

Bluefield Solar Income Fund Limited

Interim Report and
Unaudited Condensed Interim Financial
Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

Company Registration Number: 56708

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General Information

Board of Directors (all non-executive)

John Rennocks (Chairman)

Paul Le Page (Chairman of Audit Committee)

John Scott (Senior Independent Director)

Laurence McNairn

Investment Adviser

Bluefield Partners LLP

53 Chandos Place

London, WC2N 4HS

Registered Office

Heritage Hall

PO Box 225

Le Marchant Street

St. Peter Port

Guernsey, GY1 4HY

Administrator, Company Secretary and Designated Manager

Estera International Fund Managers (Guernsey) Limited
(formerly Heritage International Fund Managers Limited)

Heritage Hall

PO Box 225

Le Marchant Street, St. Peter Port

Guernsey, GY1 4HY

Sponsor, Broker and Financial Adviser

Numis Securities Limited

The London Stock Exchange Building

10 Paternoster Square

London, EC4M 7LT

Independent Auditor & Reporting Accountants

KPMG Channel Islands Limited

Gategny Court, Gategny Esplanade

St. Peter Port

Guernsey GY1 1WR

Legal Advisers to the Company

(as to English law)

Norton Rose Fulbright LLP

3 More London Riverside

London, SE1 2AQ

Registrar

Link Market Services (Guernsey) Limited

(formerly Capita Registrars (Guernsey) Limited)

Mont Crevelt House

Bulwer Avenue, St Sampson

Guernsey, GY2 4LH

Legal Advisers to the Company

(as to Guernsey law)

Carey Olsen

PO Box 98

Carey House

Les Banques

St Peter Port

Guernsey, GY1 4BZ

Receiving Agent and UK Transfer Agent

Link Asset Services Limited

(formerly Capita Registrars Limited)

The Registry

34 Beckenham Road,

Beckenham

Kent, BR3 4TU

Principal Bankers

Royal Bank of Scotland International Limited

Royal Bank Place

1 Gategny Esplanade

St Peter Port

Guernsey, GY1 4BQ

Highlights

- The Company delivered underlying earnings¹ of £13.0m in the period (31 December 2016: £11.7m).
- NAV has increased to 112.40pps (30 June 2017: 110.49pps).
- There has been a 0.25% reduction to the Company's WACC, reflecting continued pricing pressure within the UK solar market, from 6.15% as at 30 June 2017 to 5.90% as at 31 December 2017
- The equity cash flows upon which the NAV is calculated imply a return on equity over the 25 year life of the cash flows of 7.02% (30 June 2017: 7.43%), with zero terminal value.
- The Company completed one acquisition amounting to 5.0MWp, taking the Company's total capacity to 446.5MWp.
- Portfolio outperformed operational expectations by 2.7%, delivering an aggregate PR of 82.4% versus budget of 80.3%.
- As at 31 December 2017 the Company has now paid dividends of 25.75pps since listing in July 2013; 4.00pps in the period to June 14 and then above target dividends of 7.25pps for the full year periods ended June 2015, 2016 and 2017. A further 1.80pps has been paid in January 2018; this declaration and payment of the first interim dividend in respect of the year ending 30 June 2018 reflects the Company's commitment to smoothing distributions.
- The Company, through its holding company BSIFIL, has made debt repayments of principal of £7.3m in the period (31 December 2016: £2.7m).

1. Underlying earnings is an alternative performance measure employed by the Company to provide insight to the Shareholders by definitively linking the underlying financial performance of the operational projects to the dividends declared and paid by the Company. Further detail is provided on pages 20 to 22.

Highlights (continued)

Results Summary:

	Six months ended 31 December 2017
Total operating income	£18,747,444
Total comprehensive income before tax	£18,137,352
Underlying earnings	£12,989,966
Earnings per share	4.90p
Underlying EPS available for distribution ²	1.54p
Underlying EPS brought forward ³	0.73p
Total underlying EPS available for distribution	2.27p
Total dividend for the six months ended 31 December 2017 ⁴	1.80p
NAV per share	112.40p
Share Price as at 31 December 2017	118.00p
Total Return ⁵	4.4%
Total Return to shareholders ⁶	5.2%

2. Underlying EPS available for distribution is calculated using underlying earnings available for distribution (eg post debt repayments) divided by the number of shares in issue at the end of the period.

3. Underlying earnings brought forward is a combination of 0.30p brought forward from 30 June 2017 and additional ROC recycle relating to the year ended 30 June 2017 of 0.43p.

4. Dividends declared in January 2018 relating to the period 31 December 2017.

5. Total Return is based on NAV per share movement and dividends paid in the period.

6. Total Return to shareholders is based on share price movement and dividends paid in the period.

Corporate Summary

Investment objective

The investment objective of the Company is to provide shareholders with an attractive return, principally in the form of regular income distributions, by investing in a portfolio of UK - based solar energy infrastructure assets.

Structure

The Company is a non-cellular company limited by shares, incorporated in Guernsey under the Law on 29 May 2013. The Company's registration number is 56708, and it is regulated by the GFSC as a registered closed-ended collective investment scheme. The Company's Ordinary Shares were admitted to the Premium Segment of the Official List and to trading on the Main Market of the LSE following its IPO on 12 July 2013. The issued share capital during the period comprises the Company's Ordinary Shares denominated in Sterling.

The Company has the ability to use long term and short term debt at the holding company level as well as having long term, non-recourse debt at the SPV level.

Investment Adviser

The Investment Adviser to the Group during the period was Bluefield Partners LLP, which is authorised and regulated by the UK FCA under the number 507508. In May 2015 BSL, a company with the same ownership as the Investment Adviser, commenced providing asset management services to the investment SPVs held by BSIFIL. In August 2017 BOL, a company with the same ownership as the Investment Adviser, commenced providing O&M services to three of the investment SPVs held by BSIFIL.

Chairman's Statement

Introduction

I am pleased to announce a solid set of interim results. Earnings were in line with expectations and the Company intends to meet its full year target dividend of 7.43pps, reflecting the RPI increase of 3.5% in July 2017.

The Company was set up with the primary objective of enabling investors to earn stable, sterling income over the long term. With this in mind, the period under review provides a good insight into the activities undertaken by the Company and its advisers to protect and enhance underlying earnings and dividends over the long term.

As previously noted the combined effect of higher RPI inflation and low electricity prices puts pressure on earnings. We have also commenced paying back significantly higher amounts of debt, a strategy in the long term interest of our shareholders. Notwithstanding this, we expect to meet our dividend target for 2017/18 from earnings and undistributed reserves.

Acquisitions

The Company's investment Adviser has continued to actively engage with market participants in the significant solar M&A market which has emerged in the UK solar sector and yet the Company made just one, small acquisition in the period. It is a theme with which observers of the Company over the past year will be familiar. Acquisitions must be accretive to NAV, but valuations in the UK market currently remain at a level that does not justify further asset gathering. Sometimes it is better to consolidate and optimise what has already been acquired and we believe now is such a time. However, when the market opens up again (most likely with new solar projects which can be justified on a subsidy free basis), the Company will be ready to recommence growing its asset base. In consequence, there were no equity raises in the period.

Investment Mandate

The Board and the Investment Adviser elected not to propose a widening of the geographical mandate of the Company outside the UK; thus the Company's investment mandate remains focused on the UK solar market only. We are yet to be convinced that there is another solar market that delivers a sufficient and durable return premium above our target return that justifies the currency, regulatory and market risk. We also believe that there is a correlation between the single country/single technology strategy adopted by the Company and our consistent high performance.

Underlying Earnings and Dividends

The underlying earnings in the period were 3.51pps (pre-amortisation of long term financing agreements). This was in line with expectations and supports the Board's full year target dividend of 7.43pps. We are also pleased to announce that the Company received higher than expected ROC recycle revenues for the financial year ending June 2017, meaning that the carried forward retained earnings increased by £1.6m, or 0.43pps, to 0.73pps.

As we announced last year, it is the Board's intention to smooth the profile of dividend payments, other than in the circumstances where there are major equity raises. This process started with the declaration in January 2018 of a first interim dividend relating to the current financial year of 1.80pps and it is our intention to pay three further dividends of similar magnitude.

Capital Structure and Financing

The Company's capital structure has relatively low levels of overall leverage (c.32% to GAV, with most of this held at the UK HoldCo level) and high levels of debt service cover (c.3 x cover).

Our leverage strategy is to fully amortise the debt over the term of the loan, an approach we feel maximises the value of having long term secure cashflows.

Chairman's Statement (continued)

A year ago I wrote that the Company has a capital structure in place that works well in a lower inflationary environment and is attractive in times of higher inflation. This remains true today as the spectre of higher inflation is being seriously contemplated by the markets for the first time since the Company was listed.

The reason the Company should be well placed in a higher inflation environment is relatively straightforward. At present, some 60% of our revenues come from subsidies which are linked directly to RPI, whilst the majority of our debt is on a fixed interest rate. With an operational cost base that has limited exposure to inflationary pressure, increases in RPI should be positive for the Company's underlying earnings.

Net Asset Value and Equity IRR

The NAV has risen from 110.49pps at 30 June 2017 to 112.40pps at period end. Changes in the NAV are driven by three main factors: the blended long term power forecast from the two leading forecasters in the market, which caused a fall in our NAV, and increases resulting from the combined impact of a slight reduction to the Company's WACC by 0.25% as well as the incremental inclusion of additional tax shield from a sub set of the Company's inter-company loans, following the adoption of the BEPS legislation in November 2017.

The Company's WACC discount rate varies with market conditions and, as ever, we actively monitor any changes by reference to the rates imputed from willing buyer/willing seller transactions for solar assets in the UK solar market as well as those used by other infrastructure companies.

Apart from this, all other material assumptions remain unchanged.

The equity IRR is 7.02%, which is the equity return taking into account the Company's actual cost of third party debt.

Power Prices

The Company continues to benefit from being able to target one to three year power contracts for the majority of the portfolio, thus maximising its exposure to the short end of the forward curve. The average power price achieved was £45.41 per MWh per 31 December 2017 compared to £43.65 per MWh as per 31 December 2016.

The impact of the most recent power curves from the two leading independent forecasters used by the Company has been a £15.2m reduction in valuation as long term forecasts have fallen however the Company has price certainty over 87% of its power prices for the period to June 2018, and 73% for the period to December 2018.

Asset Management

The Company's portfolio energy generation continues to perform ahead of budget, offsetting lower than average irradiation for the period. The reasons for this are a high quality portfolio that is well managed and optimised by the BSL team in Bristol. To put this latter statement into context, in the period under review, BSL, the Company's technical asset manager, spent approximately 2,700 hours analysing plant performance, 240 hours assessing performance calculations at critical contractual milestones and spent in excess of 800 hours at the solar farms inspecting the condition of the equipment and general maintenance of the sites.

Chairman's Statement (continued)

Outlook

The Company and its advisers are focusing on optimising revenues and paying a dividend of 7.43pps to shareholders (after amortisation of its debt and all costs) for the full year. And we have a Company that has the potential to perform well in conditions of higher inflation.

John Rennocks

Chairman

26 February 2018

The Company's Investment Portfolio

Bluefield SOLAR INCOME FUND

THE COMPANY'S INVESTMENT PORTFOLIO

The Company has a geographically diverse group of assets containing a range of proven solar technology and infrastructure.

SOUTH WEST

GLOUCESTERSHIRE

- ① GRANGE
Newent 5.0 MWp

WILTSHIRE

- ② PENTYLANDS
Highworth 19.2 MWp
- ③ ROVES
Sevenhampton 12.7 MWp

SOMERSET

- ④ ASHLAWN
Axbridge 6.6 MWp
- ⑤ REDLANDS
Bridgwater 6.2 MWp
- ⑥ CLAPTON
Cucklington 5.0 MWp

DEVON

- ⑦ LANGLANDS
Ashill 2.1 MWp
- ⑧ CAPELANDS
Barnstaple 8.4 MWp
- ⑨ OLD STONE
Totnes 5.0 MWp
- ⑩ PLACE BARTON
Totnes 5.0 MWp

CORNWALL

- ⑪ NORTH BEER
Launceston 6.9 MWp
- ⑫ TRETHOSA
St Austell 4.8 MWp

WALES

SWANSEA

- ⑬ BETINGAU
Swansea 10.0 MWp

NEWPORT

- ⑭ COURT FARM
Llanmartin 5.0 MWp

NORTHEAST

NORTH YORKSHIRE

- ⑮ KELLINGLEY
Beal 5.0 MWp

MIDLANDS

WARWICKSHIRE

- ⑯ TOLLGATE
Lemington Spa 4.3 MWp

STAFFORDSHIRE

- ⑰ WILLOWS
Uttoxeter 5.0 MWp

DERBYSHIRE

- ⑱ BURNASTON
Burnaston 4.1 MWp

LEICESTERSHIRE

- ⑲ GYPSUM
Sileby 4.5 MWp

NORTHAMPTONSHIRE

- ⑳ KISLINGBURY
Kislingbury 5.0 MWp
- ㉑ CORBY
Corby 0.5 MWp

LINCOLNSHIRE

- ㉒ FOLLY LANE
Boston 4.8 MWp

EAST

NORFOLK

- ㉓ WEST RAYNHAM
West Raynham 50.0 MWp
- ㉔ HARDINGHAM
Wicklewood 14.9 MWp
- ㉕ HARDINGHAM X
Wicklewood 5.2 MWp
- ㉖ ROOKERY
Attleborough 5.0 MWp
- ㉗ SALHOUSE
Norwich 5.0 MWp
- ㉘ FROGS LOKE
North Walsham 5.0 MWp
- ㉙ BUNNS HILL
North Walsham 5.0 MWp
- ㉚ HALL FARM
East Beckham 11.4 MWp
- ㉛ OULTON
Oulton 5.0 MWp

EAST (CONTINUED)

CAMBRIDGESHIRE

- ㉜ HOBACK
Royston 17.5 MWp

ESSEX

- ㉝ BARVILLS
East Tilbury 3.2 MWp

SOUTH EAST

OXFORDSHIRE

- ㉞ HILL FARM
Abingdon 15.2 MWp
- ㉟ GOOSEWILLOW
Steventon 16.9 MWp
- ㊱ ELMS
Wantage 28.9 MWp
- ㊲ BUTTERISS DOWNS
20 Sites 0.8 MWp

