

Bluefield Solar Income Fund Limited

Annual Report and
Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

Company Registration Number: 56708

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General Information

Board of Directors (all non-executive)

John Rennocks (Chairman)

John Scott (Senior Independent Director)

Paul Le Page (Chairman of Audit Committee)

Laurence McNairn

Investment Adviser

Bluefield Partners LLP

6 New Street Square

London, EC4A 3BF

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

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

Glategny Court, Glategny 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

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

The Registry

34 Beckenham Road, Beckenham

Kent, BR3 4TU

Principal Bankers

Royal Bank of Scotland International Limited

Royal Bank Place

1 Glategny Esplanade

St Peter Port

Guernsey, GY1 4BQ

Highlights

Introduction

- The Company delivered underlying earnings¹, pre-debt amortisation, of 9.67pps and, after debt service obligations (2.24pps), and including brought forward dividend reserves (0.30pps) has total funds available for distribution, for the period to 30 June 2018, of 7.73pps.
- The Company has declared total dividends of 7.43pps, in line with its target of 7.43pps (2017: 7.25pps vs target of 7.18pps). The dividends declared are covered by earnings in the year.
- The Company announced 4 acquisitions, amounting to 18.8MWp, taking the Company's total capacity to 460.3MWp.
- As at 30 June 2018, the Company had a total of 45 large solar assets, 39 micro solar assets and 2 roof top assets, all of which were operational.
- The Board has continued to value the Company's portfolio at £1.29m/MWp, conservatively in line with market transactions, which have continued to be reported at prices between £1.29m/MWp and £1.35m/MWp.
- The 'weighted average cost of capital' discount rate has been reduced to 5.65% as at 30 June 2018, from 5.90% as at 31 December 2017 (30 June 2017: 6.15%). This equates to a cost of equity of 7.26% (December 2017: 7.54%, June 17: 8.07%).
- NAV as at 30 June 2018 was £419m (30 June 2017: £409m), equivalent to a NAV per share of 113.28 pence (30 June 2017: 110.49 pence).
- The portfolio outperformed operational expectations by 0.7%, delivering an aggregate Performance Ratio of 82.1% versus budget of 81.5%.

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 page 41.

Highlights (continued)

Results Summary:

	As at / year ended 30 June 2018
Total operating income	£35,996,640
Total comprehensive income	£34,796,075
Total underlying earnings (see footnote 1 on previous page)	£35,784,332
Earnings per share	9.41p
Underlying EPS ²	9.67p
Total debt amortization (pps)	(2.24p)
Underlying EPS available for distribution	7.43p
Total declared dividends per share for year	7.43p
Earnings per share brought and carried forward (See Page 43)	0.30p
NAV per share	113.28p
Share price at 30 June 2018	121.00p
NAV Total return ³	9.25%
Total return to shareholders ⁴	11.68%

2. Underlying EPS is calculated using underlying earnings divided by the average number of shares calculated as described on page 42.

3. Total return is based on NAV per share movement and dividends declared in the year

4. Total return to shareholders is based on share price movement and dividends declared in the year

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 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 London Stock Exchange following its IPO on 12 July 2013. The issued capital during the year 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 Company during the year 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 seven of the investment SPVs held by BSIFIL.

Chairman's Statement

Introduction

The Company has had another good year.

We have delivered an on target dividend of 7.43pps. The dividend was covered by earnings and is net of debt amortisation. We have also carried forward surplus earnings of 0.30pps enabling us to start the 2018/19 financial year with healthy distributable reserves, and we have also experienced a good start to the new financial year in respect of irradiation.

Our dividend target for the financial year ending June, 2019 is to increase the dividend by the June 2018 RPI number of 3.38%, giving a full year target dividend of 7.68pps.

At the year end the Company's NAV was 113.28pps; NAV Total Return for the period was 9.25% and Shareholder Total Return was 11.68%.

Key Events

The Company's primary focus has been on maximising revenues in the existing portfolio through the combined activities of our Investment Adviser, Bluefield Partners LLP, and our technical asset management service provider, Bluefield Services Limited. The portfolio has again delivered an above budget performance.

We have also started to significantly amortise our Aviva long term financing, a process that goes largely unseen and unheralded but is a prudent strategy whilst the Company has high levels of regulated revenues. We will continue to do this in the coming years, a process that not only lowers leverage as assets are utilised but also enhances and protects the Company's NAV.

The year is also noteworthy in respect of what we have not done. We elected not to expand our asset base through significant purchases in the market due to high valuations and/or poor quality portfolios coming onto the market, and thus had no need to raise new equity. We made very selective acquisitions that support the Company's return targets totalling 18.8MWp or 4% of the Company's total portfolio by energy capacity. These acquisitions have been funded, in the main, by our short term credit facility (RCF). In the absence of subsidies for new build projects, we again decided to avoid primary investments.

We also decided to keep the investment mandate unchanged and continue with a UK only focus. This is for no other reason than we could not see returns that would justify taking the currency, regulatory and/or country risk for our shareholders who have supported the growth of the Company based on its ability to deliver stable, sterling income. This decision is always under review but there would need to be a compelling reason to justify capital allocations outside the UK.

Underlying Earnings and Dividend Income

The Company is a sterling income fund and, as such, we continue to focus on annual earnings and dividends. Indeed, we believe these tangible, quantifiable measures should be prioritised ahead of more subjective measures that drive long term valuation.

The underlying earnings for the year were £35.8m or 9.67pps. After amortising our long term leverage, the available profits, including brought forward reserves, were £28.6m or 7.73pps. The board elected to pay out the on target dividend of 7.43pps and carry forward 0.30pps into 2018/19.

Chairman's Statement (continued)

Valuation and Equity IRR

Valuation methodology remains consistent with previous reporting periods, with the Board receiving a valuation recommendation from the Investment Adviser, the product of a comprehensive DCF model. This valuation is then benchmarked, on a per MegaWatt Peak (MWp) basis, against comparable transactional activity for basis for UK based solar assets.

In the Board's view, this is the most effective and transparent way in which to measure the value of the Company's portfolio because of the consistent characteristics seen in solar farms.

Whilst the proportion of regulated revenues differ depending on the vintage of solar farm, the variance between buyers and sellers with respect to core assumptions is often within a relatively limited band of tolerance. Power revenue predictions are generally provided by one or two of the leading forecasters, the technology and infrastructure used by solar farms is homogenous (making energy generation predictable) and the cost base for a solar farm is similar across different assets. As the vast majority of the installed solar capacity is in the southern half of England and Wales even the irradiation assumptions are broadly consistent.

All of this combines to enable the Board to look across public and private data sets and, with support from the Investment Adviser, to accurately benchmark the valuation of the Company's portfolio against market activity.

Following this combination of both market and DCF approach, the Board has been able to extrapolate an average price of £1.29m per MWp from transactions over the last 18 months.

Benchmarking the Company's portfolio to this £m per MWp results (using our actual cost of debt) in a cost of equity discount rate of 7.26% (7.54% in December 2017 and 8.07% in June 2017) and a WACC discount rate of 5.65% (5.90% in December 2017 and 6.15% in June 2017).

The two main changes in valuation are a reduction in the long term power forecast, offset by a small reduction in the discount rate.

Investment Strategy

The investment strategy for the Company is straightforward in its objective: to buy high quality UK based solar assets that are accretive to the Company's NAV and dividend paying capacity. In the past financial year we acquired capacity of 18.8MWp which met these objectives. This relative lack of acquisitions is the strongest indicator you can have that our Investment Adviser is not seeing assets that are priced at a level that delivers the returns required, or are not of the requisite quality (or, increasingly, both). It is not that there has been a lack of activity in the UK solar market - close to 10% of the total installed capacity of large scale solar portfolios changed hands in the year under review and the Investment Adviser bid on in excess of 500MWp, largely unsuccessfully. However, pricing discipline has remained and that will benefit our Shareholders in the long term.

Non-Subsidised Solar

On the back of falling equipment costs and forecasts of rising power prices, the unsubsidised solar PV market may be about to arrive in the UK, as indeed it has in countries which lie further south.

Our Investment Adviser has observed a number of times that the solar PV industry has the ability to surprise at the speed in which it adjusts to the prevailing market conditions. The last subsidy for new build UK solar was granted at the end of March 2017. Since then there has been a hiatus as the market waits for installation costs to fall to a level where unsubsidised solar power becomes economic in the UK (logically, in the south of England). This is now an imminent reality, British Solar Renewables has announced that it has won the EPC deal for the first non-subsidy industrial solar park in the UK. The facility will have a capacity of 15MWp and will be installed in Buckinghamshire. Our Investment Adviser is preparing for the next wave of new capacity that we expect to see in the short to medium term, where we can pursue our preferred strategy of investing in solar assets through the construction phase. But it must be stressed that the subsidy free market is not quite there yet.

Chairman's Statement (continued)

Debt Strategy

The Company has used the period to continue to amortise its debt. The portfolio has the benefit of high levels of regulated revenues, almost exclusively using the Renewable Obligation Scheme, which provides index-linked income for 20 years from the point of grid connection. It is our view that it is in Shareholders' best interests to seek to use every year of regulated revenues to amortise the Company's long term debt as aggressively as is possible within the objectives of our dividend target. The year under review saw a good example of this in practice; we paid down £8.3m of debt, equivalent to 2.24pps of earnings.

Power Prices

When we did the IPO in July 2013, short term fixed price power contracts (12 to 36 months) were being struck in excess of £55 per MWh. By Q1 2016, the power market for contracts of a similar tenor were trading in the £30s per MWh. From this low point the market started to recover. Today I can report that new contracts are consistently in the £50s per MWh and the most recent contracts have been struck in the £60s per MWh. This upturn is only just beginning to be fed into your Company's revenue generation. We should add the caveat that we are not forecasting that the market is going to keep marching forward but the Investment Adviser has prepared some interesting analysis on the short term drivers in the UK power market, which highlights why we have seen this rebound since 2016 and also why this recent increase seemed to have surprised some of the independent forecasters.

Clearly, power prices are the biggest variable largely outside our control. I say 'largely outside our control' because whilst we cannot influence the prevailing pricing within the European and UK gas markets we can enhance the value of the contracts that are available to us. This means having flexibility in respect of the tenor of the power and ROC contracts and flexibility in the choice of the provider of the contract. We have that flexibility for in excess of 75% of the portfolio and each year our Shareholders benefit from this where we are able to maximise the value of the available contracts that come on to the market.

Technical Asset Management

Bluefield Services, the Bristol based technical asset management business that looks after all aspects of the portfolio's services, from monitoring through to contract enforcement, has again delivered above budget performance. As stated in earlier reports, there is no alchemy in this - it is down to hard work, diligence and skill. Positive, consistent engagement with the network operators reduces downtime and by spending for example: 5,400 hours analysing plant performance, 300 hours assessing performance calculations at critical contractual milestones and spending in excess of 1,750 hours at the solar farms inspecting the condition of the equipment and status of the sites, giving our Company the greatest chance it can to minimise planned and unplanned outages and maximise generation.

Chairman's Statement (continued)

The Past and the Future

The period to the end of June 2018 was the Company's fourth full financial year. Since February 2014 the Company has declared total dividends of 33.18pps, delivered NAV total return of 51% and Shareholder total return of 54%. We have achieved these results by consistently focusing on the fundamentals of acquisition discipline, debt negotiation and amortisation, strong contractual protection and technical asset management. We have also achieved these returns in a challenging power market and by sticking to our original mandate of investing only in UK solar assets.

Looking forward, the power markets seem more favourable and the high performing portfolio is being optimised by the Bluefield teams who are tasked with maximising revenues. The success of this is measured in an unchanged dividend policy, as set out at our IPO, of increasing the dividend in line with RPI (7.43pps for 2017/18 and a target of 7.68pps for 2018/19).

As we enter our fifth year as a listed company you will note that we are required by our Articles to propose a discontinuation resolution at the forthcoming AGM. Some companies have continuation votes whilst we have a discontinuation vote. We strongly believe the Company should continue in its present form and **recommend that you vote against the discontinuation resolution** (as indeed will all members of the Board with their own shares).

We are now preparing ourselves for the next wave of investment, when the non-subsidised market becomes economic in the UK and we plan to apply our highly effective investment model for a primary market of funding assets through construction.

John Rennocks

Chairman

26 September 2018

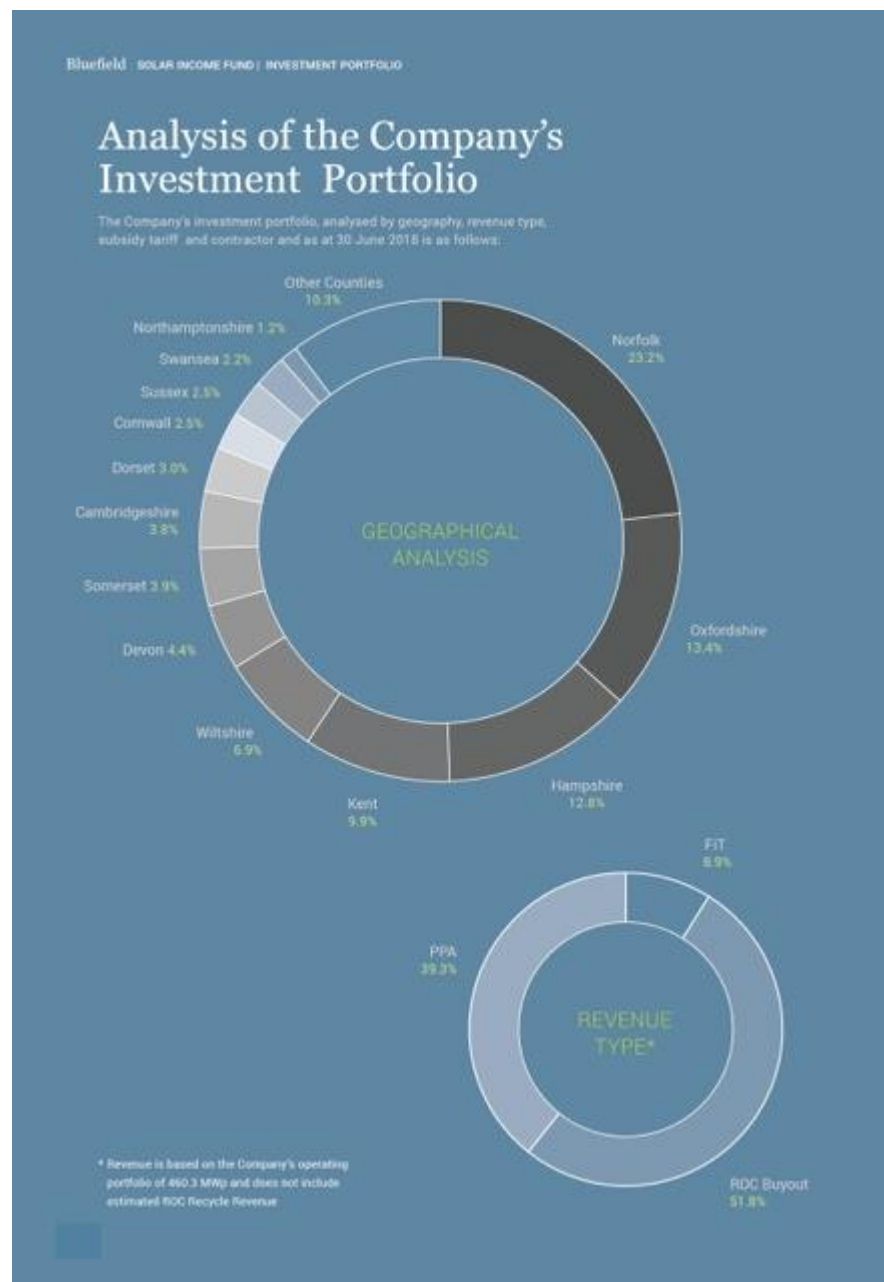
The Company's Investment Portfolio



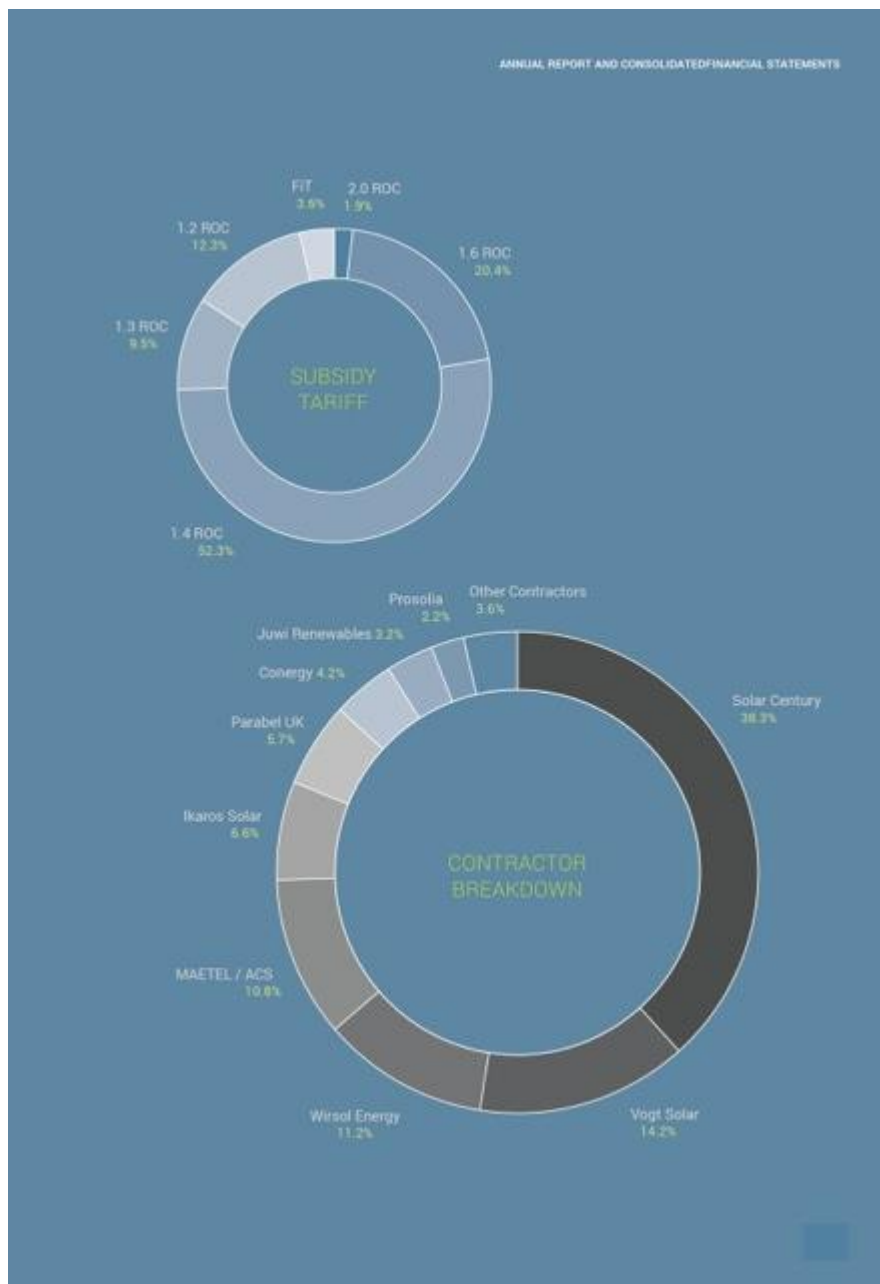
Analysis of the Company's Investment Portfolio



Analysis of the Company's Investment Portfolio



Analysis of the Company's Investment Portfolio



Strategic Report

Introduction

The Strategic Report sets out:

STRATEGIC ISSUES

1. Company's Objectives and Strategy
2. Company's Operating Model
3. Investment Policy
4. Policies, approach and achievements adopted in respect of CSR

OPERATIONAL ISSUES

5. Operational & Financial Review for the period (including KPIs)
6. Directors' Valuation of the Company's Portfolio
7. Principal Risks and Uncertainties

STRATEGIC ISSUES

1. Company's Objectives and Strategy

The Company seeks to provide shareholders with an attractive return, principally in the form of quarterly income distributions, by investing in a portfolio of large scale UK based solar energy infrastructure assets. The Company targeted a dividend of 7.00pps in relation to the financial year ended 30 June 2015 with the intention of this rising annually thereafter with the RPI. Subject to maintaining a prudent level of reserves, the Company aims to achieve this through optimisation of asset performance, future acquisitions and use of gearing. The Company's dividend target for the financial year ended 30 June 2018 is 7.43pps and the Company has declared dividends of this amount. The Operational and Financial Review section on page 21 provides further information relating to performance during the year.

