
Bluefield Solar Income Fund Limited

Interim Report and
Unaudited Condensed Interim Financial
Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

Company Registration Number: 56708

Table of Contents

General Information	3
Highlights	4
Corporate Summary	6
Chairman's Statement	7
The Company's Investment Portfolio	11
Analysis of the Company's Investment Portfolio	12
Report of the Investment Adviser	15
Environmental, Social and Governance Report	43
Statement of Principal Risks and Uncertainties for the Remaining Six Months of the year to 30 June 2021	45
Directors' Statement of Responsibilities	46
Independent Review Report to Bluefield Solar Income Fund Limited	47
Unaudited Condensed Statement of Financial Position	49
Unaudited Condensed Statement of Comprehensive Income	50
Unaudited Condensed Statement of Changes in Equity	51
Unaudited Condensed Statement of Cash Flows	52
Notes to the Unaudited Condensed Interim Financial Statements	53
Glossary	64

General Information

Board of Directors (all non-executive)

John Rennocks (Chairman)

John Scott (Senior Independent Director)

Paul Le Page (Chairman of Audit Committee)

Laurence McNairn

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

Ocorian Administration (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

NatWest International plc

35 High Street

St Peter Port

Guernsey, GY1 4BE

Highlights

As at 31 December 2020/ 30 June 2020

Net Asset Value (NAV)

£476.7m £433.5m

NAV per share

117.12p 117.01p

Dividend Target per Share

FY21 8.00pps 7.90pps

Total return to Shareholders since IPO

79.39% 79.89%

Six month period to 31 December 2020 / 31 December 2019

Underlying Earnings¹

(pre amortisation of debt)

£18.7m £20.7m

Underlying Earnings per share¹

(pre amortisation of debt)

4.59p 5.59p

Total Underlying Earnings per share

available for distribution¹

(post amortisation of debt)

4.66p 4.02p

Total return to Shareholders²

-0.37% 6.97%

MWh Generated per MWp³

432 459

Environmental, Social and Governance (ESG)

Delivered Carbon Savings of over 850,000 tonnes of CO2 (since IPO)

Forward Focus

An important solar acquisition has continued our policy of asset growth, while modestly increasing our gearing level within the Board's target range.

We continue to look at ways of growing the Company through accretive secondary acquisitions, new build capacity and complementary renewable technologies.

1. Underlying earnings is an alternative performance measure employed by the Company to provide insight to the Shareholders by 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. Excludes assets invested during the period.

Highlights (continued)

Results Summary:

	Six months ended 31 December 2020
Total operating income	£14,189,525
Total comprehensive income before tax	£13,485,183
Total underlying earnings ¹	£18,678,067
Earnings per share (per page 50)	3.57p
Underlying EPS available for distribution ²	2.63p
Underlying EPS brought forward ³	2.03p
Total underlying EPS available for distribution	4.66p
1 st interim dividend for the year ending 30 June 2021	2.00p
NAV per share	117.12p
Share Price as at 31 December 2020	130.0p
Total Return ⁴	3.52%
Total Return to Shareholders ⁵	-0.37%
Total Return to Shareholders since inception ⁶	79.39%
Dividends per share paid since inception	49.39p

1. Underlying earnings is an alternative performance measure employed by the Company to provide insight to the Shareholders by linking the underlying financial performance of the operational projects to the dividends declared and paid by the Company. Further detail is provided on page 26.
2. Underlying EPS is calculated using underlying earnings available for distribution divided by the weighted average number of shares in issue through the period.
3. Underlying EPS brought forward is calculated using the number of shares in issue.
4. Total Return is based on NAV per share movement and dividends paid in the period.
5. Total Return to Shareholders is based on share price movement and dividends paid in the period.
6. Total Return to Shareholders since inception is based on share price movement and dividends paid since the IPO.

Corporate Summary

Investment objective

The investment objective of the Company is to provide Shareholders with an attractive return, principally in the form of regular income distributions, by being invested in solar energy assets located in the UK. The Company also has the ability to invest a minority of its capital into wind, hydro and energy storage 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 it is accredited as a Green Fund after successful application to the GFSC under the Guernsey Green Fund Rules. 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 operation and maintenance services to the Company and provides services to 40 of the investment SPVs held by BSIFIL as at period end.

Chairman's Statement

Introduction

As I wrote in my Chairman's statement in the Company's June 2020 annual report, due to the Covid-19 pandemic the period since March 2020 has been a remarkable one which had thrown up many new challenges, which the Company has met successfully. That said, with several vaccines now approved and an immunisation rollout programme underway across the globe, it is with cautious optimism that we are now able to look forward to a point where life and activity return to pre-pandemic norms.

The principal features of the period under review have been:

- Shareholders provided approval of ability to invest outside of solar infrastructure assets, notably wind and energy storage.
- Shareholders approved an update to the Company's dividend policy.
- Bluefield completed, for a combined value of up to £106.6 million (including working capital), the acquisition of a portfolio of fifteen UK ground mounted operating PV assets.
- The Company, through an over-subscribed share issue, successfully raised £45m in November 2020.
- The Company, working with its development partner Lightrock Power, achieved planning consent in November 2020 for a 50MWp PV plant, the first in its pipeline of subsidy free solar developments.
- Easing of UK lockdown restrictions during the summer and autumn months was followed by a further tightening in November 2020 and implementation of a third national lockdown in January 2021.
- Power prices continued to rise from a low of £24.18MWh in April 2020, during the first wave of the pandemic, as rising gas and carbon prices pushed electricity prices to a twelve month high in December 2020 £54.98MWh.
- Despite varying degrees of lockdown restrictions, the Company's principal O&M provider Bluefield Operations has continued to provide full contractual services and is a key element behind the highly pleasing technical performance of the portfolio.
- Finally, the UK completed its departure from the European Union on 31 December 2020.

Each of these themes is dealt with in more detail below.

At the period end the Net Asset Value per share in the Company was 117.12pps (30 June 2020 - 117.01pps), with dividends paid in the period totalling 4.00pps, as well as a first interim dividend of 2.00pps being declared in January 2021. The share price declined slightly from 134.5p at 30 June 2020 to 130.0p at 31 December 2020, which equates to a total return for Shareholders for the period of -0.37%. The performance of the assets of the Company and how this is reflected in returns to Shareholders is set out in detail in the Investment Adviser's report on Page 17.

Key Events

In August 2020, the Company completed the acquisition of 15 solar plants totalling 64.2 MWp (a mixture of FiT and ROC assets with an average ROC of 1.8) and then, shortly after the period end, in January 2021, announced the acquisition of Bradenstoke Solar Farm, a 1.4 ROC, 70 MWp ground mounted solar farm located in Wiltshire.