BERKSHIRE / HAMPSHIRE

- ㊳ PROMOTHAMES
9 Sites 0.4 MWp

OXFORDSHIRE / SURREY / SUSSEX

- ㊴ GOSHAWK
11 Sites 1.1 MWp

HAMPSHIRE

- ㊵ SAXLEY
Andover 5.9 MWp
- ㊶ ROMSEY
Romsey 5.0 MWp
- ㊷ SOUTHWICK
Fareham 47.9 MWp

ISLE OF WIGHT

- ㊸ DURRANTS
Newport 5.0 MWp

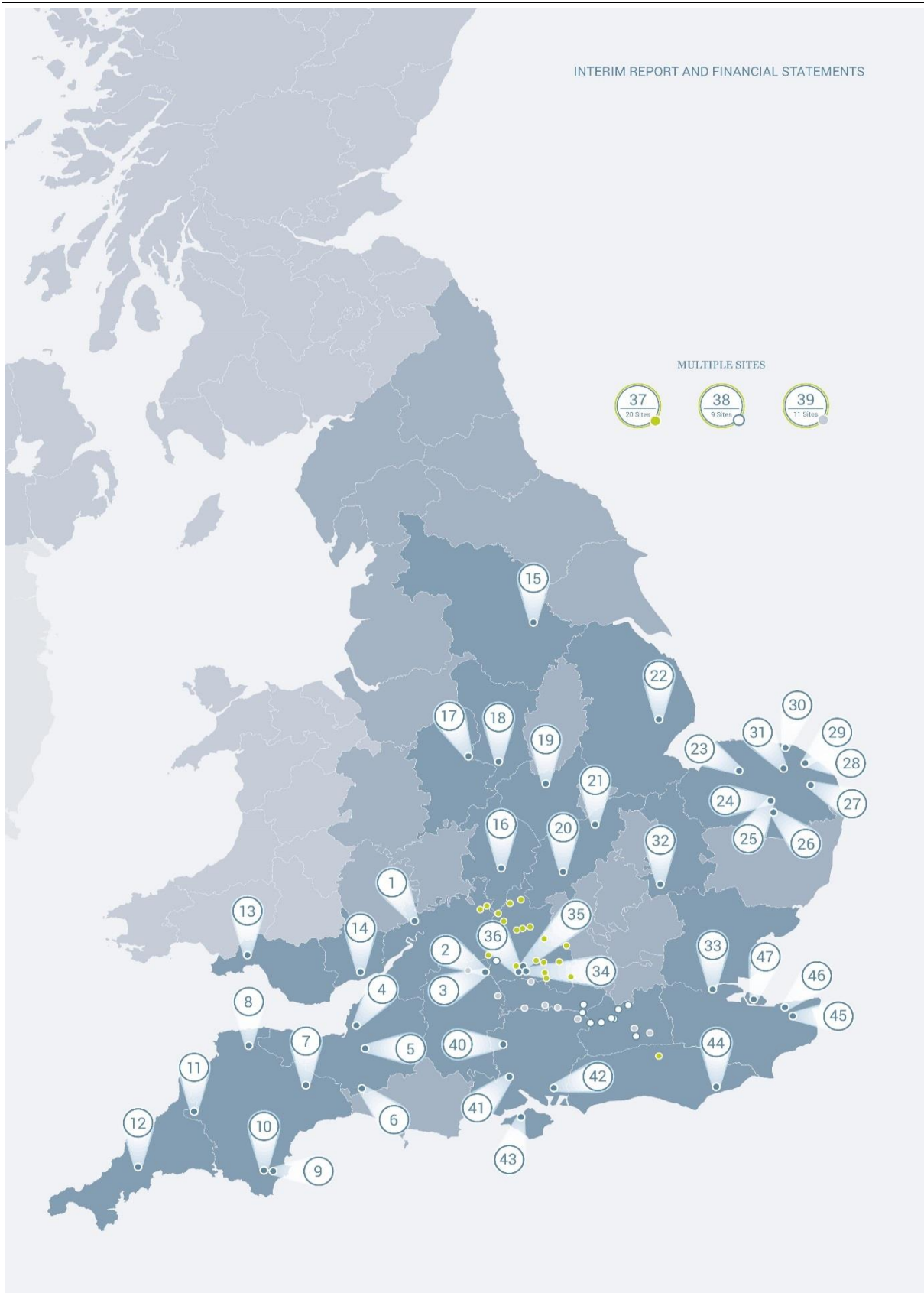
SUSSEX

- ㊹ PASHLEY
Bexhill on Sea 11.5 MWp

KENT

- ㊺ LITTLEBOURNE
Canterbury 17.0 MWp
- ㊻ MOLEHILL
Herne Bay 18.0 MWp
- ㊼ SHEPPEY
Isle of Sheppey 10.6 MWp

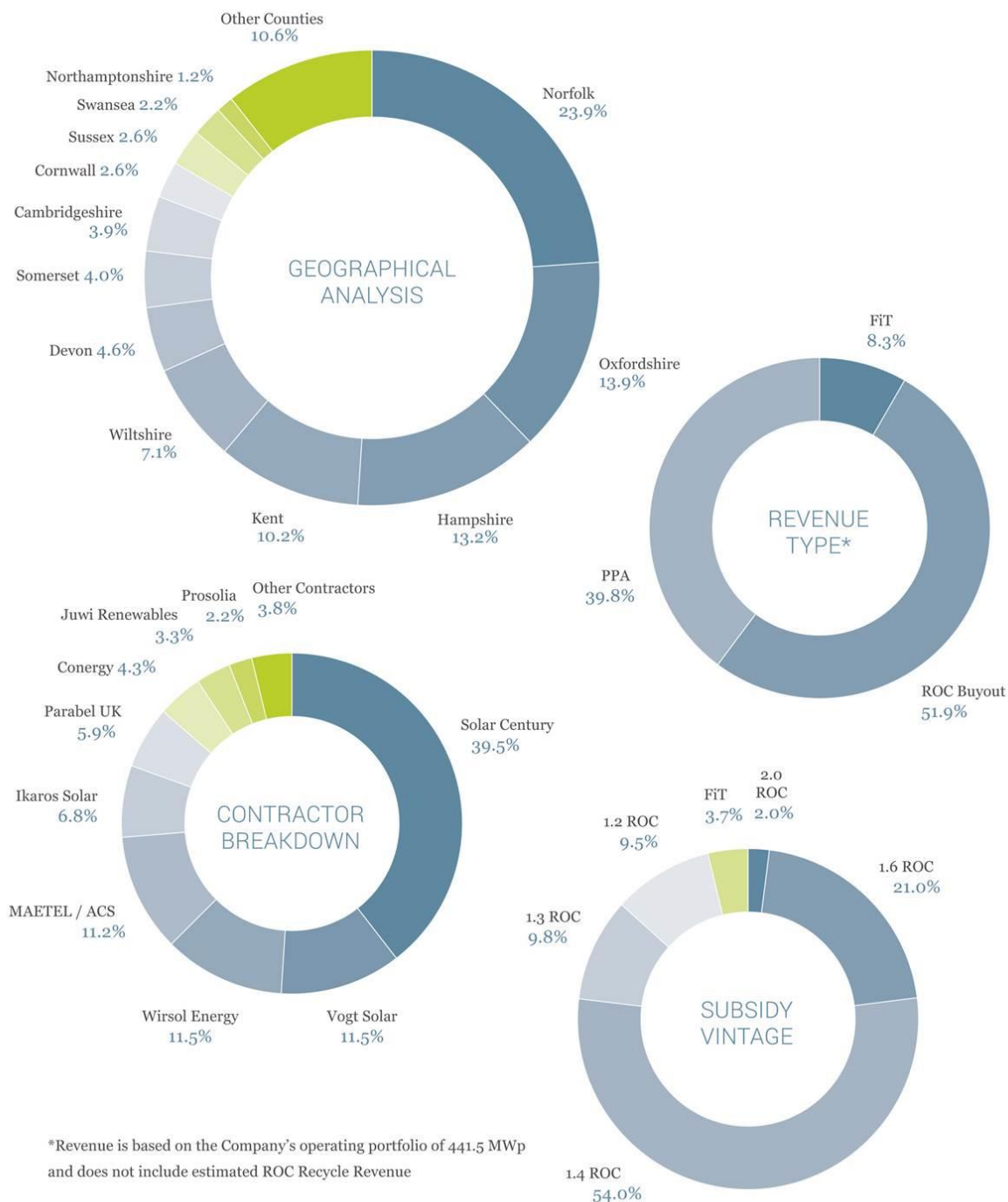
The Company's Investment Portfolio (continued)



Analysis of the Company's Investment Portfolio

ANALYSIS OF THE COMPANY'S INVESTMENT PORTFOLIO

The Company's investment portfolio, analysed by geography, subsidy tariff, contractor and revenue as at 31 December 2017 is as follows:



Report of the Investment Adviser

1. About Bluefield Partners LLP

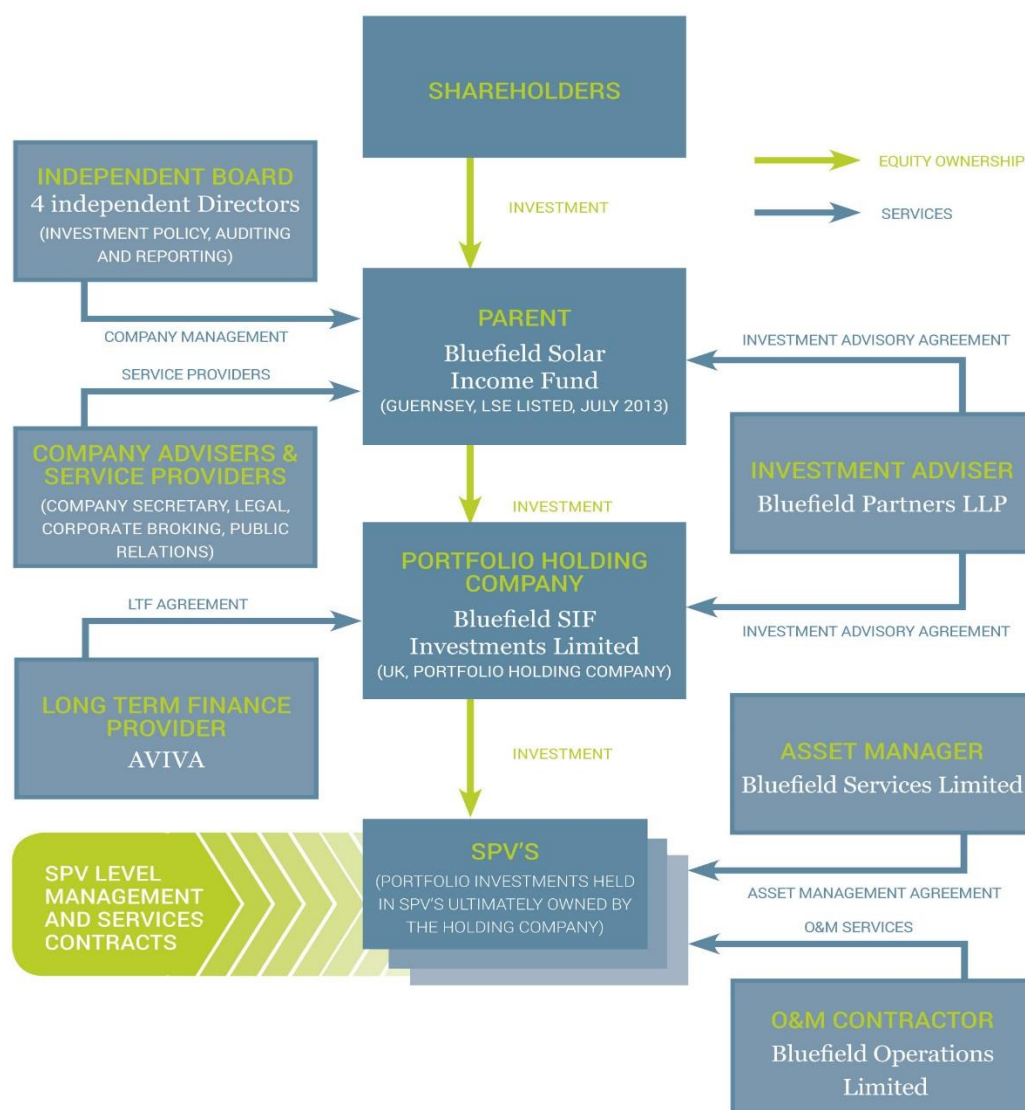
Bluefield was established in 2009 and is an investment adviser to companies and funds investing in solar energy infrastructure. Our team has a proven record in the selection, acquisition and supervision of large scale energy and infrastructure assets in the UK and Europe. The team has been involved in over £1 billion of solar PV funds and/or transactions since 2008.

Bluefield was appointed Investment Adviser to the Company in June 2013. Based in its London office, Bluefield's partners are supported by a dedicated and highly experienced team of investment, legal and portfolio executives. As Investment Adviser, Bluefield takes responsibility, fully inclusive within its advisory fees, for the selection, origination and execution of investment opportunities for the Company, having delivered 46 SPV investments to BSIF since flotation. Due to the strong expertise of the Investment Adviser, no additional transaction arrangement or origination service providers are employed by the Company and no investment transaction arrangement fees have been paid either to the Investment Adviser or any third parties.

Bluefield's Investment Committee has collective experience of over £15 billion of energy and infrastructure transactions.

2. Structure

The Company holds and manages its investments through a UK limited company, BSIFIL, in which it is the sole shareholder.



Report of the Investment Adviser (continued)

3. Portfolio: Acquisitions, Performance and Value Enhancement

Portfolio

As at 31 December 2017, the Company held an operational portfolio of 83 PV plants (consisting of 42 large scale sites, 40 micro sites and 1 roof top site) with a total capacity of 446.5MWp. The portfolio displays strong diversity through; geographical variety (as shown by the map on page 11); a range of proven PV technologies and infrastructure (arising from the solar PV farms having been constructed by a number of experienced solar contractors); and a blend of asset sizes with capacities ranging from microsites to substantial, utility-scale solar farms (including two plants just under 50MWp).