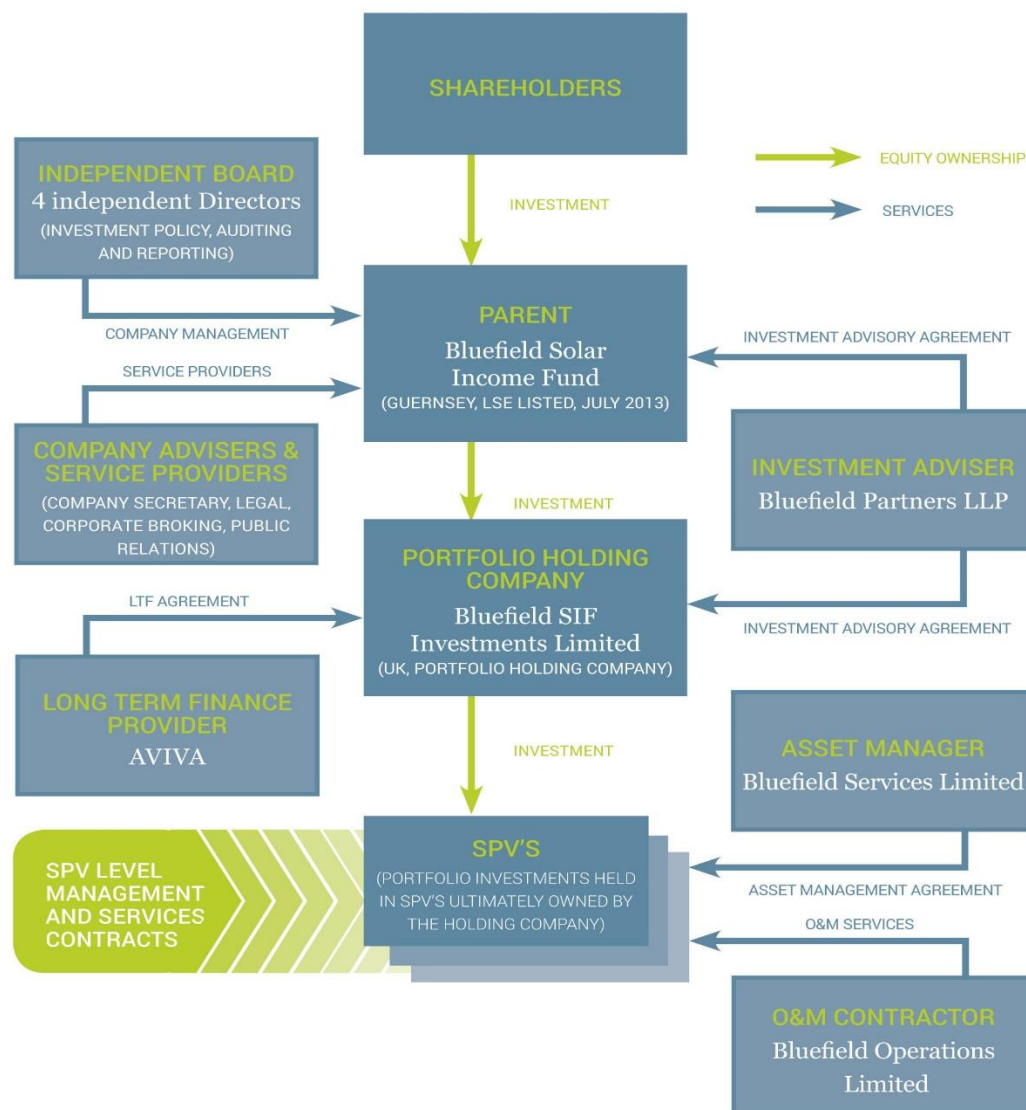
2. Company's Operating Model

Structure

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

Strategic Report (continued)

2. Company's Operating Model (continued)



Management

Board and Committees

The independent Board is responsible to shareholders for the overall management of the Company. The Board has adopted a Schedule of Matters Reserved for the Board which sets out the particular duties of the Board. Such reserved powers include decisions relating to the determination of investment policy, approval of new investments, oversight of the Investment Adviser, approval of changes in strategy, risk assessment, Board composition, capital structure, statutory obligations and public disclosure, financial reporting and entering into any material contracts by the Company.

Through the Committees and the use of external independent advisers, the Board manages risk and governance of the Company. The Board consists of four independent non-executive Directors. See the Corporate Governance Report for further details.

Investment Adviser

The Company has entered into an Investment Advisory Agreement with the Investment Adviser. This sets out the Investment Adviser's key responsibilities, which include identifying and recommending suitable investments for the Company to enter into and negotiating on behalf of the Company the terms on which such investments will be made.

Strategic Report (continued)

2. Company's Operating Model (continued)

Management (continued)

Through a Technical Services Agreement with BSIFIL the Investment Adviser is also responsible for all issues relating to the supervision and monitoring of existing investments (included within the fee cap under the Investment Advisory Agreement). The Company has appointed BSL, a company with the same ownership as the Investment Adviser, to provide asset management services for the Company's portfolio.

During the year the Investment Adviser has been paid a base fee of 0.76% of NAV at 30 June 2018 and a variable fee, in respect of 2016/17, equating to 0.02% of NAV, which was settled by issue of Ordinary Shares.

A summary of the fees paid to the Investment Adviser is given in Note 16 of the financial statements. The fees paid to BSL, the solar asset management business with shared ownership with the Investment Adviser, are detailed in Note 16. The fees paid to BOL, the O&M business with shared ownership with the Investment Adviser, are detailed in Note 16 also.

Administrator

The Board has delegated administration and company secretarial services to the Administrator.

Further details on the responsibilities assigned to the Investment Adviser and the Administrator can be found in the Corporate Governance Report.

Employees and Officers of the Company

The Company does not have any employees and therefore policies for employees are not required. The Directors of the Company are listed on page 63.

Investment Process

Through its record of investment in the UK solar energy market, the Investment Adviser has developed a rigorous approach to investment selection, appraisal and commitment.

Repeat transaction experience with specialist advisers

The Investment Adviser has worked with a range of legal, technical, insurance and accounting advisers in each of the transactions it has executed in the UK market. This direct experience has enabled it to develop an understanding of key areas of competence to address specific issues; for example, identifying specific individuals who are expert in advising on specific detailed technical aspects of a project. Through this direct specialist experience, the Investment Adviser is able to source relevant expertise to address project issues both during and following a transaction.

Application of standardised terms developed from direct experience

The Investment Adviser has developed standardised terms which have been specifically tested by reference to real transaction and project operational experience. Whilst contract terms are specifically negotiated and tailored for each individual project, solar project contracts applied by the Investment Adviser typically have specific protections from the construction contracts regarding recovery of revenue

losses for underperformance and obligations for correction of defects. Both such provisions have been specifically exercised by the Investment Adviser giving it direct experience in activating contractual protections.

Strategic Report (continued)

2. Company's Operating Model (continued)

Investment Process (continued)

Rigorous internal approval process

All investment recommendations issued to the Company, and all investment recommendations made in relation to previous transactions of the Investment Adviser are made following the formalised review process described below:

(1) Investment origination and review by Managing Partners

Before incurring costs in relation to the preparation of a transaction, a project is concept reviewed by the Investment Adviser's Managing Partners, following which a letter of interest or memorandum of understanding is issued and project exclusivity is secured.

(2) Director Concept Approval

In the event that material costs are to be incurred in pursuing a transaction, a concept paper is issued by the Investment Adviser for review by the Board. This concept review fixes a project evaluation budget as well as confirming the project proposal is in line with the Company's investment policy and strategy.

(3) Due diligence

In addition to applying its direct commercial experience in executing solar PV project acquisitions and managing operational solar plants, the Investment Adviser engages legal, technical and, where required, insurance and accounting advisers to undertake independent due diligence in respect of a project. Where specialist expertise is required due to project specifications, the Investment Adviser has experience in identifying relevant experts.

(4) Bluefield Partners LLP Investment Committee

Investment recommendations issued by the Investment Adviser are made following the submission of a detailed investment paper to the Investment Committee. The Investment Committee operates on the basis of unanimous consent and has a record of making detailed evaluation of project risks. The investment paper submitted to the Investment Committee discloses all interests which the Investment Adviser and any of its affiliates may have in the proposed transaction.

(5) Board approval

Following approval by the Investment Adviser Investment Committee, investment recommendations are issued by the Investment Adviser for review by the boards of the Company and BSIFIL. Both the Company and the BSIFIL board undertake detailed review meetings with the Investment Adviser to assess the project prior to determining any approval. Both board approvals are required in order for a transaction to be approved. If the boards of the Company and BSIFIL approve the relevant transaction, the Investment Adviser is authorised to execute the transaction in accordance with the Investment Adviser's recommendation and any condition stipulated in the boards' approval. The Board is continuously aware of the overall pipeline of potential new investments that can lead to choices between projects depending on available funding facilities.

(6) Closing memorandum

Prior to executing the transaction, the Investment Adviser completes a closing memorandum confirming that the final transaction is in accordance with the terms presented in the investment paper to the Investment Committee; detailing any material variations and outlining how any conditions to the approval of the Investment Committee and/or Board approval have been addressed. This closing memorandum is countersigned by an appointed member of the Investment Committee prior to completing the transaction.

Strategic Report (continued)

2. Company's Operating Model (continued)

Managing conflicts of interest

The Investment Adviser and any of its members, directors, officers, employees, agents and connected persons, and any person or company with whom they are affiliated or by whom they are employed may be involved in other financial, investment or other professional activities which may cause potential conflicts of interest with the Company and its investments.

The Board has noted that the Investment Adviser has other clients and have satisfied themselves that the Investment Adviser has procedures in place to address potential conflicts of interest. The potential conflicts of interest are disclosed in the investment recommendation for each investment.

3. Investment Policy

The Company invests in a diversified portfolio of solar energy assets, each located within the UK, with a focus on utility scale assets and portfolios on greenfield, industrial and/or commercial sites. The Company targets long life solar energy infrastructure, expected to generate stable renewable energy output over a 25 year asset life.

Individual solar assets or portfolios of solar assets are held within SPVs into which the Company invests through equity and/or debt instruments. The Company typically seeks legal and operational control through direct or indirect stakes of up to 100% in such SPVs, but may participate in joint ventures or minority interests where this approach enables the Company to gain exposure to assets within the Company's investment policy which the Company would not otherwise be able to acquire on a wholly-owned basis.

The Company may, at holding company level, make use of both short term debt finance and long term structural debt to facilitate the acquisition of investments, but such holding company level debt (when taken together with the SPV finance noted above) will also be limited so as not to exceed 50% of the Gross Asset Value. The Company may make use of non-recourse finance at the SPV level to provide leverage for specific solar energy infrastructure assets or portfolios provided that at the time of entering into (or acquiring) any new financing, total non-recourse financing within the portfolio will not exceed 50% of the prevailing Gross Asset Value.

No single investment in a solar energy infrastructure asset (excluding any third party funding or debt financing in such asset) will represent, on acquisition, more than 25% of the Net Asset Value.

The portfolio provides diversified exposure through the investment in not less than five individual solar energy infrastructure assets. Diversification is achieved across various factors such as grid connection points, individual landowners and leases, providers of key components (such as PV panels and inverters) and assets being located across various geographical locations within the United Kingdom.

The Company aims to derive a significant portion of its targeted return through a combination of the sale of ROCs and FiTs (or any such regulatory regimes that replace them from time to time). Both such regimes are currently underwritten by UK Government policy providing a level of ROCs or FiTs fixed for 20 years for accredited projects and each regime currently benefits from an annual RPI escalation. The Company also intends, where appropriate, to enter into power purchase agreements with appropriate counterparties, such as co-located industrial energy consumers or wholesale energy purchasers.

Strategic Report (continued)

3. Investment Policy (continued)

The Company's investment policy has the flexibility to commit to assets during the construction phase or the operational phase. During the period under review, the Investment Adviser has invested in construction phase assets and has acquired a large secondary portfolio in order to:

1. Maximise quality and scale of deal flow: The flexibility of the strategy maximises the pool of assets available to the Company. The majority of developers and contractors in the UK solar market were unable to fund on their own balance sheets, therefore construction funders such as Bluefield were able to select their construction partners and assets from the widest possible pool. The maturing of the UK solar market has resulted in the Company being offered substantial operational asset portfolios for the first time, during the period;
2. Optimise the efficiency of the acquisitions: Funding through the construction phase removes a layer of financing cost provided by third party construction funders, typically passed on to the end acquirer; likewise, when acquiring secondary assets, the Company has selected assets based on quality, cost and attractiveness of the financing attached to the acquisitions;
3. Minimise risk via appropriate contractual agreements: Risk can be further minimised by appropriate contractual agreements. For construction assets, these include making milestone payments backed, typically, by bonds, security plant and equipment and significant cash hold backs; and
4. Acquire assets using conservative assumptions: As can be seen by the valuation contained in this report, the Company has acquired assets based upon a cautious set of assumptions.

Listing Rule Investment Restrictions

The Company currently complies with the investment restrictions set out below and will continue to do so for so long as they remain requirements of the FCA:

- neither the Company nor any of its subsidiaries will conduct any trading activity which is significant in the context of the Group as a whole;
- the Company must, at all times, invest and manage its assets in a way which is consistent with its objective of spreading investment risk and in accordance with the published investment policy; and
- not more than 10% of the Gross Asset Value at the time of investment is made will be invested in other closed-ended investment funds which are listed on the Official List.

As required by the Listing Rules, any material change to the investment policy of the Company will be made only with the prior approval of the FCA and Shareholders.

4. Policies, approach and achievements adopted in respect of CSR

The Board and the Investment Adviser are focused on the corporate objective of providing investors with an ethical, socially responsible and transparently managed Company. The best standards of governance and CSR are central to the Company's ethics and important in ensuring the continued attractiveness of the Company to the broad group of stakeholders with which it interacts. The production of sustainable energy from the Company's portfolio is expected to save the emission of millions of tonnes of CO₂ throughout the life of the assets. In addition, the Company seeks to increase biodiversity at its sites by appropriate planting and landscaping of the land it manages, as detailed in the Environmental, Social and Governance report on pages 55 to 56.

Strategic Report (continued)

OPERATIONAL ISSUES

5. Operational & Financial Review for the period

Key Performance Indicators

The Board has identified the following indicators for assessing the Company's annual performance in meeting its objectives:

	As at 30 June 2018	As at 30 June 2017
Market Capitalisation	£447,559,071	£425,282,973
Share price	121.00p	115.00p
Total dividends per share declared in relation to the year	7.43p	7.25p
NAV	£418,995,484	£408,608,255
NAV per share	113.28p	110.49p
Total Return to shareholders (based on share price and dividends declared in the year)	11.68%	22.56%

Acquisitions

During the year, the Company completed four acquisitions for a total consideration of £26.2m (2017: £44.4m). Each investment has been carefully selected to ensure the portfolio is well balanced geographically, with appropriate levels of diversification of construction and operation contractors and key equipment.

Portfolio Performance

Portfolio performance and power price movements are discussed within the Investment Adviser's report under Sections 2 and 4.

The Company's PPA strategy is to enter into short term contracts with contracting periods spread quarterly across the portfolio in order to minimise the portfolio's sensitivity to short term price volatility.

Strategic Report (continued)

5. Operational & Financial Review for the period (continued)

Summary Statement of Comprehensive Income

	Year ended 30 June 2018 £ million	Year ended 30 June 2017 £ million
Total Income (Note 4 of the financial statements)	0.7	0.6
Change in fair value of assets (Note 8 of the financial statements)	35.3	64.6
Administrative expenses (Note 5 of the financial statements)	(1.2)	(1.2)
Total comprehensive income before tax	34.8	64.0
Tax	-	-
Total comprehensive income	34.8	64.0
Earnings per share	9.41p	18.26p

Income for the period represents interest income and monitoring fees by BSIFIL to BSIF.

The total comprehensive income before tax of £34.8m reflects the performance of the Company when valuation movements and operating costs are included. Further detail on valuation movements of BSIFIL's portfolio is given in the Report of the Investment Adviser.

Ongoing Charges	Year to 30 June 2018			Year to 30 June 2017		
	The Company	BSIFIL	Total £	The Company	BSIFIL	Total £
Fees to Investment Adviser	310,783	2,857,938	3,168,721	355,371	2,642,082	2,997,453
Legal and professional fees	109,723	129,941	239,664	98,606	23,440	122,046
Administration fees	294,156	-	294,156	262,226	-	262,226
Directors' remuneration	165,200	10,400	175,600	159,963	10,000	169,963
Audit fees	90,460	31,062	121,522	95,466	17,750	113,216
Other ongoing expenses	230,243	225,465	455,708	218,984	378,504	597,488
Total expenses	1,200,565	3,254,806	4,455,371	1,190,616	3,071,776	4,262,392
Non-recurring expenses	(10,738)	(142,959)	(153,697)	(122,392)	(224,093)	(346,485)
Total ongoing expenses	1,189,827	3,111,847	4,301,674	1,068,224	2,847,683	3,915,907
Average NAV			411,877,763			361,749,648
Ongoing Charges (using AIC methodology)			1.04%			1.08%
Performance fee			0.00%			0.02%
Ongoing charges plus performance fee			1.04%			1.10%

The ongoing charges ratio is calculated in accordance with the AIC recommended methodology, which excludes non-recurring costs and uses the average NAV in its calculation.

Strategic Report (continued)

6. Directors' Valuation* of Company's portfolio

The Investment Adviser or an independent external valuer is responsible for preparing the fair market valuation recommendations for the Company's investments for review and approval by the Board.

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. Such an external review of valuation was undertaken by an independent third party for the current year and considered by the Board in determining the portfolio fair value.

The Directors' Valuation adopted for the portfolio as at 30 June 2018 was £604.2m (Note 8 of the financial statements), representing a cumulative 10.75% uplift on investment cost, derived from a combination of income generated within the investments and revaluation uplift under discounted cash-flow methodology. The Board reviews and considers the recommendations of the Investment Adviser to form an opinion of the fair value of the Company's investments.

A detailed analysis of the Directors' Valuation is presented in the Report of the Investment Adviser.

7. Principal Risks and Uncertainties

Under the FCA's Disclosure Guidance and Transparency Rules, the Board is required to identify those material risks to which the Company is exposed and take appropriate steps to mitigate those risks.

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.

Bluefield Solar Income Fund Limited's risk register covers four main areas of risk:

- Portfolio Management;
- Operational;
- Regulatory; and
- External.

Each of these areas, together with the principal risks with that category, is summarised in the table below and include commentary on the mitigating factors. The list is a subset of a much larger set of risks which the Board review on a regular basis.

* Directors' Valuation is an alternative performance measure to show the gross value of the SPV investments held by BSIFIL, including their holding companies. A reconciliation of the Directors' Valuation to Financial assets at fair value through profit and loss is shown in Note 8 of the financial statements.

Strategic Report (continued)

7. Principal Risks and Uncertainties (continued)

PORTFOLIO MANAGEMENT

Risk	Potential Impact	Mitigation
1. Portfolio Acquisition Risk	Missed investment opportunities.	The Board reviews the Company's investment pipeline with the Investment Adviser on a regular basis. The Company, through BSIFIL, has access to additional debt financing under terms of its three year revolving credit facility with RBS, as well as the option to complete a tap issuance to support further acquisitions if required. The closure of the primary market for solar assets has led to inflation in secondary market prices reducing potential yield of new purchases.
2. Portfolio Operational Risk	Underperformance of solar plant versus expectations at acquisition.	BSL as asset manager prepares a quarterly operational summary for the Board that evaluates the performance of each plant against budget and highlights any issues to be addressed. The Board also receives a monthly operations report from BSL.

Strategic Report (continued)

7. Principal Risks and Uncertainties (continued)

OPERATIONAL

Risk	Potential impact	Mitigation
3. Valuation error	<p>Valuations of the SPV investments are reliant on large and detailed financial models based on discounted cash flows. Significant inputs such as the discount rate, rate of inflation and the amount of electricity the solar assets are expected to produce are subjective and certain assumptions or methodologies applied may prove to be inaccurate. This is particularly so in periods of volatility or when there is limited transactional data for solar PV generation against which the investment valuation can be benchmarked. Other inputs such as the price at which electricity and associated benefits can be sold are subject to government policies and support.</p>	<p>The discount factor applied to the cash flows is reviewed by the Investment Adviser to ensure that it is set at the appropriate level. All papers supporting the GAV calculation and methodology used are presented to the Board for approval and adoption. Ongoing quarterly reconciliations are performed between the SPVs and BSIF.</p> <p>The Board has committed to obtaining 3rd party valuations at least every three years. The first valuation was completed in June 2015 and a second in respect of this year end. An additional and detailed independent review of the portfolio cash flow model was carried out as part of the long term debt financing procurement process.</p> <p>To mitigate the impact of power price volatility on the Company's portfolio valuation blended power price curves from two leading forecasters are used in the portfolio cash flow model.</p>
4. Depreciation of NAV	<p>The portfolio NAV will depreciate towards the end of the Company's life.</p>	<p>The Investment Adviser has been requested to model how the portfolio NAV will move with time, producing long term scenario planning for the Boards' review. The Board has authorised the Investment Adviser to negotiate lease extensions on all active plants as it deems necessary.</p> <p>The Board are also seeking to mitigate the risk by extending the life of the assets.</p>

Strategic Report (continued)

7. Principal Risks and Uncertainties (continued)

EXTERNAL

Risk	Potential impact	Mitigation
5. Unfavourable Weather and Climate Conditions	<p>Weather related risks: annual income generation of the Company is sensitive to weather conditions and in particular to the level of irradiation across the investment locations. Variability in weather could result in greater than 10% variability in revenue generation year on year.</p> <p>Global warming could impact supply and demand for electricity.</p>	<p>The Company has diversified the locations of its plants across the UK.</p> <p>The Company uses on site measurement of irradiation in order to measure performance against budget, and its portfolio is dispersed across the south of the UK. The use of solar photovoltaic technology at the sites means generation is not dependent only on direct irradiation but also on predictable daylight, limiting short term volatility when compared to other weather dependent electricity generation.</p> <p>The Company and other clean energy providers are doing their part to reduce the Earth's Carbon Footprint, however there are already damaging long term effects which may impact the Company. The management of such an outcome is largely out of the Company's control.</p>

Strategic Report (continued)

7. Principal Risks and Uncertainties (continued)

EXTERNAL (CONTINUED)

Risk	Potential impact	Mitigation
6. Unfavourable Electricity Market Conditions	<p>Annual income generation of the Company is sensitive to future power market pricing. A major structural shift in power demand or supply will impact the Company's ability to meet its dividend target.</p> <p>The reduction of all energy prices may also have a negative effect on the price of all sources of energy.</p>	<p>The Investment Adviser regularly updates the portfolio cash flow model to reflect future power market forecasts and where appropriate applies discounts to the forecasts. New projects are always assessed using the most recent power market forecast data available. A rolling programme of PPA contract expiries has been implemented to minimise risk. Protection against a sustained period of low energy prices can only be achieved by maximising exposure to regulatory revenues through acquisition of more legacy FiT and ROC plants. Some recent acquisitions have included fixed power contracts for a longer period, reducing exposure to short term volatility. Long term power prices are however beyond the control of the Company. A third party review of the power strategy adopted by the Investment Adviser has also given a strong independent verification of the strategy. The Investment Adviser is currently reviewing possibilities for the private sale of electricity to stabilise long term revenues.</p>

Strategic Report (continued)

7. Principal Risks and Uncertainties (continued)

EXTERNAL (CONTINUED)

Risk	Potential impact	Mitigation
7. Changes in tax regime	There may be unfavourable tax related changes including restrictions on renewables, or no relief on debt structuring. The UK Finance Bill enacted in December 2017 restricts tax relief on borrowing to 30% of EBITDA.	An independent taxation review of the Company was carried out as part of the long term debt financing procurement process. The Company makes regular debt repayments to reduce operating leverage and with the intention of ensuring that debt is repaid before regulatory revenues expire. The Board continues to monitor the situation and take advice from the Company's tax advisers as necessary.
8. Changes to Government Plans	Decisions affecting the wholesale supply of electricity through either i) a flooded market or ii) other available forms of energy sources.	The Investment Adviser provides regular updates in this regard within the quarterly Board papers.
9. Political risk	The decision by the UK to exit the EU has elevated levels of political uncertainty and may have an adverse impact on the Company.	Since announcement of the EU referendum result there has been a weakening of Sterling's exchange rate against a number of major currencies, a downgrade of the UK's credit rating and a cut in interest rates. The Company has been favourably impacted by these changes to date. The Company has negligible foreign currency exposure and the reduction in yield on gilts has materially reduced the cost of the long term debt issue. There are however other unknown risks which may or may not occur in the medium and longer term and which the Board will monitor closely should they arise.

