

Bluefield Solar Income Fund Limited

Interim Report and  
Unaudited Condensed Interim Financial  
Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

Company Registration Number: 56708

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## General Information

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### **Board of Directors** (all non-executive)

John Rennocks (Chairman)

John Scott (Senior Independent Director)

Paul Le Page (Chairman of Audit Committee)

Laurence McNairn

Meriel Lenfestey

### **Registered Office**

PO Box 286

Floor 2, Trafalgar Court

Les Banques, St Peter Port

Guernsey, GY1 4LY

### **Investment Adviser**

Bluefield Partners LLP

6 New Street Square

London, EC4A 3BF

### **Administrator, Company Secretary and Designated Manager**

Estera International Fund Managers (Guernsey) Limited

Floor 2, Trafalgar Court

Les Banques, St Peter Port

Guernsey, GY1 4LY

### **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

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**Six month period to 31 December 2019 / Year to 30 June 2019**

<b>Net Asset Value (NAV)</b> <b>£447.4m</b> <del>£436.4m</del>  <b>NAV per share</b> <b>120.75p</b> <del>117.98p</del>	<b>Dividend Target per Share</b> <b>FY20 7.90pps</b> <del>7.68pps<sup>3</sup></del>  <b>Dividend yield per share<sup>4</sup></b> <b>5.6%</b> <del>5.6%</del>
<b>Underlying Earnings<sup>1</sup></b> (pre amortisation of debt) <b>£20.7m</b> <del>£40.7m</del>  <b>Underlying Earnings<sup>1</sup></b> (pre amortisation of debt) <b>5.59p</b> <del>11.01p</del>  <b>Total Underlying Earnings available for distribution<sup>1</sup></b> (post amortisation of debt) <b>4.02p</b> <del>8.91p</del>	<b>Total return to Shareholders<sup>2</sup></b> <b>6.97%</b> <del>19.12%</del>  <b>Total return to Shareholders since IPO</b> <b>82.99%</b> <del>73.48%</del>  <b>MWh Generated per MWp</b> <b>459</b> <del>1,030</del>
<b>Environmental, Social and Governance (ESG)</b> <b>Accredited Guernsey Green Fund status</b> <b>Delivered Carbon Savings of 117,991 tonnes of CO2</b>	
<b>Forward Focus</b> <b>Increased access to funding to support asset growth</b> <b>Extended leases and planning permissions</b> <b>Kept a watchful eye on power market changes and new technologies</b>	

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 8.

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

3. Dividend target for FY19 of 7.68pps was exceeded, with full year dividends of 8.31pps paid.

4. An estimate of the dividend income percentage return that a shareholder would receive in a calendar year if they purchased the Company's shares at the December 31 2019 closing price and the Company paid a total dividend of 7.9p during the calendar year.

## Highlights (continued)

### Results Summary:

	Six months ended 31 December 2019
Total operating income	<b>£28,350,661</b>
Total comprehensive income before tax	<b>£27,677,999</b>
Total underlying earnings <sup>1</sup>	<b>£20,708,427</b>
Earnings per share (per page 45)	<b>7.48p</b>
Underlying EPS available for distribution <sup>2</sup>	<b>3.42p</b>
Underlying EPS brought forward	<b>0.60p</b>
Total underlying EPS available for distribution	<b>4.02p</b>
1 <sup>st</sup> interim dividend for the year ending 30 June 2020	<b>1.95p</b>
NAV per share	<b>120.75p</b>
Share Price as at 31 December 2019	<b>141.50p</b>
Total Return <sup>3</sup>	<b>6.17%</b>
Total Return to shareholders <sup>4</sup>	<b>6.97%</b>
Total Return to shareholders since inception <sup>5</sup>	<b>82.99%</b>
Dividends per share paid since inception	<b>41.49p</b>

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 25.
2. Underlying EPS is calculated using underlying earnings available for distribution divided by the average number of shares.
3. Total Return is based on NAV per share movement and dividends paid in the period.
4. Total Return to shareholders is based on share price movement and dividends paid in the period.
5. Total Return to shareholders since inception is based on share price movement and dividends paid since the IPO.



# Corporate Summary

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## **Investment objective**

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

## **Structure**

The Company is a non-cellular company limited by shares incorporated in Guernsey under the Law on 29 May 2013. The Company's registration number is 56708, and it is regulated by the GFSC as a registered closed-ended collective investment scheme and as a Green Fund after successful application under the Guernsey Green Fund Rules to the GFSC on 16 April 2019. The Company's Ordinary Shares were admitted to the Premium Segment of the Official List and to trading on the Main Market of the LSE following its IPO on 12 July 2013. The issued 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 period was Bluefield Partners LLP which is authorised and regulated by the UK FCA under the number 507508. In May 2015 BSL, a company with the same ownership as the Investment Adviser, commenced providing asset management services to the investment SPVs held by BSIFIL. In August 2017 BOL, a company with the same ownership as the Investment Adviser, commenced providing O&M services to the Company and now provides services to 34 of the investment SPVs held by BSIFIL as at period end.

# Chairman's Statement

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## Introduction

The Company has had an excellent start to its financial year, which commenced on 1 July 2019. Although lower than the exceptional levels seen in the second half of 2018, irradiation was again higher than for an average year and this has been matched by solid operational performance of the portfolio, producing above target generation and revenue. In short, the results are strong: irradiation was 4.6% higher than expectations, increasing generation by 4.2% and total revenues by 3.8%.

Consequently, underlying earnings available for distribution have been ahead of expectations at 4.02pps and we are on target to deliver a full year dividend of 7.90pps, once again fully covered by earnings and net of debt amortisation.

The Company's NAV per share at 31 December 2019 was 120.75p; NAV Total Return for the period was 6.16% and Shareholder Total Return was 6.97%.

## Key Events

The Company continues along the pathway I described in my Statement in September 2019; simultaneously focusing on enhancing the value of the portfolio whilst continually searching for appropriate opportunities to grow. The Company's asset extension programme has continued to enjoy success, with 171.5MWp having achieved positive planning determinations on 15 year lease extensions, a further 34.1MWp currently in planning and awaiting final determination and an additional 10MWp ready to be submitted. We have continued to amortise our Aviva Investors long term financing and I am pleased to report the acquisition, in January 2020, of a 13.5MWp, 1.3 ROC tariff portfolio at attractive pricing. It was funded using the Company's short term credit facility.

## Valuation

The Company's valuation policy balances recommendations from the Investment Adviser (as a product of a comprehensive DCF model) with benchmarking against comparable transactional activity for UK based solar assets. As a result of the continued demand for subsidised solar assets, the range of values witnessed by the Investment Adviser and Board for assets equivalent to those in the Company's portfolio remains between £1.30m/MWp and £1.40m/MWp.

In accordance with the Company's valuation policy and the range of values derived from precedent market activity, the Directors' Valuation as at 31 December 2019 remains conservatively stated at £1.31m/MWp (1.30m/MWp in June 2019).

Accurately benchmarking the Directors' Valuation as at 31 December 2019 to market transactions, necessitates not only the £m/MWp be comparable to the prices agreed between willing buyers and willing sellers, but also warrants examination of our discount rate. To this end, the weighted average discount rate has been reduced from 7.18% in June 2019, to 6.50% as at 31 December 2019.

## Power Prices

Whilst power prices reached six year highs of £67/MWh in September 2018, the period to December 2019 has seen prices fall close to 10 year lows, at £39/MWh. The driving force behind this reduction in day ahead power prices and short term forecasts is considered to be the oversupply of liquified natural gas, which in turn has led to falling gas prices.

However, as the Company was able to use its flexible PPA strategy to take advantage of strong power prices in September 2018, striking fixes for over two years on the majority of its portfolio, the average price achieved per MWh for the period to 31 December 2019, at £56/MWh, was considerably higher than both the average day ahead base load price of £41/MWh and the average price for the period to December 2018 (being £46/MWh).

## Chairman's Statement (continued)

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Longer term forecasts have once again been lowered; the last increase in medium term forecast prices was in the curves released in December 2016, reflecting prices which are now more than 30% below expectations at the Company's 2013 IPO, as falling gas prices in the near term have combined with expectations of increased renewable generation post-2030.

As the depth of available forecast data deepens and the assumptions around renewable penetration increase, the Board took the decision in H1 2019 to subscribe, on a 12 month trial basis, to a third power price forecaster. Over this period the Board has been impressed with the quality of information received and so intends to blend this third power price curve into future Directors' Valuation alongside, or perhaps as a replacement of, one of its existing forecasters.

### **Underlying Earnings and Dividend Income**

The Underlying Earnings for the period, pre amortisation of long-term finance, were £20.7m or 5.59pps (December 2018: £18.0m and 4.86pps, respectively). After amortising our long-term debt, the available profits, including brought forward reserves, were £15.0m or 4.02pps (December 2018: £11.4m or 3.07pps)

The strong financial performance by the Company over six months to December 2019, combined with the benefit of carried forward surplus earnings of 0.6pps, adds to the Board's confidence of meeting its RPI linked dividend target of 7.90pps for the year to 30 June 2020.

### **Non-Subsidised Opportunities**

The last six months has seen the emergence of a number of unsubsidised solar farms being constructed. Whilst the total capacity of these sites is small, it is likely that 2020 will see solar deployment gathering momentum.

As I have outlined before, this new market is well suited to the Investment Adviser's approach of working with developers and contractors in order to control the quality and scale of the new pipeline. Activity on both these areas is progressing well, with the Company involved in a select number of projects that are now at advanced stages of development.

Indeed, the opportunities for unsubsidised renewables in areas that are complementary to the portfolio the Company has established are not exclusively limited to solar, so I look forward to updating shareholders in due course on this very exciting area.

### **Conclusion**

The performance of the Company over the first six months of this financial year has once again been highly pleasing. The valuation now reflects the lower end of the market conditions that have been with us for some time and the strong earnings for the period, if continued for the full year, should translate into a sector leading dividend. But, as I noted earlier, whilst we have again exploited higher than average irradiation due to the portfolio continuing to perform very well and we will continue to benefit from the power sales strategy that locked in very attractive power contracts, if wholesale electricity prices remain subdued it will at some stage restrict our ability to grow the dividend in line with RPI.

It is not an immediate concern and, indeed, the Company is the highest dividend payer in its sector by a significant margin, a dividend that is covered by earnings and is post debt amortisation. The Board is committed to continuing to be a high dividend payer but is also conscious of the desire of many shareholders to see the Company grow again as we look to continue to play a material role in the evolution of the UK's energy market. The Board and the Investment Adviser are currently evaluating how to manage these two priorities in the best interests of our shareholders, and I look forward to updating you on our conclusions.