Acquisitions

During the reporting period, the Company completed a sole 5MWp acquisition; Clapton Solar Farm ('Clapton'). Based in Somerset, the plant was constructed by IB Vogt and is accredited under the 1.2 ROC Scheme.

The investment of £6.3m used the available funds (£1.9m) remaining from the October 2016 fund raise (£60.6m) as well as £4.4m from the Company's £30m RCF.

In keeping with the Investment Adviser's objective to deliver value and return accretive acquisition opportunities to the Company, securing this primary asset which was developed during the last months of the RO scheme, was a success for the Company as it enabled it to lock in the benefits of the 20 year RPI indexed support mechanism, a scheme now closed to further business.

Looking forward, the Investment Adviser is currently negotiating on behalf of the Company across a range of large and small scale transactions as it looks to continue its policy of securing high quality, return accretive acquisitions during the course of the 2017/18 financial year, though its strong pricing discipline means that its primary focus is now increasingly on the optimisation of performance of the excellent asset base already secured.

Performance

In the six months to 31 December 2017, the portfolio, totalling 446.5MWp, has continued to perform strongly, achieving a 'Net Performance Ratio' (the ratio at which a PV plant converts available irradiation to electrical output) of 82.4%, against a forecasted 'Net Performance' Ratio of 80.3%, despite lower than forecast levels of irradiation during the reporting period.

As the table below summarises, despite below average levels of irradiation (-4.4%), the high performance levels of the portfolio (at +2.7% to forecasts) led the Generation Yield (measured as the energy yield per MWp of installed capacity) to be only -1.8% below expectations.

Although the revenue per MWp of the portfolio capacity has been below expectations, the total unit price achieved for each MWh generated (calculated by combining component parts of ROC buyout, PPA fixes and the recovery of minimal LDs) is still slightly above expectations, at +0.2% higher than forecast.

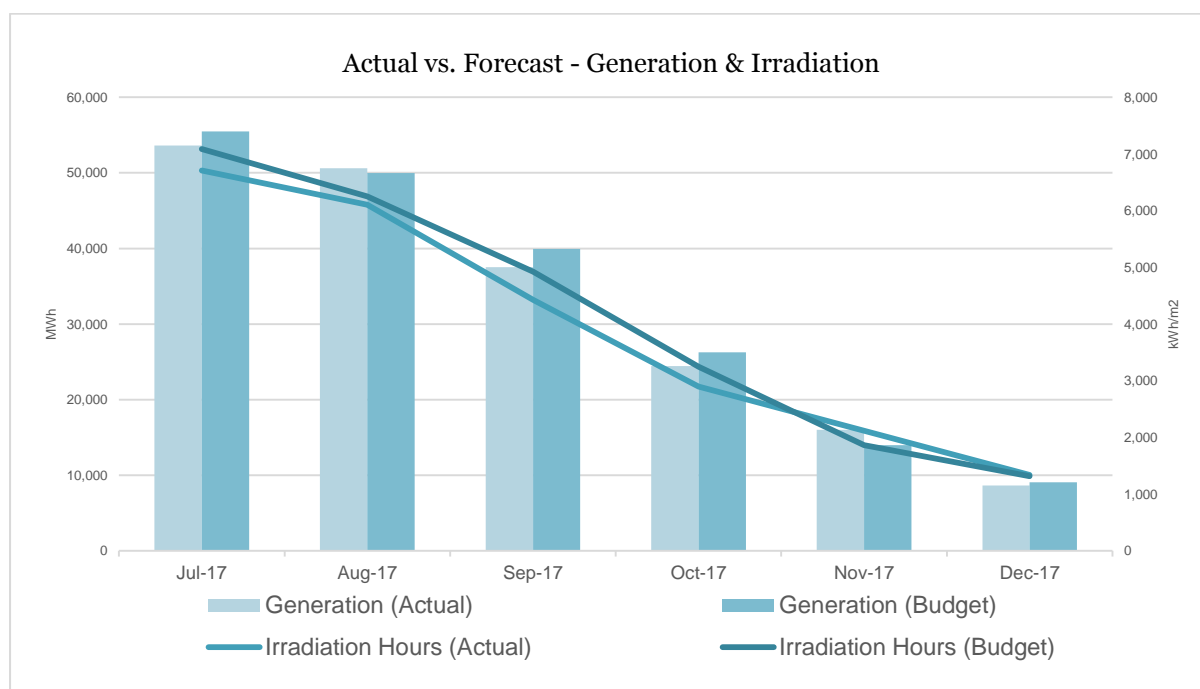
Including c.£0.3m of LDs recovered in the reporting period, the portfolio generated an average of £122.1k/MWh, resulting in total revenue that was only -1.7% below forecast despite a 4.4% irradiation shortfall.

Report of the Investment Adviser (continued)

Table 1. Summary of BSIF Portfolio (446.5MWp) Performance for July 2017 to December 2017 (incl.):

	Dec 17			Dec 16
	Actual	Forecast	% Change	Actual
Irradiation (kWh/M ²)	524.4	548.7	-4.4%	570.6
Performance Ratio (%)	82.4%	80.3%	+2.7%	80.8%
Generation Yield (MWh/MWp)	432.2	440.3	-1.8%	460.7
Total unit Price – Power + ROCs + LDs (GBP/MWh)	122.1	121.9	+0.2%	116.8
Total Revenue (GBP/MW)	£52.8k	£53.7k	-1.7%	£53.8k

Figure 1. BSIF Portfolio Performance (Generation & Irradiation) for July 2017 to December 2017, by month



Due to successful negotiations, the Company's asset manager was able to minimise almost all DNO planned outages potentially impacting the portfolio during the peak months of July and August 2017.

The only exceptions to this were The Grange, which experienced DNO constraints from 29 June to 12 August 2017 (although due to effective co-operation with the DNO it was agreed the plant would operate at 10% capacity during this time, instead of being completely curtailed) and Elms Solar Farm, which also suffered a planned 7 day DNO led outage during July with a further planned 8 day outage during August 2017 successfully reduced to 1 day and delayed until October 2017, achieving additional generation and revenue savings of 663MWh and £66.2k respectively.

In addition, a planned 26 day outage for the 5MWp Durrants project did not proceed this summer following consultation with the DNO which resulted in generation and revenue savings of 545MWh and £219k respectively.

During the financial year to date, the Company has once again exercised the strength of its contractual protections, enabling the recovery of £0.3m of LDs for underperformance, revenue losses and the rectification of minor equipment defects.

Report of the Investment Adviser (continued)

The fact that these LDs represent only c.1.4% of the period's revenues reflects the strong performance of almost all of the assets within the portfolio.

The operational performance of the portfolio and the effective recovery of LDs once again highlight the success of the Company's dedicated portfolio function and effective working relationship with the Company's asset manager, BSL, who provide daily monitoring of the plants and regular contractor engagement.

BSL have allocated approximately 2,700 hours analysing plant performance, 240 hours assessing performance calculations at critical contractual milestones (performance acceptance testing and 1st, 2nd year and final performance tests) and spent in excess of 800 hours at the solar farms inspecting the condition of the equipment and general maintenance of the sites during the reporting period.

Whilst the portfolio is maturing, a significant portion remains protected by performance warranties provided by the EPC contractors (in addition to equipment manufacturers' warranties), backed by retentions or warranty bank bonds, applicable from each asset's provisional acceptance date. These warranties provide a contractual entitlement to the recovery of damages as a result of operational underperformance against a contracted level of performance, or as a result of defects.

As assets pass their final acceptance dates, new availability guarantees are provided by contracted O&M service providers in addition to comprehensive insurance coverage. As at the period end, BOL are now the O&M contractor to 3 of the Company's assets with the expectation of gradually increasing this figure over time. It is anticipated that by increasing the number of plants BOL provides O&M services to, the portfolio will benefit from increased maintenance and operational efficiencies.

The geographical and equipment diversity of BSIF's portfolio allows the effects of both 'Outage Risk' (whereby a higher proportion of large capacity assets would hold increased exposure to material losses due to curtailments and periods of outage) and 'Defect Risk' (where over-reliance on limited equipment manufacturers could lead to large proportions of the portfolio suffering similar defects) to be mitigated.

Value Enhancement Initiatives

Following the closure of the RO Scheme in March 2017, and the UK solar PV sector moving to a secondary market, the Investment Adviser has launched a number of new initiatives which seek to enhance and create additional value for the portfolio, through the optimisation of both operations and revenues.

These initiatives include a wide-ranging asset life extension programme, securing optionality for the addition of battery storage facilities across the portfolio, and actively discussing opportunities within the UK's burgeoning corporate and direct wire PPA market, in order to provide predictable and reliable income streams for the Company over the long term.

Report of the Investment Adviser (continued)

The Company's operating portfolio as at 31 December 2017 and the electricity generated in the first 6 months of the 2017/18 financial year is shown below:

Table 2. BSIF Portfolio Generation for H1 (1 July to 31 December 2017) by Asset:

Solar Farm Asset	Total Investment Commitment (GBP)	MWp	Generation to December 2017 (Actual, MW/h)
Southwick	61.0	47.9	20,447.9
West Raynham	55.9	50.0	22,279.3
Elms	32.8	28.9	11,196.2
Molehill	23.1	18.0	8,553.2
Hardingham	22.7	20.1	8,826.6
Littlebourne	22.0	17.0	7,496.8
Pentylands	21.4	19.2	8,089.1
Goose Willow	19.0	16.9	7,381.1
Hoback	19.0	17.5	7,516.2
Hill Farm	17.3	15.2	6,486.3
Pashley	15.4	11.5	5,546.3
Burnaston	14.4	4.1	1,588.2
Roves	14.0	12.7	5,373.3
Hall Farm	13.4	11.4	5,312.7
Sheppey/South Lees	12.0	10.6	5,054.5
Betingau	11.2	10.0	3,576.2
North Beer	9.3	6.9	2,836.1
Capelands	8.6	8.4	3,555.2
Ashlawn	7.6	6.6	2,963.7
Saxley	7.0	5.9	2,552.5
Durrants	6.4	5.0	2,349.2
Redlands	6.4	6.2	2,783.2
Romsey	5.8	5.0	2,284.8
Trethosa	5.8	4.8	1,805.8
Old Stone	5.7	5.0	2,327.1
Salhouse	5.6	5.0	2,233.7
Frogs Loke	5.6	5.0	2,248.6
Place Barton	5.5	5.0	2,281.1
Court Farm	5.5	5.0	2,314.1
The Grange	5.4	5.0	1,542.1
Bunns Hill	5.3	5.0	2,227.2
Folly Lane	5.3	4.8	2,051.3
Oulton	5.3	5.0	2,181.2
Rookery	5.2	5.0	2,152.7
Kellingley	5.0	5.0	2,194.5
Kislingbury	5.0	5.0	2,148.0

Report of the Investment Adviser (continued)

Solar Farm Asset	Total Investment Commitment (GBP)	MWp	Generation to December 2017 (Actual, MW/h)
Tollgate Farm	4.6	4.3	1,784.9
Willows	4.6	5.0	2,057.3
Gypsum	4.4	4.5	1,855.4
Barvills	3.3	3.2	1,527.8
Langlands	3.1	2.1	943.5
Butteriss (20 micro sites)	2.3	0.8	236.2
Corby	2.3	0.5	185.4
Goshawk	2.0	1.1	360.9
Promothames (9 micro sites)	1.3	0.4	115.9
SUB-TOTAL	523.8	441.5	190,823.3
Assets becoming Operational / Acquired during the Reporting Period			
Clapton	6.3	5.0	Acquired in Dec 17
SUB-TOTAL	6.3	5.0	0.0
GRAND TOTAL	530.1	446.5	190,823.3

PPA Strategy

Over the year the Company maintained its strategy to fix the price of power sale contracts for individual assets, not covered by long term contracts, for periods between 12 and 36 months. The majority of contracts are being struck for a minimum of 18 months, which is the average duration required under the LTF agreement.

For c.75% of the portfolio capacity that is not tied to long term contracts, the Company has also continued to implement the approach of fixing power prices evenly throughout the year, in order to mitigate exposure to seasonal fluctuations and short term events which have the potential to increase volatility in the price of electricity in the UK. The fixing period seeks to maximise potential revenues for the Company, whilst spreading exposure to short term seasonal power movements across the portfolio.