Strategic Report (continued)

7. Principal Risks and Uncertainties (continued)

Longer-term viability statement

Assessing the prospects of the Company

The corporate planning process is underpinned by scenarios that encompass a wide spectrum of potential outcomes. These scenarios are designed to explore the resilience of the Company to the potential impact of significant risks set out below.

The scenarios are designed to be severe but plausible and take full account of the availability and likely effectiveness of the mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks and which would realistically be open to management in the circumstances. In considering the likely effectiveness of such actions, the conclusions of the Board's regular monitoring and review of risk and internal control systems, as discussed on page 61, is taken into account.

The Board reviewed the impact of stress testing the quantifiable risks to the Company's cash flows in the previous pages as detailed in risk factors 1-9 and concluded that the Company, assuming current leverage levels, would be able to continue to produce distributable income in the event of the following scenarios:

Strategic Report Risk Factor	
2.	Plant performance degradation of 0.8% per annum versus 0.4% per annum
2.	Plant availability reduced to 95%
5.	P90 irradiation
6.	Power price set to zero

The Board considers that this stress testing based assessment of the Company's prospects is reasonable in the circumstances of the inherent uncertainty involved. In accordance with the Articles of Incorporation, every five years the Board is required to propose an ordinary resolution that the Company should cease to continue as presently constituted. The first such discontinuation vote is scheduled to be held at the 2018 AGM. However, for the purposes of the longer term viability statement it is assumed that no discontinuation resolution is passed.

The period over which we confirm longer term viability

Within the context of the corporate planning framework discussed above, the Board has assessed the prospects of the Company over a three year period ending 30 June 2021. Whilst the Board has no reason to believe the Company will not be viable over a longer period, given the inherent uncertainty involved, the period over which the Board considers it possible to form a reasonable expectation as to the Company's longer term viability, based on the stress testing scenario planning discussed above, is the three year period to June 2021. This period is used for our mid term business plans and has been selected because it presents the Board and therefore readers of the annual report with a reasonable degree of confidence whilst still providing an appropriate longer term outlook.

Confirmation of longer term viability

The Board confirms that its assessment of the principal risks facing the Company was robust.

Based upon the robust assessment of the principal risks facing the Company and its stress testing based assessment of the Company's prospects, the Board confirms that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to June 2021.

Strategic Report (continued)

7. Principal Risks and Uncertainties (continued)

Longer term viability statement (continued)

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.

The Company's risks are mitigated and managed by the Board through continual review, policy setting and half yearly review 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 its last formal review of the risk matrix at the Audit Committee meeting held on 24 September 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.

Paul Le Page
Director
26 September 2018

Laurence McNairn
Director
26 September 2018

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 management team has been involved in over £1.5 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 selection, origination and execution of investment opportunities for the Company, having executed 49 individual SPV acquisitions on behalf of 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. Portfolio: Acquisitions, Performance and Value Enhancement

Portfolio

As at 30 June 2018, the Company held an operational portfolio of 86 PV plants (consisting of 45 large scale sites, 39 micro sites and 2 roof top sites) with a total capacity of 460.3MWp with the portfolio displaying 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 at c.50MWp).

Acquisitions

During the 12 month period to 30 June 2018, the Investment Advisor reviewed approximately 500MWp of opportunities, but due to the Investment Advisors stringent acquisition criteria only 4% of the projects assessed went on to be recommended to the BSIF board.

As such, out of this pipeline, the Company completed 4 acquisitions with a combined capacity of 18.8MWp. All 4 plants were constructed by IB Vogt and accredited under the 1.2 ROC Scheme.

The investment of £26.2m used the available funds of £1.9m remaining from the October 2016 fund raise (£60.6m) as well as £24.3m from the Company's £30m RCF.

The assets commenced generation in March 2017 and whilst they were acquired in December 2017 and March 2018, the structure of the transaction enabled the Company to still receive the benefit of the projects' cash flows from September 2017 onwards within the fixed acquisition price.

In keeping with the Investment Adviser's objective to deliver value and return accretive acquisition opportunities to the Company, securing these primary assets which were 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.

The Investment Adviser is currently negotiating on behalf of the Company a range of transactions as it looks to continue its policy of securing high quality, return accretive acquisitions during the course of the 2018/19 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.

Report of the Investment Adviser (continued)

2. Portfolio: Acquisitions, Performance and Value Enhancement (continued)

Performance

In the year to 30 June 2018, the portfolio, with a total installed capacity of 460.3MWp, achieved a net PR of 82.1%, against a forecasted net PR of 81.5% (2017: 81.3%), creating an ‘asset management uplift effect’ of +0.7%.

Table 1. Summary of BSIF Portfolio Performance for 2017/18:

	Actual	Forecast	% change	Actual 2016/17
Irradiation (kWh/M2) ^{1,2}	1,175	1,186	-0.9%	1,182
Net Performance Ratio (%) ^{1,2}	82.1%	81.5%	+0.7%	83.4%
Generation Yield (MWh/MWp) ^{1,2}	965	966	-0.1%	986
Total unit Price – Power + ROCs + LDs ³ (GBP/MWh)	126.7	122.2	+3.7%	119.4
Total Revenue -inc LDs (GBP/MWp)	£122.3k	£118.1k	+3.6%	£117.7k

Notes to table 1.

1. Excluding grid outages and significant periods of constraint or curtailment that were outside of the Company's control (for example, DNO-led outages and curtailments)

2. The table excludes assets with a collective capacity of 18.8 MWp, which were acquired during the reporting period and therefore do not yet offer 12 months of performance data. The solar farms excluded are shown in the second half of the full asset table on pages 35 and 36.

3. Actual and forecast revenue figures include ROC recycle estimates in line with standard forecasts

As shown in the above table, irradiation levels during the financial year were marginally lower than forecast.

However, operational outperformance (exemplified through the net PR being +0.7 above forecast levels) across the portfolio substantially offset the effect of lower irradiation, resulting in generation levels being substantially in line with budget (only 0.1% below).

Although the portfolio's net performance was higher than expected, it was marginally lower than in the previous reporting year. This is the result of a combination of factors: the expected effects of degradation in the PV modules' performance (e.g. an industry standard rate of degradation is c.-0.4%per annum), as well as the unexpected effects of several weeks of settled snow in March 2018 and the higher than average ambient temperatures experienced in May 2018 and June 2018. The previous year (2016/17) did not experience any such severe weather events.

The portfolio's 'availability' (the total time the plant was operating, as a percentage of the maximum possible) was in line with the expected 99% level at 98.89%.

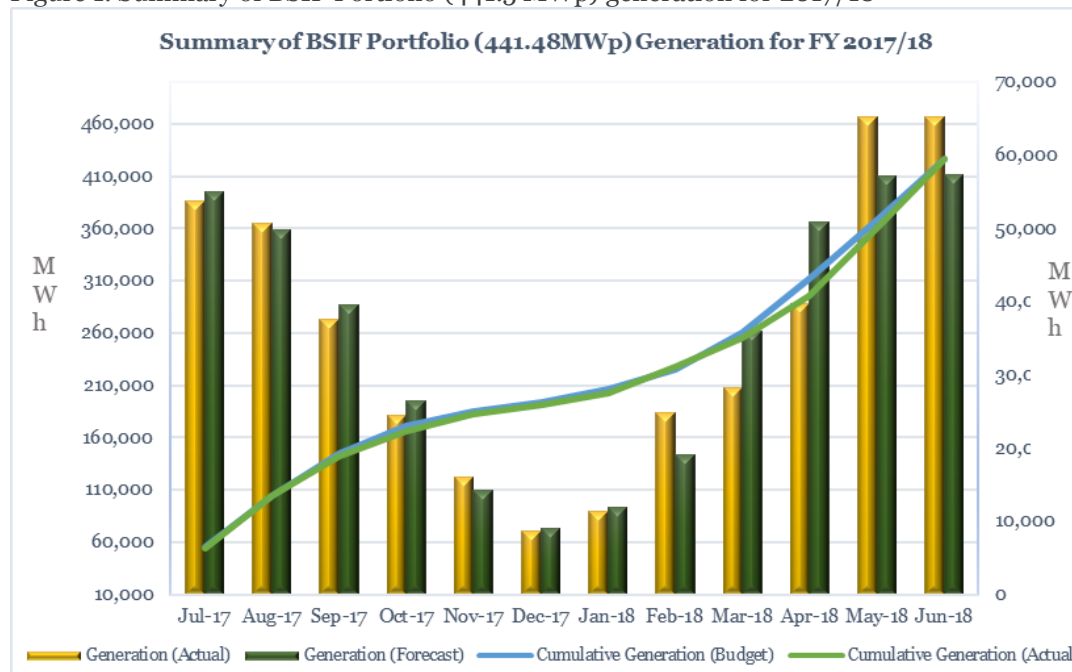
The resulting revenue per MWp for the reporting year was £122.3k, which includes £1.7m of LDs have been recognised in relation to 11 plants which underperformed warranted performance levels in the year, resulting in the total revenue exceeding expectations by 3.6%.

Report of the Investment Adviser (continued)

2. Portfolio: Acquisitions, Performance and Value Enhancement (continued)

Performance (continued)

Figure 1. Summary of BSIF Portfolio (441.5 MWp) generation for 2017/18



Note: The figure excludes assets with a collective capacity of 18.8 MWp, which were acquired during the reporting period and therefore do not yet offer 12 months of performance data.

The geographical and equipment diversity within the Company'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, as directed by a specific DNO) and 'Defect Risk' (where over-reliance on limited equipment manufacturers could lead to large proportions of the portfolio suffering similar defects) to be mitigated.

This diversification, combined with the considerable efforts of the Company's asset manager, BSL, is demonstrated by the fact that the outages experienced by the portfolio (those events both outside and inside the Company's control) equated to a drop against forecast generation of only -1.39%, with the impact of outages resulting from events directly within the control of the Company (for example, periods when a plant, or part of a plant, were shut to conduct essential maintenance or repairs) accounted for decrease of only -0.21% against forecast generation.

The most significant periods of outage were recorded at The Grange, a 5MWp site, 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 2017 with a further planned 8 day outage during August 2017 successfully reduced to a single day and delayed until October 2017, achieving additional generation and revenue savings of 663MWh and £66.2k respectively.

In April and May 2018, a small number of plants also suffered unplanned DNO outages. The largest of these occurred on Hoback Solar Farm, which lost 158.2MWh (equivalent to c.£33.8k of lost revenue), Capelands Solar Farm which lost 299MWh (c.£64.6k) and in June 2018, North Beer Solar Farm which lost 100.1MWh (c.£23.1k) of generation.

Report of the Investment Adviser (continued)

2. Portfolio: Acquisitions, Performance and Value Enhancement (continued)

Performance (continued)

A planned 26 day outage for the Durrants Solar Farm, located on the Isle of Wight did not proceed in the late summer of 2017, following a detailed consultation with the DNO which resulted in avoiding loss of generation and revenue 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 £1.7m of LDs for underperformance, revenue losses and the rectification of equipment defects.

The ability of the Company to collect LDs in the year, notwithstanding that the portfolio has overall performed in line with expectations, is reflective of the fact that the Company benefits from strong enforceable contractual protections and warranties across its portfolio and that the Investment Advisor has been disciplined in enforcing the Company's rights to deliver the optimal outcome for its investors.

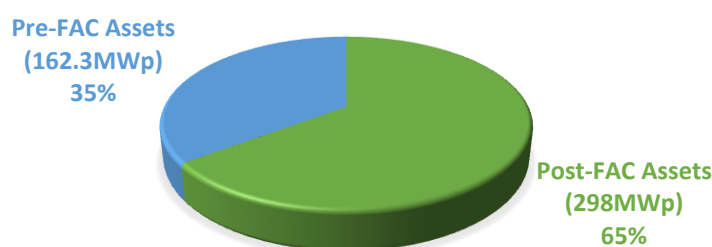
During the period, 12 plants completed and passed final acceptance testing.

Final acceptance occurs following at least two years of rigorous testing, of which these plants passed, as well as a comprehensive audit of the site for defects by BSL, all of which have been remedied or provided for before such acceptance is past. Following this rigorous acceptance procedure and completion of final acceptance, the EPC is released of its obligations (though some warranties remain for full statute of limitations periods).

As assets pass their final acceptance dates, the plants enter new availability and/or performance guarantees with their respective O&M providers whilst also benefitting from comprehensive insurance coverage with respect to damage, theft and business interruption.

Whilst the portfolio is maturing, a significant portion (35% by installed capacity) 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 because of operational underperformance against a contracted level of performance, or as a result of defects.

Figure 2. BSIF Portfolio Assets Under EPC Warranty ('pre-FAC') and post-FAC, as at 30 June 2018



At the end of the reporting period, our operation and maintenance subsidiary, BOL, now provides O&M contractor services to 7 of the Company's assets. Aside from annual cost savings of c.£156k for the sites already transferred, this transition of services is expected to deliver noticeable benefits from increased contractual service levels and, through a close operational working relationship with the asset manager, BSL, faster response times.

The Company's operating portfolio as at 30 June 2018 and the electricity generated in the 2017/18 financial year is shown below:

Report of the Investment Adviser (continued)

2. Portfolio: Acquisitions, Performance and Value Enhancement (continued)

Performance (continued)

Table 2. BSIF Portfolio Generation for 2017/18 by Asset:

Solar Farm Asset	Total Investment Commitment (GBP)	Installed Capacity (MWp)	Generation to 30 June 2018 (Actual, MW/h)
Southwick	61.0	47.9	46,101.21
West Raynham	55.9	50.0	49,227.82
Elms	32.8	28.9	26,599.79
Molehill	23.1	18.0	18,253.81
Hardingham	22.7	20.1	19,390.09
Littlebourne	22.0	17.0	16,474.82
Pentylands	21.4	19.2	18,008.95
Goose Willow	19.0	16.9	16,479.29
Hoback	19.0	17.5	16,391.85
Hill Farm	17.3	15.2	14,560.01
Pashley	15.4	11.5	12,301.24
Burnaston	14.4	4.1	3,675.78
Roves	14.0	12.7	11,874.88
Hall Farm	13.4	11.4	11,038.52
Sheppey/South Lees	12.0	10.6	10,952.48
Betingau	11.2	10.0	8,755.77
North Beer	9.3	6.9	6,595.47
Capelands	8.6	8.4	7,890.12
Ashlawn	7.6	6.6	6,607.95
Saxley	7.0	5.9	5,779.00
Durrants	6.4	5.0	5,394.60
Redlands	6.4	6.2	6,323.14
Romsey	5.8	5.0	4,942.54
Trethosa	5.8	4.8	4,674.26
Salhouse	5.6	5.0	4,881.69
Frogs Loke	5.6	5.0	4,817.51
The Grange	5.4	5.0	4,266.41
Bunns Hill	5.3	5.0	4,900.58
Folly Lane	5.3	4.8	4,596.52
Oulton	5.3	5.0	4,828.66
Rookery	5.2	5.0	4,765.46

Report of the Investment Adviser (continued)

2. Portfolio: Acquisitions, Performance and Value Enhancement (continued)

Performance (continued)

Solar Farm Asset	Total Investment Commitment (GBP)	Installed Capacity (MWp)	Generation to 30 June 2018 (Actual, MW/h)
Tollgate Farm	4.6	4.3	3,981.17
Butteriss (20 micro sites)	2.3	0.8	615.30
Goshawk	2.0	1.1	1,150.36
Promothames (9 micro sites)	1.3	0.4	303.81
Old Stone	5.7	5.0	4,835.49
Place Barton	5.5	5.0	4,956.85
Court Farm	5.5	5.0	5,171.76
Kellingley	5.0	5.0	4,330.18
Kislingbury	5.0	5.0	4,707.22
Willows	4.6	5.0	4,605.27
Gypsum	4.4	4.5	4,216.52
Barvills	3.3	3.2	3,310.69
Langlands	3.1	2.1	2,099.27
Corby	2.3	0.5	402.47
SUB-TOTAL	523.8	441.5	426,036.58
Assets becoming Operational / Acquired during the reporting period			
Clapton	6.3	5.0	3,667.43
Holly Farm	7.2	5.0	4,005.07
East Farm	7.2	5.0	3,950.36
Galton Manor	5.5	3.8	2,996.64
SUB-TOTAL	26.2	18.8	14,619.5
GRAND TOTAL	550.0	460.3	440,656.08

Value Enhancement Initiatives

As the Company has progressed from a focus on growth in our asset base driven by attractive greenfield opportunities, to a lower rate of asset growth and increased operational focus, the Investment Adviser has enhanced its focus on initiatives that seek to enhance and create additional value for the portfolio, through the optimisation of both operations and revenues.

The most significant of these initiatives is a wide ranging asset life extension programme, which seeks to allow the SPVs to extend the available tenor of the PV plants (above 2MWp of installed capacity) up to 40 years (with the majority of the assets' leases and planning approvals currently envisaging an average term of c.25 years).

Report of the Investment Adviser (continued)

2. Portfolio: Acquisitions, Performance and Value Enhancement (continued)

Value Enhancement Initiatives (continued)

This extension is achieved through direct consultation and negotiation with each respective landowner to add options into the lease which allow the SPV, at its discretion, to extend the lease up to a total term of 40 years. Once lease negotiations have been concluded, applications are made to the respective local planning authority to extend the permitted tenure to 40 years.

During the negotiations with the landowners, the SPVs are concurrently seeking to add further options in the leases for the deployment of battery storage facilities, without further landowner consent. This will allow such facilities to be rapidly deployed, at suitable sites across the portfolio, when the commercial conditions for doing so become attractive.

In addition to extending the tenor and inserting battery storage optionality, each SPV is also reviewing options around future optimisation of the plant. Examples of this include assessment of repowering, reconfiguring, or permitting the laying of additional conducting media (primarily cables to support the installation of batteries). The negotiations also present an opportunity for landowners to request variations which do not materially affect the operation of the plants, such as rights to graze livestock on the sites.

The decision to extend any individual asset's life term is taken only once it has been demonstrated that, with the required planning approval, there is a positive uplift in NPV and improvement on the original investment criteria which was applied when the plant was acquired or funded.

To facilitate this significant undertaking, the Investment Adviser has assembled a highly qualified and experienced team of third-party land agents, law firms and planning consultants. By the end of the Reporting Period, 28 separate landowner negotiations had commenced, resulting in 8 formal agreements. The relevant planning applications for these plants expect to be submitted during 2018/19.

No allowance has been made within our valuation models for the benefit of any lease extensions pending completion of planning reviews and receipt of consent.

In addition, the Investment Adviser is actively discussing opportunities within the UK's burgeoning long term, corporate and direct-wire PPA market, in order to provide predictable and reliable income streams over the long term, up to 25 years.

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 required duration under the LTF agreement.

The Company has continued to implement the approach of fixing power prices evenly throughout the year, in order to mitigate the Company's exposure to seasonal fluctuations and short term events which have the potential to increase volatility in the price of electricity in the UK.

Prices are 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 (some 20% of the portfolio) benefitting from 15 year PPAs with floor prices, means the Company, in the unlikely scenario of power prices falling to nil, has c.62% of its revenue guaranteed over the next 15 years. The graph below shows that as at 30 June 2018 the Company has a price confidence level of c.90% to December 2018 and c.70% to June 2019 over its power and subsidy revenue streams.

Report of the Investment Adviser (continued)

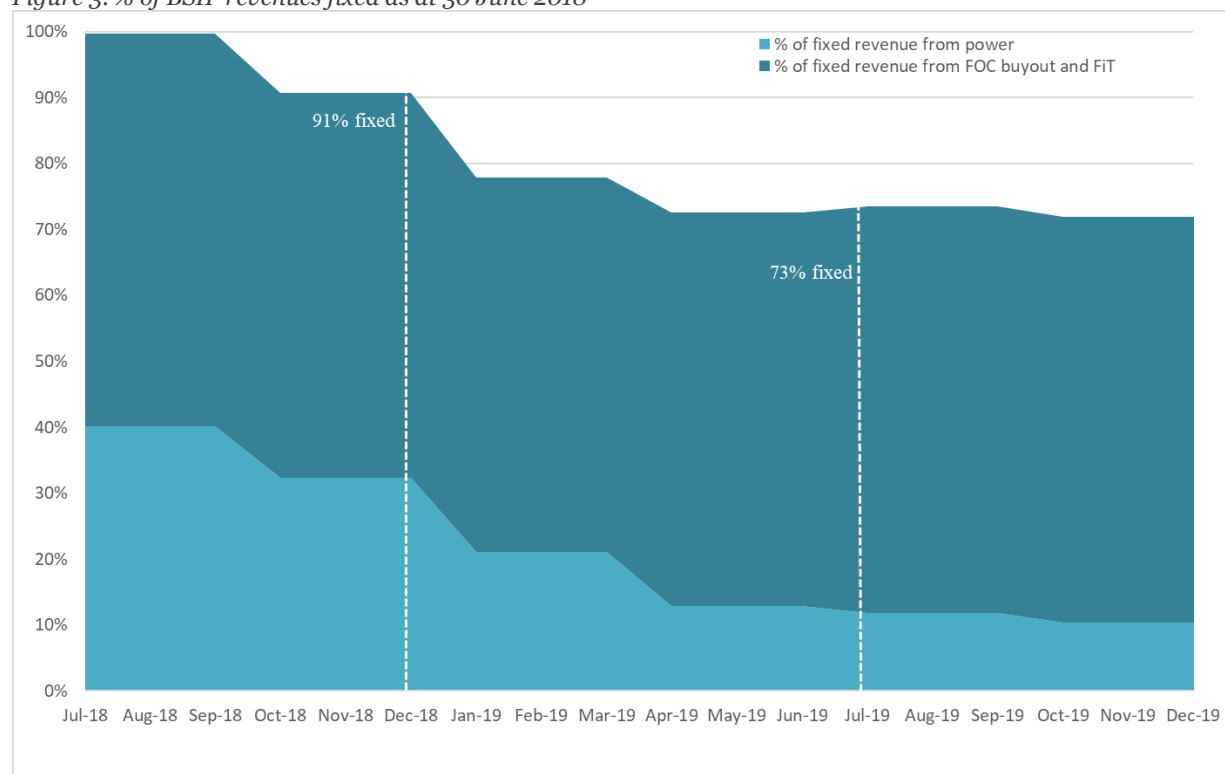
2. Portfolio: Acquisitions, Performance and Value Enhancement (continued)

Value Enhancement Initiatives (continued)

PPA Strategy (continued)

The Company's strategy of fixing prices over periods of 12-36 months means the portfolio retains the ability to continue to benefit from some of the rising power price trend in recent months.