With both acquisitions benefitting from high proportions of regulated revenue, they not only underpin our objective to sustain market leading earnings and dividend payments in the years ahead but also enable us to build on the excellent asset performance which has contributed to our ability to convert high levels of irradiation into generation and revenues.

Beyond growing the earnings potential of the Company, the Board is particularly pleased that these investments, totalling c.£200 million, were accompanied by an oversubscribed equity raise in November 2020 of £45m, and were supported by a carefully structured mix of the Company's £50m RCF and a bespoke 3 year £110m term loan from NatWest.

At the time of writing, the Group's total outstanding debt has increased to c.£370.1 million and its leverage level stands at c.44% of GAV; in line with the range the Directors have previously outlined as desirable for the Company.

Chairman's Statement (continued)

Finally, the Board and the Investment Adviser were delighted to achieve planning consent in November 2020 with respect to Yelvertoft Solar Farm, a 50 MWp plant located in Northamptonshire. We have exercised our option to construct the project and we are looking forward to updating our Shareholders on construction timings in the coming months.

With a well progressed proprietary pipeline of over 450 MWp, consent for the Company's first fully developed project marks an important milestone for the Company and its ambition to support the decarbonisation of the UK's electricity network, and the UK Government's net-zero ambitions.

The Investment Adviser has also been evaluating onshore wind and battery storage investment opportunities. The regulated wind market offers a technology that has a complementary energy generation and comparable risk profile to solar and the opportunity for high levels of regulated revenue. Battery storage is developing into an attractive market, which has the potential to deliver accretive returns to the Company. Both are expected to play an important part in Bluefield Solar's evolution in the coming years.

As ever, the Board will continue to ensure that these potential new projects are capable of enhancing dividends by a judicious use of debt and equity financing.

Underlying Earnings and Dividend Income

The Underlying Earnings for the period, pre amortisation of long-term finance, were £18.7m or 4.59pps (31 December 2019: £20.7m and 5.59pps, respectively). After amortising our long-term debt, the available profits, including brought forward reserves, were £19.1m or 4.66pps (31 December 2019: £15.0m or 4.02pps).

The on-target financial performance by the Company over the six months to December 2020, combined with the benefit of brought forward reserves of 2.03pps, as well as earnings from the subsequent acquisition of Bradenstoke, which the Company is entitled to from April 2020, mean the Board remains confident of meeting its dividend target of 8.00pps for the year to 30 June 2021 and that the Company can continue to retain its position as the sector's highest dividend distributor (on a pence per share basis) for the foreseeable future.

Further details of Underlying Earnings are set out in the Investment Adviser's Report on page 26.

Valuation and Discount Rate

Valuation methodology remains consistent with previous reporting periods, with the Board receiving a valuation recommendation from the Investment Adviser which is derived from a comprehensive DCF model. This valuation is then benchmarked, on a capacity basis, against comparable transactional activity for UK based solar assets.

As a result of successful asset extension activity by the Investment Adviser over the past 12 months, the Directors' Valuation as at 31 December 2020 now includes 306 MWp (c.56% of the portfolio by capacity) being valued on the basis of an additional 5 - 15 years of operational life, resulting in a weighted average life of the portfolio of 27.1 years (vs. 27.4 years in June 2020), reflecting both new acquisitions and asset life extensions.

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 £1.20m/MWp and £1.40m/MWp.

By valuing the Company's portfolio at an Enterprise Value of £698.3m (£1.28m/MWp), the Directors' Valuation as at 31 December 2020 is comparable to precedent market transactions, in keeping with the Company's valuation methodology of 'willing buyer/willing seller'. Ensuring the Directors' Valuation remains comparable with transactional valuations, whilst accommodating the latest power price forecasts, has resulted in the Directors continuing to apply an equity discount rate of 6.00% (cf. 6.00% in June 2020 and 6.50% in December 2019).

Chairman's Statement (continued)

Power Prices and BREXIT Impact

From the historic lows seen in Q2 2020, as the UK Government placed the country into a nationwide lockdown in response to the Covid-19 pandemic, power prices rose steadily during the second half of 2020 (increasing from £24.18/MWh in April 2020 to £54.98MWh in December 2020).

This increase in baseload pricing was driven by a combination of factors; initial easing of national restrictions during the summer and autumn, as well as rising carbon pricing (which returned to pre pandemic levels) and increasing gas prices. The last is a result of tightening of gas supplies, as extended outages on both nuclear and thermal generating stations, combined with below average winter temperatures, drove demand to levels comparable to Q4 2019 despite a second national lockdown.

The Company's flexible PPA strategy has meant it was able to manage the timing of power price fixes to avoid the lows in April 2020, before carefully fixing selected asset tranches to take advantage of rising power prices during the second half of 2020 and early 2021.

As such, the average contracted price for the portfolio achieved per MWh for the 12 month period to 31 December 2020, of £48.37/MWh, was considerably higher than the average day ahead base load price of £36.85/MWh for the same period.

On the 24 December 2020 the UK and EU finally reached a post-Brexit trade deal, one week before the end of the transition period. Whilst the deal provides a framework for future energy market relations between the UK and EU, Great Britain will no longer be part of the Internal Energy Market ("IEM"), and uncertainty remains over the future of GB carbon pricing and cross border electricity trading across interconnectors.

Whilst plans are in place to develop models to address both these issues, the lack of certainty in the short term could lead to increased volatility in day ahead and intraday power prices.

Looking beyond the near term, medium to long term power price predictions have once again been lowered as forecasters continue to predict prices will be suppressed by falling commodity prices and increased renewable generation post-2030.

Covid-19 Contingency Planning

As I have outlined previously, the Board has been delighted with the services provided in relation to technical management of the Company's portfolio by Bluefield Services and Bluefield Operations during the extended period of the Covid-19 pandemic. Despite numerous lockdowns, both companies have continued to provide full and uninterrupted services - a credit to the management of the businesses and the dedication of their staff.

My Board colleagues and I would also like to express our thanks to the Investment Adviser and all its staff for their exceptional effort supporting the Company during this unprecedented period.

Environmental, Social and Governance

ESG considerations have become increasingly important to Shareholders over the past few years and the pandemic has served to accelerate this view.

One consequence of this for Shareholders is that it can be difficult to understand the basis upon which companies are making ESG disclosures and whether companies' ESG policies are correctly identifying both the risks and opportunities that ESG considerations are creating.

In response to this, the Board and the Investment Adviser are working on providing a clear and transparent ESG 'audit' of the Company which we expect to publish in the annual report for the year ending 30 June 2021.

With respect to the period to 31 December 2020, contained within this report is a detailed update on the ESG position for the Company, the Investment Adviser and its key service providers.

