IMPACT INVESTMENT GROUP

IIG Solar Income Fund

Annual Report FY20

ABN: 28 121 936 530

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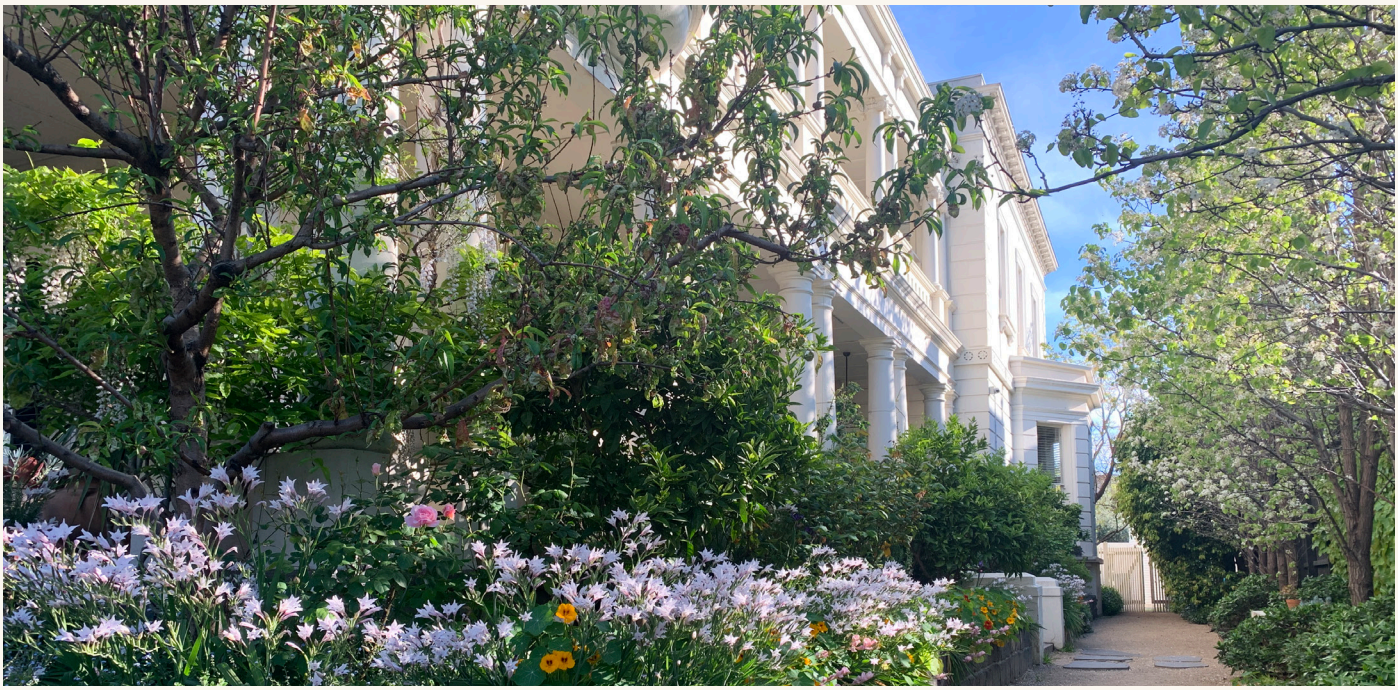


From The CEO

In September 2020, it's hard to put yourself in the mindset of July 1 2019. It seems like each month since then has imparted a year's worth of experience. Even so, it's worthwhile taking a look over our shoulders.

Although the IIG team, in managing your investment, has had to adjust to radical societal and economic changes, and readjust again, the mission and purpose have held true.

It feels remarkable to remember that the Australian bushfires started in September 2019 – just three months into this financial year. By November, when the impact investing community gathered in Sydney, the very act of breathing the air and smelling the smoke underlined the urgency of climate action. The news of lost homes and livelihoods emphasised how important it was to support a resilient society, even then. All through spring and summer, our community had conversations along similar lines: From superannuation account holders to the most sophisticated wholesale investor, people were taking much more interest in the social and environmental impact of their capital. After all, this fire season showed we are in a climate crisis with real and immediate social effects.

Then, in mid-March, it became dreadfully apparent what a crisis response looks like when the consensus is even more widespread. For our part at IIG, we effectively re-organised the company and our processes. We had three main concerns: to understand the radically-changed operating environment for the investments we manage on your behalf; to make sure our team was safe and could take care of your investments – even the ones that were best positioned; and then to plan for the kinds of impact investments that would be possible and valuable on the other side.

I'm grateful to our team for the agility, resilience, and diligence of their response. It is evidence of their commitment to our clients and our company's purpose.

We have seen that IIG's mission and our values are as relevant as ever, and that, along with you - our investors, we're part of a deeply committed and purposeful community. So, even during this public health and economic crisis, our team and our community remain motivated to take climate action, and support inclusive, healthy communities.

I believe that investors in Solar Income Fund can be very proud of their decision to invest. The Fund has held up well financially in a challenging market. As well, you have played your part in funding new renewable energy generation. A clean energy system, with its environmental, health and social benefits, is critical element to counter the challenges of the past year.

FY19/20 and its following months have been difficult for many people in many ways. In the face of that, we thank you for being part of our business, and look forward to being good custodians of your investments this year and in the years to come.

Daniel Madhavan
Chief Executive Officer

Impact Report

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

3 GOOD HEALTH AND WELL-BEING

The Solar Income Fund has invested in the development and ongoing operations of three solar farms. As a result, Australians can benefit from increased renewable energy supply and a cleaner healthier environment. The fund contributes toward changing Australia's energy mix to a less carbon intensive supply and ultimately contributes to reduced emissions associated with climate change and associated health benefits.