**John Rennocks**  
Chairman  
24 February 2020



# The Company's Investment Portfolio



## Analysis of the Company's Investment Portfolio

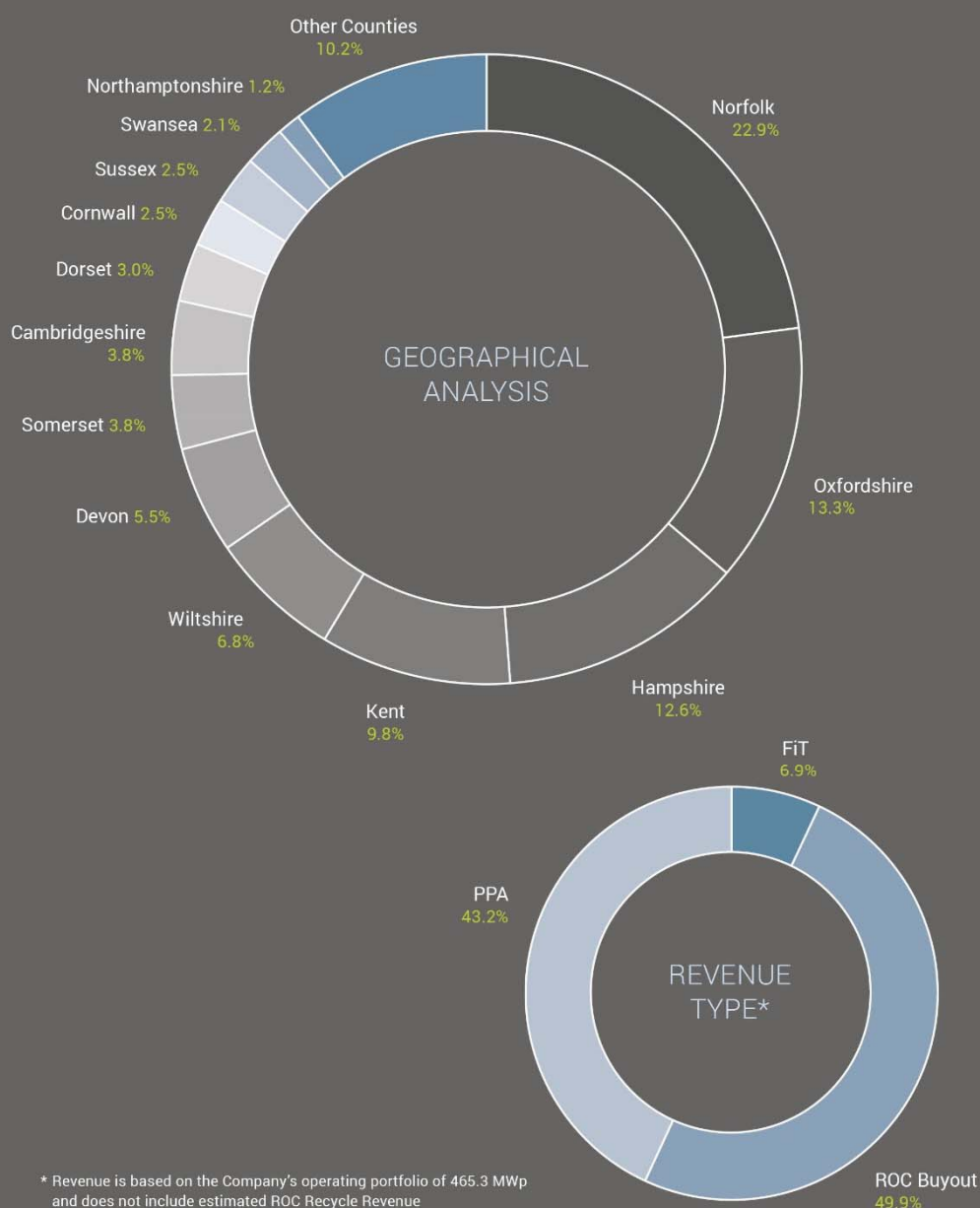
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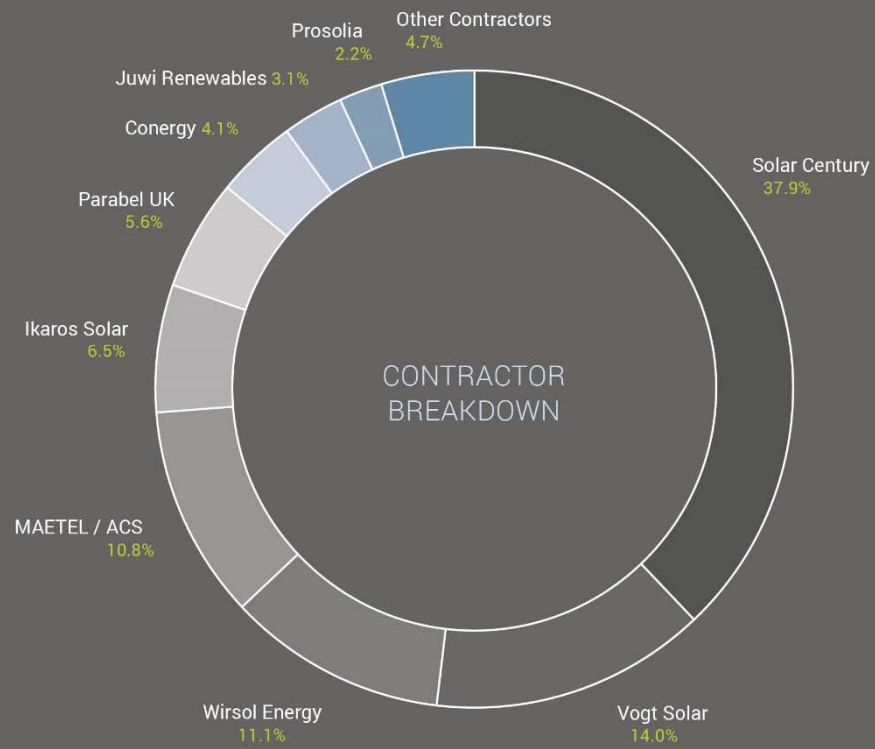
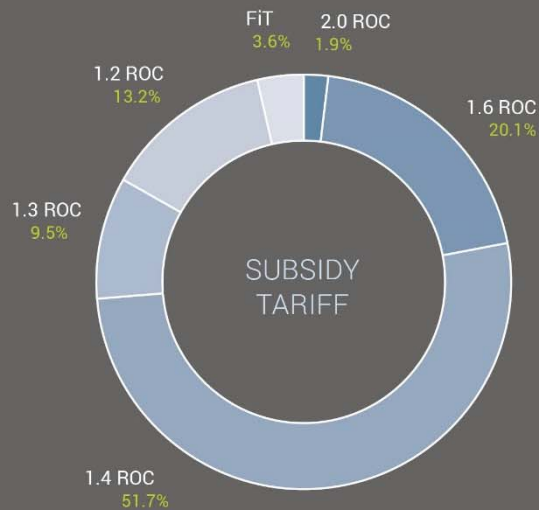
## Analysis of the Company's Investment Portfolio (continued)

### Analysis of the Company's Investment Portfolio

The Company's investment portfolio, analysed by geography, revenue type, subsidy tariff and contractor, as at 31 December 2019 is as follows:



## Analysis of the Company's Investment Portfolio (continued)



# Report of the Investment Adviser

## 1. About Bluefield Partners LLP

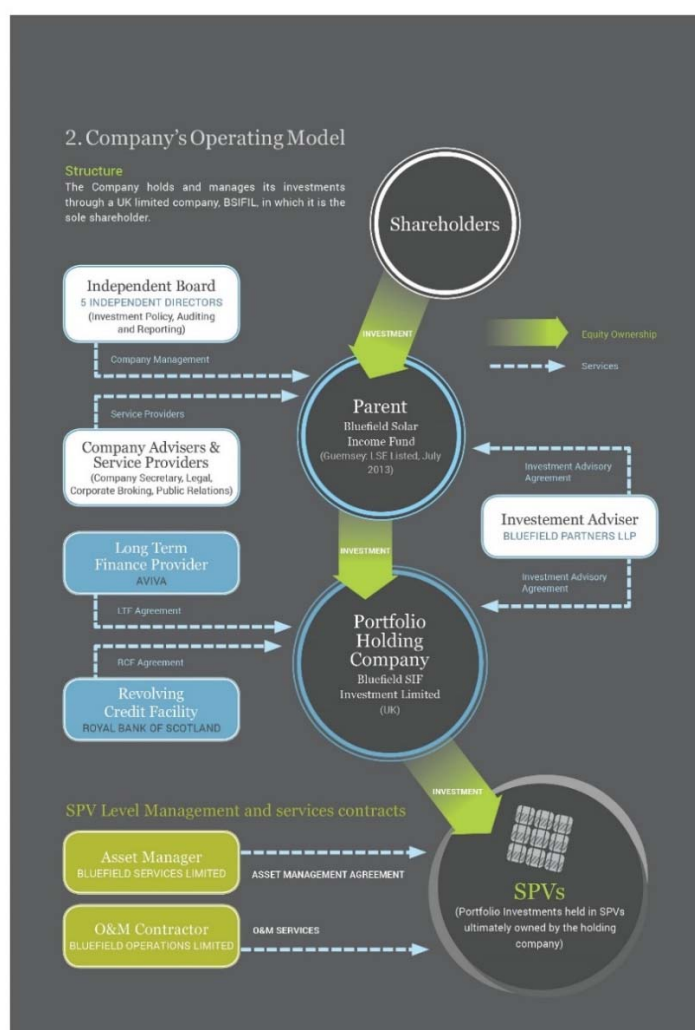
Bluefield was established in 2009 and is an investment adviser to companies and funds investing in solar energy infrastructure. Our team has a proven record in the selection, acquisition and supervision of large scale energy and infrastructure assets in the UK and Europe. The management team has been involved in over £2.5 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 50 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 £20 billion of energy and infrastructure transactions.

## 2. Structure

The Company's corporate structure is summarised below:



# Report of the Investment Adviser (continued)

## 3. Portfolio: Acquisitions, Performance and Value Enhancement

### Portfolio

As at 31 December 2019, the Company held an operational portfolio of 87 PV plants (consisting of 46 large scale sites, 39 micro sites and 2 roof top sites) with a total capacity of 465.3MWp with the portfolio displaying strong diversity through: geographical variety (as shown by the map on page 10), 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 6 month period to 31 December 2019, the Investment Adviser reviewed over 450MWp of acquisition opportunities, which included both subsidised portfolios (300MWp) as well as a small number of ready to build subsidy free assets (c. 150MWp). The Investment Adviser continued to apply its stringent acquisition criteria to these opportunities and consequently only three of the projects assessed, totalling 13.5MWp, went on to be recommended to the BSIF Board.

These projects, called Stanton, Thornton and Wormit were approved by the Board in December and subsequently acquired for £13.9m (including working capital and transaction fees) in January 2020. The projects all qualify for 1.3 ROC tariffs and were purchased using the Company's RCF which currently stands drawn at £44.1m (out of £50m). The Investment Adviser is currently assessing a range of transactions as it looks to continue its policy of securing high quality, return accretive acquisitions.

### Performance

The performance of the portfolio for the first six months of the financial period is detailed below, but it is important to outline that due to seasonal differences in irradiation the minimum period for assessing a plant's long term level of performance is twelve months.

Table 1. Summary of BSIF Portfolio Performance for H1 2019/20:

	H1 Actual 2019/20	H1 Expectation 2019/20	Delta (% change)	H1 Actual 2018/19	Delta (% change)
Weighted Average Irradiation (Hrs) <sup>1,2</sup>	<b>575.6</b>	<b>550.2</b>	<b>+4.6%</b>	<b>605.4</b>	<b>-4.9%</b>
Net Performance Ratio (%) <sup>1,2</sup>	<b>79.8%</b>	<b>80.1%</b>	<b>-0.4%</b>	<b>80.4%</b>	<b>-0.7%</b>
Generation Yield (MWh/MWp) <sup>1,2</sup>	<b>459.3</b>	<b>440.7</b>	<b>+4.2%</b>	<b>487.0</b>	<b>-5.7%</b>
Total unit Price: Power + ROCs +LDs <sup>3</sup> (GBP ooo's/MWh)	<b>£134.94</b>	<b>£135.50</b>	<b>-0.4%</b>	<b>£123.78</b>	<b>+9.0</b>
Total Revenue: inc LDs (GBP ooo's/MWp)	<b>£61.97</b>	<b>£59.72</b>	<b>+3.8%</b>	<b>£60.28</b>	<b>+2.8%</b>

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. Table excludes the 5MWp Little Bear plant acquired in October 2018 reporting period. The asset therefore does not offer a comparison with the same period in the previous reporting year (H1 2018/19).

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



## Report of the Investment Adviser (continued)

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

Irradiation levels during the reporting period were 4.6% higher than expectation as four of the months (July, August, September, and December) experienced levels above expectations.

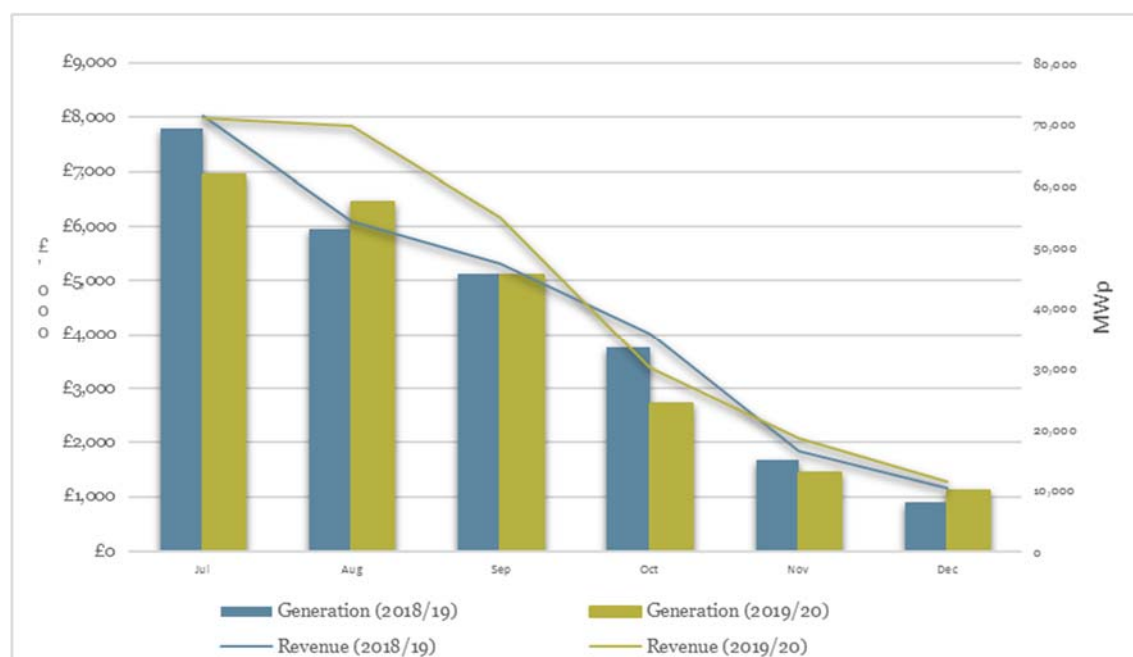
More importantly, the portfolio was able to take advantage of these higher-than-expected irradiation levels and to translate them into yield outperformance of 4.2%. Total generation was 2.13GWh vs. 2.05 GWh forecast.

Furthermore, higher PPA fixes over the period have resulted in the Total Unit Price being higher than the figure for both H1 2019/20 Expectation and H1 2018/19 Actual. Consequently, the Total Revenue was higher than both expectations (+3.8%) and the same period in the 2018/19 reporting year (+2.8%).