Figure 3. % of BSIF revenues fixed as at 30 June 2018



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 long term borrowing facility in September 2016.

This means the Company has the flexibility to explore value enhancing options such as negotiating corporate PPA offtake, 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 only available to owners who can commit significant volumes of generating capacity.

As a result, 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.

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 39.3% of the Company's income. Regulated revenues from the sale of FiTs and ROCs account for 60.7%.

Report of the Investment Adviser (continued)

2. Portfolio: Acquisitions, Performance and Value Enhancement (continued)

Value Enhancement Initiatives (continued)

Revenues and Power Price (continued)

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 raise PPA strike prices with particular increases from April 2018. This rise in short term power prices has been principally down to three key factors:

1. High gas prices
The UK's main gas storage facility (Rough) closed during 2017 which, combined with the reduction of the gas production in the Netherlands (Groningen field's output being limited for security reasons), pushed up gas prices. These gas market constraints come after the dry weather of 2017 that depleted gas reserves (lower hydro generation, placing higher demand on gas-fired) and at the same time as rising oil prices, to which the majority of gas contracts are indexed. Additionally, these fundamental drivers must be seen in combination with the fact that gas-fired generation is setting the price more often, due to increased competitiveness versus coal as the carbon intensity of gas is lower and therefore is less penalised by rising carbon prices (which as per point 3 below have also contributed to increasing power prices).
2. Low wind combined with high demand
Spring months are usually characterised by low wind generation and, in May 2018, onshore wind load factors reached a 12 month low. This coincided with a colder and longer winter, followed by a hotter than usual spring.
3. Rising carbon prices
There has been a 42% increase since mid December 2017 as the market appears to be anticipating that the European Commission's reform (stability reserve mechanism to start in January 2019 aiming at removing oversupply of allowances from the market) will balance the market.

These factors have meant short term electricity prices have de-coupled from recent curves released by power forecasters, who present figures on an average weather year basis and do not accommodate these extreme weather effects so precisely. Compounding this deviation is also the fact that traded prices usually reflect present views more than market fundamentals. In other words, market prices in the short term are more representative of current market circumstances (low wind + high demand + gas market constraints today) than balanced market scenarios (e.g. what is the electricity market equilibrium for an average weather in any given year).

Report of the Investment Adviser (continued)

2. Portfolio: Acquisitions, Performance and Value Enhancement (continued)

Value Enhancement Initiatives (continued)

Revenues and Power Price (continued)

As illustration of the points mentioned above, please see below a chart comparing the wholesale electricity prices versus gas and carbon over the last 18 months.



Source data from Bloomberg. Carbon price EU ETS from Bloomberg, effective GB price based on IA calculations

This upward movement has been reflected in PPA fixes completed by the Company during the period, with 12-36 month fixed contracts replaced in the period benefitting from an increase to the average seasonal weighted power price previously achieved (from £44.07 per MWh the 12 months ending 30 June 2017, compared to £45.40 per MWh to 30 June 2018). This compares to a day ahead market base load power price of £45.77 per MWh for the 12 months to 30 June 2017 and £49.16 per MWh to 30 June 2018. As PPAs are struck on a rolling basis the uplift in power prices is not immediately seen in the portfolio.

Evidencing the Company's PPA strategy provides it with the ability to benefit from rising power prices is the fact in the period post 30 June 2018, the weighted volume average for fixes since 30 June 18 is £57.69/MWh.

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

Report of the Investment Adviser (continued)

3. Analysis of underlying earnings

The total generation and revenue earned in 2017/18 by the Company's portfolio, split by subsidy regime, is outlined below.

Subsidy Regime	Generation (MWh)	PPA Revenue (£m)	Regulated Revenue (£m)
FiT	16,217	0.9	4.6
2.0 ROC	8,695	0.4	0.9
1.6 ROC	88,995	4.0	7.0
1.4 ROC	234,015	10.6	16.2
1.3 ROC	41,981	2.0	2.7
1.2 ROC	50,753	2.3	3.0
Total	440,656	20.2	34.4

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 (CP15) was £4.89 per MWh (equivalent to 11.4% of CP15 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)

3. Analysis of underlying earnings (continued)

Combined with ROC recycle revenues received during the year (due to the ROC recycle for the period April 2016 to March 2017, being higher than the prudent estimate built into the 30 June 2017 year end results) of 0.43pps, the Company's total underlying earnings for the period are 9.67pps.

After deducting amortisation of debt of 2.24pps, the Company generated earnings available for distribution of 7.43pps, fully covering the dividend of 7.43pps.

As result, the Company has been able to carry forward dividend reserves of 0.30pps (2017: 0.30pps).

Underlying Portfolio Earnings

	Full year to 30 June 18 (£m)	Full year to 30 June 17 (£m)	Full year to 30 June 16 (£m)	Full year to 30 June 15 (£m)
Portfolio Revenue*	56.2	47.9	35.6	22.7
Liquidated damages	1.7	1.3	0.9	0.8
Portfolio Income	57.9	49.2	36.5	23.5
Portfolio Costs	-12.9	-11.4	-7.1	-0.9
Project Finance Interest Costs	-0.7	-0.7	-0.7	-0.7
Total Portfolio Income Earned	44.3	37.1	28.7	21.9
Group Operating Costs**	-4.3	-4.2	-3.9	-3.1
Group Debt Costs	-4.2	-4.4	-3.2	-0.8
Underlying Earnings	35.8	28.5	21.6	18.0
Group Debt Repayments	-8.3	-3.4	-0.7	-0.7
Underlying Earnings available for distribution	27.5	25.1	20.9	17.3
Bought forward reserves	1.1	0.8	1.3	0.0
Total funds available for distribution -1	28.6	25.9	22.2	17.3
Target distribution***	27.5	24.6	20.9	15.3

Actual Distribution -2	27.5	24.8	21.4	16.0
Underlying Earnings carried forward (1-2)	1.1	1.1	0.8	1.3

#Includes the Company and BSIFIL

*Includes ROC recycle revenue of £1.6m for CP15 (April 2016-March 2017)

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

***Target distribution is based on funds required for total target dividend for each financial period.

Report of the Investment Adviser (continued)

3. Analysis of underlying earnings (continued)

The table below presents the underlying earnings on a 'per share'.

	Full year to 30 June 18 (£m)	Full year to 30 June 17 (£m)	Full year to 30 June 16 (£m)	Full year to 30 June 15 (£m)
Target Distribution (RPI dividend)	27.5	24.6	20.9	15.3
Total funds available for distribution (inc reserves)	28.6	25.9	22.2	17.3
Average Number of shares in year*	369,866,027	342,735,213	295,282,786	224,583,921
Target Dividend (pps)	7.43	7.18	7.07	7.00
Total funds available for distribution (pps) - 1	7.73	7.55	7.55	7.71
Total Dividend Declared & Paid (pps) - 2	7.43	7.25	7.25	7.25
Reserves carried forward (pps) ** - 1-2	0.30	0.30	0.30	0.46

*Average number of shares is calculated based on shares in issue at the time each dividend was declared.

** Reserves carried forward are based on the shares in issue at the corresponding year end.

4. NAV and Valuation of the Portfolio

The Investment Adviser is responsible for advising the Board 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. In keeping with this commitment, the Company commissioned a benchmarking exercise with an independent third party to support the 30 June 2018 valuation.

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 30 June 2018 was £604.2m (30 June 2017, £573.4m and 30 June 2016, £483.7m).

The table below shows a breakdown of the Directors' Valuations over the last three financial years:

Valuation Component (£m)	June 2018	June 2017	June 2016
Enterprise Portfolio DCF value (EV)	592.5	558.6	479.7
Deduction of Project Co debt	-12.5	-13.2	-13.9
Projects valued at cost (amount invested)	0.0	5.0	0.0
Project Net Current Assets	24.2	23.0	17.9
Directors' Valuation	604.2	573.4	483.7

These items are outlined below in the portfolio valuation movement section.

Report of the Investment Adviser (continued)

4. NAV and Valuation of the Portfolio (continued)

Changes to Directors' Valuation methodology

During the financial year there have been a number of developments that 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. Alongside these private transactions there has also been public announcements from Foresight and Next, between May 2018 and August 2018, with respect to acquisitions of portfolios in excess of 50MWp. This activity continues to demonstrate the trend, first identified by the Company within its 31 December 2016 Interim Statements, of pricing for solar assets being between £1.29m/MWp and £1.35m/MWp;
- (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) Within the period inflation rose and then fell, as RPI achieved a 7 year peak in December 2017 at 4.1%, before falling to 3.4% by 30 June 2018. With the Bank of England completing one rate increase of 0.25% within the period, in November 2017 and another shortly after, in August 2018, inflation has stabilised post period end with forecasts predicting, over the next few years for it to move more into line with the Bank of England's stated target of 2%;
- (iv) Notwithstanding some near term (1 to 2 year) upward movements in energy price forecasts, as outlined in the PPA section on pages 37 and 38, the latest long term forecast curves projected by our forecasters have fallen by c.8.3% 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.

Each of these factors has been considered when determining the Directors' Valuation.

Discounting Methodology and Discount Rate

The Directors' Valuation is based upon the 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 with the result then benchmarked against comparable market multiples.

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 49 SPVs held by the Company, only one (Durrants) has asset level debt (being £12.5m at the financial period end).

Report of the Investment Adviser (continued)

4. NAV and Valuation of the Portfolio (continued)

Discounting Methodology and Discount Rate (continued)

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. At that time, 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, of which it immediately sold down 50% to TNB. Further developments on this transaction occurred in December 2017 when EFG sold down a further 45% (leaving it with a 5% holding) to KWAP but despite only selling a minority stake, pricing remained equivalent to an EV of £1.29m/MWp.

Since the original TerraForm transaction in December 2016, a number of large scale portfolios, including recent purchases by the Company's listed peers as listed above, have changed hands.

Analysis of transactions since December 2016 up to the current date indicates all have fallen within an EV band of £1.29m/MWp and £1.35m/MWp.

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.

As the period to 30 June 2018 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 valuation of the BSIF portfolio.

By valuing the portfolio at an EV of £592.5m, and an effective price of £1.29m/MWp, the Board has conservatively achieved this aim. On this basis, the WACC discount rate of 5.90%, applied in December 2017, has been reduced by a further 0.25% to 5.65%. This reduction results in a drop of 0.50% compared to the WACC applied in June 2017 of 6.15%.

The cost of equity implied by a WACC of 5.65% is 7.26% (June 2017; WACC 5.90%, Cost of Equity 8.07%).

The reduction in WACC reflects in part an increase in both short and long term leverage as a result of £24.3m from the Company's RCF, which it is expected to be carried forward into long term debt under the conservative assumption of replacing 70% (c.£17m), on maturity in September 2019, of amounts drawn under the RCF with long term amortising debt at an interest rate of 3.50%.

Given the Investment Adviser's record of securing competitive long term debt, as evidenced by the re-financing in September 2016 of the Company's £200m RCF with Aviva Investors, the Directors are comfortable with the assumptions applied to the conversion of such a small tranche before September 2019.

In parallel, as further detailed below, the equity discount rate has increased.

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).

Commensurate with the drop in WACC, is a reduction in the equity IRR implied by the Directors' Valuation. This has fallen, from 7.02% in December 2017, to 6.70% at the end of June 2018 (down from 7.43% in June 2017).

Report of the Investment Adviser (continued)

4. NAV and Valuation of the Portfolio (continued)

Discounting Methodology and Discount Rate (continued)

The equity IRR is derived from the actual impact of the Company's amortisation profile over the tenor of its third party debt, £217.5m as at 30 June 2018, taking into account both the cost and declining leverage levels (34%, based on the Company's GAV as at 30 June 2018 of £635.7m*) as well as the effect of interest shielding on £80m of Eurobond notes between BSIF and BSIFIL.

The equity IRR of 6.70% is the return from the equity forecast cash flows of the portfolio (after tax deductions) which give rise to the same resulting NAV as the WACC methodology and is intended to assist in outlining the relationship between a point in time valuation of the Company's portfolio, based on the Company's underlying valuation assumptions, and the commensurate equity return.

The equity IRR implies that the future cash flows of the Company, based upon the Directors' Valuation of £604.2m, which includes the conservative assumption of a zero terminal value of each asset after c25 years of operational life, are expected to deliver a c.6.7% gross annualised return on today's NAV.

The DCF has been applied on the basis of each asset having a terminal value of zero after an operational life of c.25 years from commissioning. For the Company's portfolio, this equates, within the Directors' Valuation as at 30 June 2018, to a weighted average portfolio life of 21.7 years. 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 with respect to long term inflation rates.

Impact of Finance Bill 2017 - Base Erosion and Profit Shifting

Prior to Royal Assent of the Finance Bill in November 2017, Directors' Valuations had only incorporated the benefit of tax shielding from long term 3rd party debt profiles.

From September 2016, this included the interest shielding from the Company's 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) provided by Aviva Investors.

The average EBITDA interest tax shield from this long term debt equates to 6.8% over the life, being 14.3% in 2019 and falling thereafter with amortisation of the debt.

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

However, following Royal Assent of the Finance Bill in November 2017 (permitting shielding up to 30% of EBITDA), the Company 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 17.7% over the life, being 26% in 2019 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.

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

Report of the Investment Adviser (continued)

4. NAV and Valuation of the Portfolio (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 30 June 2018, 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)			
	June 2018	December 2017	June 2017	December 2016
Leading independent power forecaster 1*	594.3	566.1	553.9	500.5
Equal blending of leading independent power forecasts	592.5	568.5	558.6	510.5
Leading independent power forecaster 2	590.8	570.9	563.7	520.4

* Forecaster used in all previous BSIF valuations

The blended forecast used within the latest Directors' Valuation is based on forecasts released in April 2018 (forecaster 1) and June 2018 (forecaster 2) and implies an annual growth rate over the 25 year forecast of 0.5% above the rate of inflation from a starting point in the high £40s / MWh.

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, 12 plants completed and passed FAC testing.

This process triggers the end of performance-related EPC warranties and, in the context of the valuation approach, marks the first point at which long term operational performance can be adopted within the future cash flows of the project.

The number of projects now being valued using PR from operational or final acceptance (this covers a minimum of 2 years of operational data) is 19 (7 assets in June 2017) and the Investment Adviser is pleased to confirm that the average PR for these plants, including the effects of degradation, is 83.3%.

This represents the possibility of future valuation uplifts as the remaining plants, c.35% of the portfolio, move through the FAC process and switch to operational PRs over the next few years.

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.

NAV movement

In the period, the Company paid total dividends of £24.4m, being 3.00pps in total for the third and fourth interim dividends in respect of the year ended 30 June 2017 (which combined with the earlier interim dividends, provided a total dividend in the 2016/17 financial year of 7.25pps) as well as 3.60pps in total for the first and second interim dividends for the 2017/18 financial year.

Report of the Investment Adviser (continued)

4. NAV and Valuation of the Portfolio (continued)

NAV movement (continued)

Over the period the Company's NAV has increased by £10.4m, from £408.6m as at 30 June 2017, to £419.0m as at 30 June 2018. Adjusting the 30 June 2017 NAV of £408.6m for the dividends paid in the period (£24.4m) results in an uplift in the NAV of the Company during the period of £34.8m.

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 the 2017/18 financial year of 1.80pps. It paid a second interim dividend of 1.80pps in May 2018, a third interim dividend of 1.80pps in August 2018 and is expecting to pay a final, fourth interim of 2.03pps in October 2018 to meet the Company's 2017/18 dividend target of 7.43pps.

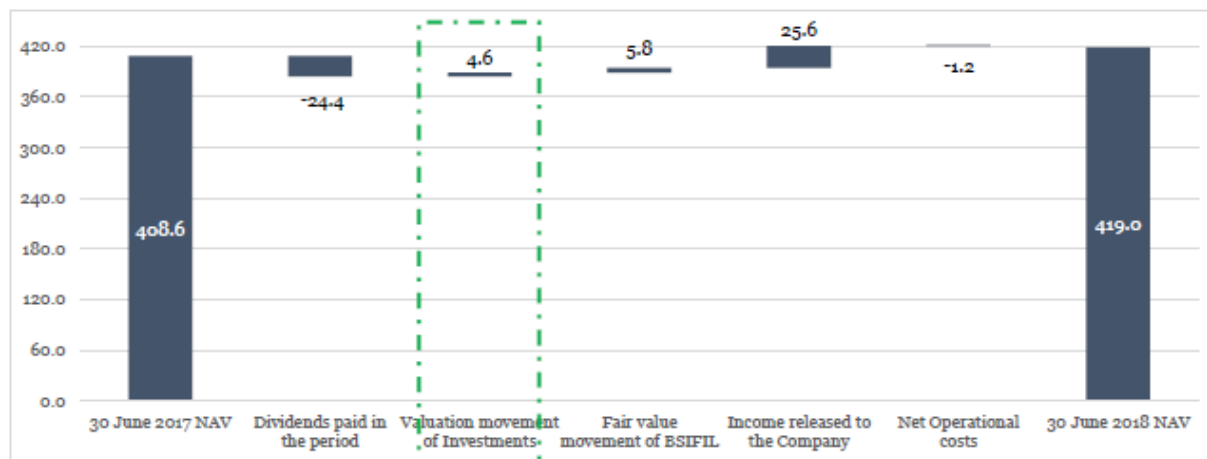
A breakdown in the movement of the NAV (£ million) of the Company over the period and how this interacts with the movement in the valuation of the portfolio is illustrated in the charts below.

Report of the Investment Adviser (continued)

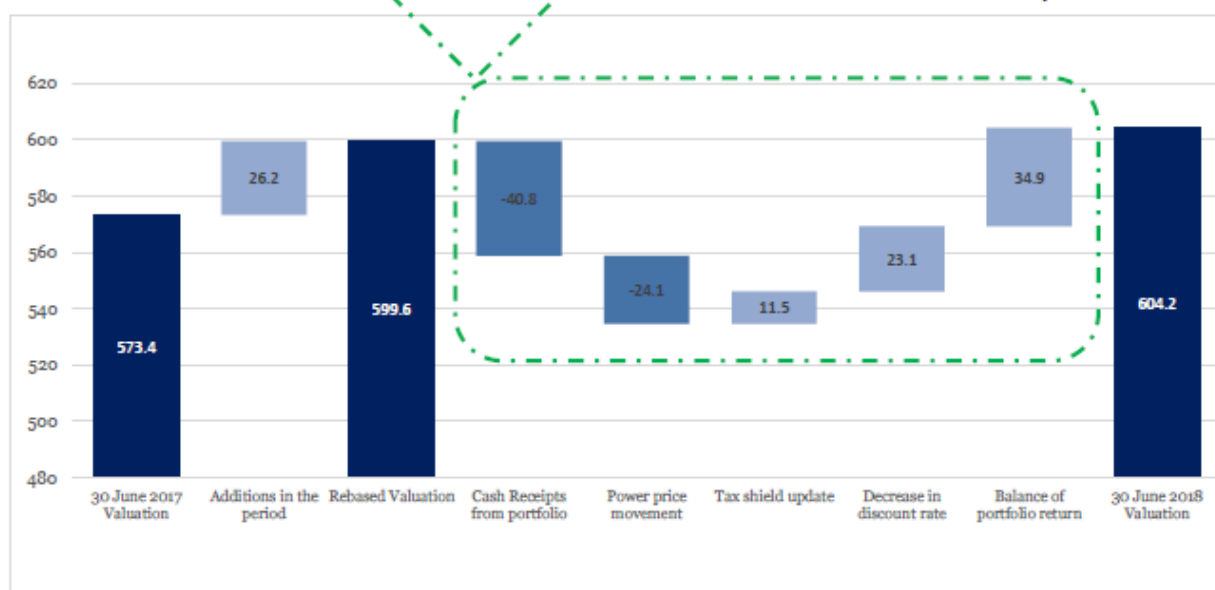
4. NAV and Valuation of the Portfolio (continued)

NAV movement (continued)

NAV Movement Graph



Portfolio Value Movement Graph



Report of the Investment Adviser (continued)

4. NAV and Valuation of the Portfolio (continued)

NAV movement (continued)

Directors' Valuation movement

	(£million)	As % of re-based valuation
30 June 2017 Valuation	573.4	
Additions in the period[#]	26.2	
Re-based Valuation	599.6	
Cash receipts from portfolio	(40.8)	(6.8)%
Power Price Movement	(24.1)	(4.0)%
Tax shield update	11.5	1.9%
Decrease in discount rate (6.15% to 5.65%)	23.1	3.8%
Balance of portfolio return	34.9	5.8%
30 June 2018 Valuation	604.2	0.7%

[#]Additions in the period reflects acquisition of 18.8MWp; Clapton, Galton, Holly and East.

Each movement between the re-based 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 April and June 2018 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 £24.1m.

The discounted cash flow 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 equal blend of two independent forecasters' prices.

Report of the Investment Adviser (continued)

4. NAV and Valuation of the Portfolio (continued)

NAV movement (continued)

Directors' Valuation movement (continued)

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 c.18%, 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), as well as any amounts drawn under the Company's short term RCF (£24.3m as at 30 June 2018).

The shielding on these third party loans equates to c.14% of EBITDA for 2019, and c.7% across the life of the loans.

Decrease in discount rate

The reduction of the WACC from 6.15% as 30 June 2017 to 5.65% as at 30 June 2018 reflects the continued pricing tension within the UK solar market and results in an increase of £23.1m to the 30 June 2018 valuation.

Balance of Portfolio Return

The balance of portfolio return is the result of the unwinding of the discount rate over the period, as well as minor operational and financial assumption changes.

Other Assumptions

Consistent with previous Directors' Valuations, the valuation assumes a terminal value of zero for all projects within the portfolio c.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 from adjustments to plant performance (PRs), subject to operational delivery, as well as the potential impact from extension of asset life (through increasing lease and planning permissions).

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.