27 GWh clean energy

generated in FY20, equivalent of 4,806 average Australian homes' yearly electricity use[1].

94 GWh total since inception FY17

24,033 tCO2-e

of emissions avoided in FY20[2]

84,695 tonnes total since inception FY17

294 illnesses avoided

Related to pollution in FY20[3]

980 total since inception FY17

$1.04 million

Avoided health & environmental damage FY20[4]

$3.23 million total since inception FY17

111 million litres water

saved in FY20[5]

351 million total since inception FY17

Activating our Solar Farms for Additional Training Benefits

IIG has been thinking about how we activate our assets to create more value and more benefit. We recognise that, particularly on land-based assets like solar farms, owners can explore activation strategies that drive more environmental and/or community benefits.

An example is opening our solar farms to community partners to create more cultural or educational value. Global Energy Training Solutions (GETS), an electrical apprenticeship provider based in the ACT, in the last year approached IIG to take apprentices through our solar farms at Mount Majura and Williamsdale. As part of GETS' Clean Energy Council Solar Accreditation, electricians and apprentices tour the solar farms to see how large-scale solar farms are constructed.

GETS said 'without the farm tours, it would be difficult to show concepts such as central inverters, tracking systems and cable articulation.'

In FY20, GETS took 38 electrical workers and apprentices across the Solar Income Fund's solar farms at Mount Majura and Williamsdale over three solar training courses. IIG is proud to have been a partner in this training program, supporting career pathways for future clean energy workers.

1 Australia's current energy mix is estimated at 85% coal and gas reliance for electricity generation as of 30 June 2020; https://www.energy.gov.au/government-priorities/energy-supply. Based on average household use of 5.689 MWh per annum. Ref: Australian Energy Regulator
2 Full cycle carbon intensity factors applied according to regional location of the asset in accordance with the National Greenhouse Accounts July 2019. https://www.industry.gov.au/data-and-publications/national-greenhouse-accounts-factors-august-2019
3 Ref: The Lancet (15 – 21 September 2007): 370, 9591 "Energy and Health 2: Electricity Generation and Health", by A. Markandya & P. Wilkinson.)
4 Ref: The Lancet (15 – 21 September 2007): 370, 9591 "Energy and Health 2: Electricity Generation and Health", by A. Markandya & P. Wilkinson.)
5 Based on consumptive water use through lifecycle assessment. Ref: The Conversation, G Bilotta. Energy sector is one of the largest consumers of water in a drought-threatened world. Published online 9 June 2016.

Contributed To Solutions*

The Five Dimensions of Impact

WHAT

What outcome occurred in the year, and how important was it?
Contributing toward increasing the share of renewable energy available to Australians and associated climate and health benefits.

WHO

Who (or what) experienced the outcome and how underserved are they with regard to the outcome?
Renewable energy generation benefits the planet by reducing pollution and emissions and has flow-on effects that support health outcomes for people and communities through reduced pollution-related illnesses, deaths and reduced environmental damage.

HOW MUCH

How much of the outcome occurred, across scale, depth & duration?
The clean energy generated is estimated to be equivalent to powering 4,806 homes, providing electricity to 12,255 people each year[6]. In the most recent financial year, the Fund has contributed to 0.5% of Australia's medium and large-scale solar energy generation[7], paving the way for others.

CONTRIBUTION

Would the change likely have occurred anyway?
The Solar Income Fund has played a catalytic role in demonstrating how to finance renewable energy assets at a time in the market and inception of the fund (2016).

RISK

What is the risk to people and the planet that impact does not occur as expected?
We do not believe there are significant impact risks or adverse effects as a result of the Fund's investments.

* We have assessed the Solar Income Fund as having 'Contributed to Solutions' according to the Impact Management Project's impact classification matrix. For more information: https://impactmanagementproject.com/investor-impact-matrix/

6 2.55 persons per dwelling is the average household size in Australia (as of 2016 census) https://profile.id.com.au/australia/household-size

7 Reference data is available only for calendar year 2019 and has referenced p.9 of the Clean Energy Council report for 5,141 GWh large-scale solar in 2019 and 716 GWh medium-scale solar in 2019. https://www.cleanenergycouncil.org.au/resources/resources-hub/clean-energy-australia-report

IIG Solar Income Fund
FY20 Financial Report

Trustee's Report

For the Year Ended 30 June 2020

The Directors of the Trustee, IIG Solar Pty Ltd, present their report on the consolidated group of IIG Solar Income Fund ("the Trust") and the entities it controlled at the end of, or during, the year ended 30 June 2020. Throughout the report, the consolidated entity is referred to as the Group.

1. Directors

The names of the Directors of the Trustee in office at any time during or since the end of the year are:

- Chloe Munro (Chair)
- Janine Hoey
- Brett Lazarides
- Lane Crockett
- Paul Belcher

2. Principal Activities

The sole activity of the Group is to own and generate income from three solar assets ("the Assets"):

- Mount Majura Solar Farm, ACT
- Karratha Solar Farm, WA
- Williamsdale Solar Farm, ACT

3. Operating Results

The net loss of the Group for the period ending 30 June 2020 was $1,972,012 (2019: $1,501,828). This loss includes interest paid to loan note holders of $720,657 (2019: $864,852) and depreciation of $5,612,746 (2019: $5,413,165) on the Solar Farm Assets. The result for 2019 included $742,982 of Epuron interest. The Epuron loans were repaid in 2019.

