Bagnall Energy Limited

Annual report and accounts

For the year ended 30 September 2019

Company Number 08349679

Contents

Financial highlights

for the year ended 30 September 2019

Compared to the previous year, Bagnall's NAV increased from **£154.3m** to **£184.8m** and the NAV per share increased from **120.9p** to **121.08p**

Annual Total NAV return: **0.11%**

Total fund raising during the period was **£41.8m**.

Cumulative Annualised NAV return: **2.92%**

Bagnall's underlying portfolio of Energy & Infrastructure assets generated approximately **86,000 MWh** of energy. Generation was marginally below expectations, which was mostly driven by slightly lower than expected levels of irradiation and several external grid outages across the portfolio.

Eight ground mount solar projects and two residential rooftop portfolios were acquired during the period for a total consideration of **£52m**. This acquisition increased the portfolio to a total installed capacity of **313MW**, generating enough clean electricity to power **27,652** homes a year.

Corporate summary & investment objective

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 2019, Bagnall had 152,745,655 ordinary shares of £0.01 in issue. Bagnall carries out its trade through underlying businesses ("SPVs")

Bagnall also holds an interest in a 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 aims to preserve capital and provide a steady return by pooling capital and trading in the energy and infrastructure sector, providing Business Relief for shareholders

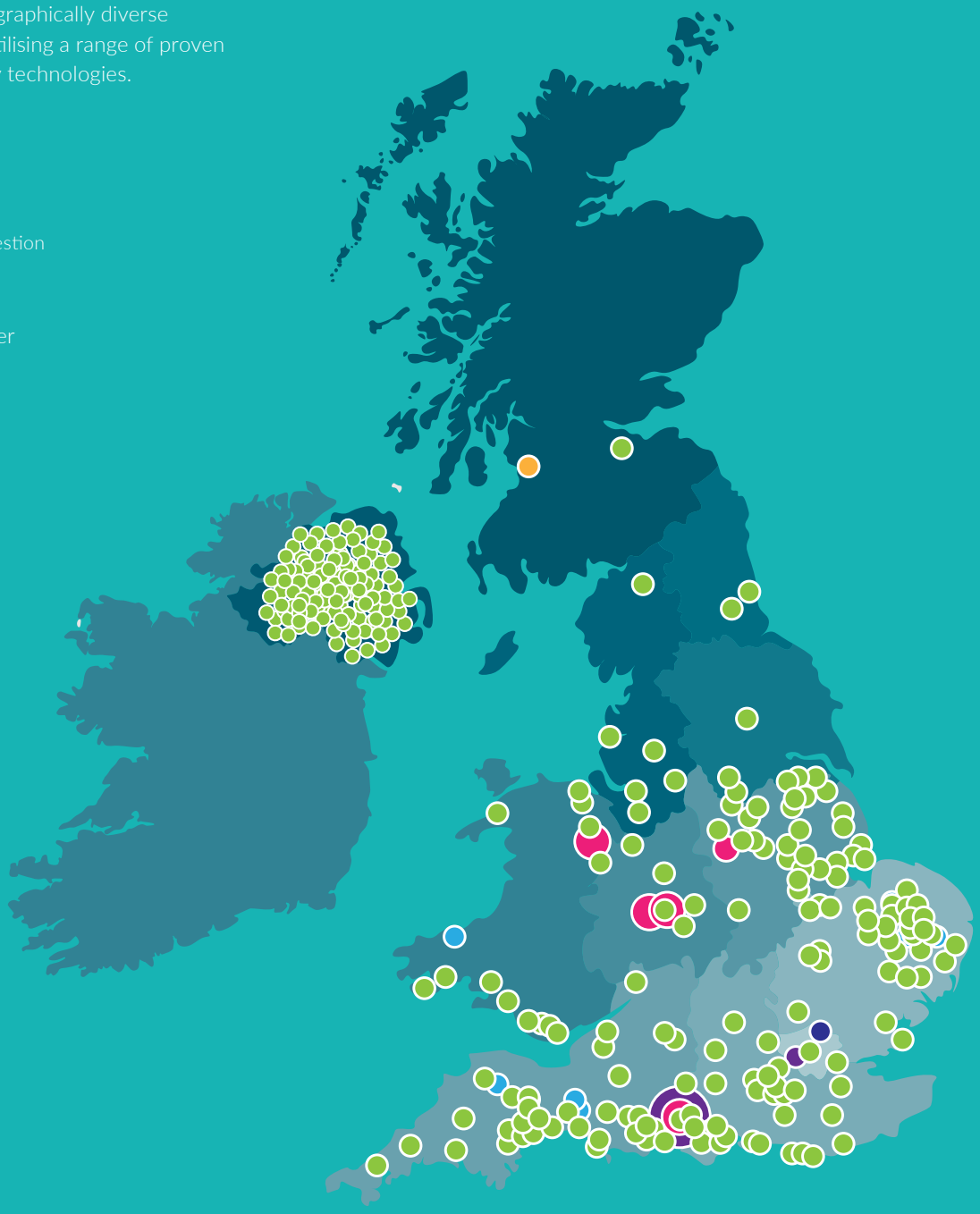
Bagnall will proceed with its investment objective by investing mainly in UK based energy generating businesses that use solar, wind, reserve power and anaerobic digestion technologies. The vast majority of these businesses benefit from long-term government backed subsidy schemes. Bagnall also invests into a range of infrastructure assets including service businesses, which provide an additional level of diversification to the portfoltio.