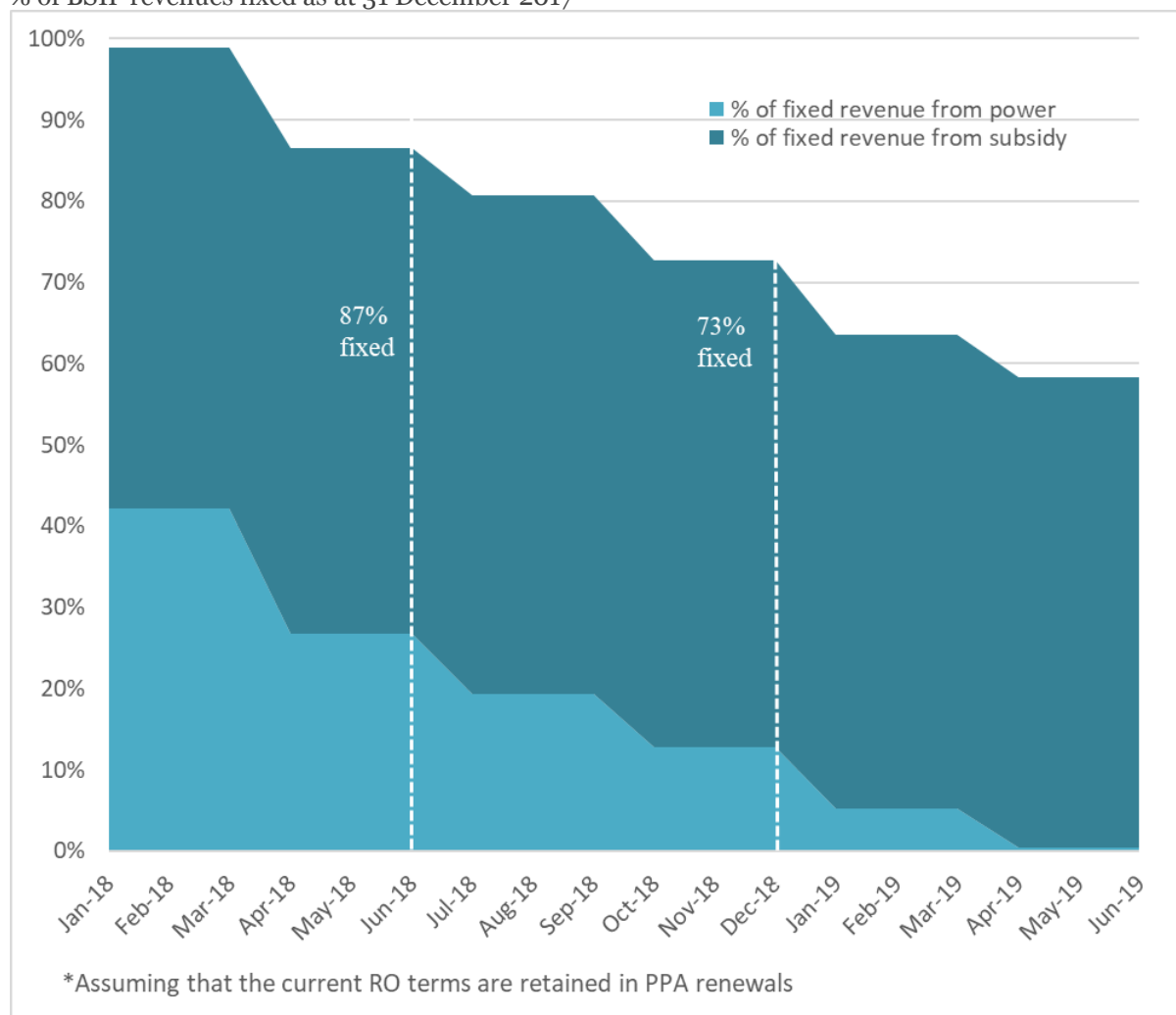
Prices can be fixed up to 3 months in advance of the commencement of the fixing period and PPA counterparties are selected on a competitive basis, but with a clear focus on achieving diversification of counterparty risk.

The combination of the PPA renewal strategy applied during the period, and c.95MWp of plants (c.22% of the portfolio) benefitting from 15 year PPAs with attractive fixed power prices until Q1 2018, means the Company is materially insulated from power price fluctuations (both up and down) over the next 12 months.

Meanwhile the fact that 75% of the portfolio is contracted only on short term (12 to 36 month PPAs) has meant that the Company has been able to benefit from some of the rising power price trend in recent months.

Report of the Investment Adviser (continued)

% of BSIF revenues fixed as at 31 December 2017*



The graph above shows that the Company has a price confidence level of c.87% to June 2018 and c.73% to December 2018 over its power prices.

The Investment Adviser's strategy to secure leverage at the portfolio rather than asset level has enabled the Company to retain flexibility in implementing its short term PPA strategy following the closing of the Company's LTF in September 2016.

This means the Company now has the flexibility to explore value enhancing options such as negotiating corporate PPA offtakes, flexibility which would not be available if it had been required by lenders to enter 15 year offtake contracts. The Company also remains able to maximise potential economies of scale by taking advantage of opportunities available only to owners who can commit significant volumes of generating capacity.

Retaining this flexibility means that the Company has the opportunity to regularly tender out a large portion of its power to ensure it always achieves the most competitive pricing and avoids the greater discounts applied by offtakers when they are entering long term contracts. For example, a tender of 4 x 5MWp is preferred over 4 separate tenders of 5MWp in order to maximise value.

Report of the Investment Adviser (continued)

Revenues and Power Price

The portfolio's revenue streams in the reporting period, excluding ROC recycle estimates, show that the sale of electricity accounts for 39.8% of the Company's income. Regulated revenues from the sale of FiTs and ROCs account for 60.2%.

Overall, wholesale power markets have shown improvement from the lows experienced in Q2 2017 when concerns over supply in the UK electricity market and uncertainty following the Brexit referendum combined to lower PPA strike prices.

This upward movement has been reflected in PPA fixes completed by the Company during the period, with 12 to 36 month fixed contracts replaced in the period benefitting from an increase to the average seasonal weighted power price previously achieved (from £43.65 per MWh as per 31 December 2016, compared to £45.41 per MWh per 31 December 2017).

The resulting blended contracted price was in line with the day ahead market base load power prices over the equivalent period.

The impact of power prices on NAV is set out in the valuations section.

4. Analysis of underlying earnings

The total generation and revenue earned in the 6 month period (1 July to 31 December 2017) by the Company's portfolio, split by subsidy regime, is outlined below.

Subsidy Regime	Generation (MWh)	PPA Revenue (£m)	Regulated Revenue (£m)*
FiT	6,642	0.2	1.8
2.0 ROCs	3,780	0.2	0.4
1.6 ROCs	39,941	1.8	3.1
1.4 ROCs	105,049	4.8	7.0
1.3 ROCs	18,706	0.9	1.2
1.2 ROCs	16,705	0.8	0.9
Total	190,823	8.7	14.4

**ROC Recycle is not included in this figure.*

The Company includes ROC recycle assumptions within its long term forecasts and applies a market based approach on recognition within any current financial period, including prudent estimates within its accounts where there is clear evidence that participants are attaching value to ROC recycle for the current accounting period.

In October 2017, Ofgem announced that the final value for ROC recycle for the period April 2016 to March 2017 (CP 15) was £44.77 per MWh (equivalent to 11.4% of CP 15 ROC buyout prices). The Company had recognised only a prudent estimate of ROC recycle in its 30 June 2017 accounts and additional income of £1.6m was received during the current reporting period.

Report of the Investment Adviser (continued)

The following table demonstrates that the portfolio generated underlying earnings of £13.0m (3.51pps) and underlying earnings for distribution, post debt repayments, of £5.7m (1.54pps)

In addition, its retained earnings from previous financial years have been revalued following the October 2017 announcement of ROC recycle for the period April 2016 to March 2017, which was higher than the prudent estimate built into the 30 June 2017 year end results.

As a result, brought forward earnings increased from £1.1m to £2.7m (0.73pps) further bolstering the Company's ability to meet 2017/18's full year dividend target of 7.43pps.

Underlying Portfolio Earnings

	Half year period to 31 Dec 17 (£m)	Half year period to 31 Dec 16 (£m)	Full year to 30 Jun 17 (£m)	Full year to 30 Jun 16 (£m)
Portfolio Revenue	23.1	20.7	47.9	35.6
Liquidated damages	0.3	0.9	1.3	0.9
Portfolio Income	23.4	21.6	49.2	36.5
Portfolio Costs	-5.8	-5.0	-11.4	-7.1
Project Finance Interest Costs	-0.4	-0.4	-0.7	-0.7
Total Portfolio Income Earned	17.2	16.2	37.1	28.7
Group Operating Costs*	-2.2	-1.9	-4.2	-3.9
Group Debt Costs	-2.0	-2.3	-4.4	-3.2
Underlying Earnings	13.0	12.0	28.5	21.6
Group Debt Repayments	-7.3	-2.7	-3.4	-0.7
Underlying Earnings available for distribution	5.7	9.3	25.1	20.9
(Over)/under accrual of ROC Recycle per share	1.6	0.0	0.0	0.0
Brought forward funds	1.1	0.8	0.8	1.3
Total funds available for distribution -1	8.4	10.1	25.9	22.2

Target Distribution	N/A	N/A	24.6	20.9
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Actual Distribution -2	6.7	10.1	24.8**	21.4**
Underlying Earnings carried forward (1-2)	N/A	N/A	1.1	0.8

*Excludes one off transaction costs and the release of upfront fees related to the Company's debt facilities

**Actual distribution is based on funds required for total dividend for each financial period. This has been above the target dividend in each annual period shown.

Report of the Investment Adviser (continued)

The table below presents the underlying earnings on a “per share” basis:

	Half year period to 31 Dec 17 (£m)	Half year period to 31 Dec 16 (£m)	Full year to 30 Jun 17 (£m)	Full year to 30 Jun 16 (£m)
Target Distribution	N/A	N/A	24.6	20.9
Total funds available for distribution (inc reserves)	8.4	10.1	25.9	22.2
Average Number of shares in year*	369,811,281	309,631,765	342,735,213	295,282,786
Target Dividend (pps)	N/A	N/A	7.18	7.07
Total funds available for distribution (pps) - 1	2.27	3.25	7.55	7.55
Total Dividend Declared & Paid (pps) - 2	1.80**	3.25	7.25	7.25
Reserves carried forward (pps)- 1-2 ***	N/A	N/A	0.30	0.30

*Average number of shares is calculated based on shares in issue at the time each dividend was declared and as at 31 December 2017 for the current reporting period.

**Dividend of 1.80pps was announced post 31 December 2017 and is included in this table due to its payment deriving from earnings in the period, confirming the Company’s previously stated commitment to smooth distributions over the reporting period.

***Carried forward amounts relate to full year end balances.

Report of the Investment Adviser (continued)

5. NAV and Valuation of the Portfolio

The Investment Adviser is responsible for advising the Directors in determining the Directors' Valuation and, when required, carrying out the fair market valuation of the Company's investments.

Valuations are carried out on a six monthly basis as at 31 December and 30 June each year and the Company has committed to procure a review of valuations by an independent expert not less than once every three years, with the most recent review completed by Ernst and Young for the year ending 30 June 2015.

As the portfolio comprises only non-market traded investments, the Investment Adviser has adopted valuation guidelines based upon the IPEV Valuation Guidelines as adopted by Invest Europe (formerly known as the European Venture Capital Association), application of which is considered consistent with the requirements of compliance with IAS 39 and IFRS 13.

Following consultation with the Investment Adviser, the Directors' Valuation adopted for the portfolio as at 31 December 2017 was £576.3m, compared to £573.4m as at 30 June 2017 and £531.1m as at 31 December 2016.

The table below shows a breakdown of the Directors' Valuations over the last three 6 month periods:

Valuation Component (£m)	Dec 17	Jun 17	Dec 16
Enterprise Value (Gross Portfolio DCF value)	568.5	558.6	510.5
Deduction of Project Co debt	-12.9	-13.2	-13.6
Projects at cost (amount invested)	6.3	5.0	25.0
Project Net Current Assets	14.4	23.0	9.2
Directors' Valuation	576.3	573.4	531.1

Further detail, as required, is outlined in the portfolio valuation movement section.

Key features impacting Directors' Valuation methodology

During the period there have been a number of key developments which have been considered in the Investment Adviser's recommendation to the Directors' Valuation:

- (i) A number of large scale operational portfolios have either been sold or brought to market. Notable sales to 31 December 2017 include EFG Hermes' 45% stake in the 365MWp TerraForm Power portfolio and Greencoat's 75MWp purchase of Baywa's remaining UK portfolio, with additional sales in January 2018 including the completion of Solarplicity's 135MWp portfolio to an undisclosed buyer and Magnetar's 350MWp portfolio to Rockfire Capital. As highlighted in previous reports, these acquirers are relatively new entrants to the UK market and continue to represent the availability of low cost capital, largely from pension fund investors;
- (ii) The Finance Bill received Royal Assent on 16 November 2017. As Action 4 (Corporate Interest restrictions) of BEPS was passed into law it confirmed, as of April 2017, that corporates would be restricted to the higher of net interest deductions of £2m, 30% of EBITDA, or its ratio of third party debt to EBITDA;
- (iii) Inflation continued to rise, with RPI achieving a 7 year peak in December 2017 of 4.1%, although predictions remain divided over whether further rises will occur in 2018;

Report of the Investment Adviser (continued)

- (iv) Notwithstanding some near term (1 to 2 year) upward movements in energy price forecasts, the latest long term forecast curves projected by our forecasters have fallen by c.7.8% compared to June 2017; reflecting revisions to coal closure dates, the volume of renewables and new interconnection capacity. To avoid sensitivity to a single forecast in a volatile market, the Investment Adviser averages data from two leading forecasters.

Discounting Methodology and Discount Rate

The Directors' Valuation is based upon referencing comparable market transactions and discounting of the net, unlevered, project cash flows of each investment held by the Company, through BSIFIL, irrespective of whether the investment has project leverage or not.

The discount rate applied on the project cash flows is therefore the WACC.

This approach of discounting the unlevered cash flows with a WACC is consistent with the approach taken in every previous Directors' Valuation and is intended to avoid asset valuations being distorted by different debt sizing or amortisation profiles.

Having discounted the unlevered project cash flows, to establish a 'willing buyer – willing seller' enterprise valuation or 'EV', project level debt (if any) is then deducted along with additions of projects at cost and period end working capital to establish the 'Directors' Valuation' of the portfolio.

It is notable that of the 46 SPVs held by the Company, only one (Project Durrants) has asset level debt (being £12.9m at the financial period end).

In June 2017, as a result of increasing competition within the UK solar market, the Board noted that a sustained trend had now emerged with respect to the £/MWp for large scale portfolios, the most notable example of which was EFG Hermes' purchase of TerraForm's 365MW portfolio for an EV of £1.29m/MWp in December 2016.

Consequently, the Board deemed it necessary, under the 'willing buyer-willing seller' methodology, that the valuation of the Company's portfolio be prudently benchmarked on £/MWp basis against these comparable portfolio transactions.

While the period to 31 December 2017 has continued to see high levels of competition for large scale portfolios, the Board believes it appropriate to maintain a prudent benchmarking approach, on £/MWp basis, in respect of the interim valuation of the BSIF portfolio.

By valuing the portfolio at an EV of £568.5m, and an effective price of £1.29m/MWp, the Board has conservatively achieved this aim. On this basis, the WACC discount rate of 6.15%, applied in June 2017, has been reduced by 0.25% to 5.90%.

For completeness, following Royal Assent of the Finance Bill on 16 November 2017, this discount rate now incorporates a tax shield based on interest deductions relating to both the Company's external and, as permitted, inter-company loans (See section below on Impact of Finance Bill 2017 for more detail.)

The equity discount rate implied by the Directors' Valuation is 7.02% (down from 7.43% in June 2017), and is derived only from third party leverage of 32%, based on the Company's GAV as at 31 December 2017 of £612.4m*, and an increase in the tax shield following inclusion of interest deductions with respect to the Company's current balance of Eurobonds (c.£80m).