Report of the Investment Adviser (continued)

4. NAV and Valuation of the Portfolio (continued)

NAV movement (continued)

Directors' Valuation movement (continued)

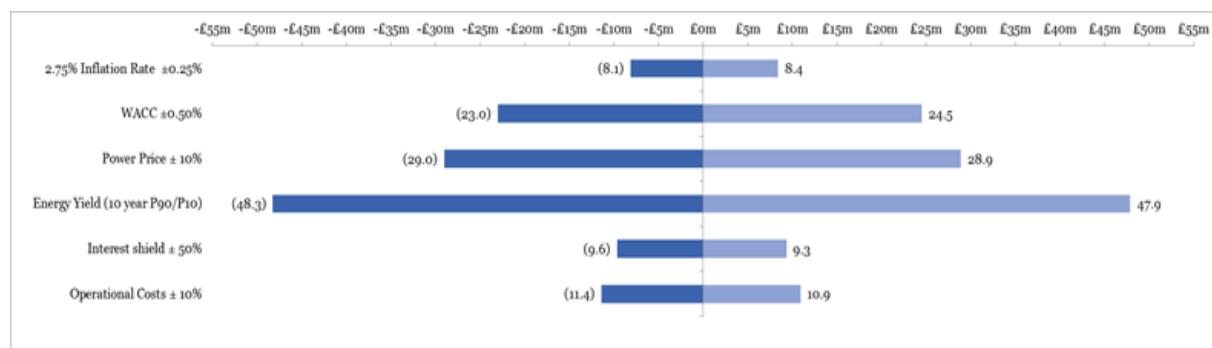
Reconciliation of Directors' Valuation to Balance sheet

Category	Balance at Year End		
	30 June 2018 (£m)	30 June 2017 (£m)	30 June 2016 (£m)
Directors' Valuation	604.2	573.4	483.7
BSIFIL Working Capital	18.8	15.9	2.4
BSIFIL 3 rd Party Debt	(204.9)	(186.0)	(180.4)
Financial Assets at Fair Value per Balance sheet	418.1	403.3	305.7

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 8 of the financial statements. The following diagram reviews the sensitivity of the EV of the portfolio to the key underlying assumptions within the discounted cash flow valuation.



Report of the Investment Adviser (continued)

5. 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	Average Loan Life at drawdown	Interest rate exposure during 18 year tenor
Fixed	£121.5m	18 years and 3 months from drawdown	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 from drawdown	Fully amortising over 18 years sculpted to cash flows	RPI plus 70bps	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 £7.4m, combined with indexation increases of £2.2m, resulted in a total outstanding balance to Aviva as at 30 June 2018 of £180.6m (Fixed £114.9m, Index linked £65.7m).

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 30 June 2018, the blended debt cost of the facilities was 3.1%).

Thanks to the prudent leverage (34% of GAV as at 30 June 2018), 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 2.5 times.

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 30 June 2018 the Company had drawn £24.3m, out of £30m, from its RCF.

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.

Report of the Investment Adviser (continued)

5. Financing (continued)

Project level debt

In addition to the LTF and the three year RCF, the Company also has a small project finance loan of £12.5m secured against project Durrants (a 5 MWp 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.

6. Market Developments

The UK's total installed solar capacity reached 12.8GWp on 30 June 2018 according to the Department for Business, Energy & Industrial Strategy (BEIS) latest data available, as of 26 July 2018.

Capacity accredited under the RO Scheme remains unchanged at 7.1GWp, representing 56% of the total solar capacity in the UK, but only 2.4% of the number of installations. This implies a high concentration of generation in industrial scale sites. About 26% 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 4.8GWp as of 30 June 2018. This equates to about 38% of total solar capacity and 86% of all installations.

The utility-scale primary PV market in the UK is nowhere to be seen since the closure of the RO scheme in April 2017. Some 103MWp of capacity was added to the grid in the first half of 2018, mainly across sub-utility scale new plants.

With 460MWp 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% of the country's utility-scale solar PV capacity.

The activity in the secondary market has slowed down considerably in the first half of 2018. Approximately 420MWp has exchanged hands between the beginning of January and the end of June 2018, compared to over 800MWp in the same period in 2017.

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

7. Regulatory Environment

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 investment in solar PV continue to improve as a result of falling equipment prices.

In continental Europe, solar power has already entered the new era of unsubsidised project development. Countries such as Spain, Portugal and Italy are taking the lead and a few projects have already started operations. In the first half of 2018, at least 12 such subsidy free projects, totalling c.676MWp have been either built or were under construction in the EU.

Report of the Investment Adviser (continued)

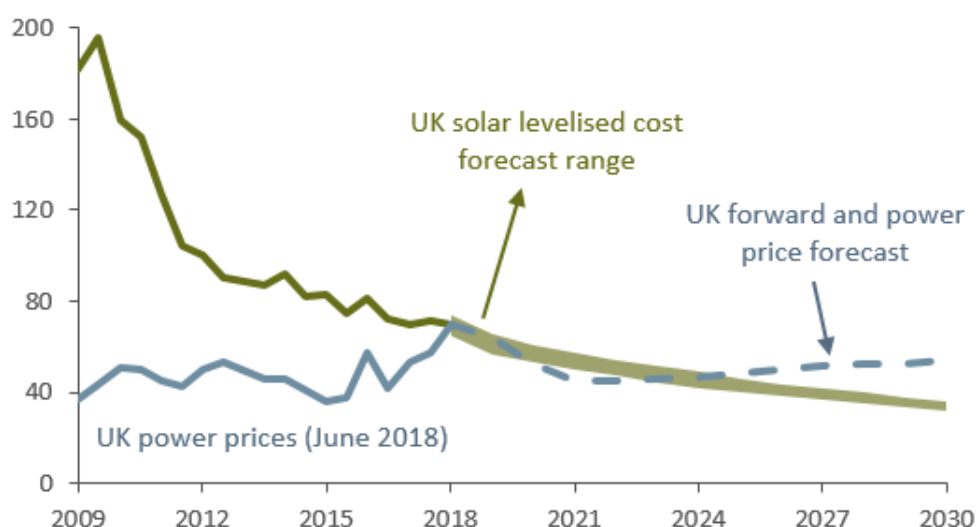
7. Regulatory Environment (continued)

Subsidy free PV (continued)

In the UK, over 55MWp subsidy free solar PV capacity has been added to the grid in the first half of 2018. Out of this new capacity, 19MWp is sub-utility scale projects and 36MWp is utility scale. These are promising signs for the future of subsidy free solar PV in the UK. As a result, the Company will continue to monitor opportunities on the primary market closely.

The figure below shows historical and projected levelised cost of electricity (LCOE) for a UK solar project based on data provided by a leading market intelligence service. Plotted against historic and spot and forward prices in the UK, which can act as a reference for potential PPA prices, the Investment Adviser has observed a much more rapid convergence of power prices to the UK solar levelised cost of electricity compared to the same projections in December 2017.

Figure 4: UK solar levelised cost vs power price (£/MWh)



8. 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.

Environmental Impact

Approximately 25 acres of land are required for every 5MWp of installation, enough to power 1,612 homes based on a medium Typical Domestic Consumption Value (TDVC) of 3,100 kWh of electricity for every 5 MWp installed, this is an annual saving of 1,744 tonnes of CO₂.

Based on these figures, the portfolio capacity of 460.3MWp as at 30 June 2018 will power the equivalent of 148,368 homes and save 160,517 tonnes of CO₂ in a year.

Report of the Investment Adviser (continued)

8. Environmental, Social and Governance (continued)

Biodiversity

During the year 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 (e.g. 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.

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 this, 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, demonstrating that solar farms can support farming and are also providing 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 year to 30 June 2018, the portfolio assets made donations of £169k 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 September 2018

Report of the Directors

The Directors hereby submit the annual report and financial statements of the Company for the year ended 30 June 2018.

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 has been registered and 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 London Stock Exchange following its IPO which completed on 12 July 2013.

Principal Activities

The principal activity of the Company is to invest in a portfolio of large scale UK based solar energy infrastructure assets.

The Company's objective was to target a dividend of 7.00pps in respect of its second financial year ended 30 June 2015, with the intention of the dividend rising annually in line with UK RPI thereafter. The dividend target for its fifth financial year ended 30 June 2018 is 7.43pps.

Business Review

A review of the Company's business and its likely future development is provided in the Chairman's Statement on pages 7 to 10, Strategic Report on pages 15 to 30 and in the Report of the Investment Adviser on pages 31 to 56.

Listing Requirements

The Company has complied with the applicable Listing Rules throughout the year.

Results and Dividends

The results for the year are set out in the financial statements on pages 83 to 86.

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

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

On 8 January 2018, the Board declared a first interim dividend of £6,656,603, in respect of year ended 30 June 2018, equating to 1.80pps (first interim dividend in respect of the year ended 30 June 2017: 3.25pps), which was paid on 9 February 2018 to shareholders on the register on 19 January 2018.

On 19 April 2018, the Board declared a second interim dividend of £6,657,904, in respect of year ended 30 June 2018, equating to 1.80pps (second interim dividend in respect of the year ended 30 June 2017: 1.00pps), which was paid on 18 May 2018 to shareholders on the register as at 27 April 2018.

Report of the Directors (continued)

Share Capital

On 12 January 2018, the Company issued 72,249 new Ordinary Shares to the Investment Adviser in respect of their variable fee for the financial year ended 30 June 2017 at a price of 107.49pps.

The Company has one class of Ordinary Shares. The issued nominal value of the Ordinary Shares represents 100% of the total issued nominal value of all share capital. Under the Company's Articles, on a show of hands, each shareholder present in person or by proxy has the right to one vote at general meetings. On a poll, each shareholder is entitled to one vote for every share held.

Shareholders are entitled to all dividends paid by the Company and, on a winding up, providing the Company has satisfied all of its liabilities, the shareholders are entitled to all of the surplus assets of the Company. The Ordinary Shares have no right to fixed income.

Shareholdings of the Directors

The Directors of the Company and their beneficial interests in the shares of the Company as at 30 June 2018 are detailed below:

Director	Ordinary Shares of £1 each held 30 June 2018	% holding at 30 June 2018	Ordinary Shares of £1 each held 30 June 2017	% holding at 30 June 2017
John Rennocks*	316,011	0.09	446,713	0.12
John Scott	452,436	0.12	367,506	0.10
Paul Le Page*	137,839	0.04	137,839	0.04
Laurence McNairn	441,764	0.12	441,764	0.12

*including shares held by PCAs

Report of the Directors (continued)

Directors' Authority to Buy Back Shares

The Board believes that the most effective means of minimising any discount to NAV which may arise on the Company's share price is to deliver strong, consistent performance from the Company's investment portfolio in both absolute and relative terms. However, the Board recognises that wider market conditions and other considerations will affect the rating of the Ordinary Shares in the short term and the Board may seek to limit the level and volatility of any discount to NAV at which the Ordinary Shares may trade. The means by which this might be done could include the Company repurchasing its Ordinary Shares. Therefore, subject to the requirements of the Listing Rules, the Law, the Articles and other applicable legislation, the Company may purchase Ordinary Shares in the market in order to address any imbalance between the supply of and demand for Ordinary Shares or to enhance the NAV of Ordinary Shares.

In deciding whether to make any such purchases the Board will have regard to what they believe to be in the best interests of shareholders and to the applicable Guernsey legal requirements which require the Board to be satisfied on reasonable grounds that the Company will, immediately after any such repurchase, satisfy a solvency test prescribed by the Law and any other requirements in its Articles. The making and timing of any buybacks will be at the absolute discretion of the Board and not at the option of the shareholders. Any such repurchases would only be made through the market for cash at a discount to NAV.

On incorporation the Company passed a written resolution granting the Board general authority to purchase in the market up to 14.99% of the Ordinary Shares in issue immediately following Admission. A resolution to renew such authority was passed by shareholders at the AGM held on 29 November 2017. Therefore, authority was granted to the Board to purchase in the market up to 14.99% of the Ordinary Shares in issue immediately following the AGM held on 29 November 2017 at a price not exceeding the higher of (i) 5% above the average mid-market values of Ordinary Shares for the five Business Days before the purchase is made or (ii) the higher of the last independent trade or the highest current independent bid for Ordinary Shares. The Board intends to seek renewal of this authority from the shareholders at the next AGM scheduled to be held on 30 November 2018.

Pursuant to this authority, and subject to the Law and the discretion of the Board, the Company may purchase Ordinary Shares in the market on an ongoing basis with a view to addressing any imbalance between the supply of and demand for Ordinary Shares.

Ordinary Shares purchased by the Company may be cancelled or held as treasury shares. The Company may borrow and/or realise investments in order to finance such Ordinary Share purchases.

The Company did not purchase any Ordinary Shares for treasury or cancellation during the period.

Report of the Directors (continued)

Directors' and Officers' Liability Insurance

The Company maintains insurance in respect of directors' and officers' liability in relation to their acts on behalf of the Company. Insurance is in place, having been renewed on 12 July 2018.

Substantial Shareholdings

As at 20 September 2018, the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following substantial voting rights over 3% as shareholders of the Company.

Shareholder	Shareholding	% Holding
The Bank of New York (Nominees) Limited	49,018,609	13.25
BNY (OCS) Nominees Limited	28,821,213	7.79
Pershing International Nominees Limited DSCLT Acct	20,413,007	5.52
Roy Nominees Limited 180571 Acct	19,599,101	5.30
Nortrust Nominees Limited TDS Acct	13,684,838	3.70
HSBC Global Custody Nominee (UK) Limited 921773 Acct	12,026,291	3.25

The Directors confirm that there are no securities in issue that carry special rights with regards to the control of the Company. There have been no changes that have been notified to the Company with respect to the substantial shareholdings since 30 June 2018.

Independent Auditor

KPMG has been the Company's external Auditor since the Company's incorporation. A resolution will be proposed at the forthcoming AGM to re-appoint them as Auditor and authorise the Directors to determine the Auditor's remuneration for the ensuing year.

The Audit Committee will periodically review the appointment of KPMG and the Board recommends their appointment. Further information on the work of the Auditor is set out in the Report of the Audit Committee on pages 74 and 78.

Articles of Incorporation

The Company's Articles may be amended only by special resolution of the shareholders.

Going Concern

At 30 June 2018, the Company had invested in 86 solar plants, committing £545.6m to SPV investments. The Company through its direct subsidiary, BSIFIL, has access to a RCF which together with the net income generated by the acquired projects, are expected to allow the Company to meet its liquidity needs for the payment of operational expenses, dividends and acquisition of new solar assets. The Company, through BSIFIL, expects to comply with the covenants of its long term loan and RCF.

Report of the Directors (continued)

Going Concern (continued)

The Board in its consideration of going concern has reviewed comprehensive cash flow forecasts prepared by the Investment Adviser, future projects in the pipeline and the performance of the current solar plants in operation and, at the time of approving the financial statements, has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and does not consider there to be any threat to the going concern status of the Company.

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 has 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.

The Board has concluded that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Internal controls review

Taking into account the information on principal risks and uncertainties provided on pages 23 to 30 of the strategic report and the ongoing work of the Audit Committee in monitoring the risk management and internal control systems on behalf of the Board, the Directors

- are satisfied that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity; and
- have reviewed the effectiveness of the risk management and internal control systems and no significant failings or weaknesses were identified.

Fair, Balanced and Understandable

The Board has considered whether the Annual Report is fair, balanced and understandable, taking into account the commentary and tone and whether it includes the requisite information needed for shareholders to assess the Company's business model, performance and strategy. In addition, the Board also questioned the Investment Adviser on information included and excluded from the Annual Report, and considered whether the narrative at the front of the report is consistent with the financial statements. As a result of this work, each of the Board members considers that the Annual Report is fair, balanced and understandable and includes the requisite information needed for shareholders to assess the Company's business model, performance and strategy.

Financial Risks Management Policies and Procedures

Financial Risks Management Policies and Procedures are disclosed in Note 15.

Principal Risk and Uncertainties

Principal Risk and Uncertainties are discussed in the Strategic Report on pages 23 to 30.

Subsequent Events

Post year end, on 31 July 2018, the Board declared a third interim dividend of £6,657,904, in respect of year ended 30 June 2018, equating to 1.80pps (third interim dividend in respect of the year ended 30 June 2017: 1.50pps), which was paid on 31 August 2018 to shareholders on the register on 10 August 2018.

Report of the Directors (continued)

Subsequent Events (continued)

Post year end, on 26 September 2018, the Board approved a fourth interim dividend, in respect of year ended 30 June 2018, of 2.03pps (fourth interim dividend in respect of the year ended 30 June 2017: 1.50pps), which will be payable on 26 October 2018 with an associated ex-dividend date of 4 October 2018.

Annual General Meeting

The AGM of the Company will be held on 30 November 2018 at Lefebvre Place, Lefebvre Street, St Peter Port, Guernsey. Details of the resolutions to be proposed at the AGM, together with explanations, will appear in the Notice of Meeting to be distributed to shareholders together with this Annual Report.

Members of the Board will be in attendance at the AGM and will be available to answer shareholder questions.

By order of the Board

John Rennocks

Chairman

26 September 2018

Board of Directors

John Rennocks (Chairman)

John Rennocks was appointed as non-executive Chairman on 12 June 2013 and is Chairman of Utilico Emerging Markets, an investor in infrastructure and related assets in emerging markets and AFC Energy plc, a developer and manufacturer of alkaline fuel cells. He has broad experience in emerging energy sources, support services and manufacturing. Mr Rennocks previously served as a non-executive director of Greenko Group plc, a developer and operator of hydro and wind power plants in India, a non-executive deputy chairman of Inmarsat plc, a non-executive director of Foreign & Colonial Investment Trust plc, as well as several other public and private companies, and as Executive Director-Finance for Smith & Nephew plc, Powergen plc and British Steel plc/Corus Group plc. Mr Rennocks is a Fellow of the Institute of Chartered Accountants of England and Wales.

John Scott (Senior Independent Director)

John Scott was appointed as a non-executive director of the Company on 12 June 2013 and is a former investment banker who spent 20 years with Lazard and is currently a director of several investment trusts. Mr Scott has been Chairman of Impax Environmental Markets plc since May 2014 and Chairman of Alpha Insurance Analysts since April 2013. In May 2017, he was appointed Chairman of Jupiter Emerging and Frontiers Income Trust. In June 2017, he retired as Chairman of Scottish Mortgage Investment Trust PLC after 8 years and, until the company's sale in March 2013, he was Deputy Chairman of Endace Ltd. of New Zealand. In November 2012, he retired after 12 years as a non-executive director of Miller Insurance. He has an MA in Economics from Cambridge University and an MBA from INSEAD. He is also a Fellow of the Chartered Insurance Institute.

Paul Le Page (Chairman of the Audit Committee)

Paul Le Page was appointed as a non-executive director of the Company on 12 June 2013 and is a director of FRM Investment Management Guernsey Limited, Man Fund Management Guernsey Limited and Man Group Japan Limited which are subsidiaries of Man Group Plc. He is responsible for managing hedge fund portfolios, and is a director of a number of Man Group funds and companies. Mr Le Page is currently a director of Highbridge Multi-Strategy Fund limited and Audit Committee Chairman for UK Mortgages Limited which are both LSE listed investment companies. He was formerly a Director of, and Audit Committee Chairman for, Cazenove Absolute Equity Limited and Thames River Multi Hedge PCC Limited. Prior to joining FRM, he was employed by Collins Stewart Asset Management where he was responsible for managing the firm's hedge fund portfolios and reviewing fund managers. He joined Collins Stewart in January 1999 where he completed his MBA in July 1999. He qualified as a Chartered Electrical Engineer after a 12 year career in industrial research and development, latterly as the Research and Development Director for Dynex Technologies (Guernsey) Limited, having graduated from University College London in Electrical and Electronic Engineering in 1987.

Laurence McNairn

Laurence McNairn was appointed as a non-executive director of the Company on 1 July 2013 and is a member of The Institute of Chartered Accountants of Scotland. He is a consultant to Eterra International Fund Managers (Guernsey) Limited (previously Heritage International Fund Managers Limited), the Company's Administrator and Secretary. He joined the Heritage Group in 2006 where, until late 2017, he was an executive director and prior to this worked for the Baring Financial Services Group in Guernsey from 1990.

Directors' Statement of Responsibilities

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

The Law requires the Directors to prepare financial statements for each financial year. Under the Law, the Directors have elected to prepare the financial statements in accordance with IFRS as adopted by the EU and the DTRs of the UK FCA. The Financial Statements are required by the Law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Law. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

So far as each Director is aware, there is no relevant audit information of which the Company's Auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 249 of the Law.

The Directors are 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.

By order of the Board

Paul Le Page
Director
26 September 2018

Laurence McNairn
Director
26 September 2018

Responsibility Statement of the Directors in Respect of the Annual Report

Each of the Directors, whose names are set out on page 63 in the Board of Directors section of the annual report, confirms that to the best of their knowledge that:

- the financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Management Report (comprising Chairman's Statement, Strategic Report, Report of the Directors and Report of the Investment Adviser) includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties faced on pages 23 to 30; and
- the Directors are responsible for preparing the annual report in accordance with applicable law and regulations.

Having taken advice from the Audit Committee, the Directors consider the annual report and financial statements, taken as a whole, as fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Paul Le Page
Director
26 September 2018

Laurence McNairn
Director
26 September 2018

Corporate Governance Report

The Board recognises the importance of sound corporate governance, particularly the requirements of the AIC Code.

The Company has been a member of the AIC since 15 July 2013. The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Guide. The AIC Code, as explained by the AIC Guide, provides a 'comply or explain' code of corporate governance and addresses all the principles set out in the UK Code as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies such as the Company. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide, provides better information to shareholders.

The GFSC issued a Guernsey Code which came into effect on 1 January 2012. The introduction to the Guernsey Code states that "Companies which report against the UK Code or the AIC Code of Corporate Governance are also deemed to meet this Code". Therefore, AIC members which are Guernsey-domiciled and which report against the AIC Code are not required to report separately against the Guernsey Code.

The AIC Code and AIC Guide are available on the AIC's website (www.theaic.co.uk). The UK Code is available from the FRC's website (www.frc.org.uk). The Guernsey code is available from the GFSC's website (www.gfsc.gg).

Throughout the year ended 30 June 2018, the Company has complied with the recommendations of the AIC Code and the provisions of the UK Code, except to the extent highlighted below.

Provision A.2.1 of the UK Code requires a chief executive to be appointed, however, as an investment company, the Company has no employees and therefore has no requirement for a chief executive. As all the Directors including the Chairman are non-executive and independent of the Investment Adviser, the Company has not established a nomination committee, remuneration committee or a management engagement committee, which is not in accordance with provisions B.2.1 and D.2.1 of the UK Code, and Principle 5 of the AIC Code respectively. The Board is satisfied that as a whole, any relevant issues can be properly considered by the Board. The absence of an internal audit function is discussed in the Report of the Audit Committee on page 77.

The Board monitors developments in corporate governance to ensure the Board remains aligned with best practice, especially with respect to the increased focus on diversity. The Board acknowledges the importance of diversity, including gender (as stated in Principle 6 of the AIC Code), for the effective functioning of the Board and commits to supporting diversity in the boardroom. It is the Board's ongoing aspiration to have a well diversified representation. The Board also values diversity of business skills and experience because directors with diverse skill sets, capabilities and experience gained from different geographical and professional backgrounds enhance the Board by bringing a wide range of perspectives to the Company. The Board is satisfied with the current composition and functioning of its members.