Portfolio

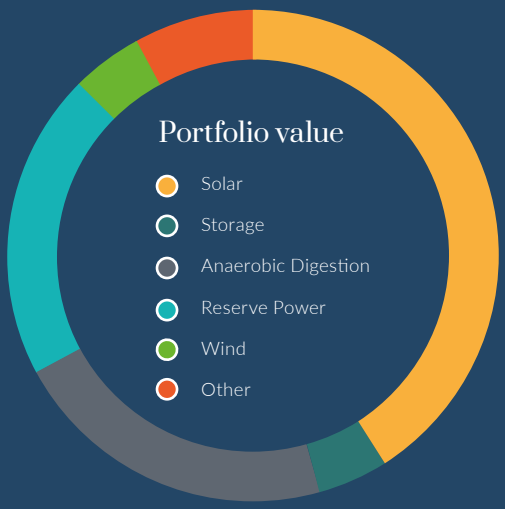
Bagnall has a geographically diverse group of assets utilising a range of proven renewable energy technologies.

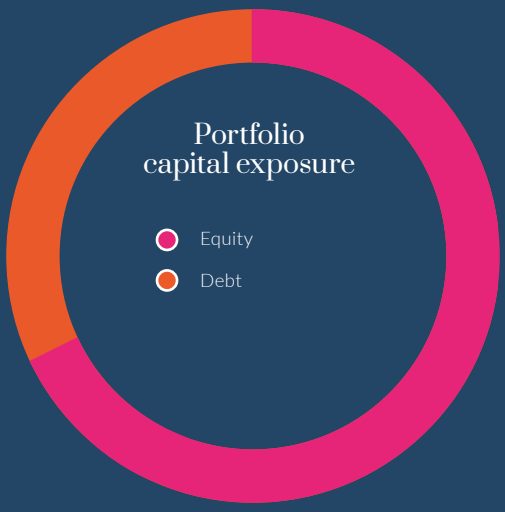
Technology

- Anaerobic Digestion
- Data Centre
- Reserve Power
- Solar
- Storage
- Wind



Portfolio analysis





Portfolio breakdown

At 30 September 2019, Bagnall's portfolio was valued at £216m across over 40 different holdings with the largest sector exposure being to solar energy. A full sector split is shown below.

The portfolio valuation is the largest driver of net asset value, with cash, debt and other balance sheet items explaining the difference.

Through its interest in a lending business, Bagnall also has an exposure to asset-backed loans, providing further diversification to the overall portfolio.

Renewable energy assets are depreciating assets in nature therefore it is expected that valuations will fall below cost as the assets mature. The fall in valuation over time is offset by cash distributed from the assets. These distributions are reinvested into new assets, maintaining NAV over time.

Asset	Technology	Equity/Loan	Technology valuation £m
21st Century Energy Limited	Solar	Equity	89.0
Argyll Solar Limited	Solar	Equity	
Armstrong (Solar) LLP	Solar	Equity and loan	
Clean Electricity Limited	Solar	Equity	
Eider Renewables Limited	Solar	Equity	
Eider Solar LLP	Solar	Equity	
Ethical Renewable Developments LLP	Solar	Equity	
Freetricity (Solar) LLP	Solar	Equity and loan	
Galgorm Renewables Limited	Solar	Equity	
Galgorm Solar LLP	Solar	Equity and loan	
Garganey Sustainable Energy Solutions Limited	Solar	Equity	
Goldcrest Renewables Limited	Solar	Equity	
Indigo Generation Limited	Solar	Loan	
Ironhide Generation Limited	Solar	Loan	
Lambridge 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	
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	8.3
Nerth Energy Limited	Wind	Equity	
Nursling Energy Two Limited	Storage	Equity	10.3
Pivot Power Limited	Storage	Equity	
Shift Energy Limited	Storage	Equity	
Asgard Renewables Limited	Anaerobic Digestion	Loan	46.6
Avocet Renewables Limited	Anaerobic Digestion	Loan	
Condate Biogas Limited	Anaerobic Digestion	Loan	
Corbiere Renewables Limited	Anaerobic Digestion	Loan	
Gorst Energy Limited	Anaerobic Digestion	Loan	
Green Puffin Limited	Anaerobic Digestion	Loan	
Oak Grove Renewable Energy Limited	Anaerobic Digestion	Equity and loan	
Redstow Renewables Limited	Anaerobic Digestion	Loan	
Southwestern Sustainability Limited	Anaerobic Digestion	Loan	
Sustainable Energy Generation Limited	Anaerobic Digestion	Loan	
Willowglen Renewables Limited	Anaerobic Digestion	Loan	
Apex Energy Limited	Reserve Power	Loan	44.4
BFG Projects Limited	Reserve Power	Equity	
Essence Energy Limited	Reserve Power	Equity	
Magnus Assets One Limited	Reserve Power	Equity and loan	
Bridging Trading LLP	Other	Loan	18.0
Evogreen Limited	Other	Equity and loan	
Harlow Properties Limited (A)	Other	Loan	
Jito Trading Limited	Other	Loan	
Yamuna Renewables Limited	Other	Loan	
Total			216.0

Trading report

Key investment metrics

	30 September 2019	30 September 2018
NAV	£184,865,142	£154,350,232
NAV per share	£1.21	£1.21
Annual total NAV return	0.11%	1.35%
Cumulative annualised NAV return (since inception?)	2.92%	3.43%
Profit after tax for the period	£158,000	£1,931,000

Portfolio summary

As at 30 September 2019, Bagnall held a portfolio of over 250 energy installations, a small number of which are in the construction phase. Located predominantly in the UK, the portfolio is made up of six energy generation technologies including solar, reserve power and wind.