Chairman's Statement (continued)

Conclusion

The performance of the Company over the first six months of this financial year has once again been highly pleasing. After a period of portfolio consolidation, the Company is delighted to have acquired over 134 MWp of solar projects with a high proportion of regulated revenues, as well as to have achieved planning consent on its first subsidy free development.

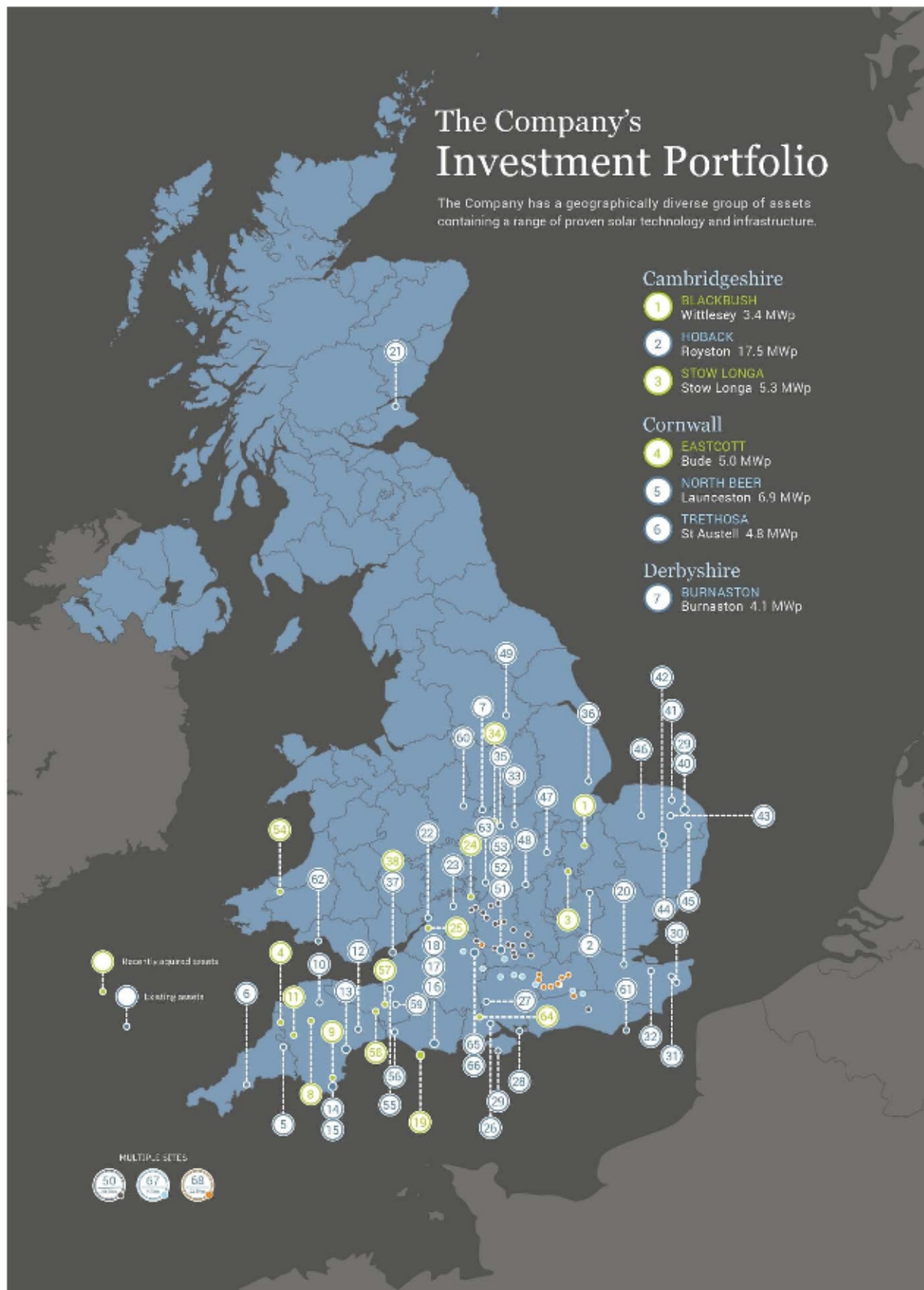
Furthermore, the widening of the Investment Policy agreed in our July 2020 EGM, has enabled the Investment Adviser to build an exciting pipeline of potential acquisitions within the onshore wind and energy storage space, which we believe will in due course provide opportunity for Shareholders to benefit from continuing growth in renewables through their investment in the Company.

John Rennocks

Chairman

1 March 2021

The Company's Investment Portfolio



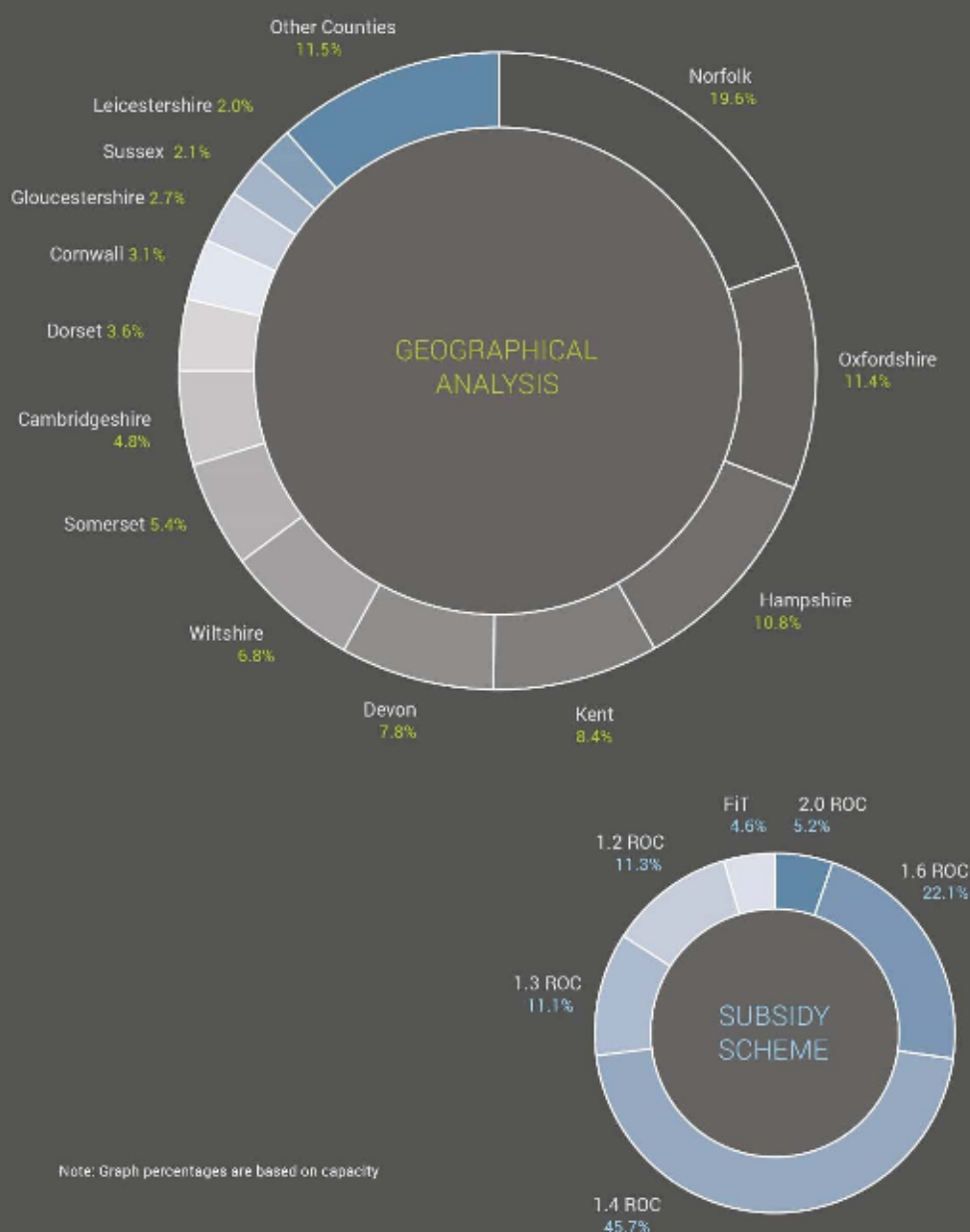
Analysis of the Company's Investment Portfolio