Corporate Governance Report (continued)

The Board

The Directors' biographies are provided on page 63 which set out the range of investment, financial and business skills and experience represented.

John Rennocks, John Scott and Paul Le Page were appointed on 12 June 2013 and Laurence McNairn was appointed 1 July 2013. The Board appointed John Scott as Senior Independent Director effective from 10 December 2013 to fulfil any function that is deemed inappropriate for the Chairman to perform.

All Directors shall retire and submit themselves for re-election at the next AGM of the Company, due to take place on 30 November 2018. Each Director retires and seeks re-election at each subsequent AGM of the Company.

Any Director who is elected or re-elected at that meeting is treated as continuing in office throughout. If he is not elected or re-elected, he shall retain office until the end of the meeting or (if earlier) when a resolution is passed to appoint someone in his place or when a resolution to elect or re-elect the Director is put to the meeting and lost.

The Board is of the opinion that members should be re-elected because they believe that they have the right skills and experience to continue to serve the Company. As recommended in Principle 4 of the AIC Code, the Board has considered the need for a policy regarding tenure of service. However, the Board believes that any decisions regarding tenure should consider the need for maintaining knowledge, experience and independence, and to balance this against the need to periodically refresh the Board in order to have the appropriate mix of skills, experience, age, length of service and with due regard for the benefits of diversity.

The Board meets at least four times a year in Guernsey with unscheduled meetings held where required to consider investment related or other issues. In addition, there is regular contact between the Board, the Investment Adviser and the Administrator. Furthermore, the Board requires to be supplied in a timely manner with information by the Investment Adviser, the Company Secretary and other advisers in a form and of a quality appropriate to enable it to discharge its duties.

The Company has adopted a share dealing code which applies to the Board and any persons discharging managerial responsibilities. This is to ensure compliance by the Board, and relevant personnel of the Investment Adviser, with the requirements of the recently updated EU Market Abuse Regulations.

Corporate Governance Report (continued)

Directors' Remuneration

The Chairman is entitled to an annual remuneration of £56,900, with effect from 1 July 2017 (2017: £55,000). The other Directors are entitled to an annual remuneration of £34,200, with effect from 1 July 2017 (2017: £33,000). Paul Le Page receives an additional annual fee of £5,700 (2017: £5,500) for acting as Chairman of the Audit Committee. The Board will review all Directors' remuneration annually.

The remuneration earned by each Director in the past two financial years was as follows:

Director	2018 £	2017 £
John Rennocks	56,900	55,164
John Scott	34,200	33,104
Paul Le Page	39,900	38,605
Laurence McNairn	34,200	33,090

The total Directors' fees expense for the year amounted to £165,200 (2017: £159,963). As disclosed in Note 16, John Rennocks and John Scott are Directors of BSIFIL, and have received remuneration in respect of BSIFIL.

All of the Directors are non-executive and each is considered independent for the purposes of Chapter 15 of the Listing Rules.

In accordance with Article 22 of AIFMD, the Company shall disclose the total amount of remuneration for the financial year, split into fixed and variable remuneration, paid by the AIFM to its staff, and number of beneficiaries, and, where relevant, carried interest paid by the AIF. As the Company is categorised as an internally managed Non-EU AIFM for the purposes of AIFMD, Directors' remuneration reflects this amount.

Duties and Responsibilities

The Board has overall responsibility for optimising the Company's success by directing and supervising the affairs of the business and meeting the appropriate interests of shareholders and relevant stakeholders, while enhancing the value of the Company and also ensuring the protection of investors. A summary of the Board's responsibilities is as follows:

- statutory obligations and public disclosure;
- strategic matters and financial reporting;
- investment strategy and management;

Corporate Governance Report (continued)

Duties and Responsibilities (continued)

- risk assessment and management including reporting, compliance, governance, monitoring and control; and
- other matters having a material effect on the Company.

The Directors have access to the advice and services of the Administrator, who is responsible to the Board for ensuring that Board procedures are followed and that it complies with the Law and applicable rules and regulations of the GFSC and the LSE. Where necessary, in carrying out their duties, the Directors may seek independent professional advice and services at the expense of the Company.

The Company maintains appropriate directors' and officers' liability insurance in respect of legal action against its Directors on an ongoing basis.

The Board's responsibilities for the annual report are set out in the Directors' Responsibilities Statement on page 65. The Board is also responsible for issuing appropriate half yearly financial reports and other price sensitive public reports.

The attendance record of the Directors for the year to 30 June 2018 is set out below:

Director	Scheduled Board Meetings (max 4)	Ad-hoc Board Meetings (max 4)	Audit Committee Meetings (max 7)
John Rennocks	4	-	6
John Scott	3	-	5
Paul Le Page	4	4	7
Laurence McNairn	4	4	7

Ten ad-hoc Board Meetings were held during the period to formally review and authorise each investment made by the Company, to discuss the placing of Ordinary Shares and to consider interim dividends, amongst other items.

It should be noted that Mr Rennocks and Mr Scott are ordinarily resident in the United Kingdom and as a result are not permitted to participate in Board Meetings from the United Kingdom in accordance with the Article 29.2 of the Company's Articles of Incorporation. Mr Rennocks and Mr Scott have participated in the majority of formally scheduled meetings in Guernsey. It should be noted that Mr Rennocks and Mr Scott actively communicate their views on any matters to be discussed at ad-hoc Board Meetings to their fellow Directors, Mr Le Page and Mr McNairn, ahead of such meetings.

The Board believes that, as a whole, it comprises an appropriate balance of skills, experience, age, knowledge and length of service. The Board also believes that diversity of experience and approach, including gender diversity, amongst Board members is of great importance and it is the Company's policy to give careful consideration to issues of Board balance when making new appointments. With any new Director appointment to the Board, induction training will be provided by an independent service provider at the expense of the Company.

Corporate Governance Report (continued)

Duties and Responsibilities (continued)

Performance Evaluation

In accordance with Principle 7 of the AIC Code, the Board is required to undertake a formal and rigorous evaluation of its performance on an annual basis. A formal evaluation of the performance of the Board as a whole, and the Chairman, took place in early 2018. The evaluation is undertaken utilising self-appraisal questionnaires and is followed by a detailed discussion of the outcomes which includes an assessment of the Directors' continued independence.

Committees of the Board

Audit Committee

The Board established an Audit Committee in 2013. It is chaired by Paul Le Page and at the date of this report comprised all of the Directors set out on page 3. The report of the role and activities of this committee and its relationship with the Auditor is contained in the Report of the Audit Committee on pages 74 to 78. The Committee operates within clearly defined terms of reference which are available on the Company's website (www.bluefieldsif.com).

Internal Control and Financial Reporting

The Board acknowledges that it is responsible for establishing and maintaining the Company's system of internal control and reviewing its effectiveness. Internal control systems are designed to manage rather than eliminate the failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatements or loss. The Board reviews all controls including operations, compliance and risk management. The key procedures which have been established to provide internal control are:

- the Board has delegated the day-to-day operations of the Company to the Administrator and Investment Adviser; however, it remains accountable for all of the functions it delegates;
- the Board clearly defines the duties and responsibilities of the Company's agents and advisers and appointments are made by the Board after due and careful consideration. The Board monitors the ongoing performance of such agents and advisers;
- the Board monitors the actions of the Investment Adviser at regular Board meetings and is also given frequent updates on developments arising from the operations and strategic direction of the underlying investee companies; and
- the Administrator provides administration and company secretarial services to the Company. The Administrator maintains a system of internal control on which it reports to the Board.

The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Administrator and Investment Adviser, including their own internal controls and procedures, provide sufficient assurance that a sound system of risk management and internal control, which safeguards shareholders' investment and the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary, as explained on page 77.

The systems of control referred to above are designed to ensure effectiveness and efficient operation, internal control and compliance with laws and regulations. In establishing the systems of internal control, regard is paid to the materiality of relevant risks, the likelihood of costs being incurred and costs of control. It follows therefore that the systems of internal control can only provide reasonable but not absolute assurance against the risk of material misstatement or loss.

The Company has delegated the provision of all services to external service providers whose work is overseen by the Board at its quarterly meetings. Each year a detailed review of performance pursuant to their terms of engagement will be undertaken by the Board.

Corporate Governance Report (continued)

Investment Advisory Agreement

In accordance with Listing Rule 15.6.2(2)R, the Board formally appraises the performance and resources of the Investment Adviser.

The Investment Adviser is led by its managing partners, James Armstrong, Mike Rand and Giovanni Terranova, who founded the Bluefield business in 2009 following their prior work together in European solar energy. The Investment Adviser's team have a combined record, prior to and including Bluefield Partners LLP, of investing more than £1 billion in solar PV projects. The management team have been involved in over £1.5 billion of solar PV transactions in the UK and Europe since 2008. The Investment Adviser's non-executive team includes William Doughty, the founding CEO of Semperian; Dr. Anthony Williams, the former chair of the Risk Committee for the Fixed Income, Currencies & Commodities Division, and Partner at Goldman Sachs & Co; and Jon Moulton, the current chairman of Better Capital and former managing partner and founder of Alchemy Partners.

In view of the resources of the Investment Adviser and the Company's investment and operational performance for the period, in the opinion of the Directors the continuing appointment of the Investment Adviser is in the interests of the shareholders as a whole.

Dealings with Shareholders

The Board welcomes shareholders' views and places great importance on communication with its shareholders. The Company's AGM will provide a forum for shareholders to meet and discuss issues with the Directors of the Company. Members of the Board will also be available to meet with shareholders at other times, if required. In addition, the Company maintains a website which contains comprehensive information, including regulatory announcements, share price information, financial reports, investment objectives and strategy and information on the Board.

Principal Risks and Uncertainties

Each Director is aware of the risks inherent in the Company's business and understands the importance of identifying, evaluating and monitoring these risks. The Board has adopted procedures and controls that enable it to manage these risks within acceptable limits and to meet all of its legal and regulatory obligations.

The Board considers the process for identifying, evaluating and managing any significant risks faced by the Company on an ongoing basis and these risks are reported and discussed at Board meetings. It ensures that effective controls are in place to mitigate these risks and that a satisfactory compliance regime exists to ensure all applicable local and international laws and regulations are upheld.

The Company's principal risks and uncertainties are discussed in detail on pages 23 to 30 of the Strategic Report. The Company's financial instrument risks are discussed in Note 15 to the financial statements.

The Company's principal risk factors are fully disclosed in the Company's Prospectus, available on the Company's website (www.bluefieldsif.com) and should be reviewed by shareholders.

Changes in Regulation

The Board monitors and responds to changes in regulation as they affect the Company and its policies. A number of changes to regulation occurred during the period.

Corporate Governance Report (continued)

AIFMD

AIFMD was introduced on 22 July 2014 in order to harmonise the regulation of AIFMs and imposes obligations on managers who manage or distribute AIFs in the EU or who market shares in such funds to EU investors. After seeking professional regulatory and legal advice, the Company was established in Guernsey as a self-managed Non-EU AIF. Additionally, the Company has taken advice on and implemented sufficient and appropriate policies and procedures that enable the Board to fulfil its role in relation to portfolio management and the management of risk. The Company is therefore categorised as an internally managed Non-EU AIFM for the purposes of AIFMD and as such neither it nor the Investment Adviser is required to seek authorisation under AIFMD.

The marketing of shares in AIFs that are established outside the EU (such as the Company) to investors in an EU member state is prohibited unless certain conditions are met. Certain of these conditions are outside the Company's control as they are dependent on the regulators of the relevant third country (in this case Guernsey) and the relevant EU member state entering into regulatory co-operation agreements with one another.

Currently, the NPPR provides a mechanism to market Non-EU AIFs that are not allowed to be marketed under AIFMD domestic marketing regimes. The Board is utilising NPPR in order to market the Company, specifically in the UK pursuant to Regulations 57, 58 and 59 of the UK Alternative Investment Fund Managers Regulations 2013. The Board is working with the Company's advisers to ensure the necessary conditions are met, and all required notices and disclosures are made under NPPR. Eligible AIFMs will be able to continue to use NPPR for the time being.

Any regulatory changes arising from implementation of AIFMD (or otherwise) that limit the Company's ability to market future issues of its shares may materially adversely affect the Company's ability to carry out its investment policy successfully and to achieve its investment objectives, which in turn may adversely affect the Company's business, financial condition, results of operations, NAV and/or the market price of the Ordinary Shares.

The Board, in conjunction with the Company's advisers, will continue to monitor the development of AIFMD and its impact on the Company.

FATCA and CRS

The Company is registered under FATCA and continues to comply with FATCA and the Common Reporting Standard's requirements to the extent relevant to the Company.

PRIIPs

The Company is in compliance with the requirements under PRIIPs to publish a KID. The KID is available on the Company's website.

Corporate Governance Report (continued)

NMPI

On 1 January 2014 FCA rules relating to the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes came into effect.

The Board has been advised that the Company would qualify as an investment trust if it was resident in the UK, and therefore the Board believes that the retail distribution of its shares should be unaffected by the changes. It is the Board's intention that the Company will make all reasonable efforts to conduct its affairs in such a manner that its shares can be recommended by independent financial advisers to UK retail investors in accordance with the FCA's rules relating to non-mainstream investment products.

By order of the Board

Paul Le Page

Director

26 September 2018

Laurence McNairn

Director

26 September 2018

Report of the Audit Committee

The Audit Committee, chaired by Paul Le Page and comprising all of the Directors set out on page 3, operates within clearly defined terms of reference (which are available from the Company's website, www.bluefieldsif.com) and includes all matters indicated by Rule 7.1 of the UK FCA's DTRs and the AIC Code. Appointments to the Audit Committee shall be for a period of up to three years, extendable for one further three year period. It is also the formal forum through which the Auditor will report to the Board of Directors.

The Audit Committee meets no less than twice a year, and at such other times as the Audit Committee shall require, and meets the Auditor at least twice a year. Any member of the Audit Committee may request that a meeting be convened by the company secretary. The Auditor may request that a meeting be convened if they deem it necessary. Any Director who is not a member of the Audit Committee, the Administrator and representatives of the Investment Adviser shall be invited to attend the meetings as the Directors deem appropriate.

The Board has taken note of the requirement that at least one member of the Committee should have recent and relevant financial experience and is satisfied that the Committee is properly constituted in that respect, with two of its members who are chartered accountants and two members with an investment background.

Responsibilities

The main duties of the Audit Committee are:

- monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance and reviewing significant financial reporting judgements contained in them;
- reporting to the Board on the appropriateness of the Board's accounting policies and practices including critical judgement areas;
- reviewing the valuation of the Company's investments prepared by the Investment Adviser or independent valuation agents, and making a recommendation to the Board on the valuation of the Company's investments;
- meeting regularly with the Auditor to review their proposed audit plan and the subsequent audit report and assess the effectiveness of the audit process and the levels of fees paid in respect of both audit and non-audit work;
- making recommendations to the Board in relation to the appointment, re-appointment or removal of the Auditor and approving their remuneration and the terms of their engagement;
- monitoring and reviewing annually the Auditor's independence, objectivity, expertise, resources, qualification and non-audit work;
- considering annually whether there is a need for the Company to have its own internal audit function;
- keeping under review the effectiveness of the accounting and internal control systems of the Company;

Report of the Audit Committee (continued)

Responsibilities (continued)

- reviewing and considering the UK Code, the AIC Code, the FRC Guidance on Audit Committees and the Company's institutional investors' commitment to the UK Stewardship code; and
- reviewing the risks facing the Company and monitoring the risk matrix.

The Audit Committee is required to report formally to the Board on its findings after each meeting on all matters within its duties and responsibilities.

The Auditor is invited to attend the Audit Committee meetings as the Board deems appropriate and at which they have the opportunity to meet with the Committee without representatives of the Investment Adviser or the Administrator being present at least once per year.

Financial Reporting

The primary role of the Audit Committee in relation to the financial reporting is to review with the Administrator, Investment Adviser and the Auditor the appropriateness of the interim and annual financial statements, concentrating on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been applied or there has been discussion with the Auditor;
- whether the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and
- any correspondence from regulators in relation to the Company's financial reporting.

To aid its review, the Audit Committee considers reports from the Administrator and Investment Adviser and also reports from the Auditor on the outcomes of their half year review and annual audit. Like the Auditor, the Audit Committee seeks to display the necessary professional scepticism their role requires.

Meetings

The Committee has met formally on 7 occasions in the year covered by this report. The matters discussed at those meetings were:

- consideration and agreement of the terms of reference of the Audit Committee for approval by the Board;
- review of the Company's risk matrix;
- review of the accounting policies and format of the financial statements;

Report of the Audit Committee (continued)

Meetings (continued)

- review and approval of the audit plan of the Auditor and timetable for the interim and annual financial statements;
- review of the valuation policy and methodology of the Company's investments applied in the interim and annual financial statements;
- detailed review of the interim and annual report and financial statements;
- assessment of the effectiveness of the external audit process as described below; and
- a review of the process used to determine the viability of the Company.

The Audit Committee chairman or other members of the Audit Committee appointed for the purpose, shall attend each AGM of the Company, prepared to respond to any shareholder questions on the Audit Committee's activities.

Primary Area of Judgement

The Audit Committee determined that the key risk of misstatement of the Company's financial statements is the fair value of the SPV investments held by the Company's subsidiary, BSIFIL, in the context of the high degree of judgement involved in the assumptions and estimates underlying the discounted cash flow calculations.

As outlined in Note 8 of the financial statements, the fair value of the BSIFIL's investments (Directors' Valuation) as at 30 June 2018 was £604,235,581 (2017: £573,361,486). Market quotations are not available for these investments so their valuation is undertaken using a discounted cash flow methodology. The Directors have also considered transactions in similar assets and used these to infer the discount rate. Significant inputs such as the discount rate, rate of inflation and the amount of electricity the solar assets are expected to produce are subjective and include certain assumptions. As a result, this requires a series of judgements to be made as explained in Note 3 in the financial statements.

The valuation of the BSIFIL's portfolio of solar assets (Directors' Valuation) as at 30 June 2018 has been determined by the Board based on information provided by the Investment Adviser and an independent benchmarking exercise.

The Audit Committee also reviewed and suggested factors that could impact BSIFIL's portfolio valuation and its related sensitivities to the carrying value of the investments as required in accordance with IPEV Valuation Guidelines.

Report of the Audit Committee (continued)

Risk Management

The Company's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Committee. The work of the Audit Committee is driven primarily by the Company's assessment of its principal risks and uncertainties as set out on pages 23 to 30 of the Strategic Report, and it receives reports from the Investment Adviser and Administrator on the Company's risk evaluation process and reviews changes to significant risks identified.

Internal Audit

The Audit Committee considers at least once a year whether or not there is a need for an internal audit function. Currently it does not consider there to be a need for an internal audit function, given that there are no employees in the Company and all outsourced functions are with parties who have their own internal controls and procedures.

External Audit

KPMG has been the Company's external Auditor since the Company's inception.

The Auditor is required to rotate the audit partner every five years. The current partner is in his second year of tenure. There are no contractual obligations restricting the choice of external auditor and the Company will consider putting the audit services contract out to tender at least every ten years. In line with the FRC's recommendations on audit tendering, this will be considered further when the audit partner rotates every five years. Under the Companies Law, the reappointment of the external Auditor is subject to shareholder approval at the AGM.

The objectivity of the Auditor is reviewed by the Audit Committee which also reviews the terms under which the external Auditor may be appointed to perform non-audit services. The Audit Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the Auditor, with particular regard to any non-audit work that the Auditor may undertake. In order to safeguard Auditor independence and objectivity, the Audit Committee ensures that any other advisory and/or consulting services provided by the external Auditor do not conflict with its statutory audit responsibilities. Advisory and/or consulting services will generally only cover reviews of interim financial statements, tax compliance and capital raising work. Any non-audit services conducted by the Auditor outside of these areas will require the consent of the Audit Committee before being initiated.

The external Auditor may not undertake any work for the Company in respect of the following matters: preparation of the financial statements; provision of investment advice; taking management decisions; advocacy work in adversarial situations; provision of tax and tax compliance services; promotion of, dealing in, or underwriting the Company's shares; provision of payroll services; design or implementation of internal control or risk management or financial information technology systems, provision of valuation services, provision of services related to internal audit; and provision of certain human resources functions.

The Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the Auditor, with particular regard to the level of non-audit fees. During the year, KPMG was also engaged to provide a review of the Company's interim information. Total fees paid amounted to £107,542 for the year ended 30 June 2018 (30 June 2017: £114,096) of which £91,500 related to audit and audit related services to the Company (30 June 2017: £95,466) and £16,042 in respect of non-audit services (30 June 2017: £18,630).

Report of the Audit Committee (continued)

External Audit (continued)

Notwithstanding such services, which have arisen in connection with review of the interim financial statements the Audit Committee considers KPMG to be independent of the Company and that the provision of such non-audit services is not a threat to the objectivity and independence of the conduct of the audit as appropriate safeguards are in place.

To fulfil its responsibility regarding the independence of the Auditor, the Audit Committee has considered:

- discussions with or reports from the Auditor describing its arrangements to identify, report and manage any conflicts of interest; and
- the extent of non-audit services provided by the Auditor and arrangements for ensuring the independence and objectivity and robustness and perceptiveness of the Auditor and their handling of key accounting and audit judgements.

To assess the effectiveness of the Auditor, the Committee has reviewed:

- the Auditor's fulfilment of the agreed audit plan and variations from it;
- discussions or reports highlighting the major issues that arose during the course of the audit;
- feedback from other service providers evaluating the performance of the audit team;
- arrangements for ensuring independence and objectivity; and
- robustness of the Auditor in handling key accounting and audit judgements.

In addition, during the year, the FRC's Audit Quality Review Team reviewed KPMG's audit of the Company's 30 June 2017 audit as part of their annual inspection of audit firms. This reviewed KPMG's work performed in connection with the valuation of investments, revenue recognition, the quality of communications with the Audit Committee and certain matters relating to quality control and completion. The Audit Committee received and reviewed the final report from the FRC which indicated that there were no significant areas of concern. Feedback received from the FRC has been discussed with KPMG as part of the audit planning process for 2018.

The Audit Committee is satisfied with KPMG's effectiveness and independence as Auditor, having considered the degree of diligence and professional scepticism demonstrated by them. Having carried out the review described above and having satisfied itself that the Auditor remains independent and effective, the Audit Committee has recommended to the Board that KPMG be reappointed as Auditor for the year ending 30 June 2019.