4. Return of Capital

As a result of the Trust being classified as a "trading trust", and therefore taxed as a company, payments to unit holders which are not made out of profits are treated as a return of capital. While the Trust has generated positive cash flow, by virtue of the depreciation charge the Trust has not made an accounting profit.

During the period ending 30 June 2020, $2,500,000 of capital was returned to investors. The returned capital represents 6.59 cents per unit or 10.1% on initial equity invested.

	2020 $	Cents per unit	2019 $	Cents per unit
September quarter	**431,000**	**1.14**	653,000	1.72
December quarter	**1,153,000**	**3.04**	1,417,000	3.74
March quarter	**816,000**	**2.15**	732,000	1.93
June quarter	**100,000**	**0.26**	306,000	0.81
	2,500,000	**6.59**	3,108,000	8.20

Trustee's Report

(Continued)
For the Year Ended 30 June 2020

5. Review of Operations

The Trust's performance through the year was driven by three main factors;

- the generation of renewable electricity by the three solar farms, being slightly above budget, and
- the early repayment to the Trust of a loan made to Epuron Solar in December 2018, resulting in the loss of ongoing interest and principal repayments, and
- a continued decrease in the price of Large-Scale Generation Certificates (LGCs), causing a moderate reduction in returns.

As a result, the full year blended yield (return combining both loan note interest and equity for investors who invested both in equity and loan notes) of 9.7% was 3.3% below the 13.0% target provided in the Trust's 2016 Information Memorandum (IM).

Electricity Generation

Solar Farm	Generation vs budgeted generation	Generation (MWh)	Average Australian Homes' Use Provided For	Budgeted Generation (MWh)
Mount Majura	+4%	4,353	765	4,205
Karratha	+4%	1,868	328	1,796
Williamsdale	0%	21,125	3,713	21,092
Combined	**+1%**	**27,346**	**4,806**	**27,093**

The Trust's solar assets generated at or above budget, due to slightly (1%) higher than forecast solar irradiation (which is the sun's energy that is available at the solar farm - a result of seasonal factors and other atmospheric conditions including cloud and haze). Weather conditions are inherently variable, so over time the generation of the solar farms is expected to fluctuate, with higher generation some years and lower generation in others.

The solar farms sell the vast majority of their electricity at fixed prices under long term power purchase agreements, so that the Trust is mostly not exposed to the variations in the wholesale electricity market.

COVID-19 Impact

The COVID-19 pandemic had negligible impact on operation and maintenance activities at the three solar farms during the year. The Maintenance Contractors at each of the solar farms were able to fulfil their contractual obligations and continue to carry out both essential and non-essential maintenance.

Lower LGC Prices

Through the year the price of LGCs fluctuated. The solar farms sell, at market prices, the LGCs registered under the Federal Government's Renewable Energy Target scheme for generating electricity from renewable sources. Prices for LGCs were at $42 in July 2019, increasing to $50 in November 2019, dropping to a low of $28 in April 2020, before recovering to $42 in June 2020. The Trust's IM expected a price averaging $60. The overall effect was that revenue from LGCs was 33% lower than anticipated for the year. It should be noted that as only around 5% of the Trust's revenue is derived from LGC's, the impact of this reduction is not substantial to Trust returns.

Trustee's Report

(Continued)
For the Year Ended 30 June 2020

5. Review of Operations (continued)

The causes of LGC prices are complex, but a major factor in their decline is that more renewable electricity generators are coming to market than is necessary to meet the Federal Government's 2020 target.

6. Significant Change in State of Affairs

Apart from those matters referred to in the previous sections of this report, there have been no other significant changes to the state of affairs of the Group during the financial year.

7. Subsequent Events

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

8. Future Developments

The Trust will continue with its current investment objectives and strategy as set out in the Information Memorandum dated 9 August 2016.

9. Environmental Issues

The Group complied with all environmental regulations during the course of the financial year.

10. Fees, Commissions or other charges by the Trustee or Related Parties of the Trustee

For the year ending 30 June 2020 the Trustee and its related parties were remunerated as follows:

	2020 $	2019 $
Trustee & management fees	**283,537**	286,322

11. Units held by the Trustee or Related Parties of the Trustee

At 30 June 2020, the Trustee and its related parties held 2,813,000 units (2019: 2,813,000) in the Trust.

12. Interests Issued in the Trust

At 30 June 2020, the number of units on issue in the Trust was 37,938,000 units (2019: 37,938,000). No units have been issued subsequent to the end of the reporting period.

Trustee's Report

(Continued)
For the Year Ended 30 June 2020

13. Buy Back Arrangements

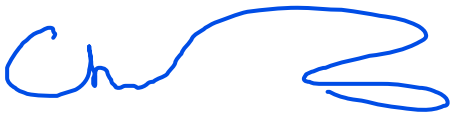
As detailed in the Trust Constitution the Trustee is not under any obligation to buy back, purchase or redeem units from Unit Holders. No units were redeemed by the Trustee during the reporting period.

14. Value of Scheme Assets

The total value of the Trust's assets at the end of the reporting period is $38,705,251 (2019: $43,243,122).

The methodology utilised in valuing the assets is detailed in Note 2 to the Financial Statements.

