development and marketing of new products.

Directors' report

The directors present their report and the financial statements for the year ended 30 September 2022.

Directors' responsibilities statement

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

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

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

select suitable accounting policies for the Company's financial statements and then apply them consistently;

make judgments and accounting estimates that are reasonable and prudent;

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Principal activity

The Company's principal activity during the year was energy generation together with making loans to energy businesses through its trading entities.

Directors

The directors who served during the year were:

T McGing
R Castiglioni
J Watson
J Cavada Camino

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 as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

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

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.

T McGing

T McGing
Director

Date: 15 February 2023

Independent auditors' report to the members of Bagnall Energy Limited

Opinion

We have audited the financial statements of Bagnall Energy Limited (the 'Company') for the year ended 30 September 2022, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

give a true and fair view of the state of the Company's affairs as at 30 September 2022 and of its profit for the year then ended;

have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

have been prepared in accordance with the requirements of the Companies Act 2006.

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 Company 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 Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

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

We have nothing to report in this regard.

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 32, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The nature of the sector and the impact of Covid 19 on financial and operating performance and policies;

Enquiries of management, including obtaining and reviewing supporting documentation, concerning the company'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;

Discussions among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. The engagement team includes audit partners and staff who have extensive experience of working with entities in similar sectors and this experience was relevant to the discussion about where fraud risks might arise.

We also obtained an understanding of the legal and regulatory framework that the company 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 Companies Act 2006 and Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 company's ability to operate or to avoid a material penalty. These included Financial Conduct Authority regulations, health and safety regulations, employment law and environmental regulations, etc.

As a result of these procedures we considered the particular areas that were susceptible to misstatement due to fraud were in respect of management override and revenue recognition. 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;

testing the existence of a sample of investments;

holding discussions with the investment manager and relevant third parties to ensure we understand the calculations of the fair value of a sample of the investments and can evaluate the fair value of each investment in the sample;

reviewing the validity of the inputs incorporated into the fair value calculations of the investments;

reading minutes of meetings of those charged with governance;

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;

evaluating the rationale of any significant transactions that are unusual or outside the normal course of operations.

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 regulations. 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/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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 Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Green

Matthew Green ***(Senior Statutory Auditor)***
for and on behalf of
Lubbock Fine LLP
Chartered Accountants & Statutory Auditors

Paternoster House
65 St Paul's Churchyard
London
EC4M 8AB

Date: 16 February 2023

Statement of comprehensive income

For the year ended 30 September 2022

	2022	2021
	£'000	£'000
Share of trading partnership profit/(loss)	5,468	(996)
Administrative expenses	(6,851)	(5,814)
Other operating income	1,963	538
Operating profit/(loss)	**580**	**(6,272)**
Return on interest in trading entities	1,294	5,949
(Impairment)/reversal of impairment of interests in trading entities	(1,617)	2,988
Fair value movements on interests in trading entities	29,401	4,480
Interest receivable and similar income	3,973	3,213
Interest payable and expenses	(172)	(442)
Profit before tax	**33,459**	**9,916**
Tax on profit	(1,889)	-
Profit for the financial year	**31,570**	**9,916**

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

There was no other comprehensive income for 2022 (2021:NIL).

The notes on pages 42 to 47 form part of these financial statements.

Company Number 08349679

Balance sheet

As at 30 September 2022

Fixed assets	Note	2022	2021
		£'000	**£'000**
Investments in trading entities	4	328,888	199,297
Current assets			
Debtors: amounts falling due after more than one year	5	295	-
Debtors: amounts falling due within one year	5	3,203	1,817
Cash at bank and in hand	6	12,197	73,644
		15,695	**75,461**
Creditors: amounts falling due within one year	7	(9,816)	(17,568)
Net current assets		**5,879**	**57,893**
Net assets		**334,767**	**257,190**
Capital and reserves			
Called up share capital	9	2,446	2,084
Share premium account		10,614	237,497
Revaluation reserve		38,769	3,853
Capital redemption reserve		3	3
Profit and loss account		282,935	14,071
		334,767	**257,190**

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 notes on pages 42 to 47 form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