The assets benefit from a range of different government backed subsidy schemes, including the Renewable Obligation and Feed-in Tariff ("FiT") schemes. During the year to 30 September 2019 approximately 69% of revenues were generated through subsidies, with the remaining 31% through the sale of electricity via power purchase agreements, the majority of which are with large utility companies.

Acquisitions and disposals

In July 2019 Bagnall acquired eight UK based ground mount solar assets and three residential rooftop portfolios through its wholly owned subsidiary, Juno Holdings Limited.

The assets were purchased for £52m and added a further 47.5MW of installed capacity to Bagnall's portfolio. The ground mount solar assets and the residential rooftop portfolios are accredited under the Renewable Obligation and Northern Ireland Renewable Obligation schemes respectively. This transaction was partly funded by a drawdown of £10m from a £35m two-year credit facility with Natwest. No further drawings were made in the period.

Shortly following the year end, in October 2019, Bagnall sold its holding in Pivot Power Ltd for £6.9m. Pivot Power Ltd developed grid scale battery sites alongside electric vehicle charging points at over 40 sites in the UK. As at 30 September 2019, Bagnall recognised a return of £3.2m (48%) on this investment, with a further £1.6m (23.5%) of earnouts recognised after the period end.

£50m of total additions and £54m of total disposals for the year relate to investments and divestments in BTLLP, which fall under the normal course of business with the Company's lending business partner.

Market developments

Power generation from renewable energy sources in the UK has continued to increase, with solar and wind in particular now representing a material share of the country's total power supply. In May 2019, the UK used only renewable energy sources to meet its power requirements for a period of two weeks. By September 2019, for the first time, renewables started to generate more electricity than fossil fuels in the UK.

While the country continues to make strong progress towards the government's 2050 net-zero target, the rate at which new renewable capacity is connecting to the network has slowed recently, largely driven by the end of government backed subsidy schemes such as the RO or FiT schemes, which ended in 2017 and 2019 respectively. Since the end of the period, it has been pleasing to see the government re-committing to onshore wind and solar through Contracts for Difference ("CFD") auctions.

Power prices

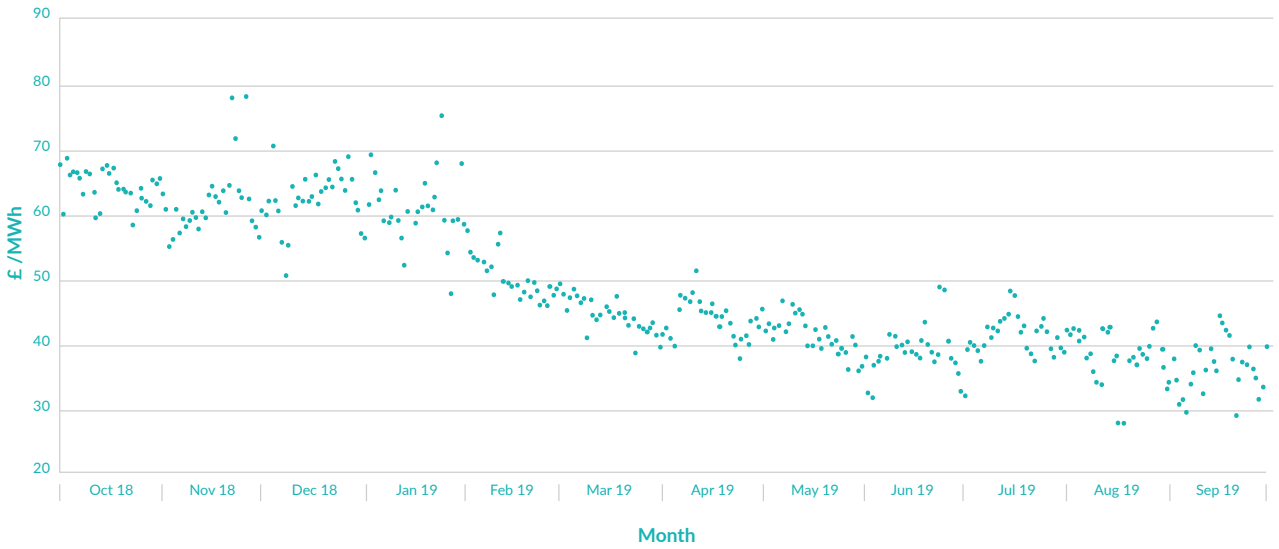
Power prices during the first half of the year took a significant downturn, reaching levels as low as £40/MWh. This was mainly driven by a mild winter and an increase in the volumes of natural gas imported to the UK. Prices continued to drop during the summer, in line with seasonal expectations, but failed to recover into the winter due to market conditions, including further cooperation between Russia and Ukraine regarding the flow of natural gas.

We continuously monitor wholesale electricity markets in order to form an opinion on future movements. Several Power Purchase Agreements ("PPA") across the portfolio provide Bagnall with the option to fix power prices at any point in time and these pricing mechanics are actively monitored. It is the intention that, where value allows, Exposure to power price fluctuations over the short term is minimised.

As part of the valuation process, we use a forward-looking power price forecast provided by a leading third-party consultant. During the period, power forecasts for the medium and long term declined due to reduced demand projections from National Grid and increased offshore wind capacity.

Daily generation weighted spot wholesale power prices

Average N2EX day ahead per MWh



Revolving credit facilities

Bagnall's lending partner, Bridging Trading LLP (BTLLP), has a RCF in place with Metro Bank Plc which expires on 14 August 2020. As at 30 September 2019, the facility was undrawn.

