

Report of the Directors and
Unaudited Financial Statements for the Year Ended 31 December 2017
for
Southam Solar Farm Ltd



Southam Solar Farm Ltd

Contents of the Financial Statements
for the Year Ended 31 December 2017

	Page
Company Information	1
Report of the Directors	2
Statement of Profit or Loss	3
Statement of Profit or Loss and Other Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Statement of Cash Flows	9
Notes to the Financial Statements	10

Southam Solar Farm Ltd

Company Information

for the Year Ended 31 December 2017

DIRECTORS:

G E Shaw
Pinecroft Corporate Services Limited

REGISTERED OFFICE:

C/O Foresight Group
32 London Bridge Street
London
SE1 9SG

REGISTERED NUMBER:

08985708 (England and Wales)

Report of the Directors
for the Year Ended 31 December 2017

The directors present their report with the financial statements of the company for the year ended 31 December 2017.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the development and generation of electricity using solar technology on a solar farm located in Southam, West Midlands.

DIRECTORS

The directors who have held office during the period from 1 January 2017 to the date of this report are as follows:

T W Moore - resigned 17 January 2017

R S S D C Pineiro - resigned 17 January 2017

G E Shaw - appointed 17 January 2017

Pinecroft Corporate Services Limited - appointed 17 January 2017

SMALL COMPANY EXEMPTION

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 414B of the Companies Act 2006 not to provide a Strategic Report.

GOING CONCERN

The Directors have a reasonable expectation that the Company has adequate resources to be in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the annual report and accounts.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:



G E Shaw - Director

28 September 2018

Southam Solar Farm Ltd

Statement of Profit or Loss
for the Year Ended 31 December 2017

	Notes	31.12.17 £	31.12.16 £
CONTINUING OPERATIONS			
Revenue		1,049,841	988,510
Cost of sales		<u>(123,224)</u>	<u>(116,117)</u>
GROSS PROFIT		926,617	872,393
Administrative expenses		<u>(592,202)</u>	<u>(581,571)</u>
OPERATING PROFIT		334,415	290,822
Finance costs	4	(884,812)	(887,019)
Finance income	4	<u>13</u>	<u>108</u>
LOSS BEFORE INCOME TAX	5	(550,384)	(596,089)
Income tax	6	<u>191,801</u>	<u>-</u>
LOSS FOR THE YEAR		<u><u>(358,583)</u></u>	<u><u>(596,089)</u></u>

The notes form part of these financial statements

Southam Solar Farm Ltd

Statement of Profit or Loss and Other Comprehensive Income
for the Year Ended 31 December 2017

	31.12.17 £	31.12.16 £
LOSS FOR THE YEAR	(358,583)	(596,089)
OTHER COMPREHENSIVE INCOME	_____ -	_____ -
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(358,583)</u>	<u>(596,089)</u>

The notes form part of these financial statements

Statement of Financial Position
31 December 2017

	Notes	31.12.17 £	31.12.16 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	9,862,959	10,306,956
Deferred tax	13	<u>191,801</u>	<u>-</u>
		<u>10,054,760</u>	<u>10,306,956</u>
CURRENT ASSETS			
Trade and other receivables	8	180,337	384,573
Cash and cash equivalents	9	<u>100</u>	<u>70,954</u>
		<u>180,437</u>	<u>455,527</u>
TOTAL ASSETS		<u>10,235,197</u>	<u>10,762,483</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	10	1	1
Retained earnings	11	<u>(956,213)</u>	<u>(597,630)</u>
TOTAL EQUITY		<u>(956,212)</u>	<u>(597,629)</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	12	<u>11,060,150</u>	<u>11,060,150</u>
CURRENT LIABILITIES			
Trade and other payables	12	<u>131,259</u>	<u>299,962</u>
TOTAL LIABILITIES		<u>11,191,409</u>	<u>11,360,112</u>
TOTAL EQUITY AND LIABILITIES		<u>10,235,197</u>	<u>10,762,483</u>

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31 December 2017.

The members have not required the company to obtain an audit of its financial statements for the year ended 31 December 2017 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

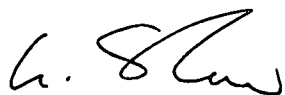
- ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
- preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

The notes form part of these financial statements

Statement of Financial Position - continued

31 December 2017

These accounts have been prepared in accordance with the provisions applicable to companies subject to small companies' regime. The financial statements were approved by the Board of Directors on 28 September 2018 and were signed on its behalf by:

A handwritten signature in black ink, appearing to read 'G. E. Shaw', written in a cursive style.