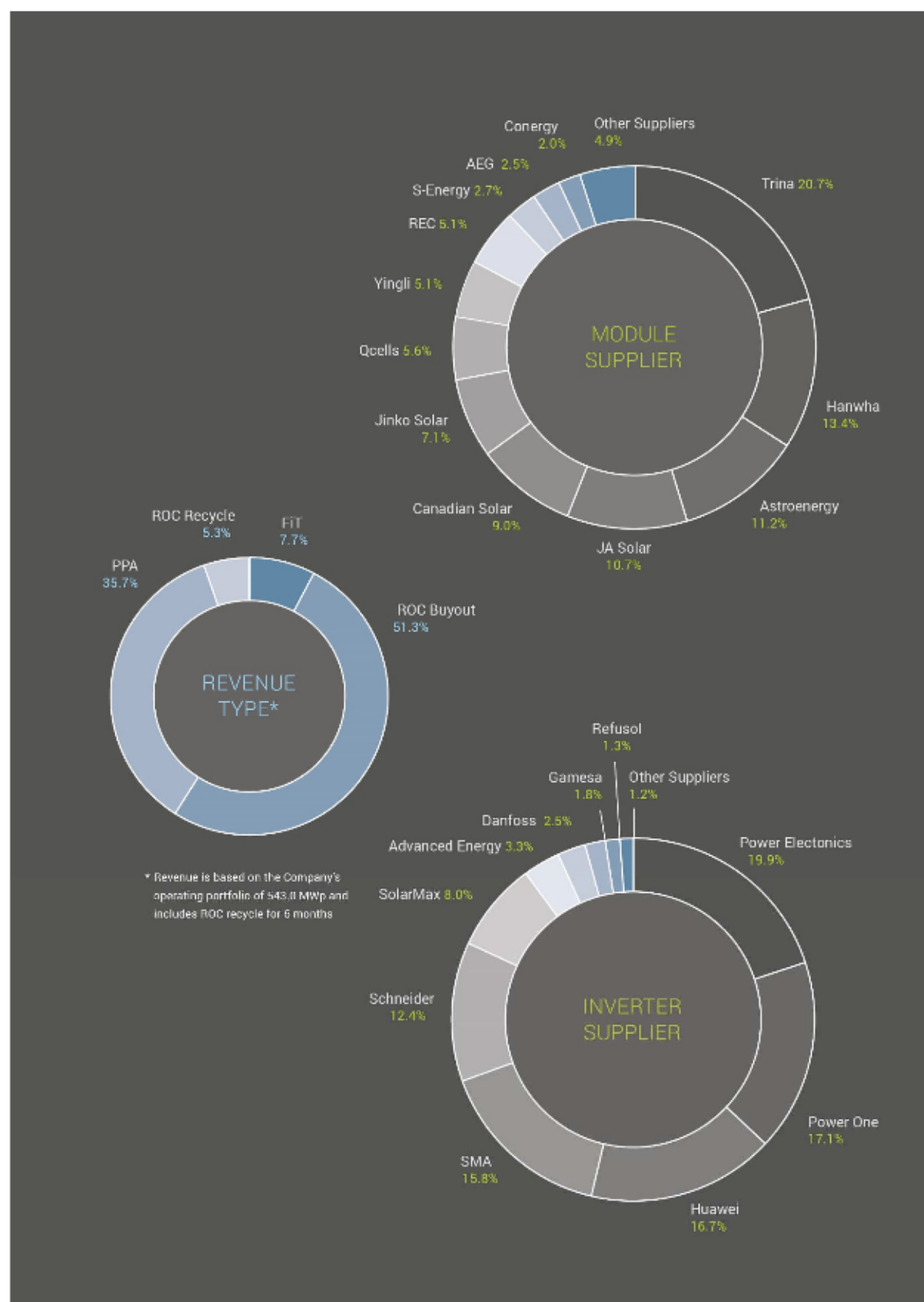
Analysis of the Company's Investment Portfolio (continued)

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 2020 is as follows:



Analysis of the Company's Investment Portfolio (continued)