Applying this equity discount rate of 7.02% to the equity forecast cashflows of the portfolio (after tax deductions) gives rise to the same resulting NAV as the WACC methodology and is intended to assist in the benchmarking of the Company's valuation within the sector.

* GAV is the aggregation to the portfolio's DCF value, project Durrants' outstanding debt and the working capital balances from the portfolio and BSIFIL.

Report of the Investment Adviser (continued)

The equity discount rate implies that the future cash flows of the Company, based upon the conservative assumption of a zero terminal value after 25 years, are expected to deliver a c.7.0% gross annualised return on today's NAV.

This attractive return level is indicative of the strong return characteristics of the solar sector and highlights the strong expected equity cash flow performance of the Company through its high performing portfolio, attractively priced long term debt (as set out in the section on Debt Financing below) and tax shield assumptions based on prevailing legislation.

The DCF has been applied on an asset portfolio with an average assumed operational life of 25 years from commissioning. The Board has elected not to adopt a longer assumed life, even for assets with extended lease or planning permission at this early stage in the life of the portfolio.

Nevertheless, the Investment Adviser is carrying out an active programme of asset life extension through planning and lease amendments and this may justify use of a longer asset life in the future.

Consistent with the previous financial year, the Board has adopted an assumed RPI of 2.75% throughout the assumed asset life (including from 2019 onwards). This inflation rate was increased in December 2016 following a revision of market expectations.

Impact of Finance Bill 2017 - Base Erosion and Profit Shifting

In September 2016 the Company secured an 18 year, fully amortising finance facility of £187m (at a fixed rate of 2.875% on £121.5m and 0.7% over RPI on £65.5m) from Aviva Investors.

Directors' Valuations since this point have incorporated the benefit of tax shielding from this long term debt profile and, consistent with all valuations from previous periods, assumed tax shield only from external third parties.

No net tax shielding has previously been assumed from intercompany loans within the group.

The average EBITDA interest tax shield from this long term debt equates to 7.2% over the life, being 15.0% in 2018 and falling thereafter with amortisation of the debt.

However, with Royal Assent of the Finance Bill occurring in November 2017, the Company has moved to include interest shielding from c.£80m of intercompany loans (Eurobonds) between BSIF and BSIFIL within its 31 December 2017 valuation.

The average EBITDA interest tax shield from this combination of third party long term debt and inter-company debt equates to 18.5% over the life, being 27.1% in 2018 and falling thereafter with amortisation of the debt and remains conservative with respect to the 30% level permitted under the fixed ratio test of the corporate interest restriction rules.

Report of the Investment Adviser (continued)

Power Price

As with Directors' valuations since 31 December 2016, the Directors have continued to adopt an equal blend of the forecasts from the two leading independent forecasters for the period to 31 December 2017, with the table below outlining the valuation range over the last three valuation cycles, resulting from applying each forecaster individually.

Forecaster	Portfolio Enterprise Value (£m)		
	Dec 17	Jun 17	Dec 16
Leading independent power forecaster 1*	566.1	553.9	500.5
Equal blending of leading independent power forecasts	568.5	558.6	510.5
Leading independent power forecaster 2	570.9	563.7	520.4

* Forecaster used in all BSIF valuations to date

The blended forecast used within the latest Directors' Valuation is based on forecasts released in November 2017 (forecaster 1) and December 2017 (forecaster 2) and implies an annualised growth in real power prices over the 25 year forecast of 1.10%.

The DCF for each project applies the contractually fixed power price applicable to each solar PV asset until the end of the fixed period and, thereafter, the blended independent forecast price. As in previous valuation cycles, the short term pricing within the energy price forecast used was compared by the Investment Adviser to PPA prices achievable in the market for its solar assets and was considered to reflect the market without discount or premium.

Plant Performance

During the period a further 4 plants completed and passed FAC testing. This process triggered the end of performance related EPC warranties and, in the context of the valuation approach, marks the first point at which long term performance can be adopted within the future cash flows of the project.

The number of projects now being valued on an operational PR basis is 11 (7 assets in June 2017) and whilst there has been a slight reduction in value terms due to minor swings in operational PRs over the reporting period, the Investment Adviser is pleased to confirm that the average operational PR for these plants is 84.3%.

This represents an uplift of 0.9% over warranted levels previously assumed within the Directors' Valuation as well as the possibility of future valuation uplifts as more plants move through the FAC process and switch to operational PRs.

Consistent with the valuation approach taken in previous periods, the Directors' Valuation does not amend long term plant performance forecasts based upon short term performance while the plants remain within the warranty period and subject to outstanding contractual testing obligations.

Other Cash flow Assumptions

No material changes have been made regarding regulatory revenue or cost assumptions.

Report of the Investment Adviser (continued)

NAV movement

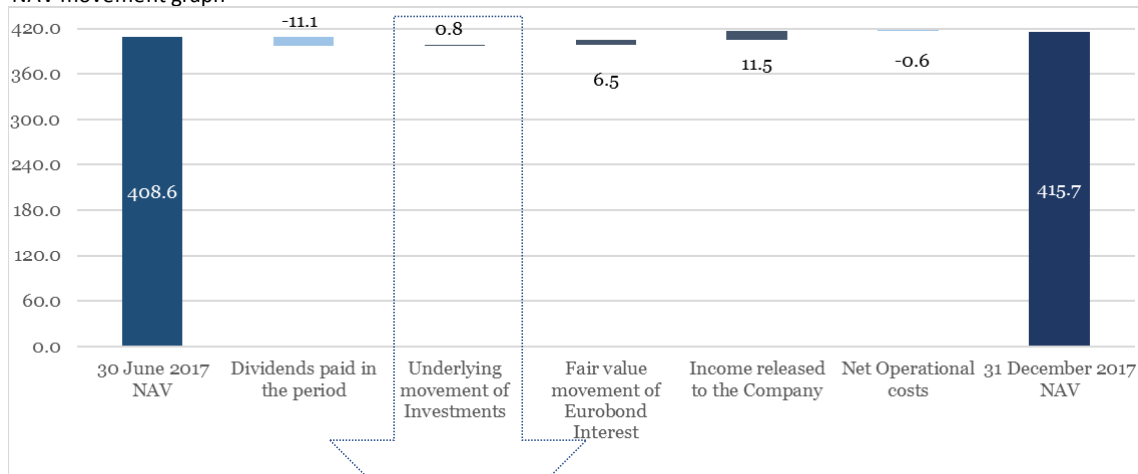
In the period, the Company paid total dividends of £11.1m, being 3.00pps in total for the third and fourth interim dividends in respect of the year ended 30 June 2017 (when combined with the earlier interim dividends, these provided a total dividend in the 2016/17 financial year of 7.25pps).

Over the period the Company's NAV has increased by £7.1m, from £408.6m as at 30 June 2017 to £415.7m as at 31 December 2017. Adjusting the 30 June 2017 NAV of £408.6m for the dividends paid in the period (£11.1m), results in an uplift in the NAV of the Company during the period of £18.2m, or 4.4% and 5.2% on a share price basis.

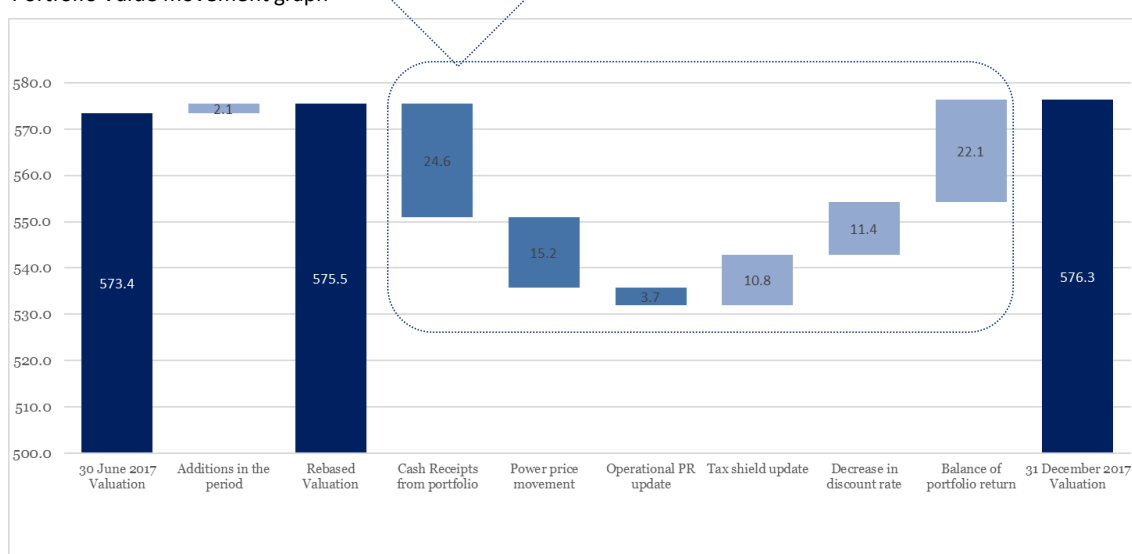
A breakdown in the movement of the NAV (£m) of the Company over the period and how this interacts with the movement in the valuation of the portfolio is illustrated in the charts below.

In February 2018, the Company paid a first interim dividend for 2017/18 financial year of 1.80pps and is expecting to pay three further dividends in respect of the current financial year of similar magnitude with the fourth dividend inclusive of a small balancing payment to meet the Company's 2017/18 dividend target of 7.43pps.

NAV movement graph



Portfolio Value movement graph



Report of the Investment Adviser (continued)

Directors' Valuation movement

	(£m)	(£m)	As % of rebased valuation
30 June 2017 Valuation		573.4	
New Investments (BSIF equity)	2.1		
Re-based Valuation		575.5	
Cash receipts from portfolio	-24.6		-4.3%
Power Price Movement	-15.2		-2.6%
Operational PR Update	-3.7		-0.6%
Tax shield Update	10.8		1.9%
Decrease in discount rate	11.4		2.0%
Balance of portfolio return	22.1		3.8%
31 December 2017 Valuation		576.3	0.2%

Each movement between the rebased valuation and the 30 June 2017 valuation is considered in turn below:

Cash receipts from the Portfolio

This movement reflects the cash payments made from the underlying project companies up to BSIFIL and the Company to enable the companies to settle operating costs and distribution commitments as they fall due within the period.

Power Price Movement

The Company's two independent forecasters released updated forecasts in November and December 2017 and these have been applied to the Directors' Valuation. The impact of adopting an equal blend of two independent forecasters as well as the latest power price fixes, against power price expectations applied in the 30 June 2017 valuation, results in a decrease of £15.2m.

Operational PR update

The slight decrease in value from 30 June 2017 reflects updates to operational PRs for period to 31 December 2017 for plants that have passed FAC.

Tax shield update

Following approval of the Finance Bill in November 2017, the Company has increased the level of tax shielding by including interest relief on a subset of its intercompany loans. This change results in an average EBITDA shield of 18.5%, over the life of the assets, compared to the permitted limit of 30% of EBITDA under the fixed ratio test of the corporate interest restriction rules.

This is a change to prior valuations where the Company had been factoring in only the tax shield from third party loans held with Aviva Investors (c.£180m at portfolio level) and Bayern Landesbank (c.£13m at project level).

The shielding on these third party loans equates to c.15% of EBITDA for 2018, and c.7% across the life of the loans.

Report of the Investment Adviser (continued)

Decrease in discount rate

The reduction of the WACC from 6.15% as 30 Jun 2017 to 5.90% as at 31 December 2017 reflects the continued pricing tension within the UK solar market and results in an increase of £11.4m to the 31 December 2017 valuation.

Balance of Portfolio Return

The balance of portfolio return is the contribution from the unwinding of the discount rate.

Other Assumptions

Consistent with previous Directors' Valuations, the valuation assumes a terminal value of zero for all projects within the portfolio 25 years after their commencement of operation.

There have been no material changes to assumptions regarding the future performance or cost optimisation of the portfolio when compared to the Directors' Valuation of 30 June 2017.

On the basis of these key assumptions, the Board believes there remains further potential for NAV enhancement based upon long term proof of plant performance and through the potential for future extensions of asset life.

The assumptions set out in this section will remain subject to review by the Investment Adviser and the Board and may give rise to a revision of valuation approach in future reports.

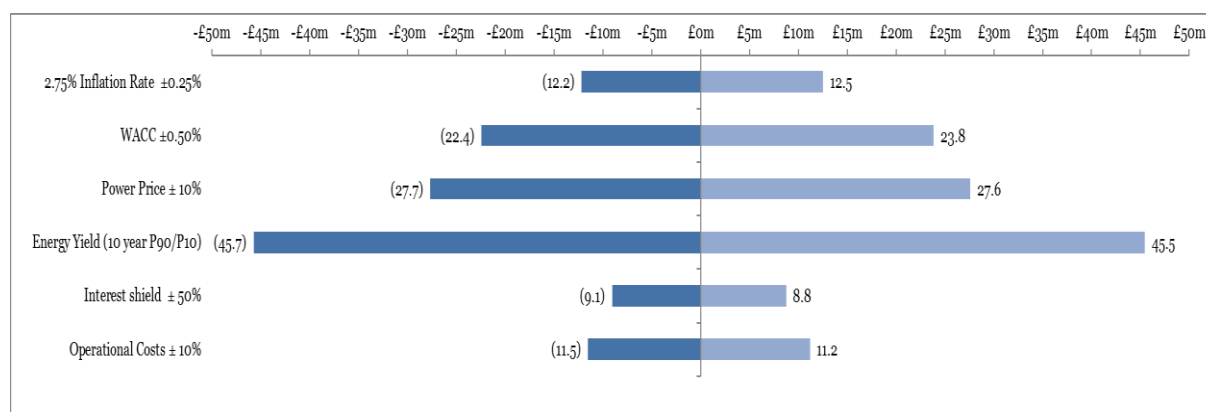
Reconciliation of Directors' Valuation to Statement of Financial Position

Category	Balance at Period / Year End		
	31 December 2017 (£m)	30 June 2017 (£m)	31 December 2016 (£m)
Directors' Valuation	576.3	573.4	531.1
BSIFIL Working Capital	23.2	15.9	17.4
BSIFIL Third Party Debt	(184.6)	(186.0)	(184.9)
Financial Assets at Fair Value per Balance sheet	414.9	403.3	363.6

Following the adoption of IFRS 10 and the Company's move to presenting its results on a non-consolidated basis, rather than consolidating its immediate subsidiary BSIFIL, the above table serves to aid the reader in reconciling the Directors' Valuation to the relevant line on the Statement of Financial Position.