The RCF provides BTLLP with the flexibility to manage investment pipeline opportunities and provides a mechanism to generate a more effective capital structure. This is a useful source of liquidity and removes the need to keep high levels of cash on the balance sheet.

Downing bonds

Downing LLP offers a fixed interest bond product, which provides financing to businesses by raising contributions from a large number of retail investors through an online platform.

As at 30 September 2019, Bagnall had £9.7m of outstanding bonds at an average annual interest rate of 3.2%.

Portfolio performance

In the year to September 2019 the portfolio has generated approximately 86,000 MWh of clean electricity. Generation was marginally below expectations for the period, mostly driven by slightly lower than expected levels of irradiation, and several grid outages across the portfolio.

Solar

Bagnall's solar portfolio consists of 3,337 installations, including ground mounted, commercial rooftop and residential rooftop systems. These assets benefit from either the RO, NIROC or FiT government backed schemes which represent approximately 60% of revenues. The remaining revenues are generated through the sale of electricity via external counterparties or onsite energy sales agreements.

The solar portfolio generated 40,000 MWh during the period. Irradiation levels were slightly below expectations which contributed to underperformance.

The remaining underperformance was mostly attributable to two factors: Slow response times and poor monitoring from the Operations and Maintenance ("O&M") contractor across the residential rooftop portfolio, which represents total installed capacity of 17 MWp. These factors had a negative impact on performance during the first half of the period. In the summer of 2019, new O&M contracts were put in place with an improved scope of services and aligned incentives. Greater oversight and more proactive monitoring of the portfolio resulted in an increase in generation and the portfolio is now performing in line with expectations.

We continue to work closely with all district network operators across the portfolio, with the aim of utilising relationships to schedule planned outages in months of low irradiation levels, and so maximise performance.

Anaerobic digestion

Bagnall currently has interest in a series of anaerobic digestion ("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 ("CHP") generator.

The portfolio generated 39,000 Mwh during the period. Performance was generally in line with expectations across the portfolio, with the exception of a 6 MWp plant that experienced high levels of downtime due to servicing requirements. This plant is now performing in line with expectations.

Wind energy

Bagnall currently has interests in two onshore wind assets in the UK, totalling 2.5MWp of generating capacity. Combined, the assets own a total of six turbines situated in Lincolnshire and Scotland.

As with the solar portfolio, these assets benefit from income through the FiT government backed subsidy scheme and through the sale of electricity.

The portfolio generated 5,700 Mwh during the period, marginally below expectations driven solely by one turbine which experienced a fault with a circuit breaker protective device. This turbine is now performing in line with expectations.

Reserve power

Bagnall currently has interests in six gas peaking projects in the UK, totalling 102MW of capacity, through two wholly owned subsidiaries:

Magnus Assets One Limited (MAO) – four projects, totalling 78MW of capacity

BFG Limited – two projects, totalling 24MW of capacity

Of the 102MW of capacity, 82MW is operational and performing in line with expectations, with the remaining 20MW expected to commission in summer 2020.

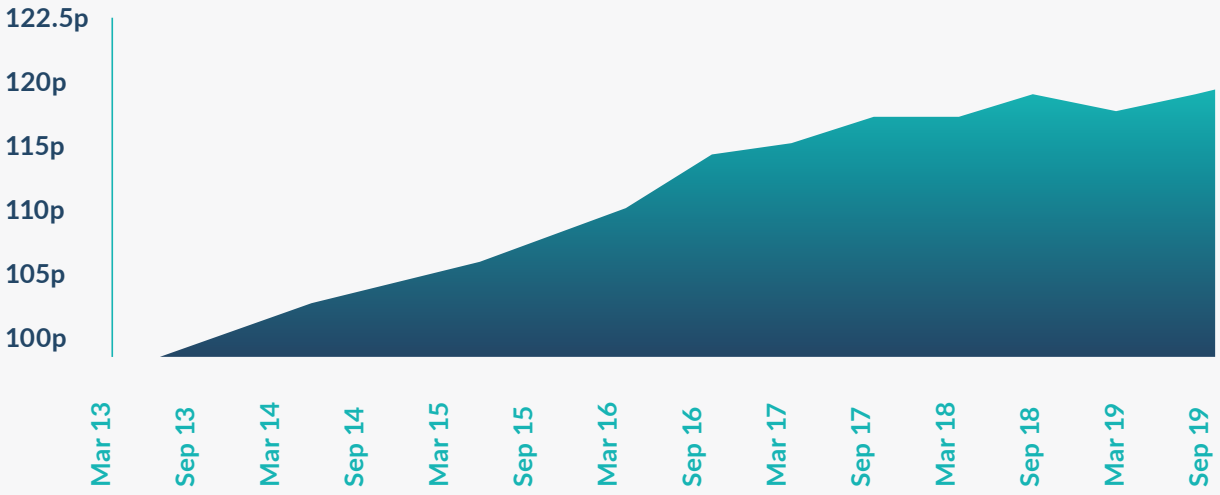
The assets benefit from two types of revenue stream: 15-year Capacity Market contracts provide income for a plant being available to support national grid demand and supply management; and income from selling power during periods of peak pricing driven by higher energy demand.