G E Shaw - Director

Southam Solar Farm Ltd

Statement of Changes in Equity
for the Year Ended 31 December 2017

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2016	1	(1,541)	(1,540)
Changes in equity			
Total comprehensive income	-	(596,089)	(596,089)
Balance at 31 December 2016	1	(597,630)	(597,629)
Changes in equity			
Total comprehensive income	-	(358,583)	(358,583)
Balance at 31 December 2017	1	(956,213)	(956,212)

The notes form part of these financial statements

Southam Solar Farm Ltd

Statement of Cash Flows
for the Year Ended 31 December 2017

	31.12.17 £	31.12.16 £
Cash flows from operating activities		
Cash generated from operations 1	<u>813,945</u>	<u>927,932</u>
Net cash from operating activities	<u>813,945</u>	<u>927,932</u>
Cash flows from investing activities		
Interest received	<u>13</u>	<u>108</u>
Net cash from investing activities	<u>13</u>	<u>108</u>
Cash flows from financing activities		
Interest paid	<u>(884,812)</u>	<u>(887,019)</u>
Net cash from financing activities	<u>(884,812)</u>	<u>(887,019)</u>
(Decrease)/increase in cash and cash equivalents	(70,854)	41,021
Cash and cash equivalents at beginning of year 2	<u>70,954</u>	<u>29,933</u>
Cash and cash equivalents at end of year 2	<u>100</u>	<u>70,954</u>

The notes form part of these financial statements

Notes to the Statement of Cash Flows
for the Year Ended 31 December 2017

1. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	31.12.17	31.12.16
	£	£
Loss before income tax	(550,384)	(596,089)
Depreciation charges	443,997	443,997
Finance costs	884,812	887,019
Finance income	(13)	(108)
	<u>778,412</u>	<u>734,819</u>
Decrease/(increase) in trade and other receivables	204,236	(13,297)
(Decrease)/increase in trade and other payables	<u>(168,703)</u>	<u>206,410</u>
Cash generated from operations	<u>813,945</u>	<u>927,932</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2017

	31.12.17	1.1.17
	£	£
Cash and cash equivalents	<u>100</u>	<u>70,954</u>

Year ended 31 December 2016

	31.12.16	1.1.16
	£	£
Cash and cash equivalents	<u>70,954</u>	<u>29,933</u>

1. GENERAL INFORMATION

Southam Solar Farm Limited was a company incorporated and domiciled in the United Kingdom.

The address of the registered office is Foresight Group LLP, The Shard, London Bridge Street, London, SE1 9SG.

During the year the Company's activity is the development and generation of electricity using solar technology on a solar farm located in Southam, Warwickshire.

2. ACCOUNTING POLICIES

Basis of preparation

The company's financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

Going concern

These accounts have been prepared on a going concern basis. The directors believe this basis is appropriate following consideration of cash flow forecasts which show the company is able to meet its liabilities as they fall due.

Measurement convention

The financial statements have been prepared under the historical cost convention.

Adopted IFRSs not yet applied

The following Adopted IFRSs have been issued but, not being effective for the financial year ended 31 December 2017, have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements.

- IFRS 9 Financial Instruments.
- IFRS 15 Revenue from Contracts with Customers.
- Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38.

The directors do not anticipate that the adoption of the above standards and interpretations will have a material impact on the company's financial statements in the period of initial application.

Revenue recognition

Revenue represents income from the generation of energy from the operational solar park during the period. Any income not invoiced is accrued in the period in which it has been generated.

Revenue is stated net of value added tax and is generated entirely within the United Kingdom.

2. ACCOUNTING POLICIES - continued

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs are expensed as incurred as they do not meet the capitalisation criteria under IAS 23, as the construction of the related assets does not require a substantial period of time. Items of property, plant and equipment are depreciated to their estimated residual values on a straight line basis over their expected useful lives as follows:

Solar Photovoltaic (PV) assets - over 25 years - 4% straight line

The depreciation methods, estimated remaining useful lives and residual values are reviewed at each reporting date, taking account technological innovations and asset maintenance programmes. A change resulting from the review is treated as a change in accounting estimate. The depreciation expense is recognised in the income statement.

Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Impairment of non-financial assets

Carrying value of non-financial assets is reviewed at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

A previously recognised impairment will be revised insofar as estimates change as a result of an event occurring after the impairment was recognised. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the income statement.

After the recognition of an impairment loss, the depreciation or amortisation charge for the asset is adjusted in the future periods to allocate the asset's revised carrying amount, less its residual value, on a systematic basis over its useful life.

2. ACCOUNTING POLICIES - continued

Financial instruments

Financial instruments recognised on the balance sheet include trade and other receivables, cash and cash equivalents, accounts payable and other financial liabilities.