The Chairman of the Audit Committee will be available at the AGM to answer any questions about the work of the Committee.

On behalf of the Audit Committee

Paul Le Page

Chairman of the Audit Committee

26 September 2018

Independent Auditor's Report

Independent Auditor's Report to the Members of Bluefield Solar Income Fund Limited

Our opinion is unmodified

We have audited the financial statements of Bluefield Solar Income Fund Limited (the "Company"), which comprise the statement of financial position as at 30 June 2018, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 30 June 2018, and of the Company's financial performance and the Company's cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU; and
- comply with the Companies (Guernsey) Law, 2008.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standards as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Key Audit Matters: our assessment of the risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters were as follows (unchanged from 2017):

Independent Auditor's Report (continued)

Valuation of financial assets held at fair value through profit or loss

£418,098,105 (2017: £403,339,287)

Refer to page 76 of the Report of the Audit Committee, note 2 (j) accounting policy and note 8 disclosures

The risk	Our response
<p>Basis:</p> <p>The Company's investment in its immediate subsidiary is carried at fair value through profit or loss and represents a significant proportion of the Company's net assets (2017: 99.8%; 2016: 98.7%). The fair value of the immediate subsidiary, which reflects its net asset value, predominantly comprises of the fair value of the special purpose vehicle solar project investments ("SPVs") and the immediate subsidiary level debt.</p> <p>£604,235,581 of the fair value (see note 8) comprises of the SPVs for which there is no liquid market.</p> <p>The Company measures its SPVs at fair value based on unleveraged cash flows of the underlying solar projects discounted using a portfolio weighted average cost of capital ("WACC").</p> <p>The valuations are performed using forecast cash flows generated by each solar project over the term of the site lease/planning consent and by selecting Key Assumptions including the base energy yield assumptions, electricity price forecasts, operating costs, irradiation, leverage and macroeconomic assumptions such as inflation and tax rates (collectively "Key Assumptions").</p> <p>In determining the portfolio WACC, the relevant long term government bond yields, cost of debt, specific infrastructure asset risk and evidence of recent market transactions are considered.</p> <p>The valuations are adjusted for other specific assets and liabilities of the SPVs.</p> <p>Risk:</p> <p>The valuation risk represents both a risk of fraud and error associated with estimating the timing and amounts of long term forecasted cash flows alongside the selection and application of appropriate assumptions. Changes to long term forecasted cash flows and/or the selection and application of different assumptions may result in a materially different valuation of financial assets held at fair value through profit or loss.</p>	<p>Our audit procedures included, but were not limited to:</p> <p>Control evaluation:</p> <p>We met with the Investment Advisor and Directors of the Company to observe the Board's challenge and approval process of the Key Assumptions made within the valuation model which were prepared by the Investment Advisor.</p> <p>Model inputs:</p> <p>We assessed the key project specific inputs into the cash flow projections, focusing on the significant changes for existing projects since the previous reporting period or from the date of acquisition for newly acquired projects, to corroborate key contracted revenues and costs with reference to underlying contracts, agreements and management information.</p> <p>Model integrity:</p> <p>For a selection of data routines, we tested the valuation model for integrity, logic and for material formula errors.</p> <p>Benchmarking the valuation assumptions:</p> <p>We challenged, with the support of our internal valuation specialist, the WACC and Key Assumptions applied in the valuation by benchmarking these to independent market data, including recent market transactions, and using our specialist's experience in valuing similar investments.</p> <p>We further assessed the reasonableness of the WACC by comparing this to that used by comparator companies.</p> <p>Assessing transparency:</p> <p>We have considered the adequacy of the Company's disclosures made in accordance with IFRS 13 (see note 8) including the use of estimates and judgments in arriving at fair value. We assessed whether the disclosures around the sensitivities to changes in Key Assumptions reflected the risks inherent in the valuation of the SPVs.</p>

Independent Auditor's Report (continued)

Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £12,470,000, determined with reference to a benchmark of Net Assets of £418,995,484, of which it represents approximately 3% (2017: 3%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £623,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

We have nothing to report on going concern

We are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in note 2 (b) to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in this respect.

We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within Directors' viability statement (pages 29 and 30) that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed or mitigated; and
- the directors' explanation in the Directors' viability statement (pages 29 and 30) as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the 2016 UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report to you in these respects.

Independent Auditor's Report (continued)

We have nothing to report on other matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 64, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of this report and restrictions on its use by persons other than the Company's members as a body

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Rachid Frihmat

For and on behalf of KPMG Channel Islands Limited

Chartered Accountants and Recognised Auditors, Guernsey

26 September 2018

Statement of Financial Position

As at 30 June 2018

	Note	30 June 2018 £	30 June 2017 £
ASSETS			
Non-current assets			
Financial assets held at fair value through profit or loss	8	418,098,105	403,339,287
Total non-current assets		418,098,105	403,339,287
Current assets			
Trade and other receivables	9	753,237	625,717
Cash and cash equivalents	10	501,751	4,980,341
Total current assets		1,254,988	5,606,058
TOTAL ASSETS		419,353,093	408,945,345
LIABILITIES			
Current liabilities			
Other payables and accrued expenses	11	357,609	337,090
Total current liabilities		357,609	337,090
TOTAL LIABILITIES		357,609	337,090
NET ASSETS		418,995,484	408,608,255
EQUITY			
Share capital		368,012,390	367,934,730
Other reserves		-	77,660
Retained earnings		50,983,094	40,595,865
TOTAL EQUITY	13	418,995,484	408,608,255
Ordinary Shares in issue at year end	13	369,883,530	369,811,281
Net asset value per Ordinary Share (pence)	7	113.28	110.49

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

Paul Le Page
Director
26 September 2018

Laurence McNairn
Director
26 September 2018

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

Statement of Comprehensive Income

For the year ended 30 June 2018

	Note	Year ended 30 June 2018 £	Year ended 30 June 2017 £
Income			
Investment income	4	702,603	563,288
Interest income from cash and cash equivalents		2,600	15,243
		705,203	578,531
Net gains on financial assets held at fair value through profit or loss	8	35,291,437	64,657,803
Operating income		35,996,640	65,236,334
Expenses			
Administrative expenses	5	1,200,565	1,190,616
Operating expenses		1,200,565	1,190,616
Operating profit		34,796,075	64,045,718
Profit and total comprehensive income for the year		34,796,075	64,045,718
Earnings per share:			
Basic and diluted (pence)	12	9.41	18.26

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

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

Statement of Changes in Equity

For the year ended 30 June 2018

	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
Shares issued during the period:						
Ordinary Shares issued in settlement of variable fee	13	72,249	77,660	(77,660)	-	-
Dividends paid	13,14	-	-	-	(24,408,846)	(24,408,846)
Total comprehensive income for the period		-	-	-	34,796,075	34,796,075
Shareholders' equity at 30 June 2018		369,883,530	368,012,390	-	50,983,094	418,995,484

For the year ended 30 June 2017

	Note	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:						
Ordinary Shares issued via placing	13	60,000,000	60,600,000	-	-	60,600,000
Shares issue costs	13	-	(817,562)	-	-	(817,562)
Ordinary Shares issued in settlement of variable fee	13	179,516	167,201	(167,201)	-	-
Ordinary shares to be issued in settlement of variable fee	13	-	-	77,660	-	77,660
Dividends paid	13,14	-	-	-	(23,050,099)	(23,050,099)
Total comprehensive income for the period		-	-	-	64,045,718	64,045,718
Shareholders' equity at 30 June 2017		369,811,281	367,934,730	77,660	40,595,865	408,608,255

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

Statement of Cash Flows

For the year ended 30 June 2018

	Note	Year ended 30 June 2018 £	Year ended 30 June 2017 £
Cash flows from operating activities			
Total comprehensive income for the year		34,796,075	64,045,718
Adjustments:			
Increase in trade and other receivables		(127,520)	(84,328)
Increase in other payables and accrued expenses		20,519	45,058
Movement in other reserves relating to Investment Adviser shares	13	-	77,660
Net gains on financial assets held at fair value through profit or loss	8	(35,291,437)	(64,657,803)
Net cash used in operating activities		(602,363)	(573,695)
Cash flows from investing activities			
Purchase of financial assets held at fair value through profit or loss	8	(4,320,601)	(55,500,000)
Receipts from investments held at fair value through profit or loss	8	24,853,220	22,541,016
Net cash generated from / (used in) investing activities		20,532,619	(32,958,984)
Cash flow from financing activities			
Proceeds from issue of Ordinary Shares	13	-	60,600,000
Issue costs paid	13	-	(817,562)
Dividends paid	14	(24,408,846)	(23,050,099)
Net cash (used in) / generated from financing activities		(24,408,846)	36,732,339
Net (decrease) / increase in cash and cash equivalents		(4,478,590)	3,199,660
Cash and cash equivalents at the start of the year		4,980,341	1,780,681
Cash and cash equivalents at the end of the year	10	501,751	4,980,341

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

Notes to the Financial Statements for the year ended 30 June 2018

1. General information

The Company is a non-cellular company limited by shares and was incorporated in Guernsey under the Law on 29 May 2013 with registered number 56708 as a closed-ended investment company. It is regulated by the GFSC.

The financial statements for the year ended 30 June 2018 comprise the financial statements of the Company only (see Note 2 (c)).

The investment objective of the Company is to provide shareholders with an attractive return, principally in the form of income distributions, by investing via SPVs into 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 annual report have been prepared in accordance with IFRS as adopted by the EU and the DTRs of the UK FCA.

These financial statements have been prepared under the historical cost convention with the exception of financial assets measured at fair value through profit or loss, and in compliance with the provisions of the Companies Law.

The principal accounting policies adopted are set out below.

Standards and Interpretations in issue and not yet effective:

New Standards		IASB effective date
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
Revised and amended standards		
IFRS 2	Share-based payment	1 January 2018
Annual Improvements*	Annual improvements to IFRS Standards 2015-2017 cycle	1 January 2019

* Not yet endorsed by the EU

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective.

The Board expects that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement.

The amendments to IFRS 2 are effective for annual periods beginning on or after 1 January 2018 and have not been applied to these financial statements. The accounting clarifications included in the amended IFRS 2 will not result in any changes to the reported results or financial position of the Company.

IFRS 9 replaces IAS 39 and is effective for annual periods beginning on or after 1 January 2018. It has not been applied to these financial statements. The Company's financial assets comprise of its investment in

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

2. Accounting policies (continued)

BSIFIL held at fair value and the introduction of IFRS 9 is not expected to have a material impact on the reported results or financial position of the Company.

As at 30 June 2018 IFRS 15 and IFRS 16 had been issued but are not effective for this accounting period and have not been adopted early by the Company.

As the Company's investments are held at fair value through profit and loss and the revenue and lease contracts are held at the SPV level, the introduction of these standards is not expected to have a material impact on the reported results or financial position of the Company.

b) Going concern

At 30 June 2018, the Company had invested in 86 solar plants, committing £545.6m to SPV investments. The Company through its direct subsidiary, BSIFIL, has access to a RCF which together with the net income generated by the acquired projects, are expected to allow the Company to meet its liquidity needs for the payment of operational expenses, dividends and acquisition of new solar assets. The Company, through BSIFIL, expects to comply with the covenants of its long term loan and RCF.

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

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.

The Board has concluded that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements.

c) Accounting for subsidiaries

The Company makes its investments in the SPVs through its single, direct subsidiary, BSIFIL, in which it is the sole shareholder.

In light of the December 2014 amendments to IFRS 10 (the Consolidation Exception Amendments), which clarified the scope of the exceptions to mandatory non-consolidation amendments, the Board considered the investment entity status of BSIFIL and concluded that it is, like the Company, an investment entity. As such the Company is not permitted to consolidate BSIFIL in the preparation of its financial statements and all subsidiaries are recognised at fair value through profit or loss.

d) Functional and presentation currency

These financial statements are presented in Sterling, which is the functional currency of the Company as well as the presentation currency. The Company's funding, investments and transactions are all denominated in Sterling.

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

2. Accounting policies (continued)

e) Income

Monitoring fee income is recognised on an accruals basis.

Interest income on cash and cash equivalents is recognised on an accruals basis using the effective interest rate method.

f) Expenses

Operating expenses are the Company's costs incurred in connection with the ongoing administrative costs and management of the Company's investments. Operating expenses are accounted for on an accruals basis.

g) Finance costs

Finance costs are recognised in the Statement of Comprehensive Income in the period to which they relate on an accruals basis using the effective interest rate method. Arrangement fees for finance facilities are amortised over the expected life of the facility.

h) Dividends

Dividends declared and approved are charged against equity. A corresponding liability is recognised for any unpaid dividends prior to year end. Dividends approved but not declared will be disclosed in the notes to the financial statements.

i) 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 has considered the requirements of IFRS 8 'Operating Segments', and is of the view that the Company is engaged in a single segment of business, being investment mainly in UK solar energy infrastructure assets via its holding company and SPVs, and mainly in one geographical area, the UK, and therefore the Company has only a single operating segment.

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.

The Board has overall management and control of the Company and will always act in accordance with the investment policy and investment restrictions set out in the Company's latest Prospectus, which cannot be radically changed without the approval of shareholders. The Board has delegated the day-to-day implementation of the investment strategy to its Investment Adviser but retains responsibility to ensure that adequate resources of the Company are directed in accordance with their decisions. Although the Board obtains advice from the Investment Adviser, it remains responsible for making final decisions in line with the Company's policies and the Board's legal responsibilities.

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

2. Accounting policies (continued)

j) Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The Company offsets financial assets and financial liabilities if the Company has a legally enforceable legal right to offset the recognised amounts and interests and intends to settle on a net basis or realise the asset and liability simultaneously.

Financial assets

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All financial assets are initially measured at fair value.

The Company has not classified any of its financial assets as 'held to maturity' or as 'available for sale'. The Company's financial assets comprise of only financial assets held at fair value through profit or loss, cash and loans and receivables.

i) Financial assets held at fair value through profit or loss

- *Classification*

The Company has been classified as an investment entity and as such its investment in its subsidiary, BSIFIL, is held at fair value through profit or loss and measured in accordance with the requirements of IAS 39 (see Note 2 (c)).

- *Recognition*

Investments made by the Company in BSIFIL are recognised on the day on which monies are transferred. No transaction costs are incurred.

- *Measurement*

Subsequent to initial recognition, investment in BSIFIL is measured at each subsequent reporting date at fair value. The Company holds all of the shares in the subsidiary, BSIFIL, which is a holding vehicle used to hold the Company's SPV 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 are valued semi-annually as described in Note 8 on a discounted cash flow basis which is benchmarked against market transactions.

Gains or losses, through profit or loss, are made up of BSIFIL's profit or loss, which comprises mainly cash receipts from its SPVs, the fair value movement of BSIFIL's SPV portfolio and cash received in respect of Eurobond instrument interest. Further more, cash receipts (excluding Eurobond interest) made to the Company by BSIFIL are accounted for as a repayment of loans and not reflected in the Company's profit and loss, apart from monitoring fees (see Note 4).

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

2. Accounting policies (continued)

j) Financial instruments (continued)

Financial assets (continued)

ii) Derecognition of financial assets

A financial asset (in whole or in part) is derecognised either:

- when the Company has transferred substantially all the risks and rewards of ownership; or
- when it has neither transferred nor retained substantially all the risks and rewards and when it no longer has control over the assets or a portion of the asset; or
- when the contractual right to receive cash flow has expired.

iii) Cash and cash equivalents and trade and other receivables

Cash and cash equivalents comprise cash on hand and short term deposits with an original maturity of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition, and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Financial liabilities

The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics.

All financial liabilities are initially recognised at fair value net of transaction costs incurred. All purchases of financial liabilities are recorded on the trade date, being the date on which the Company becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the Company's financial liabilities approximate to their fair values.

The Company's financial liabilities consist of only financial liabilities measured at amortised cost.

i) Financial liabilities measured at amortised cost

These include trade payables and other short term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

ii) Derecognition of financial liabilities

A financial liability (in whole or in part) is derecognised when the Company has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to profit and loss.

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

2. Accounting policies (continued)

k) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised as the proceeds received, net of direct issue costs. Direct issue costs include those incurred in connection with the placing and admission which include fees payable under the Placing Agreement, legal costs and any other applicable expenses.

l) Share based payments

Investment Adviser's variable fee

The Company recognises the variable fee for the services received in a share-based payment transaction as the Company becomes liable to the variable fee on an accruals basis. The variable fee will be accrued in the accounting period in which the Company exceeds its target distribution as per the Investment Advisory Agreement (see Note 5). A corresponding increase in equity is recognised when payment for the variable fee is made in an equity settled share based payment transaction based on the fair value of the services provided.

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 and/or complexity and/or area where assumptions and estimates are significant to the financial statements has been identified as the valuation of the Company's investment in BSIFIL which is predominantly based on the valuation of the portfolio of investments held by BSIFIL (see Note 8).

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

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

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 8, 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 5.90% (as applied in December 2017) has been lowered to 5.65%. A bench marking analysis in respect of 30 June 2018 was completed by an independent third party valuer and considered by the Board.

It is assumed that future long term debt will increase slightly. The average EBITDA interest tax shield from a combination of third party long term debt and intercompany Eurobond debt equates to 17.7%.

Use of a blended power forecast is unchanged as is the inflation assumption which remains at 2.75%.

4. Investment income

	Year ended 30 June 2018	Year ended 30 June 2017
	£	£
Monitoring fee in relation to loans supplied (Note 16)	702,603	563,288
	702,603	563,288

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

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

5. Administrative expenses

	Year ended 30 June 2018 £	Year ended 30 June 2017 £
Investment advisory base fee * (see Note 16)	310,783	277,711
Investment advisory variable fee	-	77,660
Legal and professional fees	93,681	79,976
Administration fees	294,156	262,226
Directors' remuneration	165,200	159,963
Audit fees	90,460	95,466
Non-audit fees	16,042	18,630
Broker fees	50,120	51,556
Regulatory Fees	42,365	37,061
Registrar fees	38,546	40,022
Insurance	8,727	7,999
Listing fees	22,021	12,454
Other expenses	68,464	69,892
	1,200,565	1,190,616

*The Investment advisory base fee is paid by both the Company (10%) and BSIFIL (90%). The amount shown above reflects the amount paid by the Company only. Note 16 shows the full fee paid to the Investment Adviser.

Investment Advisory Agreement

The Company, BSIFIL and the Investment Adviser have entered into an Investment Advisory Agreement, dated 24 June 2013, pursuant to which the Investment Adviser has been given overall responsibility for the non-discretionary management of the Company's (and any of BSIFIL's SPVs) assets (including uninvested cash) in accordance with the Company's investment policies, restrictions and guidelines. Under the terms of the Investment Advisory Agreement, the Investment Adviser is entitled to a combination of a base fee and variable fee. The base fee is payable quarterly in arrears in cash, at a rate equivalent to 1% per annum of the NAV up to and including £100,000,000, 0.80% per annum of the NAV above £100,000,000 and up to and including £200,000,000 and 0.60% per annum of the NAV above £200,000,000. The base fee will be calculated on the NAV reported in the most recent quarterly NAV calculation as at the date of payment. The variable fee is based on the following:

(i) if in any year, the Company exceeds its distribution target (7.43pps for the year ended 30 June 2018 and increasing with the annual RPI), the Investment Adviser will be entitled to a variable fee equal to 30% of the excess, subject to a maximum variable fee in any year equal to 1% of the NAV as at the end of the relevant financial year. The variable fee shall be satisfied either by the issue of Ordinary Shares to the Investment Adviser at an issue price equal to the prevailing NAV per Ordinary Share; acquisition of Ordinary Shares held in treasury; or purchase of Ordinary Shares in the market. In any year, the Ordinary Shares issued to the Investment Adviser will be subject to a three year lock-up period, with one-third of the relevant shares becoming free from the lock-up on each anniversary of their issue.

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

5. Administrative expenses (continued)

Investment Advisory Agreement (continued)

(ii) if in any year (excluding the Company's first financial year), the Company fails to achieve its distribution target of 7.00 pence per Ordinary Share per year which will rise with the annual RPI in the third year, the Investment Adviser will repay its base fee in proportion by which the actual annual distribution per Ordinary Share is less than the target distribution, subject to a maximum repayment in any year equal to 35% of the base fee calculated prior to any deduction being made. The repayment will be split equally across the four quarters in the following financial year and will be set off against the quarterly management fees payable to the Investment Adviser in that following financial year.

On 11 June 2014, BSIFIL entered into a Technical Services Agreement with the Investment Adviser, with a retrospective effective date of 25 June 2013, in order to delegate the provision of the consultancy services to the Investment Adviser in its capacity as technical adviser to the SPVs. On the same date, 11 June 2014, the Group entered into a base fee offset arrangement agreement, whereby the aggregate technical services fee and base fee payable (under the Investment Advisory Agreement) shall not exceed the base fee that would otherwise have been payable to the Investment Adviser in accordance with the Investment Advisory Agreement had no fees been payable under Technical Services Agreement.

In the event that the Investment Adviser becomes liable to pay the variable fee repayment amount, the Investment Adviser shall be liable to pay such amount regardless of whether or not the base fee previously paid to it under the Investment Advisory Agreement had been reduced by virtue of the application of the set off arrangements as outlined on the base fee offset arrangement agreement dated 11 June 2014.

The fees incurred for the period and the amount outstanding at the period end have been disclosed in Note 16.

Administration Agreement

The Administrator has been appointed to provide day-to-day administration and company secretarial services to the Company, as set out in the Administration Agreement dated 24 June 2013.

Under the terms of the Administration Agreement, the Administrator is entitled to an annual fee, at a rate equivalent to 10 basis points of NAV up to and including £100,000,000, 7.5 basis points of NAV above £100,000,000 and up to and including £200,000,000 and 5.0 basis points of the NAV above £200,000,000, subject to a minimum fee of £100,000 per annum. The fees are for the administration, accounting, corporate secretarial services, corporate governance, regulatory compliance and stock exchange continuing obligations provided to the Company. In addition, the Administrator will receive an annual fee of £6,000 and £3,000 for the provision of a compliance officer and money laundering reporting officer, respectively.

The Administrator will also be entitled to an investment related transaction fee charged on a time spent basis, which is capped at a total of £5,000 per investment related transaction. All reasonable costs and expenses incurred by the Administrator in accordance with this agreement are reimbursed to the Administrator quarterly in arrears.

The fees incurred for the period and the amount outstanding at the period end have been disclosed in Note 16.

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

6. Taxation

The Company has obtained exempt status under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 for which it paid an annual fee of £1,200 (2017: £1,200) (included within regulatory fees).