Other sectors

Through its participation in BTLLP, Bagnall has an interest in a loan to a data centre in Essex. The centre is operational, with the loans sufficiently covered by third party valuations of the borrower's assets, and has contributed £1.25m of income over the year. In the first quarter of 2020, Bagnall's exposure to this loan reduced following a refinancing. Bagnall also has an interest in a solar energy equipment supply company, a wood pellet production company and three battery storage companies that provide a mixture of electric vehicle charging stations and energy management solutions for arenas, stadiums and other large facilities.

Company valuation

In the **12 months** to **30 September 2019**, the NAV per share for Bagnall increased from **120.9** to **121.0** pence per share.

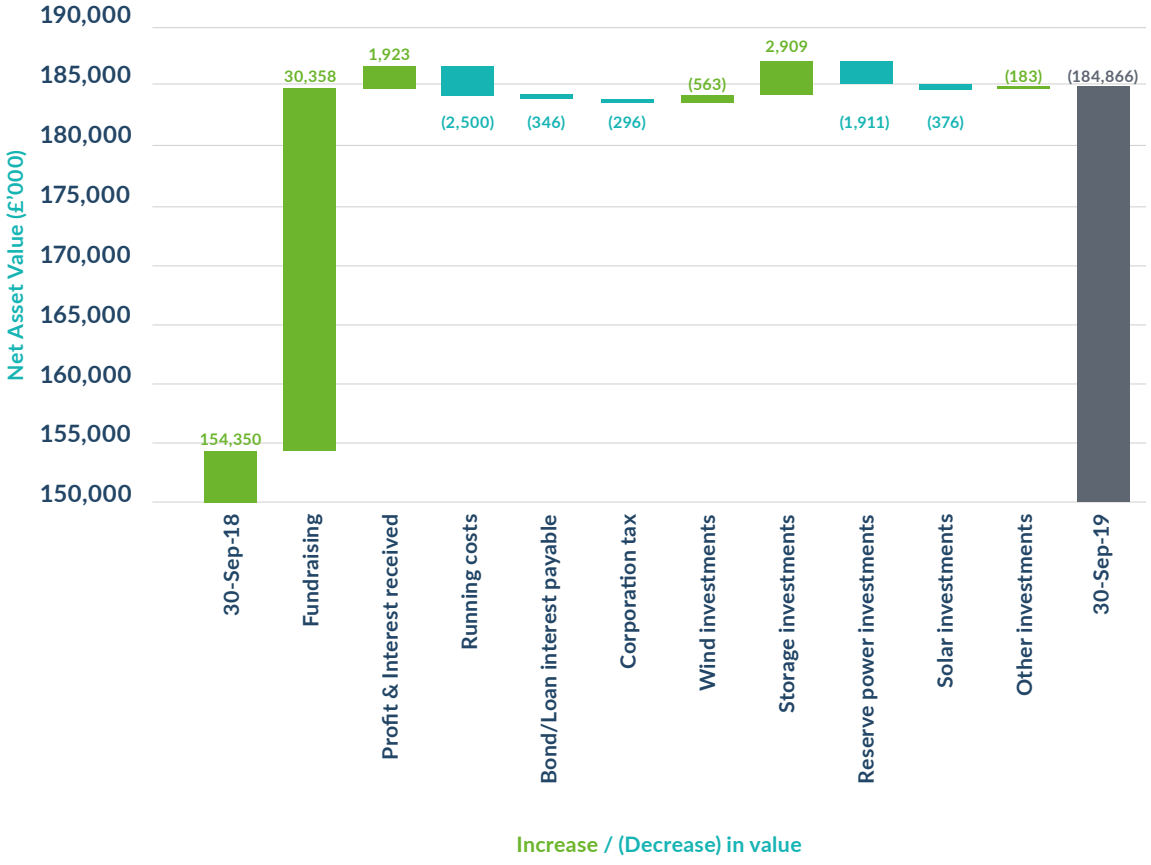


Valuation of the portfolio

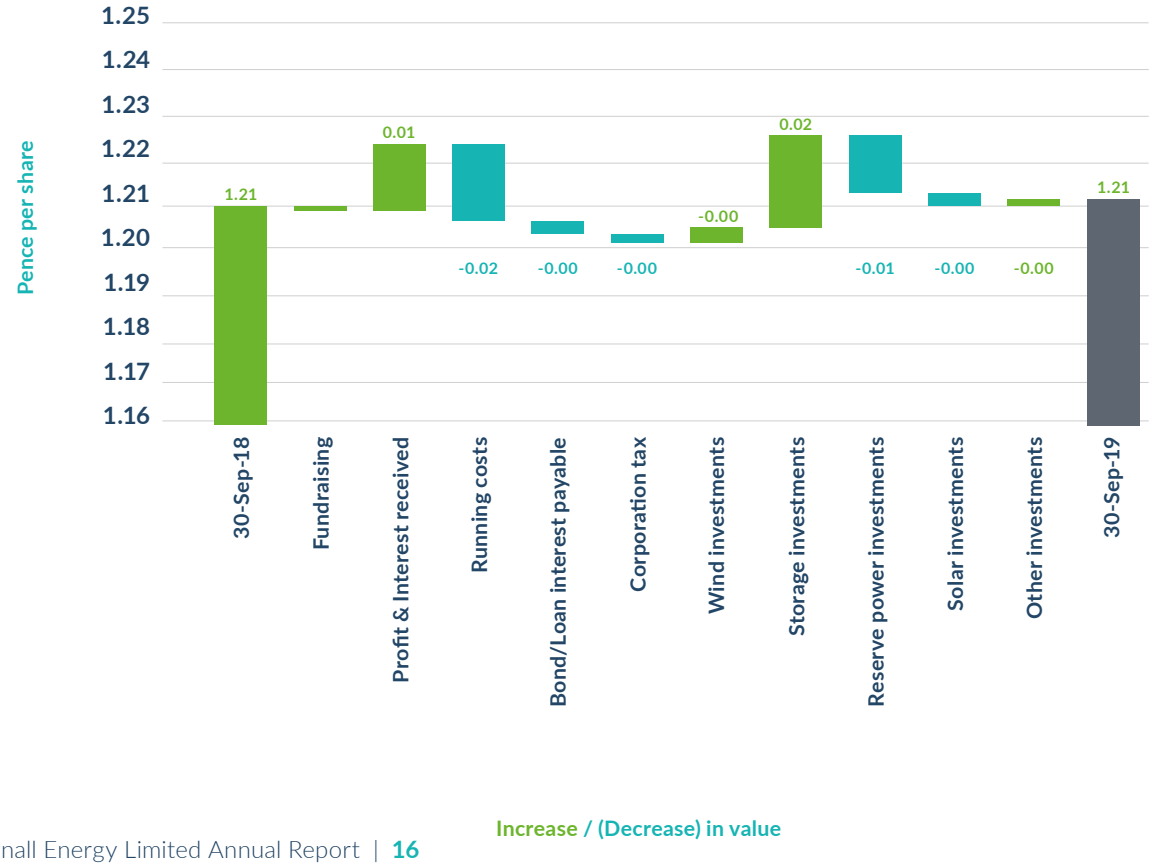
The investment manager is responsible for preparing a fair market valuation of the portfolio. Following transaction completion or commissioning of a new asset, valuations are based on a discounted cash flow analysis. Prior to this, valuations are held at the transaction cost.