Signed in accordance with a resolution of the Board of Directors of IIG Solar Pty Ltd by:



Chloe Munro AO

Chair

Date: 18 September 2020

IMPACT INVESTMENT GROUP

Certified B Corporation

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2020

	Notes	2020 $	2019 $
Revenue and Other Income			
Operational Revenue	3	**6,813,634**	6,881,973
Interest and other income	4	**136,939**	872,319
Total Revenue and Other Income		**6,950,573**	7,754,292
Expenses			
Operational expenses	5	**(1,369,537)**	(1,431,304)
Borrowing Costs	6	**(1,930,555)**	(2,067,590)
Administration expenses:			
- Director fees	7	**(71,449)**	(70,216)
- Trustee fees	8	**(283,537)**	(286,322)
Loss on disposal of financial asset	9	**-**	(398,566)
Depreciation	13,14	**(5,612,746)**	(5,413,165)
Total Expenses		**(9,267,824)**	(9,667,163)
Net Loss for the Year		**(2,317,251)**	(1,912,871)
Income tax credit	10	**345,239**	411,043
Loss attributable to Unit Holders		**(1,972,012)**	(1,501,828)
Other comprehensive income		**-**	-
Total Comprehensive Loss for the Year Attributable to Unit Holders		**(1,972,012)**	(1,501,828)

The Consolidated Statement of Comprehensive Income above should be read in conjunction with the accompanying notes.

IMPACT INVESTMENT GROUP

Certified B Corporation

Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	2020 $	2019 $
Current Assets			
Cash and cash equivalents	11	**428,320**	1,291,830
Trade and other receivables	12	**493,474**	587,748
Other assets - energy certificates		**17,277**	20,034
Total Current Assets		**939,071**	1,899,612
Non-Current Assets			
Solar Assets	13	**34,724,101**	39,851,346
Right-of-use assets	14	**1,203,628**	-
Deferred tax asset	10	**1,838,451**	1,492,164
Total Non-Current Assets		**37,766,180**	41,343,510
Total Assets		**38,705,251**	43,243,122
Current Liabilities			
Trade and other payables	15	**622,349**	1,098,385
Lease liabilities	14	**26,219**	-
Interest-bearing liabilities	16	**921,453**	873,035
Total Current Liabilities		**1,570,021**	1,971,420
Non-Current Liabilities			
Interest-bearing liabilities	16	**27,819,235**	28,740,687
Lease liabilities	14	**1,181,865**	-
Provisions	13	**75,127**	-
Total Non-Current Liabilities		**29,076,227**	28,740,687
Total Liabilities		**30,646,248**	30,712,107
Net Assets		**8,059,003**	12,531,015
Equity			
Issued capital	17	**14,474,111**	16,974,111
Equity raising costs	17	**(641,469)**	(641,469)
Retained earnings		**(5,773,639)**	(3,801,627)
Total Equity		**8,059,003**	12,531,015

The Consolidated Statement of Financial Position above should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	Issued capital $	Equity raising costs $	Retained earnings $	Total equity $
Equity at 1 July 2019	**16,974,111**	**(641,469)**	**(3,801,627)**	**12,531,015**
Net loss for the year	-	-	(1,972,012)	(1,972,012)
Total comprehensive income for the year	-	-	(1,972,012)	(1,972,012)
Transactions with Unit Holders in their capacity as Unit Holders:				
Return of capital	(2,500,000)	-	-	(2,500,000)
Equity at 30 June 2020	**14,474,111**	**(641,469)**	**(5,773,639)**	**8,059,003**
Equity at 1 July 2018	**20,082,111**	**(641,469)**	**(2,299,799)**	**17,140,843**
Net loss for the year	-	-	(1,501,828)	(1,501,828)
Total comprehensive income for the period	-	-	(1,501,828)	(1,501,828)
Transactions with Unit Holders in their capacity as Unit Holders:				
Return of capital	(3,108,000)	-	-	(3,108,000)
Equity at 30 June 2019	**16,974,111**	**(641,469)**	**(3,801,627)**	**12,531,015**

The Consolidated Statement of Changes in Equity above should be read in conjunction with the accompanying notes.

IMPACT INVESTMENT GROUP

Certified B Corporation

Consolidated Statement of cash flows

For the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash Flows from Operating Activities			
Receipts from customers		**7,557,912**	7,866,373
Payments to suppliers		**(2,602,997)**	(2,654,335)
Interest received		**896**	753,642
Net Cash Flows from Operating Activities		**4,955,811**	5,965,680
Cash Flows from Investing Activities			
Payments for purchase of Solar Farm Assets		**(353,658)**	(14,619)
Repayment of investment loan		**-**	3,418,789
Net Cash Flows from Investing Activities		**(353,658)**	3,404,170
Cash Flows from Financing Activities			
Repayment of loan notes		**-**	(3,600,000)
Repayment of CEFC debt		**(930,188)**	(884,165)
Interest paid		**(1,829,475)**	(2,083,252)
Capital returned		**(2,706,000)**	(2,802,000)
Net Cash Flows from Financing Activities		**(5,465,663)**	(9,369,417)
Net Increase/(Decrease) in Cash Held		**(863,510)**	433
Cash and cash equivalents at the beginning of the year		**1,291,830**	1,291,397
Cash and Cash Equivalents at End of the period	11	**428,320**	1,291,830

The Consolidated Statement of Cash Flows above should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the Year Ended 30 June 2020

Note 1: General Information

The special purpose Financial Statements are for the consolidated IIG Solar Income Fund Group ("the Group") consisting of IIG Solar Income Fund ("the Trust") and its controlled entities (note 18). The Trustee of the Trust is IIG Solar Pty Ltd. The Trustee's registered office is 11 Princes Street St Kilda, Victoria 3182.