The income from the Company's investments is not subject to any further tax in Guernsey although the subsidiary and underlying SPVs, as UK based entities, are subject to the current prevailing UK corporation tax rate. The standard rate of UK corporation tax is 19%. This is due to decrease to 17% by 2020.

7. Net asset value per Ordinary Share

The calculation of NAV per Ordinary Share is based on NAV of £418,995,484 (2017: £408,608,255) and the number of shares in issue at 30 June 2018 of 369,883,530 (2017: 369,811,281) Ordinary Shares.

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

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

The Company's accounting policy on the measurement of these financial assets is discussed in Note 2(j)(i) and below.

	30 June 2018	30 June 2017
	Total	Total
	£	£
Opening balance (Level 3)	403,339,287	305,722,500
Additions – funds passed to BSIFIL	4,320,601	55,500,000
Additions – acquisition of Eurobonds*	76,565,712	-
Disposal – de-recognition of loans*	(76,565,712)	-
Change in fair value of financial assets held at fair value through profit or loss	10,438,217	42,116,787
Closing balance (Level 3)	418,098,105	403,339,287

*Non-cash transaction: On 12 July 2017, a number of loan facilities, totalling £76.6m, between the Company and BSIFIL were de-recognised and replaced with a Eurobond instrument listed on the TISE.

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

	30 June 2018	30 June 2017
	Total	Total
	£	£
SPV investment portfolio, Directors' Valuation	604,235,581	573,361,486
BSIFIL		
Cash	14,687,260	14,121,967
Working capital	4,083,400	1,848,655
Debt	(204,908,136)	(185,992,821)
	(186,137,476)	(170,022,199)
Financial assets at fair value through profit or loss	418,098,105	403,339,287

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

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

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

	Year ended 30 June 2018 £	Year ended 30 June 2017 £
Unrealised change in fair value of financial assets held at fair value through profit or loss	10,438,217	42,116,787
Cash receipts from non-consolidated subsidiary*	24,853,220	22,541,016
Net gains on financial assets held at fair value through profit or loss	35,291,437	64,657,803

*Comprising of repayment of loans and Eurobond interest

Fair value measurements

IFRS 13 'Fair Value Measurement' requires disclosure of fair value measurement by level. The level of fair value hierarchy within the financial assets or financial liabilities is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

The fair value hierarchy has the following 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); and
- 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 contain unobservable inputs.

Transfers during the period

There have been no transfers between levels during the year ended 30 June 2018. Any transfers between the levels will be accounted for on the last day of each financial period. Due to the nature of the investments, these are always expected to be classified as Level 3.

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

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

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, whilst investments that are operational are valued on a DCF basis over the life of the asset (typically 25 years) and, under the 'willing buyer-willing seller' methodology, prudently benchmarked on a £/MWp basis against comparable transactions for large scale portfolios. No assets were valued at cost as at year end.

Each investment is subject to full UK corporate taxation at the prevailing rate with the tax shield being limited to the applicable capital allowances from the Company's SPV investments.

The key inputs to a DCF based approach are: the equity discount rate, the cost of debt (influenced by interest rate, gearing level and length of debt), power price forecasts, long term inflation rates, irradiation forecasts, operational costs and taxation. Given discount rates are a product of not only the factors listed previously but also regulatory support, perceived sector risk and competitive tensions, it is not unusual for discount rates to change over time. Evidence of this is shown by way of the revisions to the original discount rates applied between the first UK solar investments and those witnessed in the past twelve months and given the fact discount rates are subjective, there is sensitivity within these to the interpretation of factors outlined above.

Judgement is used by the Board in determining the reduction of the WACC from 5.90%, from 31 December 2017, to 5.65% and key developments over the year that have impacted the adoption of this rate are outlined below:

- a. Transaction values have remained consistent at ca. £1.29 -1.35/MWp for large scale portfolios and which the Board have used to determine that an effective price of £1.29m/MWp is an appropriate basis for the valuation of the BSIF portfolio as at 30 June 2018;
- b. Further falls in the long term power price forecasts, and
- c. Clarification of BEPS legislation in the December 2017 Finance Bill.

In order to smooth the sensitivity of the valuation to forecast timing or opinion taken by a single forecast, the Board continues to adopt the application of a blended power curve from two leading forecasters.

It is only the SPVs of BSIFIL, and their intermediate holding companies, that the Directors fair value (see Note 2(j)(i)). Fair value of operational SPVs is calculated on a discounted cash flow basis in accordance with the IPEV Valuation Guidelines, benchmarked on a £/MWp basis against large scale portfolio transactions. 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 independent expert. This year the Company commissioned a benchmarking exercise with an independent third party for the 30 June 2018 valuation, which was considered by the Board in determining the portfolio fair value in these financial statements. An external valuation was previously undertaken for the year ended 30 June 2015.

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.

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

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

Directors' Valuation methodology and process (continued)

Sensitivity analysis (continued)

The Directors consider 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	30 June 2018		30 June 2017	
		Change in fair value of Directors' Valuation £m	Change in NAV per share (pence)	Change in fair value of Directors' Valuation £m	Change in NAV per share (pence)
Discount rate (5.65%)	+ 0.5%	(23.0)	(6.22)	(22.5)	(6.08)
	- 0.5%	24.5	6.62	24.0	6.49
Power prices	+10%	28.9	7.81	27.5	7.44
	-10%	(29.0)	(7.84)	(27.7)	(7.49)
Inflation rate (2.75%)	+ 0.25%	8.4	2.27	11.9	3.22
	- 0.25%	(8.1)	(2.19)	(11.6)	(3.14)
Energy yield	10 year P90	(48.3)	(13.06)	(43.0)	(11.63)
	10 year P10	47.9	12.95	40.0	10.82
Operational costs	+10%	(11.4)	(3.08)	(11.3)	(3.06)
	-10%	10.9	2.95	9.8	2.65
Interest shield	+50%	9.3	2.51	n/a	n/a
	-50%	(9.6)	(2.60)	n/a	n/a

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

9. Trade and other receivables

	30 June 2018	30 June 2017
	£	£
Current assets		
Monitoring fees receivable	702,603	577,465
Interest receivable	-	842
Other receivables	10,400	10,000
Prepayments	40,234	37,410
	753,237	625,717

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

The Directors consider that the carrying amount of all receivables approximates to their fair value.

10. Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Company and short term bank deposits held with maturities of up to three months. The carrying amount of these assets as at 30 June 2018 was £501,751 (2017: £4,980,341) and approximated their fair value. Cash held by BSIFIL, the Company's single direct subsidiary, as at 30 June 2018 is shown in Note 8.

11. Other payables and accrued expenses

	30 June 2018	30 June 2017
	£	£
Current liabilities		
Investment advisory fees	77,379	72,634
Administration fees	70,716	66,761
Audit fees	70,800	90,000
Other payables	138,714	107,695
	357,609	337,090

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

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

12. Earnings per share

	Year ended 30 June 2018	Year ended 30 June 2017
Profit attributable to shareholders of the Company	£34,796,075	£64,045,718
Weighted average number of Ordinary shares	369,845,327	350,740,529
Basic and diluted earnings from continuing operations and profit for the year (pence)	9.41	18.26

For the calculation of Earnings per Share at 30 June 2017 the estimated number of shares earned by the Investment Adviser but not yet issued were included in the calculation of the weighted average number of shares based upon them being issued at the end of the year in which they were earned.

13. Share capital

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 denominate in such currencies as they may determine.

Number of Ordinary Shares	Year ended 30 June 2018 Number	Year ended 30 June 2017 Number
Opening balance	369,811,281	309,631,765
Shares issued for cash	-	60,000,000
Shares issued as settlement of variable fee	72,249	179,516
Closing balance	369,883,530	369,811,281

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

13. Share capital (continued)

Shareholders' Equity	Year ended 30 June 2018 £	Year ended 30 June 2017 £
Opening balance	408,608,255	307,752,538
Shares issued for cash	-	60,600,000
Share issue costs	-	(817,562)
Shares to be issued as settlement of variable fee	-	77,660
Dividends paid	(24,408,846)	(23,050,099)
Retained earnings	34,796,075	64,045,718
Closing balance	418,995,484	408,608,255

On 12 January 2018, the Company issued 72,249 new Ordinary Shares to the Investment Adviser in respect of their variable fee for the financial year ended 30 June 2017 at a price of 107.49 pps.

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 Shareholders also have the right to receive all income attributable to those shares and participate in distributions 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.

14. Dividends

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

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

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

14. Dividends (continued)

On 8 January 2018, the Board declared a first interim dividend of £6,656,603, in respect of year ended 30 June 2018, equating to 1.80pps (first interim dividend in respect of the year ended 30 June 2017: 3.25pps), which was paid on 9 February 2018 to shareholders on the register on 19 January 2018.

On 19 April 2018, the Board declared a second interim dividend of £6,657,904, in respect of year ended 30 June 2018, equating to 1.80pps (second interim dividend in respect of the year ended 30 June 2017: 1.00pps), which was paid on 18 May 2018 to shareholders on the register as at 27 April 2018.

Post year end, on 31 July 2018, the Board declared a third interim dividend of £6,657,904 in respect of year ended 30 June 2018, equating to 1.80pps (third interim dividend in respect of the year ended 30 June 2017: 1.50pps), which was paid on 31 August 2018 to shareholders on the register on 10 August 2018.

Post year end, on 26 September 2018, the Board approved a fourth interim dividend, in respect of year ended 30 June 2018, of 2.03pps (fourth interim dividend in respect of the year ended 30 June 2017: 1.50pps), which will be payable on 26 October 2018 with an associated ex-dividend date of 4 October 2018.

15. Risk management policies and procedures

The Company is exposed to a variety of financial risks, including market risk (including price risk, currency risk and interest rate risk), credit risk, liquidity risk and portfolio operational risk. The Investment Adviser and the Administrator report to the Board on a quarterly basis and provide information to the Company which allows it to monitor and manage financial risks relating to its operations.

The Company's overall risk management programme focuses on the unpredictability of financial markets and government energy policy and seeks to minimise potential adverse effects on the Company's financial performance, as referenced in the Principal Risks and Uncertainties section in the Strategic Report.

The Board is ultimately responsible for the overall risk management approach within the Company. The Board has established procedures for monitoring and controlling risk. The Company has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

In addition, the Investment Adviser monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities. Further details regarding these policies are set out below:

Market price risk

Market price risk is defined as the risk that the fair value of future cash flows of a financial instrument held by the Company, in particular through the Company's subsidiary, BSIFIL, will fluctuate because of changes in market prices.

Market price risk will arise from changes in electricity prices whenever PPAs expire and are renewed. The timing of these is staggered to minimise risk.

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

15. Risk management policies and procedures (continued)

Market price risk (continued)

BSIFIL's future SPV investments are subject to fluctuations in the price of secondary assets which could have a material adverse effect on the BSIFIL's ability to source projects that meet its investment criteria and consequently its business, financial position, results of operations and business prospects.

The Company's overall market position is monitored by the Investment Adviser and is reviewed by the Board of Directors on an ongoing basis.

Currency risk

The Company does not have any direct currency risk exposure as all its investments and transactions are in Sterling. The Company is however indirectly exposed to currency risk on future equipment purchases, made through BSIFIL's SPVs, where equipment is imported.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments and related income from the cash and cash equivalents will fluctuate due to changes in market interest rates.

The Company is also exposed, through BSIFIL, to interest rate risk via BSIFIL's index-linked element of its long term debt facility (£65.5m at 70 bps plus RPI).

The Company's interest bearing financial assets consist of cash and cash equivalents. The interest rates on the short term bank deposits are fixed and do not fluctuate significantly with changes in market interest rates.

The following table shows the portfolio profile of the financial assets at year end:

	Interest rate	Total as at 30 June 2018 £
Floating rate		
RBSI	0.00%	501,268
Fixed rate		
Lloyds	0.10%	483
		501,751

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

15. Risk management policies and procedures (continued)

Interest rate risk (continued)

	Interest rate	Total as at 30 June 2017 £
Floating rate		
RBSI	0.00%	88,352
Fixed rate		
Lloyds	0.10%	4,891,989
		4,980,341

The valuation of BSIFIL's SPV investments is subject to variation in the discount rate, which are themselves subject to changes in interest rate risk due to the discount rates applied to the discounted cash flow technique when valuing the investments. The Investment Adviser reviews the discount rates bi-annually and takes into consideration market activity to ensure appropriate discount rates are recommended to the Board. Total exposure to interest rate risk on the financial assets held at fair value through profit or loss at the year end is £604,235,581 (2017: £573,361,486), the Directors' Valuation (see Note 8).

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. BSIFIL's SPVs have entered into turnkey EPC contracts with contractors for the design and construction of the solar plants. Payments advanced to the contractors in accordance with the terms of the EPC contracts are protected through performance bonds or titles to assets for amounts greater than any payment made. At the reporting date BSIFIL's SPVs held performance bonds totalling £19,176,312 (2017: £27,091,616) with banks that have a credit rating which is of investment grade.

The Company's credit risk exposure is due to a portion of the Company's assets being held as cash and cash equivalents and accrued interest. The Company maintains its cash and cash equivalents and borrowings across two different banking groups to diversify credit risk. The total exposure to credit risk arises from default of the counterparty and the carrying amounts of financial assets best represent the maximum credit risk exposure at the period end date. As at 30 June 2018, the maximum credit risk exposure in relation to cash and cash equivalents in the Company was £501,751 (2017: £4,980,341). If the cash and cash equivalents held by BSIFIL are included this increases to £15,189,011 (2017: £19,102,308). All cash and cash equivalents held by the Company and BSIFIL is with banks that have a credit rating which is of investment grade.

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

15. Risk management policies and procedures (continued)

Credit risk (continued)

	Cash £	Fixed deposit £	Interest accrued £	Total as at 30 June 2018 £
RBSI	501,268	-	-	501,268
Lloyds	-	483	-	483
	501,268	483	-	501,751
	Cash £	Fixed deposit £	Interest accrued £	Total as at 30 June 2017 £
RBSI	88,352	-	-	88,352
Lloyds	-	4,891,989	842	4,892,831
	88,352	4,891,989	842	4,981,183

The carrying amount of these assets approximates their fair value.

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

15. Risk management policies and procedures (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its liabilities as they fall due. The Investment Adviser and the Board continuously monitor forecasted and actual cash flows from operating, financing and investing activities.

As the Company's investments, through BSIFIL, are in the SPVs, which are private companies that are not publicly listed, the return from these investments is dependent on the income generated or the disposal of solar assets by the SPVs and will take time to realise.

The Company, through BSIFIL, expects to comply with the covenants of its long term loan and revolving credit facility.

The following table details the Company's expected maturity for its financial assets and liabilities. These are undiscounted contractual cash flows:

	Less than one year £	Between one and five years £	After five years £	Total as at 30 June 2018 £
Assets				
Financial assets held at fair value through profit or loss	-	-	289,840,966	289,840,966
Trade and other receivables*	713,003	-	-	713,003
Cash and cash equivalents	501,751	-	-	501,751
Liabilities				
Other payables and accrued expenses	(357,609)	-	-	(357,609)
	857,145	-	289,840,966	290,698,111

*excluding prepayments

As part of the long term financing terms provided by Aviva Investors to BSIFIL, the lender has a security package which includes a charge over the shares in BSIFIL and its wholly owned subsidiaries.

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

15. Risk management policies and procedures (continued)

Liquidity risk (continued)

	Less than one year £	Between one and five years £	After five years £	Total as at 30 June 2017 £
Assets				
Financial assets held at fair value through profit or loss*	-	-	271,534,264	271,534,264
Trade and other receivables**	588,307	-	-	588,307
Cash and cash equivalents	4,980,341	-	-	4,980,341
Liabilities				
Other payables and accrued expenses	(337,090)	-	-	(337,090)
	5,231,558	-	271,534,264	276,765,822

*the Company passes debt to BSIFIL under loan agreements; as at the year end there is an additional amount of non-contractual cash which is not reflected above

**excluding prepayments

Portfolio operational risk

Portfolio operational risk is defined as the risk that solar assets perform below expectation after acquisition and revenue received from the sale of electricity is reduced. This risk is mitigated by BSL ensuring that operation and maintenance contractors are compliant with their contractual obligations including reaction times, maintenance plans and service levels.

Concentrations of risk

Concentrations of risk arise from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. The concentrations of the Company's solar assets by geography, construction contractor and revenue type are shown on pages 11 to 14. This analysis forms an integral part of the financial statements.

Capital management policies and procedures

The Company's capital management objectives are to ensure that the Company will be able to continue as a going concern while maximising the capital return to equity shareholders.

In accordance with the Company's investment policy, the Company's principal use of cash (including the proceeds of the IPO, placings and the loan facility) is to fund BSIFIL's projects, as well as expenses related to the share issues when they occur, ongoing operational expenses and payment of dividends and other distributions to shareholders in accordance with the Company's dividend policy.

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

15. Risk management policies and procedures (continued)

Liquidity risk (continued)

Capital management policies and procedures (continued)

The Board, with the assistance of the Investment Adviser, monitors and reviews the broad structure of the Company's capital on an ongoing basis.

The Company has no imposed capital requirements.

The capital structure of the Company consists of issued share capital and retained earnings.

16. Related party transactions and Directors' remuneration

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

Laurence McNairn, Director of the Company, is a consultant to the Company's Administrator, Estera International Fund Managers (Guernsey) Limited (formerly Heritage International Fund Managers Limited). Administration fees incurred during the period of £294,156 (2017: £262,226) relate to the fees of the Administrator, of which £70,716 (2017: £66,761) was outstanding at the year end.

The Chairman is entitled to an annual remuneration of £56,900 (2017: £55,000). The other Directors are entitled to an annual remuneration of £34,200 (2017: £33,000). Paul Le Page receives an additional annual fee of £5,700, (2017: £5,500) for acting as Chairman of the Audit Committee.

The total Directors' fees expense for the period amounted to £165,200 (2017: £159,963) of which £43,900 was outstanding at 30 June 2018 (2017: £42,375).

At 30 June 2018, the number of Ordinary Shares held by each Director is as follows:

	2018 Number of Ordinary Shares	2017 Number of Ordinary Shares
John Rennocks*	316,011	446,713
John Scott	452,436	367,506
Paul Le Page*	137,839	137,839
Laurence McNairn	441,764	441,764
	1,348,050	1,393,822

*Including shares held by PCAs

John Scott and John Rennocks are Directors of BSIFIL and receive an annual fee of £5,200 each for their services to this company (2017: 5,000). 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 year amounted to £3,168,721 (2017: £2,997,453) of which £241,822 (2017: £259,047) was outstanding at the year end. Included within the investment advisory fee expense for 2017 is £77,660 earned in respect of performance fees for the year ended 30 June 2017. The Investment Adviser received the variable element of their 2017 fees through the issue of 72,249 Ordinary Shares on 12 January 2018 (see Note 13).

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

16. Related party transactions and Directors' remuneration (continued)

Fees paid to BSL during the period by SPVs, a company which has the same ownership as that of the Investment Adviser totalled £2,293,384 (2017: £2,229,749). BSL provides asset management and other services relating to the operation of daily management activities of the solar project companies.

Fees paid to BOL during the period by SPVs, a company which has the same ownership as that of the Investment Adviser totalled £508,138 (2017: £Nil). BOL provides O&M and other services relating to the operation of daily management activities of the solar project companies.

The Company's monitoring fee income received from BSIFIL amounted to £702,603 (2017: £563,288) of which £702,603 was outstanding at the year end (2017: £577,466).

17. Subsequent events

Post year end, on 31 July 2018, the Board declared a third interim dividend of £6,657,904, in respect of year ended 30 June 2018, equating to 1.80 pps (third interim dividend in respect of the year ended 30 June 2017: 1.50 pps), which was paid on 31 August 2018 to shareholders on the register on 10 August 2018.

Post year end, on 26 September 2018, the Board approved a fourth interim dividend, in respect of year ended 30 June 2018, of 2.03 pps (fourth interim dividend in respect of the year ended 30 June 2017: 1.50 pps), which will be payable on 26 October 2018 with an associated ex-dividend date of 4 October 2018.

Glossary of Defined Terms

Administrator means Estera International Fund Managers (Guernsey) 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 Management

AIFMD means the Alternative Investment Fund Management Directive

Articles means the Memorandum of 29 May 2013 as amended and 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 and Industrial Strategy

BEPS means Base erosion and profit shifting

Bluefield means Bluefield Partners LLP

Brexit means departure of the UK from the EU

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

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

Consolidation Exception Amendments means the 18 December 2014 further amendments to IFRS 10 Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

Cost of debt means the blended cost of debt reflecting fixed and index-linked elements

Glossary of Defined Terms (continued)

CP15 means Compliance Period 15 in respect of the RO Scheme (1 April 2016 to 31 March 2017)

CRS means Common Reporting Standard

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

CSR means Corporate Social Responsibility

DCF means Discounted Cash Flow

Defect Risk means that there is an over-reliance on limited equipment manufacturers which could lead to large proportions of the portfolio suffering similar defects

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

DNO means Distribution Network Operator

DSCR means debt service cover ratio

DTR means the Disclosure Guidance and Transparency Rules of the UK's FCA

EBITDA means Earnings before interest, tax, depreciation and amortisation

EGM means Extraordinary General Meeting

EPC means Engineering, Procurement & Construction

EU means the European Union

EV means enterprise valuation

FAC means Final Acceptance Certificate

FATCA means the Foreign Account Tax Compliance Act

Financial Statements means the audited annual financial statements

FiT means Feed-in Tariff

GAV means Gross Asset Value on a consolidated 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

Glossary of Defined Terms (continued)

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

IPO means initial public offering

IRR means Internal Rate of Return

IVSC The International Valuation Standards Council

KID means Key Information Document

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

LCOE means Levelised Cost of Electricity: average unit cost of electricity over the lifetime of a generating asset expressed on a net present cost basis

LSE means London Stock Exchange plc

LTF means long term facility provided by Aviva Investors Limited

Main Market means the main securities market of the LSE

MW means Megawatt

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

Glossary of Defined Terms (continued)

Outage Risk means that a higher proportion of large capacity assets hold increased exposure to material losses due to curtailments and periods of outage

P10 means Irradiation estimate exceeded with 10% probability

P90 means Irradiation estimate exceeded with 90% probability

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)

PRIIPs means Packaged Retail and Insurance-Based Investment Products

PV means Photovoltaic

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 the 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

SPVs means the Special Purpose Vehicles which hold the Company's investment portfolio of underlying operating assets

Sterling means the Great British pound currency

TISE means The International Stock Exchange (formerly CISE, Channel Islands Securities Exchange)

UK means the United Kingdom of Great Britain and Northern Ireland

UK Code means the United Kingdom 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