During the final quarter of 2019, when generation levels are close to their lowest seasonal levels, the Company took the opportunity to complete the replacement of several items of high voltage equipment (including transformers and inverters) on a number of sites in order to ensure they perform optimally during the coming summer months. As a result of this proactive approach to technical maintenance, the portfolio's 'availability' (the total time the plant was operating, as a percentage of the maximum possible) for H1 2019/20 was lower than expectation, being 98.1% vs. 99.0%.

This was also the case with respect to the portfolio's net PR (the ratio at which a PV plant converts the available irradiation to electrical generation output, excluding periods of outage which were outside the control of the plant) of 79.8%, which was marginally below the expectation of 80.1% (H1 2018/19: 80.4%).

Figure 1. H1 2019/20 vs H1 2018/19 – Actual generation and Revenue



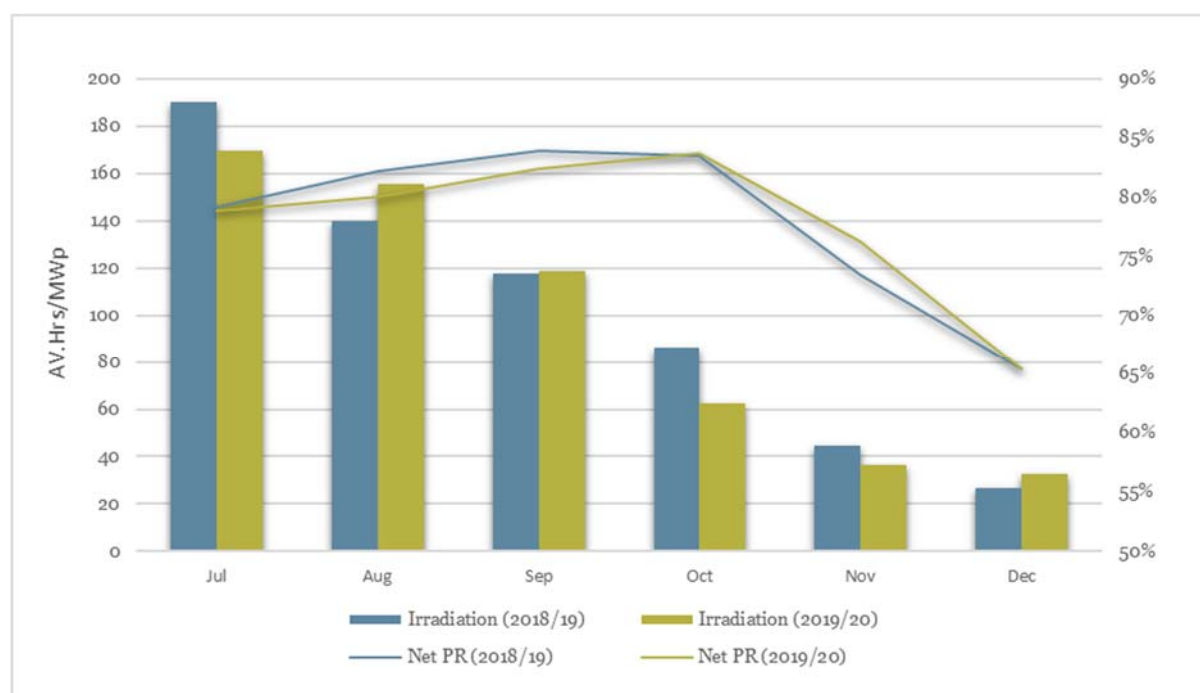
*Note: Graph excludes Little Bear (5MWp), acquired in October 2018.*

## Report of the Investment Adviser (continued)

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

Generally, a solar PV plant's performance is expected to fall with each passing year as the effects of degradation impact the modules' performance; an industry standard rate of degradation is c.-0.4% per annum. In addition, as illustrated by Figure 2 below, periods of exceptionally high irradiation (particularly in July and August 2019) will also contribute to a slight reduction in plant efficiency and some loss of power. Although, as the generation yield shows in Table 1 (page 14), provided plants retain high levels of availability, this restriction is overwhelmingly compensated for by higher absolute power generation.

Figure 2 – H1 2019/20 vs H1 2018/19 actual Net PR and irradiation



*Note: These figures exclude the 5MWp Little Bear plant, acquired in October 2018 reporting period and therefore do not offer 12-month comparisons with H1 2019/20.*

The reason behind this fall in efficiency is a result of the plants experiencing inverter saturation, which occurs when the Direct Current ("DC") power from the PV array exceeds the maximum input level the inverter is able to convert into Alternating Current ("AC") and is commonly referred to as 'clipping'.

At this point, whilst the plant will be generating above forecast expectations, since the inverter is not able to capture all the available DC generation the performance ratio of the plant (i.e. conversion efficiency) reduces. This is a design feature and has no correlation to the underlying operational stability of the plant.

# Report of the Investment Adviser (continued)

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

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 efforts of the Company's asset manager, BSL, and Operations and Maintenance ('O&M') provider, BOL, is demonstrated by the fact that despite the outages experienced by the portfolio (those events both outside and inside the Company's control), the higher irradiation levels experienced during the Reporting Period were largely converted into higher generation and, consequently, higher revenues.

The impact of outages across the Company's portfolio resulting from events within the control of the Company (for example, periods when a plant, or part of a plant, was switched off to conduct essential maintenance or repairs) accounted for a loss equivalent to 1.9% of the total generated power, while outages and curtailments which were outside the control of the Company (for example, upgrade works on the local network by the DNO) accounted for lost generation of 0.92% of total generation.

The combined impact of both sets of outages (6.29GWh in total) was a decrease of 2.9% to the total generation in the period, equivalent to total lost revenues of c.£861k. Mitigating this loss of revenue are insurance claims totalling c.£500k, of which £70k has already been collected.

Regarding the outages due to planned maintenance or repairs by the Company, the most significant curtailment was recorded at Hardingham in Norfolk where the plant experienced a series of inverter faults - the total losses were 859MWh of generation, representing approximately £117.95k of lost revenues.

West Raynham in Norfolk (50MWp) had a central inverter malfunction in October and November, with a total loss of 351MWh generation, equivalent to £46.6k in revenues. The faulty module has been replaced, and the site has generated at expected levels since.

During the period to 31 December 2019, the Company received £135.3k in EPC LDs (compared to £100k in H1 2018/19) for underperformance, revenue losses and the rectification of minor equipment defects, as well as £113.5k from insurance claims (£70k from submissions in the period). The ability of the Company to collect LDs reflects the fact that the Company benefits from strong enforceable contractual protections and warranties across its portfolio and that the Investment Adviser has been disciplined in enforcing the Company's rights to deliver the optimal outcome for its investors.

During the H1 2019/20 reporting period, 8 plants (combined capacity of 36.5MWp, representing 7.8% of the portfolio) completed and passed final acceptance testing. Final acceptance occurs following at least two years of rigorous testing, 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 financially before such acceptance is passed. Following this rigorous acceptance procedure and completion of final acceptance, the EPC is released from 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, equipment failure and business interruption.

## Report of the Investment Adviser (continued)

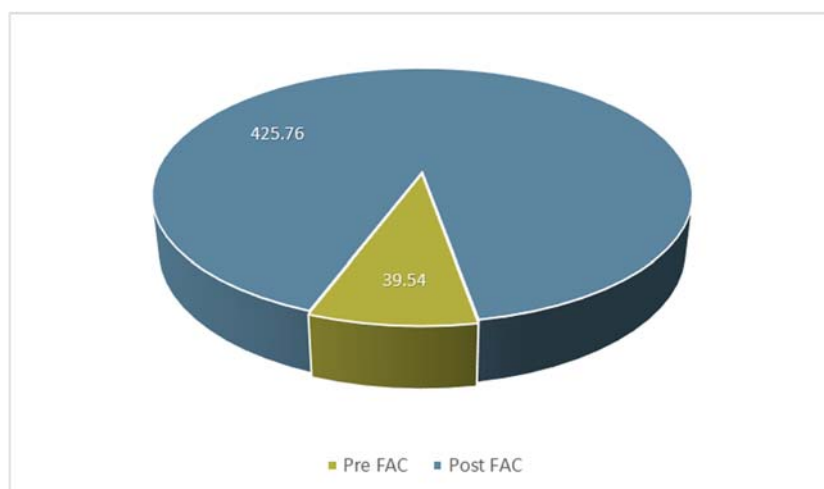
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### 3. Portfolio: Acquisitions, Performance and Value Enhancement (continued)

Six plants (equivalent to 39.5MWp or 8.5% of the total installed capacity), are still 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.

As at 31 December 2019, 37 PV plants, with a combined installed capacity of 425.8MWp had successfully passed their warranty periods and achieved final acceptance, equating to 91.5% of the portfolio. The remaining 6 sites are expected to achieve final acceptance by 31 December 2020.

Figure 3. Proportion of the Company's portfolio pre/post FAC, as at 31 December 2019



During the reporting period, the O&M contracts for a further 11 assets, totalling 60MWp, were transferred to BOL. As of 31 December 2019, BOL provides operation and maintenance services on a total of 34 plants with a combined capacity of 352MWp, equivalent to 76% of the portfolio.

The transfer of these 11 assets has provided operational cost savings in the period of approximately £46k, as well as increased contractual service levels and faster response times through a close operational working relationship with the asset manager, BSL.

## Report of the Investment Adviser (continued)

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

The Company's operating portfolio as at 31 December 2019 and the electricity generated during H1 of the 2019/20 financial year is shown below:

Table 2. BSIF Portfolio Generation for the H1 2019/20 reporting period by Asset:

Solar Farm Asset	Total Investment Commitment (GBP)	Installed Capacity (MWp)	Generation to 31 Dec 2019 (Actual, MWh)
West Raynham	55.9	50.0	23,175,538
Southwick	61.0	47.9	21,504,203
Elms	32.8	28.9	13,691,417
Hardingham	22.7	20.1	8,378,971
Pentylands	21.4	19.2	8,688,596
Molehill	23.1	18.0	9,098,379
Hoback	19.0	17.5	8,194,584
Littlebourne	22.0	17.0	8,088,909
Goosewillow	19.0	16.9	8,160,498
Hill Farm	17.3	15.2	7,200,518
Roves	14.0	12.7	5,769,704
Pashley	15.4	11.5	5,682,935
Hall Farm	13.4	11.4	4,893,347
Sheppey	12.0	10.6	5,119,668
Betingau	11.2	10.0	4,156,900
Capelands	8.6	8.4	3,984,563
North Beer	9.3	6.9	3,208,781
Ashlawn	7.6	6.6	2,964,305
Redlands	6.4	6.2	2,740,116
Saxley	7.0	5.9	2,517,158
Holly Farm	7.2	5.0	2,444,323
East Farm	7.2	5.0	2,446,023
Durrants	6.4	5.0	2,189,917
Clapton	6.3	5.0	2,388,990
Romsey	5.8	5.0	2,422,387
Old Stone	5.7	5.0	2,264,836
Salhouse	5.6	5.0	2,340,872
Frogs Loke	5.6	5.0	2,235,316
Place Barton	5.5	5.0	2,315,283
Court Farm	5.5	5.0	2,466,217
The Grange	5.4	5.0	2,303,808
Bunns Hill	5.3	5.0	2,303,249
Oulton	5.3	5.0	2,173,950
Rookery	5.2	5.0	1,856,206

## Report of the Investment Adviser (continued)

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

Solar Farm Asset	Total Investment Commitment (GBP)	Installed Capacity (MWp)	Generation to 31 Dec 2019 (Actual, MWh)
Kellingley	5.0	5.0	2,286,940
Kislingbury	5.0	5.0	2,312,475
Willows	4.6	5.0	2,153,774
Little Bear	6.8	5.0	2,352,198
Trethosa	5.8	4.8	2,132,130
Folly Lane	5.3	4.8	2,202,283
Gypsum	4.4	4.5	1,782,998
Tollgate Farm	4.6	4.3	1,898,423
Burnaston	14.4	4.1	1,759,483
Galton Manor	5.5	3.8	1,847,208
Barvills	3.3	3.2	1,630,238
Langlands	3.1	2.1	947,072
Goshawk (10 micro sites)	2.0	1.1	511,347
Butteriss (20 micro sites)	2.3	0.8	235,810
Corby	2.3	0.5	187,747
Promothames (9 micro sites)	1.3	0.4	159,661
<b>Total</b>	<b>556.8</b>	<b>465.3</b>	<b>213,770, 254</b>

#### Value Enhancement Initiatives

As previously reported, the Investment Adviser continues to focus on initiatives that seek to enhance and create additional value for the portfolio through the optimisation of both operations and revenues.

The wide ranging asset life extension programme, which seeks to allow the SPVs to extend the available tenor of the PV plants above 2MWp capacity up to 40 years continues to be a major focus. The majority of the assets' leases and planning approvals currently envisage an average term of c.25 years.

Over the last 12 months the project has progressed well and, as at 31 December 2019, lease variations had been exercised on 25 assets with a combined total of 215.6MWp, equivalent to 46.6% of the portfolio's capacity. At the time of writing, 171.5MWp has achieved planning extension consent, 34.1MWp is currently undergoing review by the respective local planning authority, with a further 10.0MWp being submitted by the end of February 2020. To date, the Company has a 100% success rate regarding planning permissions for site extensions.