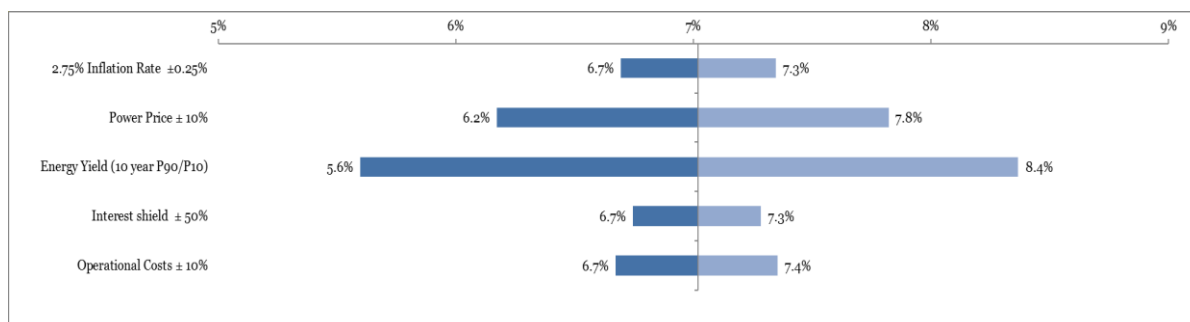
Directors' Valuation sensitivities

Valuation sensitivities are set out in tabular form in Note 7 of the financial statements. The following diagram reviews the sensitivity of the closing valuation to the key assumptions underlying the discounted cash flow valuation.



Report of the Investment Adviser (continued)

Furthermore, the chart below, which is based on the NAV as at 31 December 2017 of £415.7m, sets out the expected 25 year return (with a zero terminal value) of the Company's equity cash flows and indicates the robust nature of returns from solar cash flows, which results from the high proportion of regulated, RPI indexed, revenues.



Equity return upside may be achieved based on higher than base case power prices or additional tax shield, while the real returns remain robust in all inflation scenarios due to the carefully designed debt package with indexed and fixed rate components and RPI indexed revenues.

Apart from the energy yield, for which the portfolio has delivered consistent operational outperformance year on year, the greatest return sensitivity is to power prices.

Notwithstanding sensitivity to power prices, even in the downside scenario the Company's returns continue to offer a significant premium to gilt rates.

Report of the Investment Adviser (continued)

6. Financing

Aviva Investors Long Term Facility

The LTF is provided by Aviva Investors in two tranches. The first is a £121.5m fixed-rate long term facility and the second is a £65.5m index-linked long term facility.

Loan	Amount	Tenor	No Refinancing Risk	Cost	Weighted average Loan Life at inception (Sep 16)	Interest rate exposure during 18 year tenor
Fixed	£121.5m	18 years and 3 months	Fully amortising over 18 years sculpted to cash flows	All in cost of 287.5bps	10.6	Zero
Index-Linked	£65.5m	18 years and 3 months	Fully amortising over 18 years sculpted to cash flows	RPI plus 0.70%	11.3	Linked to RPI

Both tranches are fully amortising over 18 years, providing natural alignment with the average remaining life of the Company's regulated revenues, eliminating refinancing risk as well as insulating the Company's equity cash flows from significant principal repayments in the final years of the facility when the contribution of revenue from power is increased.

During the period principal repayments of £6.9m, combined with indexation increases of £2.8m, resulted in a total outstanding balance to Aviva Investors as at 31 December 2017 of £180.2m (Fixed £115.3m, Index linked, £64.9m).

The LTF is held by the Company's wholly owned subsidiary, BSIFIL, and is the result of a deliberate structuring approach to maximise both transparency and portfolio management flexibility, whilst also delivering the lowest cost of capital in our sector (as at 31 December 2017, the blended debt cost of the facilities was 3.7%).

Thanks to the prudent leverage (32% of GAV as at 31 December 2017) on the Company's base case projections the average DSCR remains close to 3 times, with the lowest point of coverage over the entire tenor projected to be in excess of 2.5x.

RBS Revolving Credit Facility

The Company's RCF is provided by RBS to BSIFIL and has a current maturity date of September 2019 and a constant margin of 2.0% over LIBOR.

As at 31 December 2017 the Company had drawn down £4.4m, leaving available capital of £25.6m.

Both the new RCF and the LTF are secured upon a selection of the Company's investment portfolio and offer the ability to substitute reference assets.

Project level debt

In addition to the LTF and the three year RCF, the Company also has a small project finance loan of £12.9m secured against project Durrants (a 5MWp FiT plant located on the Isle of Wight).

This facility was provided by Bayern Landesbank and is fully amortising with a final maturity of 2029.

Report of the Investment Adviser (continued)

7. Market Developments

The UK's total installed solar capacity reached 12.6GWp* as of 31 December 2017 .

Capacity accredited under the RO Scheme stood at 7GWp, representing more than 50% of total solar capacity, but only 2% of the number of installations implying a high concentration of generation in industrial scale sites. About 25% of all operational capacity are projects sized 50kWp to 5MWp and circa one third are larger than 5MWp but smaller than 25MWp.

Capacity accredited under the FiT was 4.7GWp, equivalent to about 38% of total solar capacity and 86% of all installations.

The primary PV market in the UK has ended following the closure of the RO scheme in April 2017. In the second half of 2017, about 175MWp of capacity was added to the grid, with new plants mainly ranging from 50kWp to 25MWp. With 447MWp under management, the Company continues to maintain its strong position within the UK solar market as one of the largest solar asset owners by December 2017, operating about 5.7% of the country's total installed PV capacity.

The booming secondary market from the first half of 2017 continued into the second half and showed a notable increase in activity compared to 2016.

The Company's policy is that it will acquire only assets that it believes are accretive to shareholders' returns.

8. Regulatory Environment

Closure of Renewables Obligation

As per the regulatory decision of the UK Department BEIS, the RO scheme closed for new projects on 1 April 2017. The deadline caused a rush to commission new projects in the first quarter of 2017 with a total of 700MWp becoming operational in those three months alone. Since then, the new build market has collapsed and only 90MWp of new capacity has been installed since March 2017.

Update on Contracts for Differences

On 11 October 2017, the UK government announced new CfD rounds to be scheduled in 2019. The total budget of up to £557m in subsidies will again be restricted to offshore wind and other "less mature technologies". This means there will be no new government support for solar power until at least the end of the decade.

Subsidy free PV

The lack of supportive regulations means that any new projects will have to be delivered on a subsidy free basis. The economics of solar have improved significantly over the last few years as a result of falling equipment prices, while at the same time being hampered by weakening power prices. Although there are signs of subsidy-free projects emerging, the Company believes grid parity for the technology has not yet been reached, but it will continue to monitor opportunities on the primary market.

*Source: BEIS

Report of the Investment Adviser (continued)

9. Environmental, Social and Governance

As a solar energy infrastructure investor, the Investment Adviser is conscious of the Company's environmental and social impact. The production of renewable energy equates to a significant amount of CO₂ emissions saved, representing a sustainable and ethical investment. However, the Investment Adviser also considers its impact on the biodiversity and the local community surrounding its assets.

Responsible Investment

The Investment Adviser is committed to the United Nations Principles for Responsible Investment. With this pledge our commitment towards sustainable and ethical investment is formalised.

Environmental Impact

Approximately 25 acres of land are required for every 5MWp of installation, enough to power 1,515 homes based on average annual consumption figures for a house of 3,300kWh of electricity (source DECC, Ofgem). For every 5MWp installed, this is an annual saving of 2,150 tonnes of CO₂.

Based on these figures, the portfolio capacity of 446.5MWp as at 31 December 2017 will power the equivalent of 135,288 homes and save 191,995 tonnes of CO₂ in a year.

Biodiversity

During the period the Investment Adviser completed a benchmarking study of the biodiversity enhancement measures implemented on the Company's large scale assets. Results showed that across three major measures; wildflower meadow creation, native tree and hedgerow planting and creation of habitat to support local wildlife (eg bat boxes, bird boxes, beehives) the majority of plants had benefited from enhancements in at least two of these areas and that all plants had received enhancement in at least one area.

During the current calendar year, the Investment Adviser is working towards ensuring all remaining plants benefit from biodiversity enhancements covering at least two of the three major measures listed above. It is important to note that these proposed additional enhancement measures will be based on the individual natural ecosystems and will be using indigenous species.

In addition to the above we are looking to collaborate with local wildlife trusts to further enhance the presence of native local species in and around the solar parks.

Sheep Grazing

Many sites within the portfolio support sheep grazing, illustrating that solar farms can support farming and are also a cost effective way of managing grassland in solar farms while increasing its conservation value. Where possible the Investment Adviser facilitates the introduction of sheep grazing on the existing and newly acquired assets.

Community Benefits

The Investment Adviser supports community benefit schemes across its portfolio, assisting in the support and development of the local communities surrounding the asset sites. Over the period to 31 December 2017, the portfolio assets made donations of £101,600 to community benefit schemes for local councils and parishes for charitable, educational, environmental, amenity or other appropriate purposes within the areas of the community.

Bluefield Partners LLP

26 February 2018

Statement of Principal Risks and Uncertainties for the Remaining Six Months of the year to 30 June 2018

As described in the Company's annual financial statements as at 30 June 2017, the Company's principal risks and uncertainties include the following:

- Portfolio acquisition risk;
- Portfolio operational risk;
- Valuation error;
- Depreciation of NAV;
- Unfavourable weather and climate conditions;
- Unfavourable electricity market conditions;
- Changes in tax regime;
- Changes to government plans, and
- Political risk.

The Board believes that these risks are unchanged in respect of the remaining six months of the year to 30 June 2018.

Further information in relation to these principal risks and uncertainties may be found on pages 24 to 28 of the Company's annual financial statements as at 30 June 2017.

These inherent risks associated with investments in the solar energy sector could result in a material adverse effect on the Company's performance and value of Ordinary Shares.

Risks are mitigated and managed by the Board through continual review, policy setting and regular reviews of the Company's risk matrix by the Audit Committee to ensure that procedures are in place with the intention of minimising the impact of the above mentioned risks. The Board carried out a formal review of the risk matrix at the Audit Committee meeting held on 20 February 2018. The Board relies on periodic reports provided by the Investment Adviser and Administrator regarding risks that the Company faces. When required, experts will be employed to gather information, including tax advisers, legal advisers, and environmental advisers.

Directors' Statement of Responsibilities

The Directors are responsible for preparing the Interim Report and Unaudited Condensed Interim Financial Statements in accordance with applicable regulations. The Board confirms that to the best of their knowledge:

- the Unaudited Condensed Interim Financial Statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union; and
- the interim management report which includes the Chairman's Statement, Report of the Investment Adviser and Statement of Principal Risks and Uncertainties for the Remaining Six Months of the year to 30 June 2018 include a fair review of the information required by:
 - a. DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the Unaudited Condensed Interim Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
 - b. DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place during the first six months of the financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, and for the preparation and dissemination of financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

John Rennocks

Chairman

26 February 2018

Independent Review Report to Bluefield Solar Income Fund Limited

Conclusion

We have been engaged by Bluefield Solar Income Fund Limited (the “Company”) to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2017 of the Company which comprises the unaudited condensed statement of financial position, unaudited condensed statement of comprehensive income, unaudited condensed statement of changes in equity, unaudited condensed statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2017 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules (“the DTR”) of the UK’s Financial Conduct Authority (“the UK FCA”).

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Independent Review Report to Bluefield Solar Income Fund Limited (continued)

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement letter to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Rachid Frihmat
for and on behalf of KPMG Channel Islands Limited
Chartered Accountants, Guernsey
26 February 2018

Unaudited Condensed Statement of Financial Position

As at 31 December 2017

	Note	31 December 2017 Unaudited £	30 June 2017 Audited £
ASSETS			
Non-current assets			
Financial assets held at fair value through profit or loss	7	414,874,321	403,339,287
Total non-current assets		414,874,321	403,339,287
Current assets			
Trade and other receivables	8	981,225	625,717
Cash and cash equivalents	9	143,795	4,980,341
Total current assets		1,125,020	5,606,058
TOTAL ASSETS		415,999,341	408,945,345
LIABILITIES			
Current liabilities			
Other payables and accrued expenses	10	348,073	337,090
Total current liabilities		348,073	337,090
TOTAL LIABILITIES		348,073	337,090
NET ASSETS		415,651,268	408,608,255
EQUITY			
Share capital		367,934,730	367,934,730
Other reserves		77,660	77,660
Retained earnings		47,638,878	40,595,865
TOTAL EQUITY	12	415,651,268	408,608,255
Number of Ordinary Shares in issue at period/year end	12	369,811,281	369,811,281
Net Asset Value per Ordinary Share (pence)	6	112.40	110.49

These unaudited condensed interim financial statements were approved and authorised for issue by the Board of Directors on 26 February 2018 and signed on their behalf by:

John Rennocks
Chairman
 26 February 2018

The accompanying notes form an integral part of these unaudited condensed interim financial statements.

Unaudited Condensed Statement of Comprehensive Income

For the six months ended 31 December 2017

	Note	Six months ended 31 December 2017 Unaudited £	Six months ended 31 December 2016 Unaudited £
Income			
Income from investments	4	340,411	245,590
Interest income from cash and cash equivalents		2,600	8,928
		343,011	254,518
Net gains on financial assets held at fair value through profit or loss	7	18,404,433	40,649,305
Operating income		18,747,444	40,903,823
Expenses			
Administrative expenses	5	610,092	561,185
Operating expenses		610,092	561,185
Operating profit		18,137,352	40,342,638
Total comprehensive income for the period		18,137,352	40,342,638
Attributable to:			
Owners of the Company		18,137,352	40,342,638
Earnings per share:			
Basic and diluted (pence)	11	4.90	12.15

All items within the above statement have been derived from continuing activities.