A breakdown in the movement of Bagnall's NAV during the period is shown in the following charts.

Bagnall Energy Limited - movement in NAV



Bagnall Energy Limited - movement in NAV pence per share



Company valuation

Fund raising

During the year ending 30 September 2019, Bagnall increased capital by £30.3m net of redemptions. This takes the total equity raised, net of redemptions, to £172m. The issuance of new shares has no material impact on Bagnall's NAV.

Profit & interest received

The profit received relates to Bagnall's interest in BTLLP which accounted for £1.2m of profit during the current period (30 September 2018: £1.0m loss). In addition to this, Bagnall receives loan interest from certain investee companies.

Running costs

Running costs mainly consists of the fund's management fees and legal & professional fees. These fees are in line with expectations for the year ending 30 September 2019.

Bond/loan interest

The bond interest is the amount paid and accrued on Bagnall's Crowd Bond debt, which is charged at variable rates between 3% and 4% per annum. In addition to this, Bagnall had a short-term loan from BTLLP, at which interest was charged at 4.25%.

Corporation tax

This is the provision for corporation tax is based on the capital gains Bagnall made throughout the year.

Wind energy

Despite the reduction in power price forecasts, the total value of wind across the portfolio increased by £563k due to strong performance during the period.

Storage

Bagnall recognised a gain of c£3.2m during the period in relation to its investment in Pivot Power Limited. At the end of September 2019, the process to sell Pivot Power was at an advanced stage, with the preferred bidder offering materially in excess of the previous holding value. This was partially offset by a c£0.3m reduction in value in relation to Shift Energy, the Emirates Stadium behind-the-meter battery, due to poor operational performance.

Reserve power

Due to the lower than originally forecasted power curves, Bagnall felt it was appropriate to make a provision of £1.9m against its investment in BFG Projects Ltd.

Solar

During the period, the valuation of the solar projects within the portfolio reduced slightly by £376k. This decrease was driven by a downward movement in power price forecasts, due to reduced demand projection from National Grid in the medium term and increased offshore wind capacity in the long term.

Outlook

In October 2019, Bagnall launched a rights issue to existing shareholders, which raised £21.7m by the time it closed in January 2020. The proceeds of this issue will allow Bagnall to further expand its portfolio by taking advantage of the significant pipeline of opportunities across various existing and new energy sectors.

A note on sustainability & ESG

Environmental performance to September 2019

86,000 MWh energy generated.

Equivalent to 27,742 households annual electricity.

66,392 tonnes of CO2 avoided.

Equivalent to a saving of 7,387 tonnes of oil.

We focus on investing in things that matter - our environment, our health, our society, our local communities and our economy. Our overall purpose is to make investment more rewarding: by being profitable for our investors, supportive to the businesses we fund and, through their success, ultimately rewarding for society. This is realised through our core values of honesty and integrity; and adopting a sensible and measured approach while seeking to maximise returns and minimise risks. This approach is aligned to the Principles of Responsible Investment (PRI).

Our objectives

Central to our ethos is a commitment to be a "Responsible Investor". We aim to protect and enhance returns for our investors by placing Environmental, Social and Governance (ESG) criteria at the heart of our business and investment activities.

We understand that ESG issues represent risks and opportunities; and that these issues are becoming an increasingly material factor with investments. By taking a long-term, sustainable approach with our analysis, decision-making and active asset management, we strive to take these into account, mitigate risks and maximise opportunities, while endeavouring to facilitate wider societal and environmental benefits, wherever possible.

In this context, we will further aim to support and actively seek out investments that promote the principles of ESG, as well as create long term, sustainable value and positive impact on society and the economy.