Reflecting the progress in the period, the Directors' Valuation as at 31 December 2019 now includes 205MWp valued on an extended life basis. Furthermore, the Investment Adviser is continuing to progress negotiations on a further 16 sites with a combined capacity of 185MWp.



## Report of the Investment Adviser (continued)

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### **3. Portfolio: Acquisitions, Performance and Value Enhancement (continued)**

#### **Value Enhancement Initiatives (continued)**

Should the Company be successful in concluding negotiations on the 185MWp mentioned above and positive planning determinations then achieved, the prospective additional valuation impact would be c.£26.2m or c.7.1pps, as well as extending the life of the Company to 2054-7 (on an operating portfolio of 390MWp out of 465MWp) and further reducing the rate of NAV depreciation.

Beyond life extensions, the Investment Adviser is continuing to discuss power sales opportunities within the UK's burgeoning long term corporate and direct wire PPA market, as both routes have the potential to provide predictable and reliable income streams over the long term, in some cases up to 25 years, as well as progressing a review of previous business rates levied on each asset holding SPV.

On occasion, the rateable amounts are miscalculated by the local Ratings Offices and, if these can be identified and formally accepted as being incorrect, rebates are issued. To this end the Investment Adviser is pleased to report c.£1.5m of rebates were received in the period to 31 December 2019 from historical overpayments and continuing efforts by the Investment Adviser's portfolio team mean further rebates are expected to be received during the course of the current financial year.

To ensure that the Company is in the best position to be active in the next phase of solar deployment in the UK the Investment Adviser has entered into discussions with a select group of developers and contractors and is actively reviewing a pipeline of c.500MWp, covering development, ready to build and storage opportunities.

The Company's strategy remains the same, however, and it will continue to apply stringent capital discipline to ensure that only assets that are accretive to shareholders' returns are acquired. However, it is confident that this can be achieved through a mix of carefully selected development investment, private wire or corporate PPA backed new build installations and return adjusted additions from co-located storage and solar.

#### ***PPA Strategy***

Over the year, the Company maintained its policy of fixing 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 agreed 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.

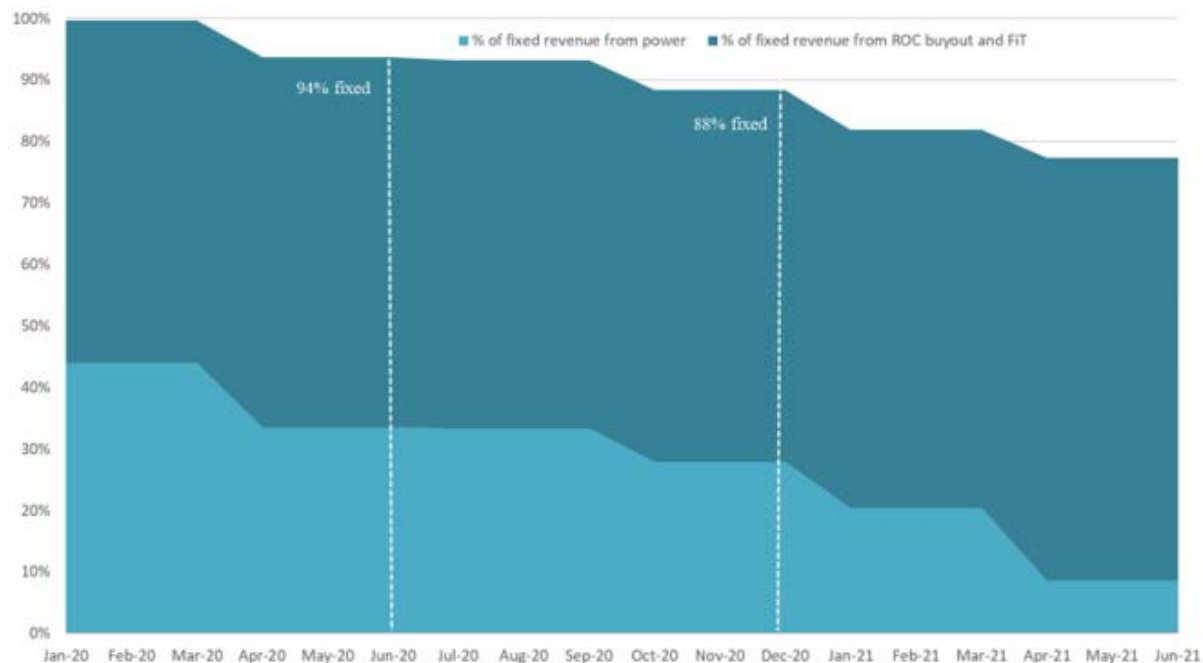
The combination of the PPA renewal strategy applied during the period, and c.95MWp of plants (some 20% of the portfolio) benefitting from PPAs with floor prices until 2029, means the Company, in the unlikely scenario of power prices falling to nil, has 67.7% of its revenue guaranteed to the end of the decade as revenues are generated from a combination of floor prices and the guaranteed renewable electricity support schemes.

Figure 3, below, shows that as at 31 December 2019 the Company has a price confidence level of c.94% to June 2020 and c.88% to December 2020 over its power and subsidy revenue streams.

## Report of the Investment Adviser (continued)

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

Figure 3. % of BSIF revenues fixed as at 31 December 2019



Fixing prices over periods of 12-36 months means the Company retains the flexibility to capitalise on periods of above forecasted power prices, as it successfully did during September 2018 when power prices rose to their highest level for 8 years. This flexibility was made possible by the Board and Investment Advisers' strategy of securing leverage at the portfolio, rather than asset, level.

This also gives the Company the flexibility to explore value enhancing options, such as negotiating corporate PPA offtakes, as well as maximising potential economies of scale by taking advantage of opportunities available only to owners who can commit significant volumes of generating capacity.

#### *Revenues and Power Price*

The portfolio's revenue streams in the reporting period (excluding any ROC recycle estimates) show that the sale of electricity accounted for 43.17% of the Company's income. Regulated revenues from the sale of FiTs and ROCs accounted for 56.83%.

# Report of the Investment Adviser (continued)

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

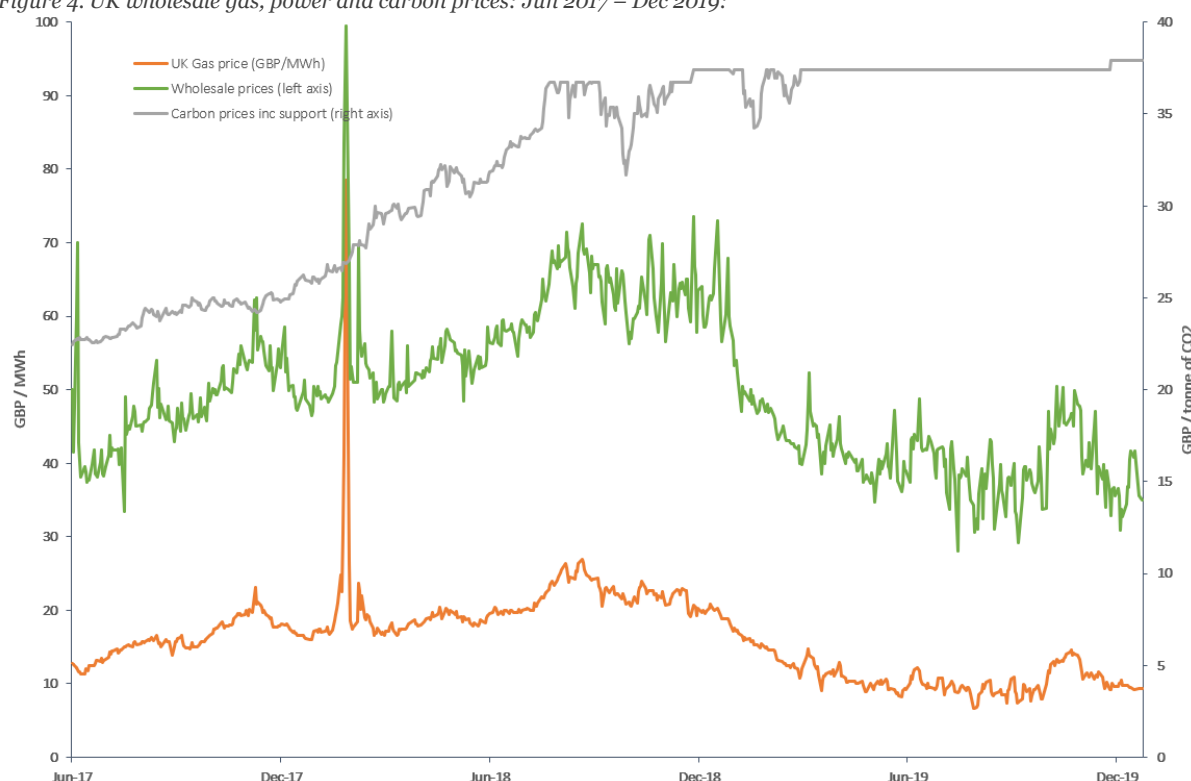
Whilst wholesale gas prices increased sharply in September and October 2018, this trend was reversed from January 2019 onwards, as the system returned to a healthy supply, boosted by increased liquefied natural gas deliveries and steady flows into the UK, combined with a mild start to the 2019/2020 winter leading to low demand. In addition, coal plants saw margins drop to unprecedented lows with more than a third of the country's remaining coal capacity announcing closure plans over the past year.

Gas powered plants are the dominant source of electricity generation in the UK and the effect of the increase in gas reserves was to reduce electricity prices from over £60/MWh at the start of January 2019 to £39/MWh at the end of December.

The full effect of falling gas prices on electricity power prices has, to a marginal extent, been offset by static carbon prices – the EU Emissions Trading System (ETS) is the cornerstone of the European Union's drive to reduce emissions of manmade greenhouse gases. The system works by putting a limit on overall emissions from covered installations (the ETS governs about 40% of total EU greenhouse gas emissions) which is reduced each year. Within this limit, companies can buy and sell emission allowances as needed. This 'cap-and-trade' approach gives companies the flexibility they need to cut their emissions in the most cost-effective way.

The chart below compares the wholesale electricity prices versus gas and carbon over the 30 months prior to end December 2019:

Figure 4. UK wholesale gas, power and carbon prices: Jun 2017 – Dec 2019:



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

# Report of the Investment Adviser (continued)

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## **3. Portfolio: Acquisitions, Performance and Value Enhancement (continued)**

The revenues received during H1 2019/20 have been reflected in the PPA fixes completed by the Company during the period, with the 12-36 month fixed contracts benefitting from an increase to the previous average seasonal weighted power price (from £46.20/MWh the 12 months ended 31 December 2018, compared to £56.11/MWh to 31 December 2019, a 21.4% increase).

This compares to a day ahead market base load power price of £59.44/MWh for the 12 months to 31 December 2018 and £41.35/MWh to 31 December 2019, a 30.4% decrease over the 12 months.

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

## **Targeted Charging Review - Potential Changes to the treatment of BSUoS**

### *Background*

In August 2017 Ofgem launched a Targeted Charging Review (TCR): Significant Code Review (SCR) to investigate the way in which residual network charges are applied across the electricity network.

In November 2019, Ofgem confirmed a number of findings from the TCR that are relevant to the Company. These were:

- From April 2021 the BSUoS benefit will be removed. Historically this has been worth up to £2.50/MWh but since the Directors' Valuations have never recognised this as a forward benefit (it is included in fixed PPAs) there is no impact to the portfolio valuation or forecast revenue streams; and
- From April 2022, BSUoS is expected to be charged based on gross generation, meaning that embedded generators (e.g. solar and onshore wind) are likely to have to pay a charge. The exact way in which will be applied has not yet been decided but two main options have been proposed: 1) directly applying the charge to all generators; or 2) applying the charge to suppliers, in which case the charge would likely lead to a decrease in wholesale power prices.

### *Potential future impact on the Company's valuations and earnings*

Assuming BSUoS is applied as a charge (predictions are c.£2/MWh), the negative impact on the BSIF valuation could be up to c.£12.1m (c.3pps reduction in NAV).

However, given that the mechanism by which BSUoS costs will be recovered is still under consultation, the Investment Adviser has recommended to the Directors that the 31 December 2019 valuation should not reflect this negative assumption.

## Report of the Investment Adviser (continued)

### 4. Analysis of underlying earnings

The total generation and revenue earned in the 6 months to 31 December 2019 by the Company's portfolio, split by subsidy regime, is outlined below.

Subsidy Regime	Generation (MWh)	PPA Revenue (£m)	Regulated Revenue (£m)
FiT	7,177	0.3	1.9
2.0 ROC	4,157	0.3	0.5
1.6 ROC	41,828	2.4	3.7
1.4 ROC	112,181	6.1	8.7
1.3 ROC	19,736	1.1	1.4
1.2 ROC	28,691	1.7	1.9
<b>Total</b>	<b>213,770</b>	<b>11.9</b>	<b>18.1</b>

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 2019, Ofgem announced that value for ROC recycle for the period April 2018 to March 2019 (CP17) was £6.80/MWh (equivalent to 13.9% of CP17 ROC buyout prices). This was in line with the ROC Recycle estimate the Company had recognised in its 30 June 2019 Financial Statements, however a further 'late payment' amount of £1.06/MWh was also announced in December 2019, equating to a further £658k. This amount has been included within the 'Other revenue' line within the table below.