Report of the Investment Adviser

1. About Bluefield Partners LLP

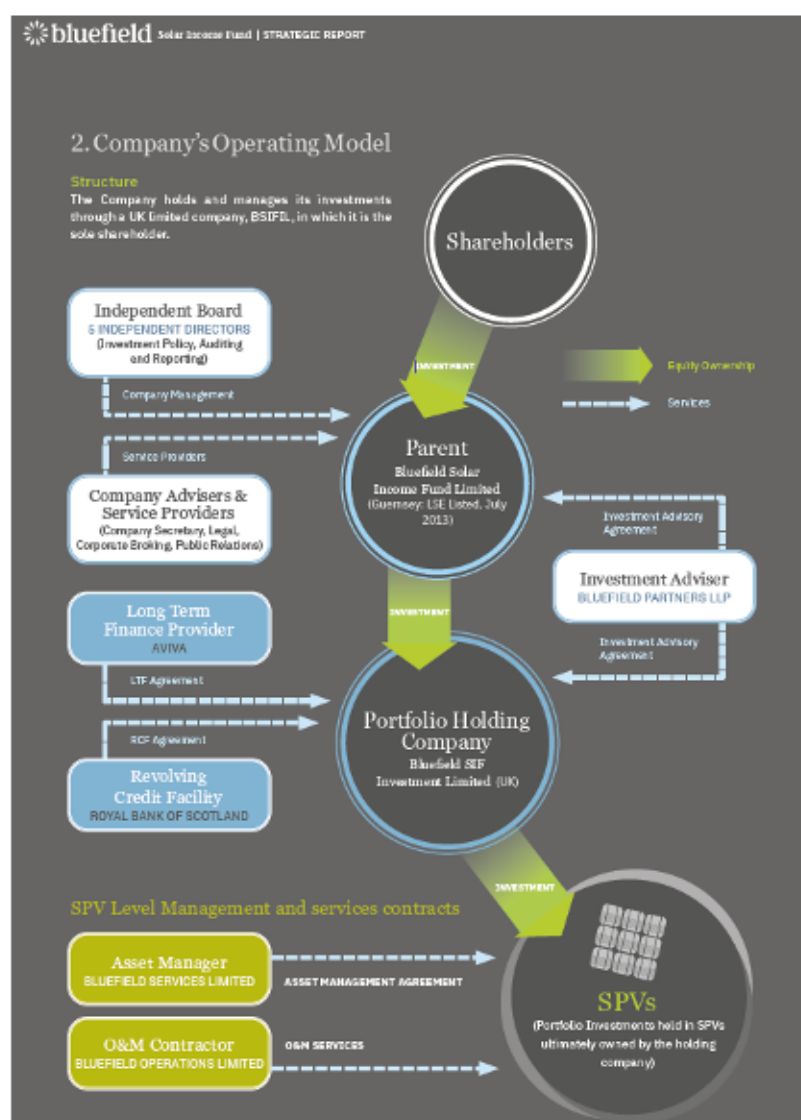
Bluefield Partners was established in 2009 and is an investment adviser to companies and funds investing in renewable energy infrastructure. It has a proven record in the selection, acquisition and supervision of large-scale energy assets in the UK and Europe. The team has been involved in over £2.0 billion renewable funds and/or transactions in both the UK and Europe since 2008, including £1.3 billion in the UK since December 2011.

Bluefield Partners LLP 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 Partners LLP takes responsibility, fully inclusive within its advisory fees, for selection, origination and execution of investment opportunities for the Company, having executed just under 70 individual SPV acquisitions on behalf of BSIF since flotation in July 2013.

Bluefield Partner LLP'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 2020, the Company held an operational portfolio of 105 PV plants (consisting of 64 large scale sites, 39 micro sites and 2 roof top sites) with a total capacity of 543 MWp, following the acquisition of a further 15 plants (64.2 MWp) in August 2020 (with data provided since 1 July). The portfolio continues to display strong diversity through geographical spread (as shown by the map on page 11), a range of proven PV technologies and infrastructure, and a blend of asset sizes with capacities ranging from microsites to utility-scale solar farms (including two plants at 50 MWp).

Acquisitions

In August 2020, the Company successfully completed a material acquisition of a UK-based portfolio of 15 plants with a total installed capacity of 64.2 MWp for an initial cash consideration of £106.6 million (including working capital) with deferred consideration of up to £2.1 million, contingent on securing asset life extensions. Notwithstanding the timing of the acquisition, the Company receives the economic benefit of the portfolio from 1 January 2020.

The portfolio consists of 15 ground-mounted operational solar PV plants, with 8 sites clustered in the south west of England, 2 in west Wales and a further 5 across central and eastern England. It also benefits from attractive subsidies; 13 of the projects are accredited under the Renewable Obligation Certificate ('ROC') regime with tariffs ranging from 1.4 – 2.0 ROCs, while 2 of the projects are accredited under the feed-in-tariff ('FiT') scheme.

The acquisition was financed by a bespoke £110m three-year, interest only, re-drawable term loan at an effective all-in cost of c.1.40% (being margin and swap rate) with National Westminster Bank plc ("NatWest"), with the Company electing to hedge 75% of the loan repayments and interest over a notional 18-year period, at a swap rate of approximately 0.31% until 2038, to provide underlying rate certainty in anticipation of a refinancing scenario in or before August 2023.

In addition to this acquisition, during the 6-month period to 31 December 2020, the Investment Adviser reviewed over 700 MWp of opportunities across onshore wind, solar and storage.

In keeping with the objective to deliver value and return accretive acquisition opportunities to the Company, the Investment Adviser is currently assessing a range of transactions as it looks to continue its policy of securing high quality, return accretive acquisitions.

Post Period End Acquisition

On 8 January 2021, the Company completed the acquisition of Bradenstoke Solar Farm, a 70 MWp ground mounted plant, for a total cash consideration of £89.0 million with the Company receiving the economic benefit of all cash flows from 1 April 2020.

The plant, located in Wiltshire, has been operational since March 2015 and is accredited under the ROC regime with a tariff of 1.4 ROCs.

The acquisition has been financed using the Company's revolving credit facility which, as well as being extended to September 2022 (with an option to extend to September 2023), has also been increased, through a further £50m uncommitted tranche, to £100 million.

Following the transaction, the Company's total outstanding debt has increased to £370.4 million which is equivalent to 44% of Gross Asset Value (June 2020: 34% GAV) and the total installed capacity of its portfolio has grown to 613 MWp (June 2020: 479 MWp).

Report of the Investment Adviser (continued)

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

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 2020/21:

	H1 Actual 2020/21	H1 Forecast 2020/21	Delta Forecast (% change)	H1 Actual 2019/20	Delta Actuals (% change)
Portfolio Total Installed Capacity (MWp)	543.0			465.3	
Weighted Average Irradiation (Hrs) ^{1,2}	541.1	549.9	-1.6%	575.7	-6.0%
Net Performance Ratio (%) ^{1,2}	79.8%	79.7%	0.1%	79.5%	0.4%
Generation Yield (MWh/MWp) ^{1,2}	432.0	438.4	-1.5%	459.4	-6.0%
Total unit Price: Power + ROCs + LDs ³ (GBP 000's/MWh)	£127.24	£123.42	3.1%	£129.08	-1.4%
Total Revenue: inc LDs (GBP 000's/MWp)	£54.94	£54.11	1.5%	£59.30	-7.4%

Notes to Table 1:

1. Excluding grid outages and significant periods of constraint or curtailment that were outside the Company's control (for example, DNO-led outages and curtailments).
2. H1 Actual 2019/20 excludes the 18 assets acquired between 1 January and 31 December 2020
3. Actual and expected revenue figures exclude ROC recycle estimates. H1 Actual 2020/21 includes Mutualisation rebate for CP16 at £149.7k & CP17 £70.1k & H1 Actual 2019/20 includes Mutualisation rebate for CP16 of £42.7k.
4. Total Revenue excludes any successful Business Rate rebate amounts.