Initial recognition and measurement

Financial assets and financial liabilities are recognised on the balance sheet when the company becomes party to the contractual provisions of the instrument. Financial instruments are initially recorded at fair value plus, in the case of a financial asset of financial liability not at fair value through profit or loss, directly attributable transaction costs. Subsequent measurement and impairment for each classification is specified in the sections below.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the company commits to purchase or sell the financial assets.

De-recognition of financial assets and liabilities

A financial asset, or apportion of a financial asset, is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The company retains the right to receive the cash flow from the asset, but has assumed an obligation to pay them in full without material delay to a third party under "pass-through" arrangement, or
- The company has transferred the rights to receive cash flows from the asset and either:
 - (i) has transferred substantially all the risks and rewards of ownership of the asset or
 - (ii) has neither transferred nor retained substantially all the risks and rewards of ownership of the asset but has transferred control of the asset.

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or has expired.

Trade and other receivables

Trade and other receivables reflected on the balance sheet are net of an allowance for uncollectible amounts.

Financial liabilities

Loans and accounts payables are classified as financial liabilities and are subsequently measured at amortised cost. Gains and losses are recognised in income when the financial liabilities are derecognised or impaired as well as through the amortisation process.

Finance costs and gains or losses relating to financial liabilities are included in the income statement. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any features meeting the definition of financial liability then such capital is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Leases

2. ACCOUNTING POLICIES - continued

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

Impairment of financial assets

The company's financial assets are reviewed at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, to determine whether or not there is any indication of impairment.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Full provision is made for deferred tax assets and liabilities arising from all timing differences between recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable profits from which the reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Equity

Equity comprises the following

- "Share capital" represents the nominal value of ordinary equity shares.
- "Retained deficit" include all current results as disclosed in the income statement.

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. The loan balances represent inter-company loans.

3. EMPLOYEES AND DIRECTORS

There were no staff costs for the year ended 31 December 2017 nor for the year ended 31 December 2016.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

3. EMPLOYEES AND DIRECTORS - continued

	31.12.17 £	31.12.16 £
Directors' remuneration	<u>-</u>	<u>-</u>

4. NET FINANCE COSTS

	31.12.17 £	31.12.16 £
Finance income: Interest receivable	<u>13</u>	<u>108</u>
Finance costs: Interest payable	<u>884,812</u>	<u>887,019</u>
Net finance costs	<u>884,799</u>	<u>886,911</u>

5. LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging:

	31.12.17 £	31.12.16 £
Depreciation - owned assets	<u>443,997</u>	<u>443,997</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

6. INCOME TAX

Deferred tax asset/liability accumulated on gain/losses:

	31/12/17 £	31/12/16 £
Profit per financial statements:	(550,384)	(596,089)
Tax on profit at standard UK tax rate pf 19.25% (2016: 19.25%)	(105,949)	(114,747)
Effects of:		
Adjustments in respect of prior years	5,097	-
Expenses not deductible	2,747	114,747
Income not taxable	(19)	-
Tax rate changes	29,826	-
Roundings	(1)	-
Tax credit for the period	(68,299)	-
Income tax expense reported in the income statement	(68,299)	-

Deferred tax liabilities:

	31/12/17 £	31/12/16 £
Provision at start of period	(123,502)	-
Adjustment in respect of prior years	5,097	-
Deferred tax charge to I/S for the period	(73,396)	-
Provision at end of period	(191,801)	-
Fixed assets	346,350	-
Losses	(538,151)	-
	(191,801)	-

7. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery £
COST	
At 1 January 2017	
and 31 December 2017	<u>11,099,922</u>
DEPRECIATION	
At 1 January 2017	792,966
Charge for year	<u>443,997</u>
At 31 December 2017	<u>1,236,963</u>
NET BOOK VALUE	
At 31 December 2017	<u>9,862,959</u>
At 31 December 2016	<u>10,306,956</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

8. TRADE AND OTHER RECEIVABLES

	31.12.17 £	31.12.16 £
Current:		
Trade debtors	63,267	61,092
Other debtors	99,357	109,814
Intercompany parent	<u>17,713</u>	<u>213,667</u>
	<u>180,337</u>	<u>384,573</u>

9. CASH AND CASH EQUIVALENTS

	31.12.17 £	31.12.16 £
Bank accounts	<u>100</u>	<u>70,954</u>

10. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.17 £	31.12.16 £
1	Ordinary	£1	<u>1</u>	<u>1</u>

11. RESERVES

	Retained earnings £
At 1 January 2017	(597,630)
Deficit for the year	<u>(358,583)</u>
At 31 December 2017	<u>(956,213)</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