These financial statements were authorised for issue by the directors of the Trustee on 18 September 2020. The directors of the Trustee have the power to amend and reissue the financial statements.

Note 2: Summary of Significant Accounting Policies

(i) Basis of Preparation

The Financial Statements cover the year ended 30 June 2020.

The trustees have prepared the Financial Statements on the basis that the Group is a non-reporting entity because there are no users dependent on general purpose Financial Statements. The Financial Statements are therefore special purpose Financial Statements and have been prepared in order to meet the needs of the stakeholders.

The Financial Statements have been prepared in accordance with the significant accounting policies disclosed below, which the trustee has determined are appropriate to meet the needs of the stakeholders.

The Financial Statements have been prepared on an accruals basis and on the historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.

The functional and presentation currency of the Group is Australian dollars.

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

(ii) Net Current Asset Deficiency

The Trust has a net current assets deficiency of $630,950. The deficiency arises from the following:

- Amortisation payments on the CEFC debt of $978,606 are payable quarterly over the next 12 months and will be funded out of operating profit.

(iii) Principles of Consolidation

The consolidated Financial Statements incorporate all of the assets, liabilities and results of the parent (IIG Solar Income Fund) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 19.

The assets, liabilities and results of all subsidiaries are fully consolidated into the Financial Statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Notes to the Financial Statements

(Continued)
For the year ended 30 June 2020

Note 2: Summary of Significant Accounting Policies (Continued)

(iv) New and amended standards adopted by the Trust

The Trust has applied the key recognition criteria for the first time in the financial year beginning 1 July 2019:

- AASB 16 Leases became effective for annual periods beginning on or after 1 January 2019. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model like the accounting for finance leases under AASB 117. The Trust leases the land that all the Solar Farms operate on. These leases were previously treated as operating leases. Under the new standard the lease is recognised on the balance sheet of the Trust. The Trust has not restated comparatives for the previous reporting period, as permitted under the specific transitional provisions in the standard.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2019 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

Change In Accounting Policy

In prior periods, the Trust has depreciated the Solar Farms on a diminishing value basis, in line with the amounts able to be deducted for taxation purposes.

In the current year, the Trust has changed its accounting policy so that depreciation is no longer based on the tax depreciation. Solar Farms are now depreciated over their useful lives using the diminishing value basis.

This adjustment has not been retrospectively applied. Where a difference arises between the tax depreciation and the accounting depreciation the Trust records a deferred tax asset or liability.

(v) New standards, amendments and interpretations not yet adopted

A number of other new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2020 and have not been early adopted in preparing these financial statements. None of these new standards are anticipated to have a material effect on the financial statements of the Trust.

(a) Solar assets

Solar assets are solar power installations which generate income from the sale of electricity third parties, which in the case of these solar assets is largely through power purchase arrangements or feed in tariffs.

Solar assets are carried at cost and depreciated over their useful lives (ranging between 2-20 years) based on the diminishing balance method. This results in a rapid decrease in carrying value which does not reflect the market value of these assets.

(b) Revenue

Revenue from the generation of electricity is recognised on an accruals basis.

LGC Income is recognised at fair value reflecting the consideration expected to be received.

Interest income is recognised in profit or loss on a time basis using the effective interest rate method.

All income is stated net of the amount of goods and services tax (GST).

Notes to the Financial Statements

(Continued)
For the year ended 30 June 2020

Note 2: Summary of Significant Accounting Policies (Continued)

(c) Large-scale Generation Certificates

Large-scale generation certificates (LGCs) are held for trading purposes and are measured at fair value at the end of the financial year, adjusted for known market forces with changes in fair value recognised in the statement of profit and loss and other comprehensive income. LGCs are disclosed in the financial statements as other assets. LGCs are valued using a combination of data sources including trades executed by the Company and other market intelligence. The Company has sufficient market information to reliably measure the value of these certificates in accordance with the requirements of Australian Accounting Standards.

(d) Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

• fixed payments

The lease payments are discounted using an incremental borrowing rate, being the rate that the Trust would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

• the amount of the initial measurement of lease liability;

• any lease payments made at or before the commencement date; and

• decommissioning costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

(e) Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets are recognised on trade-date – the date on which the Group commits to sell or purchase the asset. Financial assets are derecognised when the right to receive cash flows from the financial asset have expired or have been transferred and the Group has transferred substantially the risks and rewards of ownership. Financial instruments are designated on initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost less expected credit losses. They are classified as current assets except where the maturity is greater than 12 months after the reporting date, in which case they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Notes to the Financial Statements
(Continued)
For the year ended 30 June 2020

Note 2: Summary of Significant Accounting Policies (Continued)

Trade and other payables

These represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are recognised initially at fair value and subsequently at amortised cost.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

The accounting policies adopted for specific financial liabilities and equity instruments are set out below:

Issued units

The Trust issues units that have a limited life under the Trust's constitution and are classified as equity.

Equity raising costs

Costs directly related to the raising of equity are recognised in equity.

Borrowings

Interest-bearing loans and overdrafts are initially measured at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of the borrowings using the effective interest rate method. Fees paid for establishing loan facilities are capitalised as prepayments for liquidity services and amortised over the period to which the facility relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Impairment of financial assets

The Trust assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets are impaired.

For financial assets measured at amortised cost, contract assets and debt investments at Fair Value through other Comprehensive Income an 'expected credit loss' ("ECL") model is used.

The Trust measures loss allowances at an amount equal to 12 month ECLs as the credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition except for all trade receivables and contract assets which the Trust applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Trust considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes analysis based on the Trust's historical experience and forward-looking information.