#### *Underlying Portfolio Earnings*

	Half year period to 31 Dec 2019 (£m)	Half year period to 31 Dec 2018 (£m)	Full year to 30 June 19 (£m)	Full year to 30 June 18 (£m)
Portfolio Revenue	30.0	28.9	63.6	56.2
Liquidated damages and Other Revenue*	2.9	0.1	0.8	1.7
<b>Portfolio Income</b>	<b>32.9</b>	<b>29.0</b>	<b>64.4</b>	<b>57.9</b>
Portfolio Costs	-6.9	-6.1	-13.1	-12.9
Project Finance Interest Costs	-0.3	-0.3	-0.6	-0.7
<b>Total Portfolio Income Earned</b>	<b>25.7</b>	<b>22.6</b>	<b>50.7</b>	<b>44.3</b>
Group Operating Costs***	-2.7	-2.3	-5.4	-4.3
Group Debt Costs	-2.3	-2.3	-4.6	-4.2
<b>Underlying Earnings</b>	<b>20.7</b>	<b>18.0</b>	<b>40.7</b>	<b>35.8</b>
Group Debt Repayments	-8.0	-7.7	-8.8	-8.3
<b>Underlying Earnings available for distribution</b>	<b>12.7</b>	<b>10.3</b>	<b>31.9</b>	<b>27.5</b>

## Report of the Investment Adviser (continued)

### 4. Analysis of underlying earnings (continued)

#### Underlying Portfolio Earnings (continued)

	Half year to 31 Dec 2019 (£m)	Half year to 31 Dec 2018 (£m)	Full year to 30 June 19 (£m)	Full year to 30 June 18 (£m)
Bought forward reserves	2.3	1.1	1.1	1.1
<b>Total funds available for distribution -1</b>	<b>15.0</b>	<b>11.4</b>	<b>33.0</b>	<b>28.6</b>
<b>Target distribution***</b>	<b>N/A</b>	<b>N/A</b>	<b>28.4</b>	<b>27.5</b>

<b>Actual Distribution -2</b>	<b>7.2</b>	<b>7.0</b>	<b>30.7</b>	<b>27.5</b>
<b>Underlying Earnings carried forward (1-2)</b>	<b>N/A</b>	<b>N/A</b>	<b>2.3</b>	<b>1.1</b>

\*Other Revenue includes insurance proceeds, O&M settlement agreements and rebates received

#Includes the Company and BSIFIL (within BSIFIL a group tax charge of £284k is included)

\*\*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.

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

	Half year period to 31 Dec 2019	Half year period to 31 Dec 2018	Full year to 30 June 19	Full year to 30 June 18
Target Distribution (RPI dividend) - £m	N/A	N/A	28.4	27.5
<b>Total funds available for distribution (inc. reserves) - £m</b>	<b>15.0</b>	<b>11.4</b>	<b>33.0</b>	<b>28.6</b>
Average Number of shares in year*	370,499,622	369,883,530	369,883,530	369,866,027
Target Dividend (pps)	N/A	N/A	7.68	7.43
<b>Total funds available for distribution (pps) - 1</b>	<b>4.02</b>	<b>3.07</b>	<b>8.91</b>	<b>7.73</b>
Total Dividend Declared & Paid (pps) - 2	1.95	1.90	8.31	7.43
Reserves carried forward (pps) ** - 1-2	N/A	N/A	0.60	0.30

\*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.



## Report of the Investment Adviser (continued)

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### 5. 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 with the Company committed to conducting independent reviews as and when the Board believes it benefits the shareholders; in the period 2013-2018 two independent valuation reviews were commissioned.

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 IFRS 9 and IFRS 13.

Following consultation with the Investment Adviser, the Directors' Valuation adopted for the portfolio as at 31 December 2019 was £621.7m (31 December 2018, £609.7m).

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

<b>Valuation Component</b>	<b>Dec 2019</b>	<b>June 2019</b>	<b>Dec 2018</b>	<b>June 2018</b>
Enterprise Portfolio DCF value (EV)	611.6	605.2	601.8	592.5
Deduction of Project Co debt	-11.2	-11.7	-12.1	-12.5
Projects valued at cost (amount invested)	0.0	0.0	0.0	0.0
Project Net Current Assets	21.3	28.6	20.0	24.2
<b>Directors' Valuation</b>	<b>621.7</b>	<b>622.1</b>	<b>609.7</b>	<b>604.2</b>

Detail of the main drivers behind these valuations are outlined in the portfolio valuation movement section below.

# Report of the Investment Adviser (continued)

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## 5. NAV and Valuation of the Portfolio (continued)

### Key factors impacting the Directors' Valuation methodology

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

- (i) Competition for operational assets has remained high, with the slowdown in transactions and falling long term power forecasts being offset by continued demand for subsidised renewable assets. This has meant prices paid on subsidised solar assets equivalent to the ROC weighting of the Company's portfolio (average c.1.4ROC) remain between c.£1.30m/MWp and c.£1.40m/MWp. In order to ensure the Company's portfolio reflects market pricing, the Directors have reduced the discount rate from 7.18% to 6.50%;
- (ii) Progress continues regarding the Company's asset life extension programme (as outlined in the Portfolio section), with 205MWp (107MWp as at 30 June 2019) of the Company's portfolio now valued on the basis of an additional 15 years of operational life. The Board continues to believe the most suitable method to value the additional cash flows from these assets is to apply a combination of prudent assumptions on performance and maintenance reserve as well as an increased discount rate of 8.5% over the final 10 years of extended operating life. As at 31 December 2019, the weighted average life of the portfolio was 26.8 years (June 2019; 24.2 years).

As reported in the Company's 30 June 2019 annual accounts, the Board took the decision in H1 2019 to subscribe, on an initial 12 month trial basis, to a third power price forecaster. This trial period has been successful and so the Board, subject to consultation with the Investment Adviser, consider it appropriate that this third forecaster's power curve, blended most likely with those of the other two leading forecasters historically used, be adopted in future Directors' Valuations.

### Discounting Methodology and Discount Rate

The Directors' Valuation is based on the discounting of post-tax, projected cash flows of each investment, based on the Company's current capital structure, with the result then benchmarked against comparable market multiples. The discount rate applied on the post-tax levered project cash flows is the weighted average discount rate.

In addition, the Board continues to adopt the approach under the 'willing buyer/willing seller' methodology, that the valuation of the Company's portfolio be appropriately benchmarked on £/MWp basis against comparable portfolio transactions. As the period to 31 December 2019 has continued to see high levels of competition for large scale portfolios within a pricing range of £1.30m/MWp - £1.40m/MWp, the Board believes it appropriate to maintain a prudent benchmarking approach to market activity in respect of the valuation of the BSIF portfolio.

As a result, by valuing the portfolio at an EV of £611.6m (June 2019: £605.2m), and an effective price of £1.31m/MWp (June 2019: £1.30m/MWp), using a discount rate of 6.50%, the Board remains conservatively within the pricing range of precedent market transactions.

# Report of the Investment Adviser (continued)

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## 5. NAV and Valuation of the Portfolio (continued)

### Discounting Methodology and Discount Rate (continued)

The Company continues to apply the assumption that 70% (£21.1m) of the amounts drawn under the RCF (£30.2m as at 31 December 2019) will be converted into long term fully amortising debt on maturity in September 2021, at an interest rate of 3.50%.

The average EBITDA interest tax shield from third party long term debt (£178.7m) and inter-company debt (£80m) equates to 16.7% over the life of the long term debt, being 25% (14% from external shielding and 11% from internal shielding) in 2020 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.

### Power Price

The blended forecast used within the latest Directors' Valuation, as shown graphically below, is based on forecasts released in November and December 2019 and implies a compounded annual growth rate, in real terms from 2020, over the 30 year forecast of -0.02% per annum from a starting point in the high £40s / MWh to a very similar final life price post 2050.

This fall in real term pricing is a consequence of projected lower gas prices in the long term, higher renewable penetration driving down prices post 2030, and higher levels of interconnection capacity to European markets, where prices are forecast to be lower.

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.

# Report of the Investment Adviser (continued)

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## 5. NAV and Valuation of the Portfolio (continued)

### Plant Performance

In the six month period to 31 December 2019, a further 8 plants (combined capacity 36.5MWp) underwent 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 potentially be adopted within the future cash flows of the project.

The percentage of the Company's portfolio now being valued using PR from operational or final acceptance (this covers a minimum of 2 years of operational data) is 91% (425MWp) compared to 88% (409MWp) in June 2019. The weighted average PR for these plants, including the effects of degradation, is 82.4% (June 2019: 82.6%).

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, especially 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 £16.7m, being 4.51pps in total for the third and fourth interim dividends in respect of the year ended 30 June 2019.

Over the period the Company's NAV has increased by £11.0m, from £436.4m as at 30 June 2019, to £447.4m as at 31 December 2019. Adjusting the 30 June 2019 NAV of £436.4m for the dividends paid in the period (£16.7m) results in an uplift in the NAV of the Company during the period of £27.7m.

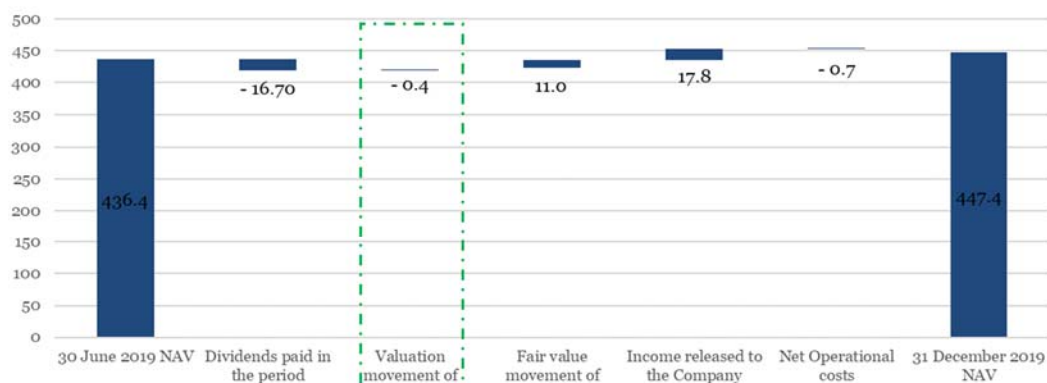
A breakdown in the movement of the NAV of the Company over the period and how this interacts with the movement in the valuation of the portfolio is illustrated in the charts below. Post period end, in February 2020, the Company paid the first interim dividend for the 2019/20 financial year of 1.95pps.

# Report of the Investment Adviser (continued)

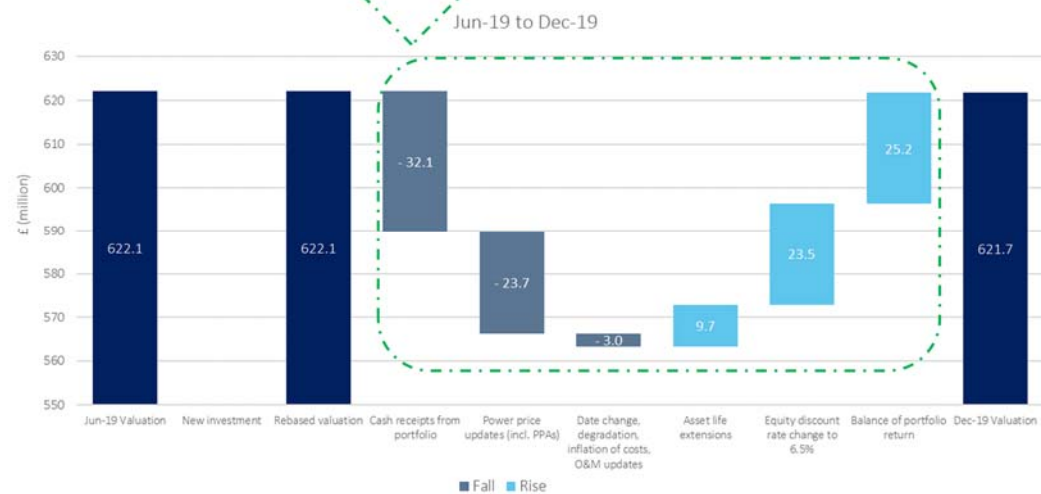
## 5. NAV and Valuation of the Portfolio (continued)

### NAV movement (continued)

NAV Movement Graph



Portfolio Value Movement Graph



## Report of the Investment Adviser (continued)

### 5. NAV and Valuation of the Portfolio (continued)

#### Directors' Valuation movement

	(£million)	As % of re-based valuation
<b>30 June 2019 Valuation</b>	<b>622.1</b>	
<b>Addition in the period<sup>#</sup></b>	<b>0.0</b>	
<b>Re-based Valuation</b>	<b>622.1</b>	
<b>Cash receipts from portfolio</b>		(5.2%)
	(32.1)	
<b>Power price movement</b>	(23.7)	(3.8%)
<b>Portfolio updates</b>	(3.0)	(0.5%)
<b>Asset life extensions</b>	9.7	1.6%
<b>Equity discount rate change to 6.5%</b>	23.5	3.8%
<b>Balance of portfolio return</b>	25.2	4.1%
<b>31 December 2019 Valuation</b>	<b>621.7</b>	<b>(0.1%)</b>

<sup>#</sup>There were no additions in the period.