Irradiation levels during the reporting period were 1.6% lower than expectation as four of the six months (July, August, October and December) experienced levels below those seen in a typical year.

The lower than expected irradiation levels were translated to a generation yield of 432.0 GWh, 1.5% below the forecast level of 438.4 GWh.

Several new PPAs with favourable prices, compared to forecast assumptions, came into effect during the period, resulting in the Total Unit Price being ahead of expectations by 3.1%, at £127.24/MWh, but lower than that recorded in H1 2019/20 (£129.08, -1.4%) where the overall weighted power price of the portfolio was higher due to the full benefit of high power price fixes in September 2018.

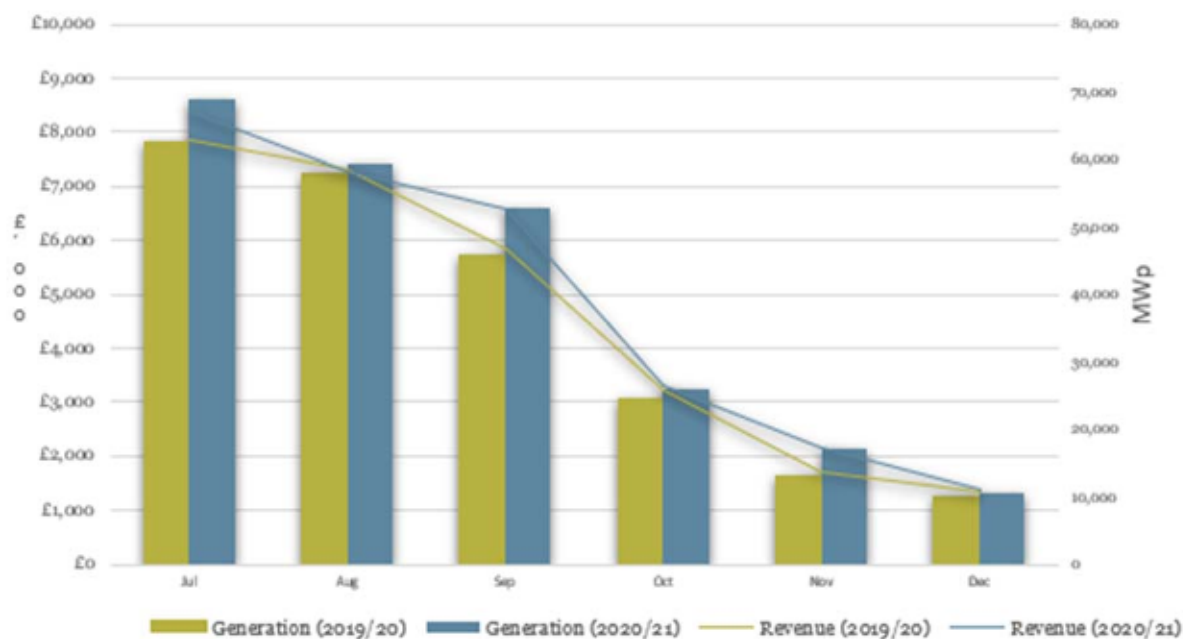
During the latter part of the first half of the reporting year, when irradiation levels are close to their lowest seasonal levels, the Company took the opportunity to complete the replacement of several items of high voltage equipment (including transformers and inverters) on several sites. This was in addition to routine maintenance of these units, which requires partial plant curtailment to be completed. 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 2020/21 was lower than expected, being 97.53% vs. 99.0%.

Report of the Investment Adviser (continued)

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

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) during the six months was 79.8%, marginally above the expected 79.7% (H1 2019/20: 79.5%).

Figure 1. H1 2020/21 vs H1 2019/20 – Actual Generation and Revenue

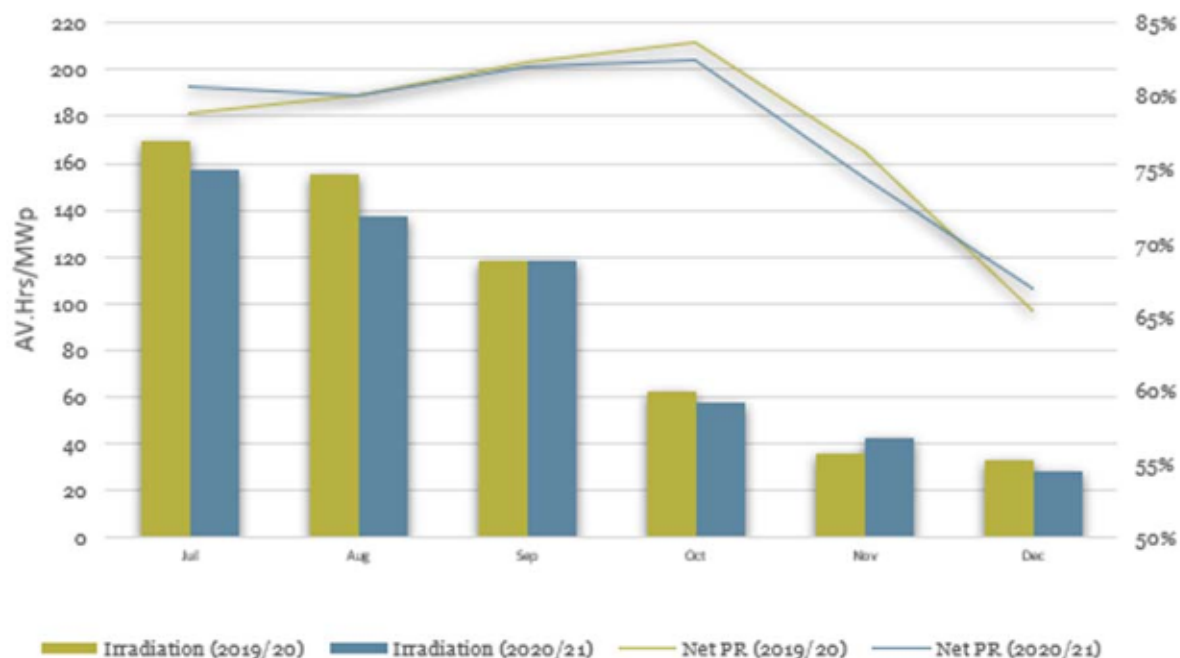


Generally, a solar PV plant's performance is expected to fall with time as the effects of degradation impact the modules' performance; an industry standard rate of degradation is -0.4% per annum. In addition, the design of many plants to maximise generation in the higher-irradiation months means that the low winter sun trajectories will result in some inter-row shading.