(f) Expenses

All expenses, including Trustee fees are recognised in profit and loss on an accruals basis.

(g) Finance costs

Finance costs are recognised using the effective interest rate applicable to the financial liability.

Notes to the Financial Statements

(Continued)
For the Year Ended 30 June 2020

Note 2: Summary of Significant Accounting Policies (Continued)

(h) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(i) Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the Trustee's best estimate of the expenditure required to settle the present obligation at the balance date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Provision for decommissioning

The Group recognises decommissioning provisions for the expected cost of dismantling the solar farm and clearing the site. A decommissioning provision is estimated by discounting the future decommissioning expenditure to its present value. A discount rate that considers the current market rates, adjusted for the uncertainty of the expenditure is used. The provision is offset against the expected salvage value of the farm. The provision is reviewed, and adjusted where necessary, at the end of each financial year.

(j) Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that it is required to completed and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they occur.

(k) Income tax

The IIG Solar Income Fund and its controlled entities are considered trading trusts for income tax purposes and are accordingly treated as a corporate tax payer.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Notes to the Financial Statements

(Continued)
For the Year Ended 30 June 2020

Note 2: Summary of Significant Accounting Policies (Continued)

(k) Income tax (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable the future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax Consolidation Legislation

The IIG Solar Income Fund and its wholly owned Australian controlled entities (the Group) formed a tax consolidated group on 1 July 2017. The Group has implemented the tax consolidation legislation. As a consequence, all the entities in the Group are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

The head entity IIG Solar Income Fund, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as it each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to the its own current and deferred tax amounts, IIG Solar Income Fund also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

All current tax balances are transferred from the controlled entities in the Group to IIG Solar Income Fund. The current tax receivable or payable is transferred from each controlled entity to IIG Solar Income Fund through an intercompany loan account.

(l) Distributions

Distributions are determined and provided by the Trustee on a quarterly basis. Distributions approved the Trustee but not yet paid are recognised as a provision.

(m) Critical judgements and significant accounting estimates

The preparation of Financial Statements requires the Directors of the Trustee to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Notes to the Financial Statements

(Continued)
For the Year Ended 30 June 2020

	2020 $	2019 $
Note 3: Operational Revenue		
Mount Majura Solar Farm - Electricity	**1,342,501**	1,352,315
Mount Majura Solar Farm - LGC	**8,390**	9,605
Karratha Solar Farm - Electricity	**623,963**	626,610
Karratha Solar Farm - LGC	**72,319**	87,621
Williamsdale Solar Farm - Electricity	**4,493,186**	4,486,014
Williamsdale Solar Farm - LGC	**273,275**	319,808
	6,813,634	6,881,973

Operational Revenue includes electricity generation revenue as well as revenue from the sale of Large-Scale Generation Certificates.

Note 4: Interest and Other Income		
Interest on Epuron Loans	**-**	742,982
Other Income	**136,939**	129,337
	136,939	872,319

Other income includes a settlement from ib Vogt to complete rectification works offsetting repairs & maintenance costs at Williamsdale and an insurance claim in relation to the lightning strike at Williamsdale in December 2018.

Note 5: Operational expenses		
Developer annuity	**329,500**	329,500
Operations & Maintenance services	**324,702**	426,925
Consulting & Accounting fees	**152,433**	152,865
Rent	**9,303**	111,062
Insurance	**67,890**	93,120
Legals	**9,511**	80,191
Network fees	**93,159**	59,607
Repairs & Maintenance	**264,419**	98,357
Other	**118,620**	79,677
	1,369,537	1,431,304

Operations & Maintenance services contracts for all three Solar Farms were renegotiated in 2019 resulting in a reduction in operational maintenance.

Rent expenses are now recognised in Borrowing costs (note 6) and Depreciation under the terms of AASB 16.

Repairs & Maintenance includes repair works on the Karratha Solar Farm resulting from Cyclone Damien in February 2020 and rectification works on the Williamsdale Solar Farm.

Notes to the Financial Statements

(Continued)
For the Year Ended 30 June 2020

	2020 $	2019 $
Note 6: Borrowing Costs		
Interest paid or payable		
- Interest on Loan Notes	**720,657**	864,852
- Interest on CEFC Facility	**1,099,149**	1,144,922
Bank fees	**570**	663
Interest charges paid/payable for lease liabilities	**53,026**	-
Amortisation of capitalised borrowing costs	**57,153**	57,153
	1,930,555	2,067,590

Capitalised borrowing costs represent costs associated with the establishment of the CEFC facility. These costs are being amortised over the 15-year term of the facility.

Interest charges paid/payable for lease liabilities are charges in respect of the leases the Trust holds over the land on which the Solar Farms have been constructed. These charges have been recognised for the first time in 2020 as the new leasing standard has been adopted by the Trust. Refer to Note 2d.

Note 7: Director Fees		
Director Fees paid or payable	**71,449**	70,216

Note 8: Trustee Fees		
Trustee fees paid or payable to Impact Investment Group Pty Ltd	**283,537**	286,322

Note 9: Loss on disposal of financial asset		
Fulcrum Solar Pty Ltd (refer Note 14)	**-**	398,566

Fulcrum Solar Pty Ltd repaid the outstanding balance of the loans in December 2018. The loss on disposal represented the difference between the principal outstanding on the loans ($4.6m) and the price the Trust paid for the loans ($5.0m) in September 2016. This loss was partially offset by an indemnification payment of $207,100 in March 2018 by Impact Investment Group Pty Ltd and a prepayment penalty of $94,809 in December 2018 by Fulcrum Solar Pty Ltd. The indemnification payment was recognised in "Other Income" in 2018 and the prepayment penalty was recognised in "Interest on Epuron Loans".