Our principles

Our approach is underpinned by a series of ESG principles that reflect our commitment to embed Responsible Investment considerations as part of our normal business operations. These are:

1. Integration

To meet our objectives, we will integrate our Responsible Investment System, both within our business and throughout the life-cycle of our investments. We will do so in a structured manner, which seeks to systematically and effectively apply the commitments made in this Policy. Our Responsible Investment System has been set out with due consideration of (amongst others) the PRI's six principles, the BVCA's RI Framework, Investment Association Guidelines, GRESB criteria and the NPC's Impact Risk Classification.

We expect investment staff to take ESG factors into consideration when they approach investment opportunities, and all auxiliary staff to also understand the ESG implications for the projects we all work on. By being Responsible Investors, we are committed to equip staff with relevant knowledge that assists them in performing their work in an ESG aligned manner.

2. Influence

Through active ownership, we will endeavour to engage and assist individual businesses manage 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.

3. Disclosure

We will seek appropriate monitoring and disclosure of ESG matters by investees so that we have a better understanding of what we are investing into and its performance against any ESG initiatives we decide to implement.

We believe trust, respect and transparency to be 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/or our investments, where this is required by our investors and other stakeholders.

We will further distribute this Policy to our investee companies and their employees and expect them to consider it when choosing us as an investor.

4. Integrity

Integrity is one of our core company values. We define ourselves as sincere and fair and all partners are expected to conduct themselves in such manner when integrating our Responsible Investment System.

5. Continual improvement

We are encouraged by the growing momentum and developments in the Responsible Investment and ESG areas and continue to look forward to working with the investment community to develop sustainable ways of conducting business and leading by example.

We will review our progress on a quarterly/semi-annual basis, report to the Executive Committee and communicate progress to the wider firm to ensure momentum is maintained.

Exclusion zones

We have identified specific sectors, companies and investments we will not back because we believe they cause harm to the environment and society. We will not make direct investments in: gambling; defence; fossil fuels; adult entertainment; tobacco.

Management commitment

Management is committed to providing all necessary resources within our reach, including allocation of enhanced ESG responsibilities to certain staff which form part of our ESG Committee, to ensure appropriate implementation of the ESG pledges outlined in this document.

Board of directors

Bagnall has two independant non-executive directors. Both directors were appointed on 31 March 2017. The directors hold board meetings at least quarterly and liaise with the investment manager regarding potential opportunities on an ongoing basis.

Dennis Hallahane

In a career spanning 50 years, Dennis first worked in industry at Ford Motors, followed by Plessey, after which he spent 18 years investing funds - first at CDFC and then at Scimitar Development Capital Fund. In 1998 he co-founded the educational business WCL Group, which was sold to a London based Venture Capital group, returning a double digit money multiple to shareholders. During his career, Dennis has served on the Boards of numerous SMEs in over a dozen countries and across a wide range of industries. He continues to invest personally in a small number of SMEs, from time to time providing each of them with guidance on their strategic development.

Peter Roscrow

Peter is a Chartered Accountant and worked for 19 years in the UK investment management industry at Close Brothers Group, a leading independent merchant bank. As a divisional director at Close Brothers, he created a property fund management business that ultimately had over £1 billion of funds under management. After leaving Close Brothers in 2008 Peter formed his own management consultancy company. He has also been involved as a director, trustee or adviser to several charities including housing associations. Peter is currently a trustee of the National AIDS Trust.

Directors report

The director presents his report and the financial statements for the year ended 30 September 2019.

Director's responsibilities statement

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is 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 director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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 membership of several trading LLPs.

Directors

The directors who served during the year were:

T McGing
D Hallahane
P Roscrow

Disclosure of information to auditors

The director at the time when this Director's Report is approved has confirmed that:

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

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

The auditors, Lubbock Fine, will be deemed to have been reappointed as auditors under section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the director has 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
Director

Date: 7 August 2020

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 2019, 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 2019 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The director is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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.

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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

the Director's 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 Director's 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 director's remuneration specified by law are not made; or

we have not received all the information and explanations we require for our audit; or

the director was 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 Director's Report and from the requirement to prepare a Strategic Report.

Responsibilities of directors

As explained more fully in the Director's Responsibilities Statement on page 2, the director is 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 director determines 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 director is 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 director either intends 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.

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 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 for our audit work, for this report, or for the opinions we have formed.

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

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

Date: 7 August 2020

Statement of comprehensive income

For the year ended 30 September 2019

	2019	2018
	£000	£000
Share of trading partnership profit/(loss)	1,219	(1,021)
Administrative expenses	(2,501)	(66)
Operating loss	**(1,282)**	**(1,087)**
Return on interests in trading partnerships	6,625	1,370
Impairments of interests in trading partnerships	(2,915)	-
Fair value movements on interests in trading partnerships	(2,342)	1,600
Interest receivable and similar income	714	16
Interest payable and expenses	(346)	(65)
Profit before tax	**454**	**1,834**
Tax on profit	(296)	97
Profit for the financial year	**158**	**1,931**

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.
There was no other comprehensive income for 2019 (2018:NIL).

The notes on pages 30 to 35 form part of these financial statements.

Company Number 08349679

Balance sheet

As at 30 September 2019

Fixed assets	Note	2019	2018
		£000	£000
Investments	4	216,589	156,466
		216,589	**156,466**
Current assets			
Debtors: amounts falling due within one year	5	1,261	101
Cash at bank and in hand	6	4	5
		1,265	**106**
Creditors: amounts falling due within one year	7	(10,984)	(2,221)
Net current liabilities		**(9,719)**	**(2,115)**
Total assets less current liabilities		206,870	154,351
Creditors: amounts falling due within one year	8	(22,004)	-
Net assets		**184,866**	**154,351**
Capital and reserves			
Called up share capital	10	1,527	1,277
Share premium account		170,739	140,632
Revaluation reserve		3,575	5,917
Profit and loss account		9,025	6,525
		184,866	**154,351**

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A small entities.