The accompanying notes form an integral part of these unaudited condensed interim financial statements.

Unaudited Condensed Statement of Changes in Equity

For the six months ended 31 December 2017

	Note	Number of Ordinary Shares	Share capital £	Other reserves £	Retained earnings £	Total equity £
Shareholders' equity at 1 July 2017		369,811,281	367,934,730	77,660	40,595,865	408,608,255
Dividends paid	12,13	-	-	-	(11,094,339)	(11,094,339)
Total comprehensive income for the period		-	-	-	18,137,352	18,137,352
Shareholders' equity at 31 December 2017		369,811,281	367,934,730	77,660	47,638,878	415,651,268

For the six months ended 31 December 2016

		Number of Ordinary Shares	Share capital £	Other reserves £	Retained earnings £	Total equity £
Shareholders' equity at 1 July 2016		309,631,765	307,985,091	167,201	(399,754)	307,752,538
Shares issued during the period:						
60,000,000 Ordinary Shares issued via placing	60,000,000	60,600,000	-	-	60,600,000	
Ordinary Shares issued in settlement of variable fee	179,516	167,201	(167,201)	-	-	
Share issue costs	-	(794,290)	-	-	(794,290)	
Dividends paid	-	-	-	(19,351,986)	(19,351,986)	
Total comprehensive income for the period	-	-	-	40,342,638	40,342,638	
Shareholders' equity at 31 December 2016		369,811,281	367,958,002	-	20,590,898	388,548,900

The accompanying notes form an integral part of these unaudited condensed interim financial statements.

Unaudited Condensed Statement of Cash Flows

For the six months ended 31 December 2017

		Six months ended 31 December 2017 Unaudited £	Six months ended 31 December 2016 Unaudited £
	Note		
Cash flows from operating activities			
Total comprehensive income for the period		18,137,352	40,342,638
Adjustments:			
(Increase) / decrease in trade and other receivables		(355,508)	237,809
Increase / (decrease) in other payables and accrued expenses		10,983	(5,707)
Net gains on financial assets held at fair value through profit or loss	7	(18,404,433)	(40,649,305)
Net cash used in operating activities		(611,606)	(74,565)
Cash flows from investing activities			
Purchase of financial assets held at fair value through profit or loss	7	(4,320,601)	(36,147,000)
Receipts from unconsolidated subsidiary	7	11,190,000	18,891,016
Net cash used in investing activities		6,869,399	(17,255,984)
Cash flow from financing activities			
Proceeds from issue of Ordinary Shares	12	-	60,600,000
Issue costs paid	12	-	(794,290)
Dividends paid	12,13	(11,094,339)	(19,351,986)
Net cash generated from financing activities		(11,094,339)	40,453,724
Net (decrease) / increase in cash and cash equivalents		(4,836,546)	23,123,175
Cash and cash equivalents at the start of the period		4,980,341	1,780,681
Cash and cash equivalents at the end of the period	9	143,795	24,903,856

The accompanying notes form an integral part of these unaudited condensed interim financial statements.

There were significant non cash transactions in the period ended 31 December 2017 which are disclosed in notes 7 and 15.

Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 31 December 2017

1. General information

The Company is a non-cellular company limited by shares, incorporated in Guernsey under the Law on 29 May 2013. The Company's registration number is 56708, and it is regulated by the GFSC as a registered closed-ended collective investment scheme.

The investment objective of the Company is to provide shareholders with an attractive return, principally in the form of dividends, by investing via SPVs in a portfolio of large scale UK based solar energy infrastructure assets.

The Company has appointed Bluefield Partners LLP as its Investment Adviser.

2. Accounting policies

a) Basis of preparation

The financial statements, included in this interim report, have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the EU and the DTR. These financial statements comprise only the results of the Company as all of its subsidiaries are measured at fair value as explained in Note 2.c. The accounts have been prepared on a basis that is consistent with accounting policies applied in the preparation of the Company's annual financial statements for 30 June 2017.

These financial statements have been prepared under the historical cost convention with the exception of financial assets held at fair value through profit or loss and in accordance with the provisions of the DTR.

These financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended 30 June 2017, which were prepared under full IFRS requirements as adopted by the EU and the DTRs of the UK FCA.

Seasonal and cyclical variations

Although the bulk of the Company's generation occurs during the summer months when the days are longer, the Company's results do not vary significantly during reporting periods as a result of seasonal activity.

b) Going concern

The Directors in their consideration of going concern, have reviewed comprehensive cash flow forecasts prepared by the Investment Adviser, future projects in the pipeline and the performances of the current solar plants in operation and, at the time of approving these financial statements, have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months and do not consider there to be any threat to the going concern status of the Company.

Notes to the Unaudited Condensed Interim Financial Statements (continued)

For the six months ended 31 December 2017

2. Accounting policies (continued)

b) Going concern (continued)

An additional factor which the Board has considered is the discontinuation vote which will be put to shareholders at the AGM to be held in November 2018. The Board cannot predict what the outcome of the discontinuation vote will be but have no present indication that the vote will not be positive given the Company's performance, feedback from shareholders and dividend payment history. In making the going concern disclosure, the Board has assumed that the Company will continue to operate beyond the discontinuation vote in its present form until at least the end of March 2019 as this is the most likely date at which, given the illiquid nature of the Company's assets, any restructuring proposal would be put to shareholders in the unlikely event that the discontinuation vote was passed.

The Directors have concluded that it is appropriate to adopt the going concern basis of accounting in preparing these financial statements.

c) Accounting for subsidiaries

The Board considers that both the Company and BSIFIL are investment entities. In accordance with IFRS 10, all subsidiaries are recognised at fair value through profit and loss.

d) Segmental reporting

IFRS 8 'Operating Segments' requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

The Board, as a whole, has been determined as constituting the chief operating decision maker of the Company. The key measure of performance used by the Board to assess the Company's performance and to allocate resources is the total return on the Company's NAV, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in these financial statements.

For management purposes, the Company is engaged in a single segment of business, being investment in UK solar energy infrastructure assets via SPVs, and in one geographical area, the UK.

e) Fair value of subsidiary

The Company holds all of the shares in the subsidiary, BSIFIL, which is a holding vehicle used to hold the Company's investments. The Directors believe it is appropriate to value this entity based on the fair value of its portfolio of SPV investment assets held plus its other assets and liabilities. The SPV investment assets held by the subsidiary, inclusive of their intermediary holding companies, are valued semi-annually as described in Note 7 are based on referencing comparable transactions supported by discounted cash flow analysis and are referred to as the Directors' Valuation.

Notes to the Unaudited Condensed Interim Financial Statements (continued)

For the six months ended 31 December 2017

3. Critical accounting judgements, estimates and assumptions in applying the Company's accounting policies

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

The area involving a high degree of judgement or complexity or area where assumptions and estimates are significant to the financial statements has been identified as the valuation of the portfolio of investments held by BSIFIL (see Note 7).

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

As disclosed in Note 7, the Board believes it is appropriate for the Company's portfolio to be benchmarked on a £m / MWp basis against comparable portfolio transactions and on this basis the WACC discount rate of 6.15% (as applied in June 2017) has been lowered to 5.90%.

Additionally, with Royal Assent of the Finance Bill occurring in November 2017, the Company has moved to include interest shielding from c.£80m of intercompany loans (Eurobonds) between BSIF and BSIFIL within its 31 December 2017 valuation. The average EBITDA interest tax shield from a combination of third party long term debt and inter-company Eurobond debt equates to 18.5%.

4. Income from investments

	Six months ended 31 December 2017	Six months ended 31 December 2016
	£	£
Monitoring fee in relation to loans supplied	340,411	245,590
	340,411	245,590

The Company provides monitoring and loan administration services to BSIFIL for which an annual fee is charged and is payable in arrears.

Notes to the Unaudited Condensed Interim Financial Statements (continued)

For the six months ended 31 December 2017

5. Administrative expenses

	Six months ended 31 December 2017	Six months ended 31 December 2016
	£	£
Investment advisory base fee (see Note 14)	152,362	131,395
Legal and professional fees	57,438	53,455
Administration fees (see Note 14)	148,886	118,720
Directors' remuneration (see Note 14)	82,800	80,213
Audit fees	43,460	50,466
Non-audit fees	15,500	15,000
Broker fees	25,147	26,392
Regulatory Fees	20,443	18,724
Registrar fees	21,016	16,471
Insurance	4,376	4,021
Listing fees	6,638	5,820
Other expenses	32,026	40,508
	610,092	561,185

6. Net Asset Value per Ordinary Share

The calculation of NAV per Ordinary Share is arrived at by dividing the total net assets of the Company as at the unaudited condensed statement of financial position date by the number of Ordinary Shares of the Company at that date.

7. Financial assets held at fair value through profit or loss

	31 December 2017 Total £	30 June 2017 Total £
Opening balance (Level 3)	403,339,287	305,722,500
Addition – funds passed to BSIFIL	4,320,601	55,500,000
Addition – acquisition of Eurobonds	76,565,712	-
Disposal – de-recognition of loans	(76,565,712)	-
Change in fair value	7,214,433	42,116,787
Closing balance (Level 3)	414,874,321	403,339,287

Investments at fair value through profit or loss comprise the fair value of the investment portfolio, which is valued semi-annually by the Directors, and the fair value of BSIFIL, the Company's single, direct subsidiary being its cash, working capital and debt balances. A reconciliation of the investment portfolio value to financial assets at fair value through profit and loss shown on the Statement of Financial Position is shown below.

Notes to the Unaudited Condensed Interim Financial Statements (continued)

For the six months ended 31 December 2017

7. Financial assets held at fair value through profit or loss (continued)

	31 December 2017 Total £	30 June 2017 Total £
Investment portfolio, Directors' Valuation	576,334,070	573,361,486
BSIFIL		
Cash	19,628,255	14,121,967
Working capital	3,538,950	1,848,655
Debt	(184,626,953)	(185,992,821)
	(161,459,749)	(170,022,199)
Financial assets at fair value through profit or loss	414,874,321	403,339,287

Analysis of net gains on financial assets held at fair value through profit or loss (per unaudited condensed statement of comprehensive income)

	Six months ended 31 December 2017 £	Six months ended 31 December 2016 £
Unrealised change in fair value of financial assets held at fair value through profit or loss	7,214,433	21,758,289
Cash receipts from unconsolidated subsidiary	11,190,000	18,891,016
Net gains on financial assets held at fair value through profit and loss	18,404,433	40,649,305

Fair value measurements

Financial assets and financial liabilities are classified in their entirety into only one of the following three levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 - inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The only financial instruments carried at fair value are the investments held by the Company, through BSIFIL, which are fair valued at each reporting date. The Company's investments have been classified within Level 3 as BSIFIL's investments are not traded and are valued using unobservable inputs.

Notes to the Unaudited Condensed Interim Financial Statements (continued)

For the six months ended 31 December 2017

7. Financial assets held at fair value through profit or loss (continued)

Transfers during the period

There have been no transfers between levels during the six months ended 31 December 2017.

Directors' Valuation methodology and process

The same valuation methodology and process for operational solar plants is followed in these financial statements as was applied in the preparation of the Company's financial statements for the year ended 30 June 2017. Solar plants under construction and not yet operational are valued at cost and exclude acquisition costs which are expensed in the period in which they are incurred.

The Directors have based the fair value of the investments in the SPVs held by BSIFIL on information received from the Investment Adviser. It is only the SPVs of BSIFIL, inclusive of their intermediary holding companies, that the Directors fair value (see Note 2.e). Fair value of operational SPVs is based on referencing comparable transaction basis supported by unleveraged, discounted cash flow analysis in accordance with the IPEV Valuation Guidelines. The Investment Adviser produces fair value calculations on a semi-annual basis as at 30 June and 31 December each year. However, in every third year the Board will have an external valuation performed by an experienced independent third party. Such an external valuation was undertaken by EY for the year ended 30 June 2015 and considered by the Board in determining the portfolio fair value at that date.

The Board has satisfied itself as to the Company's valuation policy, valuation methodology, discount rates and key assumptions applied.

The Board reviews and considers the recommendations of the Investment Adviser and/or an independent valuer to form an opinion of the fair value of the investments adopted by the Company. The discounted cash flow technique is applied in appraising each SPV's solar project when the underlying solar plants are fully operational. The key inputs to the discounted cash flow analysis are: the equity discount rate, interest rate, gearing level, length of debt, power price forecasts, inflation rate, irradiation forecasts and taxation. Original discount rates applied when the solar assets were first purchased could change due to factors such as a material change in long term inflation expectations or risk-free rates or a change in risk perception of solar assets or the regulation supporting solar assets. As a result, the discount rates are subjective and an alternative assumption may result in a different rate.

Judgement is used by the Board in arriving at the appropriate WACC used by the Company and is based upon referencing comparable market transactions on a £m / MWp basis and discounting of the net, unlevered, project cash flows of each investment held by the Company, through BSIFIL, irrespective of whether the investment has project leverage or not. On this basis the WACC discount rate of 6.15% (as applied in June 2017) has been lowered to 5.90%.

Additionally, with Royal Assent of the Finance Bill occurring in November 2017, the Company has moved to include interest shielding from c.£80m of intercompany loans (Eurobonds) between BSIF and BSIFIL within its 31 December 2017 valuation. The average EBITDA interest tax shield from a combination of third party long term debt and inter-company Eurobond debt equates to 18.5%.

Related revenue (for associated FiT and ROC benefits) and costs (for the construction and maintenance of the solar assets) may not stay constant in real terms over the life of the solar assets, due to inflation rates. The Company assumes an inflation rate of 2.75% (30 June 2017: 2.75%).

Consistent with the 30 June 2017 valuation, at 31 December 2017, the Board has adopted an equal blend of the forecasts of the two leading independent forecasters in order to smooth sensitivity of valuation to forecast timing or opinion taken by a single forecast.