Notes to the Financial Statements

(Continued)
For the Year Ended 30 June 2020

	2020 $	2019 $
Note 10: Income tax		
Net profit/(loss) before income tax	**(2,317,251)**	(1,912,871)
Prima facie tax payable on profit before income tax at 27.5% (2019: 30%)	**(637,244)**	(573,861)
Section 40-880 costs	**(31,215)**	(33,407)
Change in income tax rate on opening deferred tax asset	**249,189**	-
Adjustment to deferred tax rate to rate in year expected to be realised	**59,443**	-
Non-deductible	**14,588**	-
Loss on disposal of financial asset	**-**	119,570
Derecognition of Tax Losses	**-**	76,655
Total income tax benefit recognised in the current year	**(345,239)**	(411,043)
Deferred tax balances are presented in the consolidated statement of financial position as follows:		
Deferred tax assets	**(1,838,451)**	(1,492,164)

The Australian Government has passed legislation which reduces the corporate tax rate for small and medium base rate entities from 27.5% to 26% for the 2020-21 income year and further to 25% for the 2021-22 and later income years. As the Trust expects to qualify as a base rate entity with a turnover of less than $50 million and less than 80% of its assessable income being passive income for the foreseeable future, it expects to benefit from the reduced tax rates in future reporting periods.

As a consequence, the Trust has remeasured its deferred tax balances based on the effective tax rate (25%) that will apply in the year the temporary differences are expected to reverse. The impact of the change in tax rate has been recognised in tax expense in profit or loss, except to the extent that it relates to items previously recognized outside profit or loss (such as revaluations of property, plant and equipment).

Note 11: Cash and Cash Equivalents		
Cash at Bank	**428,320**	1,118,330
Restricted cash	**-**	173,500
	428,320	1,291,830

Restricted cash in the prior year was retention funds of $173,500 held in lieu of warranty on behalf of Flextronics in relation to Karratha Solar Farm. This amount was repaid in full in May 2020, as no rectification works were required.

Notes to the Financial Statements

(Continued)
For the Year Ended 30 June 2020

	2020 $	2019 $
Note 12: Trade and Other Receivables		
Trade receivables	**337,146**	358,392
GST receivable		-
Sundry debtors – accrued revenue	**145,932**	223,832
Prepayments	**10,396**	5,524
	493,474	587,748

No credit loss has been applied to receivables at 30 June 2020.

Note 13: Solar Assets		
Solar Assets are represented by:		
Opening balance at 1 July	**39,851,346**	45,249,892
Acquisitions at cost	**428,785**	14,619
Less accumulated depreciation on Solar Farms	**(5,556,030)**	(5,413,165)
Closing balance at 30 June	**34,724,101**	39,851,346

The Trust is required to decommission the Trust's solar farms at the end of their useful economic lives. Decommissioning includes removal of solar panels, frames, cabling, and restoration of land.

A decommissioning provision is estimated by discounting the future decommissioning expenditure to its present value. A discount rate that considers the current market rates, adjusted for the uncertainty of the expenditure is used. The provision is offset against the expected salvage value of the farm. The provision is reviewed, and adjusted where necessary, at the end of each financial year.

The provision is recognised as a non-current liability in the consolidated statement of financial position. At 30 June 2020 the provision balance is $75,127.

Note 14: Leases		
Right-of-use assets		
Land	**1,260,344**	-
Less accumulated depreciation	**(56,716)**	-
	1,203,628	-
Lease liabilities		
Current	**26,219**	-
Non-current	**1,181,865**	-
	1,208,084	-

The Trust leases the land on which each solar farm operates. These leases are for fixed periods with expiry dates ranging from August 2036 to November 2046.

These balances have been recognised for the first time in 2020 as the new leasing standard has been adopted by the Trust. Refer to Note 2d.

Notes to the Financial Statements

(Continued)
For the Year Ended 30 June 2020

	2020	2019 $
Note 15: Trade and Other Payables		
Unsecured liabilities:		
Trade payables	**62,705**	152,338
Return of capital & loan note interest – June quarter	**279,180**	485,670
Sundry creditors and accruals	**231,747**	383,873
GST payable	**48,717**	76,504
	622,349	1,098,385

Note 16: Interest-Bearing Liabilities		
Current		
CEFC loan	**978,606**	930,188
Capitalised borrowing costs	**(57,153)**	(57,153)
	921,453	873,035
Non-Current		
CEFC loan	**19,960,097**	20,938,703
Capitalised borrowing costs	**(619,162)**	(676,316)
Unsecured Loan Notes	**8,478,300**	8,478,300
	27,819,235	28,740,687
	28,740,688	29,613,722

The CEFC Loan facility is for a term of fifteen years expiring on 5 May 2032, with an interest rate of 5.1066%. The CEFC facility is secured against the Mount Majura, Karratha and Williamsdale solar farms and associated entities, including the units held by the IIG Solar Income Fund in IIG Solar Operating Trust. The loan is amortising. $930,188 of principal was repaid during the year.

The Trust has been compliant with the debt covenants through the financial period and up to the date of this report.

Capitalised borrowing costs represent costs associated with the establishment of the CEFC facility. These costs are being amortised over the 15-year term of the facility.