T McGing
Director

Date: 15 February 2023

Statement of changes in equity

For the year ended 30 September 2022

	Called up share capital £'000	Share premium account £'000	Capital Redemption reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Total equity £'000
At 1 October 2020	2,018	229,304	-	346	7,665	239,333
Comprehensive income from the year						
Profit for the year	-	-	-	-	9,916	9,916
Shares redeemed in the year	(3)	(317)	3	-	(3)	(320)
Contributions by and distributions to owners						
Shares issued during the year	69	8,192	-	-	-	8,261
Transfer to/from profit and loss account	-	-	-	3,507	(3,507)	-
At 30 September 2021	**2,084**	**237,179**	**3**	**3,853**	**14,071**	**257,190**
Comprehensive income from the year						
Profit for the year	-	-	-	-	31,570	31,570
Capital reorganisation	-	(272,210)	-	-	272,210	-
Contributions by and distributions to owners						
Shares issued during the year	362	45,645	-	-	-	46,007
Transfer to/from profit and loss account	-	-	-	34,916	(34,916)	-
At 30 September 2022	**2,446**	**10,614**	**3**	**38,769**	**282,935**	**334,767**

The notes on pages 42 to 47 form part of these financial statements.

Notes to the financial statements

For the year ended 30 September 2022

1. General information

Bagnall Energy Limited is a private company limited by shares incorporated in England and Wales. Its registered office and principal place of business is 6th Floor St Magnus House, 3 Lower Thames Street, London, EC3R 6HD.

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 Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Interest in trading entities – income

Included within investments in trading entities are interests in trading partnerships. Income from trading partnership interests is described within the financial statements as share of trading partnership profits, and is recognised once allocated to the partnership.

Included within investments in trading entities are investments in shares of trading entities. Returns from investments in shares in trading entities in respect of priority returns are recognised as income in the Statement of Comprehensive Income if received during the year. Where priority returns are accrued but not received during the year, they are recognised, together with any corresponding impairments, as a movement in the fair value of the investment through the profit and loss account and recognised in the Statement of Comprehensive Income.

2.3 Exemption from preparing consolidated financial statements

The Company, and the Group headed by it, qualify as small as set out in section 383 of the Companies Act 2006 and the parent and Group are considered eligible for the exemption to prepare consolidated accounts.

2.4 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.

2.5 Interest income

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

2.6 Taxation

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 balance sheet date in the countries where the Company operates and generates income.

2.7 Valuation of investment in trading entities

Investments in trading entities are measured at fair value and managed in accordance with the Company's documented policies.

The valuation of an investment upon acquisition is initially deemed to be cost and is measured subsequently at fair value. Fair value movements in the valuation of an investment are taken to the profit and loss account and recognised in the Statement of Comprehensive Income. Any unrealised gains or subsequent losses up to the value of those gains previously recognised at the Balance Sheet date are transferred to the revaluation reserve in the Statement of Changes in Equity.

2.8 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.

2.9 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.

2.10 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.

2.11 Financial instruments

The Company 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 non-puttable 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.

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.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

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.

3. Employees

The average monthly number of employees, including directors, during the year was 5 (2021 - 5).

4. Interests in trading entities

Cost	Unlisted investments
	£'000
At 1 October 2021	195,444
Additions	93,432
Disposals	(227)
Impairments	(1,617)
At 30 September 2022	**287,032**

Revaluation	
At 1 October 2021	3,853
Movement	38,003
At 30 September 2022	**41,856**

Net book value	
At 30 September 2022	**328,888**
At 30 September 2021	**199,297**

5. Debtors

	2022	2021
	£'000	£'000
Due after more than one year		
Other debtors	295	-
Due within one year		
Trade debtors	1,480	180
Other debtors	1,723	1,637
	3,203	**1,817**

6. Cash and cash equivalents

	2022	2021
	£'000	£'000
Cash at bank and in hand	**12,197**	**73,644**

7. Creditors: Amounts falling due within one year

	2022	2021
	£'000	£'000
Other loans	1,500	14,267
Trade creditors	-	69
Other creditors	2,189	102
Corporation tax	3,088	300
Accruals and deferred income	3,039	2,830
	9,816	**17,568**

8. Loans – Analysis of the maturity of loans is given below:

	2022	2021
	£'000	£'000
Amounts falling due within one year		
Other loans	1,500	14,267

9. Share capital

	2022	2021
	£'000	£'000
244,649,007 (2021 – 208,368,204) Ordinary shares of £0.01 each	2,446	2,084

During the year the Company issued 36,280,803 (2021: 6,782,971) shares at an average price of 128.4 (2021: 121.8) pence per share.