Each movement between the re-based valuation and the 30 June 2019 valuation is considered in turn below:

#### *Cash receipts from the Portfolio*

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

#### *Power price movement*

The Company's two independent forecasters released updated forecasts in November and December 2019, respectively, with their blended curve applied to the Directors' Valuation. The impact of continuing to apply an equal blend of two independent forecasters as well as the latest power price fixes, against power price expectations applied in the 30 June 2019 valuation, results in a valuation decrease of £23.7m (6.4pps).

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 an even blend of two independent forecasters' prices.



# Report of the Investment Adviser (continued)

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## 5. NAV and Valuation of the Portfolio (continued)

### NAV movement (continued)

#### Directors' Valuation movement (continued)

##### *Portfolio update*

There has been a small decrease to the valuation as a result of minor updates to costs over the life of the assets.

##### *Asset life update*

As at 31 December 2019, the Company has secured 15 year asset life extensions on 205 MWp (107MWp in June 2019) of projects (bringing the total operational life of the assets to 40 years for c.40% of the portfolio). To reflect the increased uncertainty in the latter period of each asset's lifetime, a discount rate of 8.50% has been applied to all cash flows after a 30 year asset life. The £9.7m increase in valuation compared to 30 June 2019 reflects the progress of the Company's asset life extension programme to date. As further asset life extensions are secured, these will be applied to subsequent portfolio valuations.

##### *Equity Discount rate*

To ensure the Directors' Valuation appropriately reflects transactional pricing for lowly levered, UK focused portfolios of subsidised solar assets within the UK, the Directors have reduced the weighted average discount rate from 7.18% in June 2019 to 6.50% in December 2019. This material reduction allows the rate applied in the Directors' Valuation to be comparable to those now being applied by buyers in market transactions. The impact of aligning the discount rate to precedent market transactions, is an increase of £23.5m (6.2pps) to the Directors' Valuation compared to 30 June 2019.

##### *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, or 40 years for those with asset life extensions.

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 2019.

On the basis of these key assumptions, the Board believes there remains further potential for NAV enhancement from the potential extensions of asset life for further projects in the portfolio, through increasing lease and planning permissions, and subject to reaching agreement with the relevant landlords.

The assumptions set out in this section will remain subject to continuous review by the Investment Adviser and the Board.

# Report of the Investment Adviser (continued)

## 5. NAV and Valuation of the Portfolio (continued)

### Directors' Valuation movement (continued)

#### Reconciliation of Directors' Valuation to Balance sheet

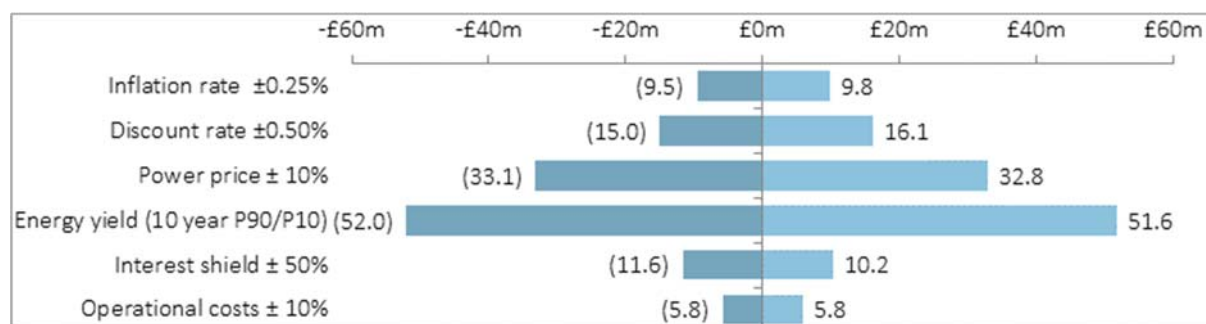
Category	Balance at Period End			
	31 December 2019 (£m)	30 June 2019 (£m)	31 December 2018 (£m)	30 June 2018 (£m)
Directors' Valuation	621.7	622.1	609.7	604.2
BSIFIL Working Capital	24.7	19.5	17.5	18.8
BSIFIL Debt*	(199.0)	(205.9)	(204.7)	(204.9)
<b>Financial Assets at Fair Value per Balance sheet</b>	<b>447.4</b>	<b>435.7</b>	<b>422.5</b>	<b>418.1</b>
<b>Gross Asset Value</b>	<b>656.7</b>	<b>653.3</b>	<b>639.3</b>	<b>635.7</b>
<b>Gearing (% GAV**)</b>	<b>32%</b>	<b>33%</b>	<b>34%</b>	<b>34%</b>

\*31 December 2019 and 30 June 2019 include c.£1M of upstream Intercompany Loans.

\*\*GAV is the aggregation to the portfolio's DCF value, Durrants' outstanding debt and the working capital balances from the portfolio and BSIFIL. As at 31 December 2019 the Company's GAV is £656.7m.

#### Directors' Valuation sensitivities

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



## Report of the Investment Adviser (continued)

### 6. Financing

#### *Aviva Investors Long Term Facility*

The LTF is provided by Aviva Investors in two tranches.

Loan	Original Amount (Sept 16)	Current Amount (Dec 19)	Tenor	Cost	Average Loan Life at drawdown
Fixed	£121.5m	£105.1m	Fully amortising over 18 years to 2034, sculpted to cash flows	All in cost of 287.5bps	10.6
Index-Linked	£65.5m	£62.4m	Fully amortising over 18 years to 2034, sculpted to cash flows	RPI plus 70bps	11.3

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 £7.6m, combined with indexation increases of £0.6m, resulted in a total outstanding balance to Aviva Investors as at 31 December 2019 of £167.5m (Fixed £105.1m, Index linked £62.4m).

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 one of the lowest costs of capital in our sector (as at 31 December 2019, the blended all in debt cost of the facilities was 3.2%).

Thanks to the prudent leverage (32% of GAV as at 31 December 2019), 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.

#### *RBSI Revolving Credit Facility*

On 23 October 2018 the Company's RCF, provided by RBSI to BSIFIL, was increased from £30m to £50m and extended by two years to 30 September 2021. The re-stated and amended facility also includes the option for BSIFIL to request a further one year extension to 30 September 2022. The terms of the facility remained unchanged, with a constant margin of 2.0% over LIBOR.

As at 31 December 2019 the Company had drawn £30.2m, out of £50m, from its RCF, although acquisitions completed post period end for £13.9m mean the RCF stands drawn at £44.1m. Both the 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)

## 6. Financing (continued)

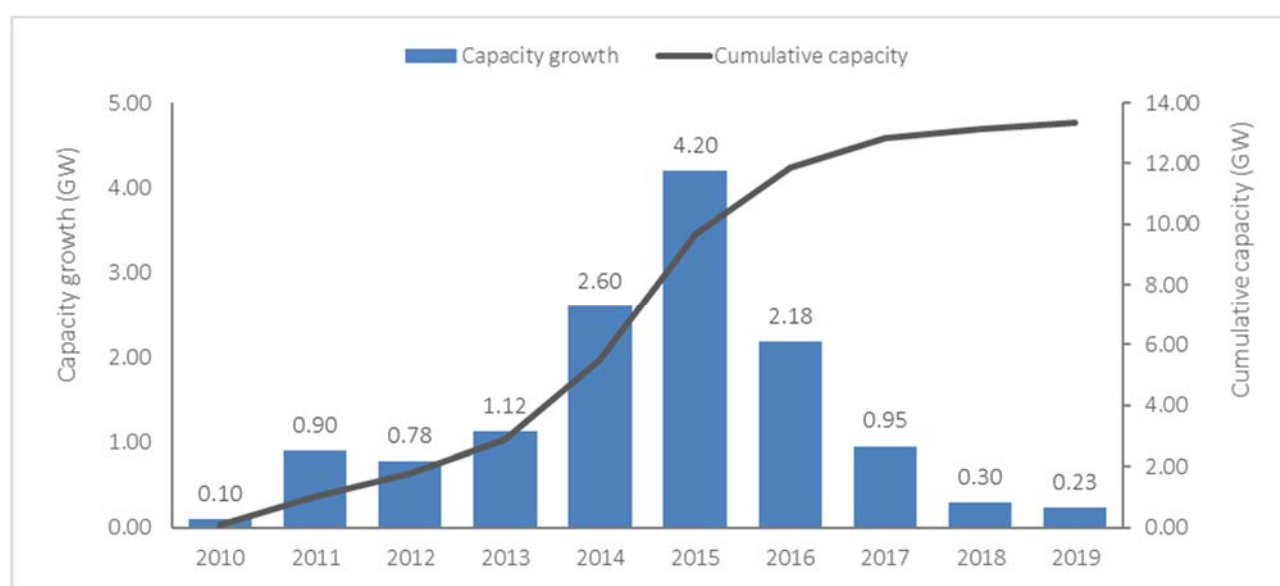
### *Project level debt*

In addition to the LTF and the three year RCF, the Company also has a small project finance loan of £11.2m, provided by BayernLB and fully amortising until maturity in 2029, secured against Durrants, a 5 MWp FiT plant located on the Isle of Wight. This is the only instance of project level debt.

## 7. Market Developments

Capacity accredited nationally under the RO Scheme remains unchanged at 7.3 GWp, representing 55% of the total solar capacity in the UK, but constituting only 2.3% of the number of installations. Capacity accredited under the FiT scheme was 5.0GWp according to the latest data from BEIS released on 30 January 2020. This equates to about 38% of total solar capacity and 84% of all installations.

According to BEIS, the UK's total installed solar capacity has increased to 13.4GWp and the number of solar PV installations in the country was just over 1 million as the end of December 2019. Expansion over the period, of 97MWp, has been driven predominantly (57%) from small unaccredited operating PV plants with capacities often below 50kWp, as well as a limited number of utility scale unsubsidised projects.



\*Source; BEIS, Solar photovoltaics deployment December 2019

The activity in the UK secondary solar PV market continues to slow down relative to previous years. According to the most recent figures from Bloomberg New Energy Finance (BNEF), just 60MWp changed hands between July and December 2019. For reference, c.800MWp of solar PV project deals were reported in 2018.

In contrast, activity in the subsidy free market quickly gathered pace throughout 2019 and significant development activity is now being carried out within the UK with estimates that there is now a c.6 GWp pipeline of large-scale solar projects in the development phase (as at the end of December 2019), almost double the capacity at the beginning of 2019 (3.3 GWp).

# Report of the Investment Adviser (continued)

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## 7. Market Developments (continued)

Despite the accelerated development activity, only a limited number of larger-scale unsubsidised projects have been constructed and so it is clear innovative business models are crucial in bringing success in this new area of the market. Furthermore, many of the projects that have been announced have unique characteristics, such as being local council funded, having a direct wire offtake agreement, being co-located with energy storage assets, or are small extensions on the same site as existing ROC projects. Uncertainty in the market following Ofgem's Targeted Charging Review and the potential revenue implications are likely to have also delayed decisions to start the construction of unsubsidised projects.

Various companies have continued to launch tenders for PPA agreements over the period, signalling their continued desire to procure electricity from renewable sources. This demand provides another potential route to market for subsidy free projects, if mutually beneficial offtake agreements can be reached, whilst another theme is the colocation of unsubsidised solar assets with battery storage facilities, which have the potential to bring efficiencies to construction costs and opportunities to optimise use of the grid connection.

With 487MWp under management (including 13.5MWp purchased after the period end), the Company continues to maintain a strong position within the UK solar market, as it owns and operates about 5% of the country's utility-scale solar PV capacity. As an established and experienced market participant, this will be a strong foundation as the Company prepares to take advantage of unsubsidised opportunities.

## 8. Regulatory Environment

### *Update on Contracts for Differences (CfD)*

The CfD scheme is now the government's main mechanism for supporting low-carbon electricity generation and operates via an auction process. Currently, only less-established renewable technologies are eligible, including advanced conversion technologies, anaerobic digestion, biomass with CHP, geothermal, offshore wind, remote island wind, tidal stream, and wave. Solar is not included within the CfD scheme.

The most recent CfD allocation round (AR3) had a budget of £65m and the results were published in September 2019. In this auction 5.5 GW of offshore wind and 0.3 GW of other technologies secured CfDs across two delivery years. Subsequent rounds are expected to be held approximately every two years.

### *UK net zero target*

Since the UK introduced its target to bring all greenhouse gas emissions to net zero by 2050, the Government has announced an HM Treasury Net Zero Review. This is expected to be published in autumn 2020 and will set out principles to guide decision-making in the transition to net zero.

## Report of the Investment Adviser (continued)

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### **9. Environmental, Social and Governance**

The Investment Adviser is committed to making a significant contribution towards the transition to clean energy, particularly considering the UK Government's National Energy and Climate Plan and recent commitment to end its contribution to global warming by 2050.

In April 2019, the Company was the first London listed investment company to achieve Guernsey Green Fund Status. The Guernsey Green Fund aims to provide a platform upon which investments into various green initiatives can be made and gives investors a trusted and transparent product that contributes to the internationally agreed objectives of mitigating environmental damage and climate change.

The Investment Adviser is a signatory to the UN's Principles of Responsible Investing (UN PRI). The PRI define responsible investment as a strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership, and it has six key principles. The Investment Adviser is in the process of reviewing its investment policy, to align the policy with the PRI principles. As a significant solar energy infrastructure investor, the Investment Adviser is therefore very conscious of the Company's environmental and social impact.