Notes to the Unaudited Condensed Interim Financial Statements (continued)

For the six months ended 31 December 2017

7. Financial assets held at fair value through profit or loss (continued)

Directors' Valuation methodology and process (continued)

Long term irradiation forecasts based on a number of long term irradiation databases utilising both ground and satellite based measurements have been provided by a leading PV technical adviser in the UK market. The Investment Adviser has relied on this data and, where applicable, the performance ratio warranted by the contractors. Base energy yield assumptions are P50 (50% probability of exceedance) (30 June 2017: P50).

Sensitivity analysis

The table below analyses the sensitivity of the fair value of the Directors' Valuation to an individual input, while all other variables remain constant.

The Board considers the changes in inputs to be within a reasonable expected range based on their understanding of market transactions. This is not intended to imply that the likelihood of change or that possible changes in value would be restricted to this range.

Input	Change in input	Change in fair value of the Directors' Valuation £	Change in NAV per share (pence)
WACC (5.90%)	+0.5%	(22,400,000)	(6.06)
	-0.5%	23,800,000	6.44
Power prices (blended curve parallel shift)	+10%	27,600,000	7.46
	-10%	(27,700,000)	(7.49)
Inflation rate (2.75%)	+ 0.25%	12,500,000	3.38
	- 0.25%	(12,200,000)	(3.30)
Energy yield (P50)	10 year P90	(45,700,000)	(12.36)
	10 year P10	45,500,000	12.30
Interest shield (18.5%)	+50%	8,800,000	2.38
	-50%	(9,100,000)	(2.46)
Operational costs	+10%	(11,500,000)	(3.11)
	-10%	11,200,000	3.03

Notes to the Unaudited Condensed Interim Financial Statements (continued)

For the six months ended 31 December 2017

8. Trade and other receivables

	31 December 2017	30 June 2017
	£	£
Current assets		
Income from investments (see Note 4)	917,876	577,465
Interest receivable	149	842
Other receivables	15,000	10,000
Prepayments	48,200	37,410
	981,225	625,717

There are no other material past due or impaired receivable balances outstanding at the period end.

The Board considers that the carrying amount of all receivables approximates to their fair value.

9. Cash and cash equivalents

Cash and cash equivalents comprises cash held by the Company and short term bank deposits held with maturities of up to three months. The carrying amounts of these assets approximate their fair value.

10. Other payables and accrued expenses

	31 December 2017	30 June 2017
	£	£
Current liabilities		
Investment advisory fees	75,443	72,634
Administration fees	69,171	66,761
Audit fees	44,500	90,000
Other payables	158,959	107,695
	348,073	337,090

The Company has financial risk management policies in place to ensure that all payables are paid within the agreed credit period. The Board considers that the carrying amount of all payables approximates to their fair value.

11. Earnings per share

	Six months ended 31 December 2017	Six months ended 31 December 2016
Profit attributable to shareholders of the Company	£18,137,352	£40,342,638
Weighted average number of Ordinary Shares in issue	369,811,281	331,958,238
Basic and diluted earnings from continuing operations and profit for the period (pence)	4.90	12.15

Notes to the Unaudited Condensed Interim Financial Statements (continued)

For the six months ended 31 December 2017

12. Share capital and Other reserves

The authorised share capital of the Company is represented by an unlimited number of Ordinary Shares of no par value which, upon issue, the Directors may designate into such classes and denominated in such currencies as they may determine.

Share capital	Six months ended 31 December 2017 Number of Ordinary Shares	Year ended 30 June 2017 Number of Ordinary Shares
Opening balance	369,811,281	309,631,765
Shares issued for cash	-	60,000,000
Shares issued in respect of IA Variable fee	-	179,516
Closing balance	369,811,281	369,811,281

Shareholders equity	Six months ended 31 December 2017 £	Year ended 30 June 2017 £
Opening balance	408,608,255	307,752,538
Shares issued for cash	-	60,600,000
Shares to be issued in settlement of variable fee	-	77,660
Share issue costs	-	(817,562)
Dividends paid	(11,094,339)	(23,050,099)
Total comprehensive income	18,137,352	64,045,718
Closing balance	415,651,268	408,608,255

Dividends declared and paid in the period are disclosed in Note 13.

Rights attaching to shares

The Company has a single class of Ordinary Shares which are entitled to dividends declared by the Company. At any General Meeting of the Company each ordinary shareholder is entitled to have one vote for each share held. The Ordinary Shares also have the right to receive all income attributable to those shares and participate in dividends made and such income shall be divided pari passu among the holders of Ordinary Shares in proportion to the number of Ordinary Shares held by them.

Retained earnings

Retained earnings comprise of accumulated retained earnings as detailed in the statement of changes in equity.

Other reserves

Other reserves comprise of the variable element of the Investment Adviser's fee (£77,660) to be settled as equity. See Note 16.

Notes to the Unaudited Condensed Interim Financial Statements (continued)

For the six months ended 31 December 2017

13. Dividends

On 8 August 2017, the Directors declared a third interim dividend of £5,547,169, in respect of year ending 30 June 2017, equating to 1.50 pence per Ordinary Share (third interim dividend in respect of the year ending 30 June 2016: 1.50 pence), which was paid on 8 September 2017 to shareholders on the register on 18 August 2017.

On 18 September 2017, the Directors declared a fourth interim dividend of £5,547,170, in respect of year ending 30 June 2017, equating to 1.50 pence per Ordinary Share (fourth interim dividend in respect of the year ending 30 June 2016: 1.50 pence), which was paid on 27 October 2017 to shareholders on the register on 29 September 2017.

14. Related Party Transactions and Directors' Remuneration

In the opinion of the Directors, the Company has no immediate or ultimate controlling party.

Total administration fees incurred during the period amounted to £148,886 (31 December 2016: £118,720), of which £69,171 (30 June 2017: £66,761) was outstanding at the period end.

The total Directors' fees expense for the period amounted to £82,800 (31 December 2016: £80,213).

Remuneration paid to each Director is as follows:

	31 December 2017	31 December 2016
John Rennocks	28,550	27,664
Paul Le Page	19,950	19,355
Laurence McNairn	17,100	16,590
John Scott	17,200	16,604
	82,800	80,213

The number of Ordinary Shares held by each Director is as follows:

	31 December 2017	30 June 2017
John Rennocks*	316,011	446,713
Paul Le Page*	137,839	137,839
Laurence McNairn	441,764	441,764
John Scott	452,436	367,506
	1,348,050	1,393,822

*Includes shares held by PCAs.

John Scott and John Rennocks are Directors of BSIFIL. Mike Rand and James Armstrong, who are partners of the Investment Adviser, are also Directors of BSIFIL.

The Company and BSIFIL's investment advisory fees for the period amounted to £1,554,421 (31 December 2016: £1,413,633) of which £254,211 (30 June 2017: £259,047) was outstanding at the period end and is to be settled in cash. The payment of the investment advisory fee is split between the Company (10%) and the Company's immediate subsidiary, BSIFIL, (90%). The variable element of investment advisory fees of £77,660 earned in respect of the year ended 30 June 2017 was settled, post period end, through the issuance of shares on 9 January 2018 (see Note 16).

Fees paid during the period by SPVs to BSL, a company which has the same ownership as that of the Investment Adviser totalled £1,235,628 (31 December 2016: £759,636).

Notes to the Unaudited Condensed Interim Financial Statements (continued)

For the six months ended 31 December 2017

14. Related Party Transactions and Directors' Remuneration (continued)

Fees paid during the period by SPVs to BOL, a company which has the same ownership as that of the Investment Adviser totalled £87,269 (31 December 2016: £Nil).

The Company's shareholder loan monitoring fee income for the period, due from its direct holding company BSIFIL, amounted to £340,411 (31 December 2016: £245,590) of which £917,876 was outstanding at the period end (30 June 2017: £577,466).

15. Risk Management Policies and Procedures

As at 31 December 2017 there has been no change to financial instruments risk to those described in the financial statements of 30 June 2017 other than the replacement of loan facilities, totalling £76.6m, between the Company and BSIFIL with a Eurobond instrument listed on TISE on 12 July 2017. Further Eurobond certificates were issued by BSIFIL on 22 November 2017 for £2.4m and 20 December 2017 for £1.9m. The Eurobonds attract fixed interest of 6.75% and mature in 2041.

16. Subsequent events

Post period end, on 8 January 2018, the Board declared its first interim dividend, in respect of year ending 30 June 2018, of 1.80pps (first interim dividend in respect of the period ended 30 June 2017: 3.25pps), which was paid on 9 February 2018 to shareholders on the register on 19 January 2018.

On 9 January 2018, the Company issued 72,249 new Ordinary Shares in settlement of the Investment Adviser's variable fee in respect of the year ended 30 June 2017.

Glossary of Defined Terms

Administrator means Estera International Fund Managers (Guernsey) Limited (formerly Heritage International Fund Managers Limited)

AGM means the Annual General Meeting

AIC means the Association of Investment Companies

AIC Code means the Association of Investment Companies Code of Corporate Governance

AIC Guide means the Association of Investment Companies Corporate Governance Guide for Investment Companies

AIF means Alternative Investment Fund

AIFM means Alternative Investment Fund Manager

AIFMD means the Alternative Investment Fund Management Directive

Articles means the Memorandum of 29 May 2013 as amended and the Articles of Incorporation as adopted by special resolution on 7 November 2016.

Auditor means KPMG Channel Islands Limited (see KPMG)

Aviva Investors means Aviva Investors Limited

BEIS means the Department for Business, Energy & Industrial Strategy

BEPS means Base erosion and profit shifting

Brexit means departure of the UK from the EU

Bluefield means Bluefield Partners LLP

BOL means Bluefield Operations Limited

BSL means Bluefield Asset Management Services Limited

Board means the Directors of the Company

BSIF means Bluefield Solar Income Fund Limited

BSIFIL means Bluefield SIF Investments Limited being the only direct subsidiary of the Company

Business days means every official working day of the week, generally Monday to Friday excluding public holidays

CAGR means compound annual growth rate

Calculation Time means the Calculation Time as set out in the Articles of Incorporation

CfD means Contract for Difference

Company means Bluefield Solar Income Fund Limited (see BSIF)

Companies Law means the Companies (Guernsey) Law 2008, as amended (see Law)

C Shares means Ordinary Shares approved for issue at no par value in the Company

CSR means Corporate Social Responsibility

Glossary of Defined Terms

DCF means Discounted Cash Flow

DECC means the Department of Energy and Climate Change

Directors' Valuation means the gross value of the SPV investments held by BSIFIL, including their holding companies

DNO means Distribution Network Operator

DSCR means Long Term Debt Service Cover Ratio calculated as net operating income as a multiple of debt obligations due within one year

DTR means the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority

EBITDA means earnings before interest, tax, depreciation and amortisation

EGM means Extraordinary General Meeting

EPC means Engineering, Procurement & Construction

EU means the European Union

EY means Ernst & Young LLP

FATCA means the Foreign Account Tax Compliance Act

FAC means Final Acceptance Certificate

Financial Statements means the unaudited condensed interim financial statements

FiT means Feed-in Tariff

GAV means Gross Asset Value on Investment Basis including debt held at SPV level

GFSC means the Guernsey Financial Services Commission

Group means Bluefield Solar Income Fund Limited and Bluefield SIF Investments Limited

Guernsey Code means the Guernsey Financial Services Commission Finance Sector Code of Corporate Governance

GWh means Gigawatt hour

GWp means Gigawatt peak

IAS means International Accounting Standard

IASB means the International Accounting Standards Board

IFRS means International Financial Reporting Standards as adopted by the EU

Investment Adviser means Bluefield Partners LLP

IPEV Valuation Guidelines means the International Private Equity and Venture Capital Valuation Guidelines

IPO means initial public offering

Glossary of Defined Terms

IRR means Internal Rate of Return

IVSC means the International Valuation Standards Council

KPI means Key Performance Indicators

KPMG means KPMG Channel Islands Limited (see Auditor)

KWh means Kilowatt hour

KWp means Kilowatt peak

Law means Companies (Guernsey) Law, 2008 as amended (see Companies Law)

LD means liquidated damages

LIBOR means London Interbank Offered Rate

Listing Rules means the set of FCA rules which must be followed by all companies listed in the UK

Lloyds means Lloyds Bank Group plc

Lloyds International means Lloyds Bank International Limited

LSE means London Stock Exchange plc

LTF agreement means Long Term Financing agreement with Aviva Investors

Main Market means the main securities market of the London Stock Exchange

MW means Megawatt (a unit of power equal to one million watts)

MWh means Megawatt hour

MWp means Megawatt peak

NAV means Net Asset Value as defined in the prospectus

NMPI means Non-mainstream Pooled Investments and Special Purpose Vehicles and the rules around their financial promotion

NPPR means the AIFMD National Private Placement Regime

O&M means Operation and Maintenance

Official List means the Premium Segment of the UK Listing Authority's Official List

Ordinary Shares means the issued ordinary share capital of the Company, of which there is only one class

PCA means Persons Closely Associated

PPA means Power Purchase Agreement

pps means pence per share

PR means Performance Ratio (the ratio of the actual and theoretically possible energy outputs)

PV means Photovoltaic

Glossary of Defined Terms

RBS means The Royal Bank of Scotland plc

RBSI means Royal Bank of Scotland International plc

RCF means Revolving Credit Facility

RO Scheme means the Renewable Obligation Scheme which is the financial mechanism by which the UK Government incentivises the deployment of large-scale renewable electricity generation by placing a mandatory requirement on licensed UK electricity suppliers to source a specified and annually increasing proportion of electricity they supply to customers from eligible renewable sources or pay a penalty

ROC means Renewable Obligation Certificates

ROC recycle means the payment received by generators from the redistribution of the buy-out fund. Payments are made into the buy-out fund when suppliers do not have sufficient ROCs to cover their obligation

RPI means the Retail Price Index

SPA means Share Purchase Agreement

SPV means a Special Purpose Vehicle which hold the Company's investment portfolio of underlying operating assets

Sterling means the Great British pound currency

TISE means The International Stock Exchange (based in the Channel Islands)

UK means the United Kingdom of Great Britain and Northern Ireland

UK Code means the UK Corporate Governance Code

UK FCA means the UK Financial Conduct Authority

United Nations Principles for Responsible Investment means an approach to investing that aims to incorporate environmental, social and governance factors into investment decisions, to better manage risk and generate sustainable, long term returns.

WACC means Weighted Average Cost of Capital