Report of the Investment Adviser (continued)

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

Figure 2 – H1 2020/21 vs H1 2019/20 actual Net PR and irradiation



The geographical and equipment diversity within the Company's portfolio mitigates 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 regional DNO) and 'Defect Risk' (where over-reliance on limited equipment manufacturers could lead to large proportions of the portfolio suffering similar defects). The geographical diversification also helps to mitigate the impact of localised irradiation shortfalls or contamination of solar panels, such as by snow.

The portfolio's 'availability' (the total time the plant was operating, as a percentage of the maximum possible) was 97.9%, as against the forecasted level of 99%. The main reason for marginally lower availability is incidents of 'non-excluded' outage or curtailment which were within the control of the Company (for example, periods when a plant, or part of a plant, was shut to conduct essential maintenance or repairs). Outages and curtailments which arise from events outside of the Company's control (for example, where these events are initiated by a DNO to undertake upgrade works in the local area, termed 'excluded outages') are 'excluded'.

During the period, non-excluded outages accounted for a loss of 7,213.41 MWh, equivalent to 2.82% of the Portfolio's total generation (H1 2019/20: 1.9%) and excluded outages accounting for 1,156.9 MWh, equivalent to 0.49% (H1 2019/20: 0.92%). The table below summarises the main outage events during the reporting period.

Report of the Investment Adviser (continued)

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

Table 2. Major Outage Events during H1, 2020/21:

Lost Generation (MWh)	Lost Revenue (GBP, £000s)	Asset	Installed Capacity (MWp)	Brief Description of Event
613.5	97.02	Southwick	47.9	A systemic failure of the inverter AC circuit boards across the plant, 1,400 replacements fitted by Dec 20. Warranty claim in progress.
548.89	75.22	West Raynham	50.0	2-day DNO outage in July 20, HV & inverter maintenance in Nov 20 and various inverter corrective maintenance in Aug 20.
391.07	53.59	Hardingham	20.1	2 Power Unit failures. Delays in manufacturer's ability to attend site and remedy. HV maintenance in Nov 20.
303.09	33.14	Elms	28.9	Replacement of 122 DC connectors due to corrosion during Jul and Aug 20.

During the six months to 31 December 2020, the Company received £114.3k for EPC and O&M performance LDs (for underperformance, revenue losses and the rectification of minor equipment defects) and £452k resulting from successful insurance claims. A further £97.5k of claims, for events during the period, are under review by the Company's insurer and several O&M LDs are under negotiation with the relevant service-providers.

Reflecting the maturity of the current assets within the portfolio, as at 31 December 2020, 90% of the portfolio has passed final acceptance.

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

During the reporting period, the O&M contracts for a further 4 assets, totalling 65 MWp (including West Raynham plant, at 50 MWp) were transferred to BOL. As of 31 December 2020, BOL provides operation and maintenance services on a total of 40 plants with a combined capacity of 430.7 MWp, equivalent to 79.29% of the portfolio.

The transfer of these 4 assets has provided operational cost savings in the period of approximately £107k per year, as well as increased contractual service levels and faster response times through a close operational working relationship with the asset manager, BSL. The total savings through the transfer of plants to BOL is £389.8k per year, compared with the previous arrangements.

The Company's operating portfolio as at 31 December 2020 and the electricity generated during H1 of the 2020/21 financial year is shown below, in Table 3.

Report of the Investment Adviser (continued)

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

Table 3. BSIF Portfolio Generation for the H1 2020/21 reporting period

Solar Farm Asset	Total Investment Commitment (GBP)	Installed Capacity (MWp)	Generation to 31 Dec 2020 (Actual, MWh)
West Raynham	55.9	50.0	20,879,466
Southwick	61	47.9	19,917,646
Elms	32.8	28.9	12,690,521
Hardingham	22.7	20.1	8,098,353
Pentylands	21.4	19.2	7,948,379
Molehill	23.1	18.0	8,371,099
Hoback	19	17.5	7,517,337
Littlebourne	22	17.0	7,567,152
Goosewillow	19	16.9	7,486,213
Hill Farm	17.3	15.2	6,788,317
Roves	14	12.7	5,408,190
Pashley	15.4	11.5	5,460,660
Hall Farm	13.4	11.4	4,792,570
Sheppey	12	10.6	4,763,293
Betingau	11.2	10.0	3,888,352
Capelands	8.6	8.4	3,284,302
North Beer	9.3	6.9	2,776,781
Ashlawn	7.6	6.6	2,950,154
Redlands	6.4	6.2	2,745,880
Saxley	7.0	5.9	2,637,072
Holly Farm	7.2	5.0	2,468,851
East Farm	7.2	5.0	2,432,930
Durrants	6.4	5.0	2,566,834
Clapton	6.3	5.0	2,195,946
Romsey	5.8	5.0	2,308,869
Old Stone	5.7	5.0	2,187,574
Salhouse	5.6	5.0	2,162,932
Frogs Loke	5.6	5.0	2,102,612
Place Barton	5.5	5.0	2,256,844
Court Farm	5.5	5.0	2,333,363
The Grange	5.4	5.0	2,174,209
Bunns Hill	5.3	5.0	2,086,839
Oulton	5.3	5.0	2,055,113
Rookery	5.2	5.0	2,153,850
Kellingley	5.0	5.0	2,070,016
Kislingbury	5.0	5.0	2,140,058
Willows	4.6	5.0	1,951,407
Great Houndbeare	6.8	5.0	2,254,220
Wormit	5.1	5.0	1,943,106

Solar Farm Asset	Total Investment Commitment (GBP)	Installed Capacity (MWp)	Generation to 31 Dec 2020 (Actual, MWh)
Gretton	5.1	4.9	2,062,876
Trethosa	5.8	4.8	2,145,083
Folly Lane	5.3	4.8	2,031,178
Gypsum	4.4	4.5	1,907,578
Tollgate Farm	4.6	4.3	1,823,936
Burnaston	14.4	4.1	1,596,053
Galton Manor	5.5	3.8	1,796,293
Thornton	3.7	3.6	1,382,155
Barvills	3.3	3.2	1,496,836
Langlands	3.1	2.1	934,928
Goshawk (10 micro sites)	2	1.1	481,706
Butteriss (20 micro sites)	2.3	0.8	288,762
Corby	2.3	0.5	82,620
Promothames (9 micro sites)	1.3	0.4	158,792
SUB -TOTAL	570.7	478.8	206,006,106