12. TRADE AND OTHER PAYABLES

	31/12/17 £	31/12/16 £
Current:		
Trade creditors	32,677	24,603
VAT	89,976	73,390
Other creditors	<u>8,606</u>	<u>201,969</u>
	<u>131,259</u>	<u>299,962</u>
Non-current:		
Shareholders Loan	<u>11,060,150</u>	<u>1,060,150</u>
	<u>11,060,150</u>	<u>1,060,150</u>
 Aggregate amounts:	 <u>11,191,409</u>	 <u>11,360,112</u>

13. DEFERRED TAX

	31.12.17 £	31.12.16 £
Prior year	(123,502)	-
Provision in year	<u>(68,299)</u>	<u>-</u>
Balance at 31 December	<u>(191,801)</u>	<u>-</u>

14. OTHER FINANCIAL COMMITMENTS

At the year end the company had annual commitments under non-cancellable operating leases as set out below:

Financial Liabilities	1 year	2 to 5 years	After 5 years
Operating leases	65,179	270,152	1,138,093

15. **FINANCIAL INSTRUMENTS**

Fair Value category

The financial assets and liabilities held by the Company for both 31 December 2017 and the 31 December 2016 we categorised under loans and receivable.

Fair value measurement

The fair value of the financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

	Carrying Amount 31/12/17 £	Carrying Amount 31/12/16 £	Fair Value 31/12/17 £	Fair Value 31/12/16 £
Financial assets:				
Trade and other receivables	180,337	384,573	180,337	348,573
Financial liabilities:				
Trade and other payables	11,191,409	11,360,112	11,191,409	11,360,112

The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

16. FINANCIAL RISK MANAGEMENT

The company's principal financial assets and liabilities comprise trade receivables, cash, interest bearing loans and trade payables.

The company has exposure to the following risks from its use of financial instruments:

- Market risks, including foreign currency, commodity price, interest rate, inflation rate risks
- Credit risk
- Liquidity risk

This note represents information about the company's exposure to each of the above risks and the company's objectives, policies and processes for assessing and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework.

a) Market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

The company is not exposed to significant foreign currency risk as the majority of all payables and receivables are denominated in pounds sterling which is the functional currency in which the company operates.

The company has limited exposure to interest rate risk. The company is fully funded by the parent company and has no floating rate interest bearing loans or borrowings at 31 December 2017 or 31 December 2016. The company does not intend to hold cash for the purpose of generating interest income. The company does not currently consider it necessary to actively manage interest rate risk.

b) Credit risk

The company's policy are aimed at minimising losses as a result of counterparty's failure to honour its obligations. Exposure to credit risk arises as a result of the transactions with counterparties. The counterparties used by the company are considered by management to be of appropriate credit rating. At each balance sheet date, the company's financial assets were neither impaired nor past due. The maximum credit exposure at reporting date are the carrying value of the credit balances if any.

c) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company monitors its risks of shortage of funds using projected cash flows and by monitoring the maturity of both its financial assets and obligations.

Year ended 31 December 2017

	On	Less then	3 to 12	1 to 5	>5 periods
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Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

	demand £	3 month £	months £	periods £	£	Total £
Financial Liabilities						
Trade and other payables	32,677	98,582	-	-	-	131,259
Owing to group company	-	-	-	-	11,060,150	11,060,150
						<u>11,191,409</u>

Period ended 31 December 2016

	On demand £	Less then 3 month £	3 to 12 months £	1 to 5 periods £	>5 periods £	Total £
Financial Liabilities						
Trade and other payables	24,603	73,541	-	-	-	98,144
Owing to group company	201,818	-	-	-	11,060,150	11,261,968
						<u>11,360,112</u>

d) Capital management

Management considers capital to consist of equity plus net debt as disclosed in the balance sheet. The primary objective of the company's capital management is to ensure healthy capital ratios in order to support its business and maximise shareholder value. The company's financial instruments comprise cash and liquid resources and various items, such as receivables and trade payables that arise directly from its operations. The company's policy is to finance its operations through group borrowings. It is the company's policy not to hold financial instruments for speculative purposes.

17. RELATED PARTY DISCLOSURE

At the period end the company owed a long-term loan of £11,060,150 to FS Southam Limited, a parent company. Interest payable is calculated at a flat rate of 8% and amounted to £884,812 during the reported period, which £nil was outstanding at the end of the year.

The amount of £17,713 is owed by FS Southam Ltd for short term working capital requirements during the course of the year, which was outstanding at the year end.

During the reported period the aggregate cost of services provided by Belectric Solar Limited amount to £107,805 and £10,907 remains outstanding as of 31 December 2017.

During the reported period the aggregate cost of services provided by Foresight Group LLP amounts to £32,000 of which £16,562 was outstanding at year end.

18. ULTIMATE CONTROLLING PARTY

At 31 December 2017 the company was a wholly owned subsidiary of FS Southam Limited. Foresight Solar Fund Limited is the ultimate parent company incorporated in Jersey.