Loan Notes have a term of 5 years and pay fixed interest of 8.5%.

Notes to the Financial Statements

(Continued)
For the Year Ended 30 June 2020

Note 16: Interest-Bearing Liabilities (continued)

	2020 $	2019 $
Facility limit		
Interest-bearing liabilities – CEFC	**20,262,388**	21,868,891
Interest-bearing liabilities – Loan Notes	**8,478,300**	8,478,300
Amount available under the facility		
Interest-bearing liabilities – CEFC	**-**	-
Interest-bearing liabilities – Loan Notes	**-**	-

Note 17: Equity		
(a) Issued capital		
37,938,000 ordinary units fully paid at $0.65 per unit	**24,659,700**	24,659,700
Return of capital – FY17 ($0.0313 per unit)	**(1,187,961)**	(1,187,961)
Return of capital – FY18 ($0.0893 per unit)	**(3,389,628)**	(3,389,628)
Return of capital – FY19 ($0.0819 per unit)	**(3,108,000)**	(3,108,000)
Return of capital – FY20 ($0.0659 per unit)	**(2,500,000)**	-
Issued capital	**14,474,111**	16,974,111

As stipulated in the Trust's constitution, each unit represents a right to an individual unit in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Trust.

As a result of the Trust being classified as a "trading trust", and therefore taxed as a company, payments to unit holders which are not made out of profits are treated as a return of capital. While the Trust has generated positive cash flow, by virtue of the depreciation charge the Trust has not made an accounting profit.

(b) Equity Raising Costs		
Equity Raising Costs	**(641,469)**	(641,469)

Costs directly attributable to the establishment of the funds are recognised in Equity.

Notes to the Financial Statements

(Continued)
For the Year Ended 30 June 2020

Note 18: Details of controlled entities

The group's subsidiaries at 30 June 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group	
		2020	2019
Mount Majura Solar Holdings Pty Ltd	Australia	**100%**	100%
Solar Choice Mount Majura Solar A Pty Ltd	Australia	**100%**	100%
Solar Choice Mount Majura Solar B Pty Ltd	Australia	**100%**	100%
Calvary Chapel United Pentecostal Church Solar Pty Ltd	Australia	**100%**	100%
Sutton Energy ACT Nominees	Australia	**100%**	100%
Better Way Energy Pty Ltd	Australia	**100%**	100%
Karratha Solar Power No 1 Pty Ltd	Australia	**100%**	100%
Elementus Energy Pty Ltd	Australia	**100%**	100%
OneSun Capital 10MW Operating Pty Ltd	Australia	**100%**	100%
OneSun Capital 10MW Operating Pty Ltd ATF OneSun Capital 10MW Operating Unit Trust (units)	Australia	**100%**	100%
IIG Solar Operating Pty Ltd ATF IIG Solar Operating Trust (units)	Australia	**100%**	100%
SIF 3 Pty Ltd ATF Invest Trust 1 (units)	Australia	**100%**	100%

	2020 $	2019 $
Note 19: Remuneration of Auditors		
JTP Assurance:		
Audit of the Financial Statements	**16,500**	15,000
	16,500	15,000

The above fees relate to the audit of IIG Solar Income Fund, IIG Solar Operating Trust and their subsidiaries.

Notes to the Financial Statements

(Continued)
For the Year Ended 30 June 2020

Note 20: Contingent Liabilities

There are no material contingent liabilities as at 30 June 2020.

During the year the Trust paid stamp duty to the WA State Revenue Office (SRO) relating to the acquisition of Karratha. However, the Trust will continue to dispute the matter with the SRO.

Note 21: Subsequent Events

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Note 22: Trustee Details

The registered office and the principal place of business of the Trustee is:

11 Princes St

St Kilda VIC 3182

Australia

Directors' Declaration

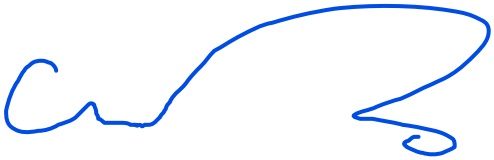
The Directors of the Trustee have determined that the Group is not a reporting entity and that these special purpose Financial Statements should be prepared in accordance with the accounting policies described in Note 2 to the Financial Statements.

The Directors of the Trustee declare that:

a) The Financial Statements comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and accompanying notes, present fairly the Group's financial position as at 30 June 2020 and its performance for the period ended on that date in accordance with the accounting policies described in Note 2 to the Financial Statements; and

b) In the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with the resolution of the Board of Directors IIG Solar Pty Ltd and is signed for and on behalf of the Directors by:



Chloe Munro AO

Chair

Date: 18 September 2020

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IIG SOLAR INCOME FUND
ABN 32 411 290 407

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
IIG SOLAR INCOME FUND

Report on the Audit of the Consolidated Financial Report

Opinion

We have audited the financial report of IIG Solar Income Fund (the fund), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2020, the consolidated statement of changes in equity, the consolidated statement of cashflows for the year ended 30 June 2020 and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, the consolidated financial position of the fund as at 30 June 2020 and its financial performance for the year ended 30 June 2020 in accordance with the accounting policies described in Note 1 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the fund in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to satisfy the requirements of the fund's constitution and meet the needs of members. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Financial Report

The directors of the fund are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the constitution and the needs of members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

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Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Further information about our responsibilities can be found at http://www.auasb.gov.au/Home.aspx

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

JTP Assurance

JTP ASSURANCE
Chartered Accountants

SAM CLARINGBOLD
Partner

Signed at Melbourne this 21st day of September 2020