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

T McGing
Director

Date: 7 August 2020

Statement of changes in equity

For the year ended 30 September 2019

	Called up share capital £000	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total equity £000
At 1 October 2017	1,069	115,946	4,317	6,194	127,526
Comprehensive income for the year					
Profit for the year	-	-	-	1,931	1,931
Contributions by and distributions to owners					
Shares issued during the year	208	24,686	-	-	24,894
Transfer to/from profit and loss account	-	-	1,600	(1,600)	-
At 1 October 2018	**1,277**	**140,632**	**5,917**	**6,525**	**154,351**
Comprehensive income for the year					
Profit for the year	-	-	-	158	158
Contributions by and distributions to owners					
Shares issued during the year	250	30,107	-	-	30,357
Transfer to/from profit and loss account	-	-	(2,342)	2,342	-
Total transactions with owners	**250**	**30,107**	**(2,342)**	**2,342**	**30,357**
At 30 September 2019	**1,527**	**170,739**	**3,575**	**9,025**	**184,866**

The notes on pages 30 to 35 form part of these financial statements.

Notes to the financial statements

For the year ended 30 September 2019

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 Interests in trading partnerships income

Income from trading partnership interests is described within the accounts as share of trading partnership profits, and is recognised once allocated to the partnership.

Returns from interests in trading partnerships 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 the Statement of Comprehensive Income 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 the Statement of Comprehensive Income using the effective interest method.

2.6 Taxation

Tax is recognised in the Statement of Comprehensive Income, 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 Interests in trading partnerships valuation

Interests in trading partnerships are measured at fair value and managed in accordance with the Company's documented policies. The valuation of a partnership upon acquisition is initially deemed to be cost and is measured subsequently at fair value. Fair value movements in the valuation of a partnership are taken to the profit and loss account and recognised in the Statement of Comprehensive Income. Any unreaslied gains or losses 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 financed at a rate of interest that is not a market rate or in the case of an out right short term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow 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.

The Company trades through several partnerships, of which it is a member. The Company undertakes various trades including energy generation and making loans to energy businesses through these trading partnerships.

3. Employees

The average monthly number of employees, including directors, during the year was 3 (2018 - 3).

4. Interests in trading partnerships

Cost	Unlisted investments
	£000
At 1 October 2018	150,549
Additions	139,138
Disposals	(73,757)
Revaluations	(2,915)
At 30 September 2019	**213,015**
Impairment	
At 1 October 2018	5,917
Charge for the period	4,282
Impairment on disposals	(6,625)
At 30 September 2019	**3,574**
Net book value	
At 30 September 2019	**216,589**
At 30 September 2018	**156,466**

5. Debtors

	2019	2018
	£000	£000
Other debtors	1,261	101

6. Cash and cash equivalents

	2019	2018
	£000	£000
Cash at bank and in hand	4	5

7. Creditors: Amounts falling due within one year

	2019	2018
	£000	£000
Other loans	9,689	2,166
Corporation tax	300	-
Accruals and deferred income	995	55
	10,984	**2,221**

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

	2019	2018
	£000	£000
Other loans	**22,004**	-
	22,004	-

9. Loans - Analysis of the maturity of loans is given below:

	2019	2018
	£000	£000
Amounts falling due within one year		-
Other loans	9,689	2,167
	9,689	**2,167**
Amounts falling due 2 5 years		
Other loans	22,005	-
	22,005	-
	31,694	**2,167**

10. Share capital

	2019	2018
	£000	£000
Allotted, called up and fully paid		
152,745,655 (2018 127,666,237) Ordinary shares of £0.01 each	1,527	1,277
	1,527	1,277

During the year the Company issued 25,078,944 (2018 20,767,134) shares at an average price of 121.7 (2018 121.9) pence per share.

11. Related party transactions

During the year management fees of £2,338,132 (2018 - £nil) were payable to the Investment Manager of the Company. Included within trade creditors at the Balance Sheet date is an amount of £834,074 (2018 - £nil) in relation to management fees due to the fund manager.

During the year the Company made net withdrawals of £4,397,992 (2018 contributions of £19,960,720) to a partnership in which it has a controlling interest. At the Balance Sheet date the Company had an interest of £117,839,563 (2018 £122,237,555) in this company.

During the year the Company made loan drawdowns of £22,004,517 (2018 £nil) to a partnership in which it has a controlling interest. At the Balance Sheet date the Company had an outstanding creditor balance of £22,004,517 (2018 £nil) to the partnership in relation to this loan.

12. Post balance sheet events

The extent of the impact of the coronavirus ("COVID-19") outbreak on the financial performance of our investments will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions and the impact of COVID-19 on the financial markets and the overall economy, all of which are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the Company's turnover and investment results may be materially adversely affected.

Glossary of key terms

AD	Anaerobic Digestion
BPR	Business Property Relief
BTLLP	Bridging Trading LLP
Company	Bagnall Energy Limited
Cumulative Annualised NAV Return	Total Cumulative NAV return is the change in the Net Asset Value from 28.02.2013 to 30 September 2019.
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.
ESG	Environmental, Social and Governance
FiT	The Feed-in-Tarriffs (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	Megawatt hour
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 43 assets in which the Company had a shareholding as at 30 September 2019
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	Total Annual NAV return is the change in the Net Asset Value from 1 October 2018 to 30 September 2019.

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