A major factor in this contribution is that the production of renewable energy equates to a significant amount of CO<sub>2</sub> 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 of 3,100 kWh of electricity for every house; this is an annual saving of 1,268 tonnes of CO<sub>2</sub>. Based on these figures, the portfolio capacity of 465.3MWp as at 31 December 2019 will power the equivalent of 150,097 homes and save 117,991 tonnes of CO<sub>2</sub> in a year.

#### *Biodiversity*

The completed benchmarking study of the biodiversity enhancement measures implemented on the Company's large scale assets showed that across three major measures - wildflower meadow creation, native tree and hedgerow planting and creation of habitat to support local wildlife - the vast 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.

# Report of the Investment Adviser (continued)

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## 9. Environmental, Social and Governance (continued)

The Investment Adviser continues to work with the landlords, O&M counterparties, and local beekeepers, towards ensuring all remaining plants benefit from biodiversity enhancements covering at least two of the three major measures listed above. Some examples of the Company's biodiversity initiatives during the reporting year are:

- the seeding of wildflower meadows or strips in virtually all plants;
- the creation of 'bug hotels';
- the placing of beehives on various sites, with plans for the widespread deployment of hives across the portfolio;
- the installation of bat, owl and bird boxes; and
- the creation of 'wildlife corridors' through the plants, including the installation of 'mammal gates' (for small mammals, up to badgers in size).

The above benchmarking approach was published in a form of a Case Study entitled "Measuring what matters, and forging local partnerships for sustainable agriculture" in the Solar Trade Association's report, *The Natural Capital Value of Solar*, <https://www.solar-trade.org.uk/wp-content/uploads/2019/06/The-Natural-Capital-Value-of-Solar.pdf>.

In addition to this, the Company is collaborating with local wildlife trusts and insect and bird associations to further enhance the presence of native local species in and around the solar parks. During the reporting period, focus has been on the introduction of honey bee hives to the portfolio, considering the majority of the fund's assets have seen the establishment of wildflower meadows.

### *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 is focused on creating and maintaining strong relationships with communities within proximity to the solar plants and supports community benefit schemes across its portfolio. Over the reporting period to 31 December 2019, the portfolio has made donations of £11.4k to community benefit schemes for local councils and parishes for charitable, educational, environmental, amenity or other appropriate purposes within the areas of the community.

In seeking to extend the planning consents of many of the plants to 40 years as part of the 'life extension programme', many SPVs are committing to further community contributions alongside continued and enhanced ecological commitments, such as further tree planting, continued promotion of wild-flower meadows and biodiversity-focussed environmental management.

**Bluefield Partners LLP**

24 February 2020



## Statement of Principal Risks and Uncertainties for the Remaining Six Months of the year to 30 June 2020

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As described in the Company's annual financial statements as at 30 June 2019, the Company's principal risks and uncertainties include the following:

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

The Board believes that these risks are unchanged in respect of the remaining six months of the year to 30 June 2020.

Further information in relation to these principal risks and uncertainties may be found on pages 22 to 29 of the Company's annual financial statements as at 30 June 2019.

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

Risks including emerging risks are mitigated and managed by the Board through continual review, policy setting and regular reviews of the Company's risk matrix by the Audit Committee to ensure that procedures are in place with the intention of minimising the impact of the above mentioned risks. The Board carried out a formal review of the risk matrix at the Audit Committee meeting held on 19 February 2020. The Board relies on periodic reports provided by the Investment Adviser and Administrator regarding risks that the Company faces. When required, experts will be employed to gather information, including tax advisers, legal advisers, and environmental advisers.

## Directors' Statement of Responsibilities

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

- the Unaudited Condensed Interim Financial Statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union; and
- the interim management report which includes the Chairman's Statement, Report of the Investment Adviser and Statement of Principal Risks and Uncertainties for the remaining six months of the year to 30 June 2020 includes a fair review of the information required by:
  - a. DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the Unaudited Condensed Interim Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
  - b. DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place during the first six months of the financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last annual report that could do so.

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

On behalf of the Board

**Paul Le Page**  
Director  
24 February 2020

**Laurence McNairn**  
Director  
24 February 2020

# Independent Review Report to Bluefield Solar Income Fund Limited

## *Conclusion*

We have been engaged by Bluefield Solar Income Fund Limited (the “Company”) to review the unaudited condensed interim financial statements for the six months ended 31 December 2019 of the Company which comprises the unaudited condensed statements of financial position, comprehensive income, changes in equity, cash flows and related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the unaudited condensed interim financial statements for the six months ended 31 December 2019 are not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules (“the DTR”) of the UK’s Financial Conduct Authority (“the UK FCA”).

## *Scope of review*

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

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

## *Directors’ responsibilities*

The unaudited condensed interim financial statements is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing unaudited condensed interim financial statements in accordance with the DTR of the UK FCA.

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

## *Our responsibility*

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the unaudited condensed interim financial statements based on our review.

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

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

This report is made solely to the Company in accordance with the terms of our engagement letter to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

**Rachid Frihmat**  
**for and on behalf of KPMG Channel Islands Limited**  
*Chartered Accountants, Guernsey*  
24 February 2020

# Unaudited Condensed Statement of Financial Position

As at 31 December 2019

		31 December 2019 Unaudited £	30 June 2019 Audited £
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Financial assets held at fair value through profit or loss	7	446,391,498	435,736,488
<b>Total non-current assets</b>		<b>446,391,498</b>	<b>435,736,488</b>
<b>Current assets</b>			
Trade and other receivables	8	406,016	767,392
Cash and cash equivalents	9	953,747	277,876
<b>Total current assets</b>		<b>1,359,763</b>	<b>1,045,268</b>
<b>TOTAL ASSETS</b>		<b>447,751,261</b>	<b>436,781,756</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables and accrued expenses	10	358,772	385,518
<b>Total current liabilities</b>		<b>358,772</b>	<b>385,518</b>
<b>TOTAL LIABILITIES</b>		<b>358,772</b>	<b>385,518</b>
<b>NET ASSETS</b>		<b>447,392,489</b>	<b>436,396,238</b>
<b>EQUITY</b>			
Share capital		368,711,470	368,012,390
Other reserves		-	699,080
Retained earnings		78,681,019	67,684,768
<b>TOTAL EQUITY</b>	12	<b>447,392,489</b>	<b>436,396,238</b>
<b>Number of Ordinary Shares in issue at period/year end</b>	12	<b>370,499,622</b>	<b>369,883,530</b>
<b>Net Asset Value per Ordinary Share (pence)</b>	6	<b>120.75</b>	<b>117.98</b>

These unaudited condensed interim financial statements were approved and authorised for issue by the Board of Directors on 24 February 2020 and signed on their behalf by:

**Paul Le Page**  
Director  
24 February 2020

**Laurence McNairn**  
Director  
24 February 2020

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

# Unaudited Condensed Statement of Comprehensive Income

For the six months ended 31 December 2019

	Note	Six months ended 31 December 2019 Unaudited £	Six months ended 31 December 2018 Unaudited £
<b>Income</b>			
Income from investments	4	362,500	362,500
Interest income from cash and cash equivalents		1,650	-
		<b>364,150</b>	<b>362,500</b>
Net gains on financial assets held at fair value through profit or loss	7	27,986,511	18,666,086
<b>Operating income</b>		<b>28,350,661</b>	<b>19,028,586</b>
<b>Expenses</b>			
Administrative expenses	5	672,662	665,483
<b>Operating expenses</b>		<b>672,662</b>	<b>665,483</b>
<b>Operating profit</b>		<b>27,677,999</b>	<b>18,363,103</b>
<b>Total comprehensive income for the period</b>		<b>27,677,999</b>	<b>18,363,103</b>
<b>Attributable to:</b>			
Owners of the Company		<b>27,677,999</b>	<b>18,363,103</b>
<b>Earnings per share:</b>			
Basic and diluted (pence)	11	<b>7.48</b>	<b>4.96</b>

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

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

# Unaudited Condensed Statement of Changes in Equity

For the six months ended 31 December 2019

	Note	Number of Ordinary Shares	Share capital £	Other Reserves £	Retained earnings £	Total equity £
<b>Shareholders' equity at 1 July 2019</b>		<b>369,883,530</b>	<b>368,012,390</b>	<b>699,080</b>	<b>67,684,768</b>	<b>436,396,238</b>
Dividends paid	<b>12,13</b>	-	-	-	(16,681,748)	(16,681,748)
Ordinary Shares issued in settlement of variable fee	<b>14</b>	616,092	699,080	(699,080)	-	-
Total comprehensive income for the period		-	-	-	27,677,999	27,677,999
<b>Shareholders' equity at 31 December 2019</b>		<b>370,499,622</b>	<b>368,711,470</b>	<b>-</b>	<b>78,681,019</b>	<b>447,392,489</b>

For the six months ended 31 December 2018

		Number of Ordinary Shares	Share capital £	Retained earnings £	Total equity £
<b>Shareholders' equity at 1 July 2018</b>		<b>369,883,530</b>	<b>368,012,390</b>	<b>50,983,094</b>	<b>418,995,484</b>
Dividends paid		-	-	(14,167,838)	(14,167,838)
Total comprehensive income for the period		-	-	18,363,103	18,363,103
<b>Shareholders' equity at 31 December 2018</b>		<b>369,883,530</b>	<b>368,012,390</b>	<b>55,178,359</b>	<b>423,190,749</b>

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

# Unaudited Condensed Statement of Cash Flows

For the six months ended 31 December 2019

		Six months ended 31 December 2019 Unaudited £	Six months ended 31 December 2018 Unaudited £
	Note		
<b>Cash flows from operating activities</b>			
Total comprehensive income for the period		27,677,999	18,363,103
Adjustments:			
Decrease/(Increase) in trade and other receivables		361,376	(198,047)
Decrease in other payables and accrued expenses		(26,746)	(8,393)
Net gains on financial assets held at fair value through profit or loss	7	(27,986,511)	(18,666,086)
<b>Net cash generated from/(used in) operating activities</b>		<b>26,118</b>	<b>(509,423)</b>
<b>Cash flow from investing activities</b>			
Receipts from unconsolidated subsidiary	7	17,331,501	14,219,405
<b>Net cash generated from investing activities</b>		<b>17,331,501</b>	<b>14,219,405</b>
<b>Cash flow from financing activities</b>			
Dividends paid	12,13	(16,681,748)	(14,167,838)
<b>Net cash used in financing activities</b>		<b>(16,681,748)</b>	<b>(14,167,838)</b>
Net increase/(decrease) in cash and cash equivalents		675,871	(457,856)
Cash and cash equivalents at the start of the period		277,876	501,751
<b>Cash and cash equivalents at the end of the period</b>	<b>9</b>	<b>953,747</b>	<b>43,895</b>

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



# Notes to the Unaudited Condensed Interim Financial Statements

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*For the six months ended 31 December 2019*

## **1. General information**

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

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

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

## **2. Accounting policies**

### **a) Basis of preparation**

The financial statements, included in this interim report, have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the EU and the DTR. These financial statements comprise only the results of the Company as all of its subsidiaries are measured at fair value as explained in Note 2.c. The accounts have been prepared on a basis that is consistent with accounting policies applied in the preparation of the Company's annual financial statements for 30 June 2019.

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

These financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended 30 June 2019, which were prepared under full IFRS requirements as adopted by the EU and the DTRs of the UK FCA.

### **Seasonal and cyclical variations**

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

### **b) Going concern**

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

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

# Notes to the Unaudited Condensed Interim Financial Statements (continued)

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*For the six months ended 31 December 2019*

## **2. Accounting policies (continued)**

### **c) Accounting for subsidiaries**

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

### **d) Segmental reporting**

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

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

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

### **e) Fair value of subsidiary**

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

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

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

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

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

As disclosed in Note 7, the Board believes it is appropriate for the Company's portfolio to be benchmarked on a £m / MWp basis against comparable portfolio transactions and on this basis there was a reduction in weighted average discount rate to 6.50% (7.18% in June 2019), which reflects the ever decreasing return hurdles in the market for lowly levered, subsidised assets.