The company also redeemed nil (2021 – 268,402) shares at an average price of nil (2021 – 119.2) pence per share.

Since the balance sheet date, the Company issued 2,890,988 (2021 – 28,637,701) new shares at an average price of 139.1 (2021 – 128.1) pence per share.

10. Guarantees

The Company has guaranteed bank borrowings by fixed charges and containing a negative pledge over the assets of the Company. At the year end, the carrying amount covered by these guarantees totalled £34,162,394 (2021 - £26,686,004).

11. Related party transactions

During the year fees of £6,130,995 (2021 - £5,007,588) were payable to the fund manager of the Company. Included within creditors at the balance sheet date is an amount of £2,908,657 (2021 - £2,254,445) in relation to fees due to the fund manager.

During the year the Company made net contributions of £389,018 (2021 - net contributions of £64,565,171) to a partnership in which it has a controlling interest. At the balance sheet date, the Company had an interest of £70,969,195 (2021 - £70,580,177) in this partnership.

During the year the Company made loan repayments of nil (2021 - £372,701) to companies in which it has a controlling interest. At the balance sheet date the Company has an outstanding creditor balance of loans drawn down in previous periods of nil (2021 - £102,049).

Glossary of key terms

AD	Anaerobic Digestion
BPR	Business Property Relief
BTLLP	Bridging Trading LLP
CCGT	Combined cycle gas turbine
Company	Bagnall Energy Limited
Compound annual NAV return	This is the change in the Net Asset Value from 28 February 2013 to 30 September 2022.
DCF	Discounted Cash Flow
DNO	Distribution Network Operators being companies that are licensed to distribute electricity in Great Britain by the Office of Gas and Electricity Markets.
DSO	Distribution System Operator
ESG	Environmental, Social and Governance
FiT	The Feed-in-Tariffs (FIT) scheme is a government programme designed to promote the uptake of renewable and low-carbon electricity generation technologies. Introduced on 1 April 2010, the scheme requires participating licensed electricity suppliers to make payments on both generation and export from eligible installations. The FIT scheme closed to new applications from 1 April 2019.
Investment Manager	Downing LLP
MWe	Megawatt electric
MWh v MWp	Megawatt hours -the amount of energy generated versus MWp - a rating for the peak power capacity of a system.
N2EX	Day-Ahead auction market index for UK electricity prices
NAV	Net Asset Value
NIROC	Northern Irish Renewable Obligation Certificates
O&M	Operations and Maintenance Contractors
Portfolio	The 39 assets in which the Company had a shareholding as at 30 September 2022
Portfolio valuation	The sum of all the individual investments' net present values
PPA	Power Purchase Agreement
PR	Performance Ratio
RHI	Renewable Heat Incentive scheme is a UK Government scheme aiming to encourage uptake of renewable heat technologies amongst householders, communities and businesses through financial incentives
RO Scheme	The Renewable Obligation is one of the main support mechanisms for large-scale renewable electricity projects in the UK. It places an obligation on UK electricity suppliers to source an increasing proportion of the electricity they supply from renewable sources. The RO scheme closed to new applicants on 31 March 2017.
ROC	Renewable Obligation Certificates
RPI	Retail Price Index
SPV	Special purpose vehicle, some of which hold the Company's investment portfolio of underlying operating assets and service businesses.
Total Annual NAV Return	This is the change in the Net Asset Value from 1 October 2021 to 30 September 2022.

Bagnall Energy Limited
St Magnus House
3 Lower Thames Street
London, EC3R 6HD

Made using 100% recycled paper