# Notes to the Unaudited Condensed Interim Financial Statements (continued)

For the six months ended 31 December 2019

## 4. Income from investments

	Six months ended 31 December 2019	Six months ended 31 December 2018
	£	£
Monitoring fee in relation to loans supplied	362,500	362,500
	<b>362,500</b>	<b>362,500</b>

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

## 5. Administrative expenses

	Six months ended 31 December 2019	Six months ended 31 December 2018
	£	£
Investment advisory base fee (see Note 14)	163,231	158,154
Legal and professional fees	65,156	92,278
Administration fees	153,628	150,567
Directors' remuneration (see Note 14)	108,750	90,000
Audit fees	46,717	48,270
Non-audit fees	16,500	16,000
Broker fees	25,027	25,018
Regulatory Fees	22,151	20,739
Registrar fees	18,469	19,383
Insurance	3,966	4,045
Listing fees	13,883	7,571
Other expenses	35,184	33,458
	<b>672,662</b>	<b>665,483</b>

## 6. Net Asset Value per Ordinary Share

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

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

	31 December 2019 Total £	30 June 2019 Total £
Opening balance (Level 3)	435,736,488	418,098,105
Change in fair value	10,655,011	17,638,383
<b>Closing balance (Level 3)</b>	<b>446,391,498</b>	<b>435,736,488</b>

# Notes to the Unaudited Condensed Interim Financial Statements (continued)

For the six months ended 31 December 2019

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

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

	31 December 2019 Total £	30 June 2019 Total £
Investment portfolio, Directors' Valuation	621,696,031	622,055,477
BSIFIL		
Cash	19,104,067	15,466,381
Working capital	4,588,127	4,035,042
Debt*	(198,996,727)	(205,820,412)
	<u>(175,304,533)</u>	<u>(186,318,989)</u>
<b>Financial assets at fair value through profit or loss</b>	<b>446,391,498</b>	<b>435,736,488</b>

\*Includes c.£1m of upstream Intercompany Loans

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

	Six months ended 31 December 2019 £	Six months ended 31 December 2018 £
Unrealised change in fair value of financial assets held at fair value through profit or loss	10,655,011	4,446,681
Cash receipts from unconsolidated subsidiary*	17,331,500	14,219,405
<b>Net gains on financial assets held at fair value through profit and loss</b>	<b>27,986,511</b>	<b>18,666,086</b>

\*Comprising of repayment of loans and Eurobond interest

## Fair value measurements

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

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

# Notes to the Unaudited Condensed Interim Financial Statements (continued)

*For the six months ended 31 December 2019*

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

### **Fair value measurements (continued)**

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

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

### **Transfers during the period**

There have been no transfers between levels during the six months period ended 31 December 2019. Any transfers between the levels will be accounted for on the last day of each financial period. Due to the nature of investments, these are always expected to be classified as Level 3.

### **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 2019. 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 the period end.

Each investment is subject to full UK corporate taxation at the prevailing rate with the tax shield being limited to the 30% level permitted under the fixed ratio test of the corporate interest restriction rules.

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 recent years 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 weighted average discount rate of 6.50% (7.18% as at 30 June 2019), with three key factors that have impacted the adoption of this rate outlined below:

- a. Transaction values have remained consistent at ca. £1.30 -1.40/MWp for large scale portfolios and which the Board have used to determine that an effective price of £1.31m/MWp is an appropriate basis for the valuation of the BSIF portfolio as at 31 December 2019;
- b. Inclusion of the latest long term power forecasts from the Company’s two providers.
- c. Inclusion of a prudent uplift with respect to asset extensions of 15 years on a subset (204.9 MWp) of the portfolio.

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.

# Notes to the Unaudited Condensed Interim Financial Statements (continued)

For the six months ended 31 December 2019

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

### Directors' Valuation methodology and process (continued)

It is only for the SPVs of BSIFIL, and their intermediate holding companies, that the Directors determine the fair value (see Note 2(e)). Fair value of operational SPVs is calculated on a discounted cash flow basis in accordance with the IPEV Valuation Guidelines. The Investment Adviser produces fair value calculations on a semi-annual basis as at 30 June and 31 December each year. Previously, in every third year, the Board had an external valuation or benchmarking exercise performed by an independent expert. Based on the availability of market data, the Board does not intend to continue this practice going forward and will ask for an external valuation to be carried out from time to time at its discretion. An external benchmarking exercise was undertaken for the year ended 30 June 2018.

### Sensitivity analysis

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

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

Input	Change in input	Change in fair value of the Directors' Valuation £	Change in NAV per share (pence)
Discount Rate	+0.5%	(15,000,000)	(4.05)
	-0.5%	16,100,000	4.35
Power prices (blended curve parallel shift)	+10%	32,800,000	8.85
	-10%	(33,100,000)	(8.93)
Inflation rate (2.75%)	+ 0.25%	9,800,000	2.65
	- 0.25%	(9,500,000)	(2.56)
Energy yield (P50)	10 year P90	(52,000,000)	(14.04)
	10 year P10	51,600,000	13.93
Interest shield	+50%	10,200,000	2.75
	-50%	(11,600,000)	(3.13)
Operational costs	+10%	(5,800,000)	(1.57)
	-10%	5,800,000	1.57

# Notes to the Unaudited Condensed Interim Financial Statements (continued)

For the six months ended 31 December 2019

## 8. Trade and other receivables

	31 December 2019 £	30 June 2019 £
<b>Current assets</b>		
Monitoring fees receivable (see Note 4)	362,500	725,000
Other receivables	6,000	22,400
Prepayments	37,516	19,992
	<b>406,016</b>	<b>767,392</b>

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

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

## 9. Cash and cash equivalents

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

## 10. Other payables and accrued expenses

	31 December 2019 £	30 June 2019 £
<b>Current liabilities</b>		
Investment advisory fees	80,358	77,725
Administration fees	75,892	73,254
Audit fees	47,972	94,406
Directors' Fees (see Note 14)	57,375	57,375
Other payables	97,175	82,758
	<b>358,772</b>	<b>385,518</b>

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

## 11. Earnings per share

	Six months ended 31 December 2019	Six months ended 31 December 2018
Profit attributable to shareholders of the Company	£27,677,999	£18,363,103
Weighted average number of Ordinary Shares in issue	369,910,317	369,883,530
<b>Basic and diluted earnings from continuing operations and profit for the period (pence)</b>	<b>7.48</b>	<b>4.96</b>

# Notes to the Unaudited Condensed Interim Financial Statements (continued)

For the six months ended 31 December 2019

## 12. 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.

Share capital	Six months ended 31 December 2019 Number of Ordinary Shares	Year ended 30 June 2019 Number of Ordinary Shares
Opening balance	369,883,530	369,883,530
Shares issued in respect of variable fee	616,092	-
Closing balance	<b>370,499,622</b>	<b>369,883,530</b>

Shareholders' equity	Six months ended 31 December 2019 £	Year ended 30 June 2019 £
Opening balance	436,396,238	418,995,484
Ordinary Shares issued in settlement of variable fee	699,080	-
Ordinary Shares to be issued in settlement of variable fee	(699,080)	699,080
Dividends paid	(16,681,748)	(28,223,414)
Total comprehensive income	27,677,999	44,925,088
Closing balance	<b>447,392,489</b>	<b>436,396,238</b>

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

## Rights attaching to shares

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

The variable element of investment advisory fees of £699,080 earned in respect of the year ended 30 June 2019 was settled, through the issuance of shares, on 23 December 2019. On issuance of these shares the amount shown in Other Reserves was reclassified to Share Capital.

## Retained earnings

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

## 13. Dividends

On 22 July 2019, the Board declared a third interim dividend of £7,027,787, in respect of year ended 30 June 2019, equating to 1.90pps (third interim dividend in respect of the year ended 30 June 2018: 1.80pps), which was paid on 23 August 2019 to shareholders on the register on 2 August 2019.

On 18 September 2019, the Board declared a fourth interim dividend of £7,323,694, in respect of the year ended 30 June 2019, equating to 1.98pps (fourth interim dividend in respect of the year ended 30 June 2018: 2.03pps), which was paid on 1 November 2019 to shareholders on the register on 4 October 2019. In addition to the fourth interim dividend, an additional dividend of £2,330,267 (0.63pps) was declared which was paid on the same date to shareholders on the register on 4 October 2019.



# Notes to the Unaudited Condensed Interim Financial Statements (continued)

*For the six months ended 31 December 2019*

## 13. Dividends (continued)

Declaration of the fourth interim dividend and the additional dividend brought total dividends in respect of 2019 to 8.31pps, which exceeded the target for the year and triggered a payment of a variable fee to the Investment Adviser that was reflected in administrative expenses and other reserves.

Post period end, on 28 January 2020, the Board declared its first interim dividend of £7,224,743, in respect of year ended 30 June 2020, equating to 1.95pps (first interim dividend in respect of the year ended 30 June 2019: 1.90pps), which will be paid on 28 February 2020 to shareholders on the register on 6 February 2019.

## 14. Related Party Transactions and Directors' Remuneration

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

The total Directors' fees expense for the period amounted to £108,750 (31 December 2018: £90,000) of which £57,375 was outstanding at 31 December 2019 (30 June 2019: £57,375).

Remuneration paid to each Director is as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
John Rennocks	30,000	30,000
Paul Le Page	22,500	22,500
Laurence McNairn	18,750	18,750
Meriel Lenfestey	18,750	N/A
John Scott	18,750	18,750
	<b>108,750</b>	<b>90,000</b>

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

	<b>31 December 2019</b>	<b>31 December 2018</b>
John Rennocks*	316,011	316,011
John Scott	512,436	452,436
Laurence McNairn	441,764	441,764
Meriel Lenfestey	-	N/A
Paul Le Page	70,000	137,839
	<b>1,340,211</b>	<b>1,348,050</b>

\*Includes shares held by PCAs.

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

The Company and BSIFIL's investment advisory fees for the period amounted to £1,678,266 (31 December 2018: £1,622,322) of which £270,773 (30 June 2019: £256,236) was outstanding at the period end and is to be settled in cash. The variable element of investment advisory fees of £699,080 earned in respect of the year ended 30 June 2019 was settled through the issuance of shares on 23 December 2019 (see Note 12).

Fees paid during the period by SPVs to BSL, a company which has the same ownership as that of the Investment Adviser totalled £1,111,437 (31 December 2018: £1,025,426).

# Notes to the Unaudited Condensed Interim Financial Statements (continued)

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*For the six months ended 31 December 2019*

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

Fees paid during the period by SPVs to BOL, a company which has the same ownership as that of the Investment Adviser totalled £1,403,087 (31 December 2018: £547,868).

The Company's shareholder loan monitoring fee income for the period, due from its subsidiary BSIFIL, amounted to £362,500 (31 December 2018: £362,500) of which £362,500 was outstanding at the period end (30 June 2019: £ 725,000).

## **15. Risk Management Policies and Procedures**

As at 31 December 2019 there has been no change to financial instruments risk to those described in the financial statements of 30 June 2019.

## **16. Subsequent events**

Post period end, on 28 January 2020, the Board declared its first interim dividend of £7,224,743, in respect of year ended 30 June 2020, equating to 1.95pps (first interim dividend in respect of the year ended 30 June 2019: 1.90pps), which will be paid on 28 February 2020 to shareholders on the register on 6 February 2019.

Post period end, on 20 January 2020, the Company completed the acquisitions of three operational ground-mounted solar PV plants. Two of the plants, Gretton and Thornton are based in England, and the third, Wormit, is based in Scotland. The three plants provide 13.5MWp of 1.3 ROC capacity. They were acquired for consideration of £13.9 million, including transaction costs and working capital, and were funded from the Company's revolving credit facility.

# Glossary of Defined Terms

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**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 Manager

**AIFMD** means the Alternative Investment Fund Management Directive

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

**Auditor** means KPMG Channel Islands Limited (see KPMG)

**Aviva Investors** means Aviva Investors Limited

**BEIS** means the Department for Business, Energy & Industrial Strategy

**BEPS** means Base erosion and profit shifting

**Bluefield** means Bluefield Partners LLP

**BOL** means Bluefield Operations Limited

**Board** means the Directors of the Company

**Brexit** means departure of the UK from the EU

**BSIF** means Bluefield Solar Income Fund Limited

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

**BSL** means Bluefield Asset Management Services Limited

**BSUoS** means Balancing Services Use of System charges: costs set to ensure that network companies can recover their allowed revenue under Ofgem price controls

**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

**CCC** means Committee on Climate Change

**CfD** means Contract for Difference

**Company** means Bluefield Solar Income Fund Limited (see BSIF)

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

## Glossary of Defined Terms

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

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

**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

**DECC** means the Department of Energy and Climate Change

**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 the gross value of the SPV investments held by BSIFIL, including their holding companies

**DNO** means Distribution Network Operator

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

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

**EBITDA** means earnings before interest, tax, depreciation and amortisation

**EGM** means Extraordinary General Meeting

**EIS** means Enterprise Investment Scheme

**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 unaudited condensed interim financial statements

**FiT** means Feed-in Tariff

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

**GFSC** means the Guernsey Financial Services Commission

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

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

**GWh** means Gigawatt hour

**GWp** means Gigawatt peak

**IAS** means International Accounting Standard

# Glossary of Defined Terms

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**IASB** means the International Accounting Standards Board

**IFRS** means International Financial Reporting Standards as adopted by the EU

**Investment Adviser** means Bluefield Partners LLP

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

**IPO** means initial public offering

**IRR** means Internal Rate of Return

**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)

**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

**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

**LSE** means London Stock Exchange plc

**LTF agreement** means Long Term Financing agreement with Aviva Investors

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

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

**MWh** means Megawatt hour

**MWp** means Megawatt peak

**NAV** means Net Asset Value as defined in the prospectus

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

**NPPR** means the AIFMD National Private Placement Regime

**O&M** means Operation and Maintenance

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

**Ofgem** means Office of Gas and Electricity Markets

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

# Glossary of Defined Terms

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**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)

**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 electricity they supply to customers from eligible renewable sources or pay a penalty

**ROC** means Renewable Obligation Certificates

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

**RPI** means the Retail Price Index

**SPA** means Share Purchase Agreement

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

**Sterling** means the Great British pound currency

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

**UK** means the United Kingdom of Great Britain and Northern Ireland

**UK Code** means the UK Corporate Governance Code

**UK FCA** means the UK Financial Conduct Authority

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