Assets acquired during the reporting period

Bidwell	8.2	6.1	2,748,674
Nottingham	11.8	6.0	3,273,938
Lower Marsh	8.6	5.9	2,519,507
Cobbs Cross	9.1	5.7	2,591,312
Stow Longa	8.8	5.3	2,400,839
Foxcombe	7.5	5.3	2,041,537
Beaford	8.3	5.2	2,251,159
Hamptworth	8.8	5.0	2,250,975
Eastcott	10.1	5.0	2,205,527
Blackbush	6.6	3.4	1,344,523
Hazel	4.3	2.8	1,261,387
Norton Hall	4.1	2.8	1,178,203
Lount Farm	3.3	2.5	1,001,082
Stantway	2.7	1.8	838,174
Aberporth	2.0	1.4	579,918
SUB -TOTAL	104.2	64.2	28,486,755
GRAND TOTAL	674.9	543.0	234,492,861

Report of the Investment Adviser (continued)

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

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 2 MWp capacity up to 40 years continues to be a focus. Each project requires the negotiation of lease extension agreements prior to seeking planning permission.

Over the last 6 months the project has progressed well and, as at 31 December 2020, 42 leases have suitable extension rights of between 30 to 40 years, representing a combined total of 306 MWp, equivalent to 56.4% of the portfolio's capacity. At the time of writing, 195 MWp has achieved planning extension consent, 15.5 MWp is currently undergoing reviews by the respective local planning authority, with a further 58.8 MWp expected to be submitted by the end of Q3 2020/21. To date, the Company has enjoyed a 100% success rate regarding planning permissions for site extensions.

Reflecting the progress in the period, the Directors' Valuation as at 31 December 2020 now includes 306 MWp (245 MWp in June 2020) valued on an extended life basis. Furthermore, the Investment Adviser is hopeful of progressing negotiations on assets with a combined installed capacity of c.240MWp (inclusive of 15.6 MWp of the in-period acquisition of 64.2MWp portfolio and the post period acquisition of 70MWp Bradenstoke).

By way of illustration, if the Company were to assume a 30-year asset life for those projects that currently do not have leases with suitable extension rights beyond their current terms of 25 years (being c.232 MWp out of the Company's portfolio of 543 MWp as at 31 December 2020), the prospective additional valuation impact would be c.£12.0m, or c.2.9pps.

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.

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.700 MWp, 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. 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 strategy of fixing power price contracts for periods between 12 and 36 months with the majority of contracts continuing to be struck for a minimum of 18 months. Flexibility to strike PPA tenors of this length is due to the decision by the Company to secure long term amortising debt at portfolio level as opposed to project level.

The Company has continued to implement its 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.

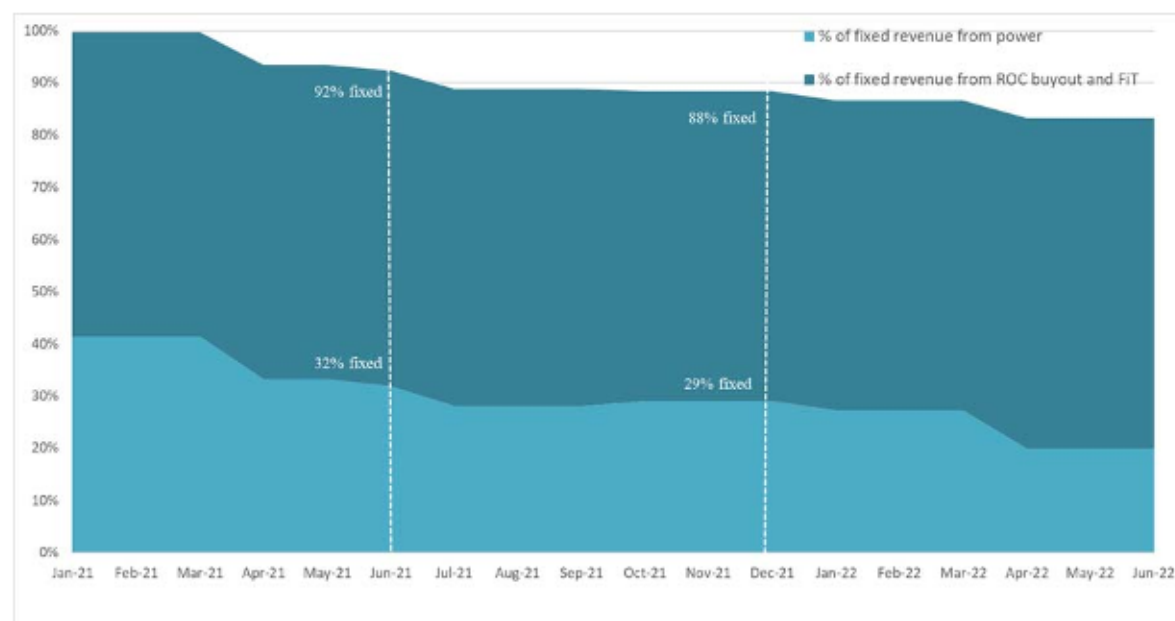
Prices can be agreed up to 3 months in advance of the commencement of the fixing period and PPA counterparties are selected on a competitive basis, but with a focus on achieving value and diversification of counterparty risk.

Report of the Investment Adviser (continued)

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

The graph below shows that as at 31 December 2020 the Company has a price confidence level of c.92% to June 2021 and c.88% to December 2021 over its power and subsidy revenue streams.

Figure 3. % of BSIF revenues fixed as at 31 December 2020



Note: There is c.95 MWp of capacity (c.18% of the portfolio) which benefits from long term offtake agreements, with 9 years remaining. These agreements have built in floor prices, which are automatically applied in the absence of direct short-term power price fixes.

The Company's strategy of fixing prices over periods of 12-36 months means the portfolio has the flexibility to capitalise on periods of above-forecasted power prices, as it successfully did during September 2018, but also to avoid fixing at points of significant market deterioration (e.g. in April 2020 and May 2020). This is made possible by the Board and Investment Adviser's strategy of securing leverage at the portfolio, rather than asset, level.

Furthermore, this also gives the Company the opportunity 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 (including any ROC recycle estimates for CP 19; the period April 2020 to December 2020) show that the sale of electricity accounted for 34.2% (June 2020: 39%) of the Company's income. Regulated revenues from the sale of FITs and ROCs accounted for 65.9% (June 2020: 61%).

Report of the Investment Adviser (continued)

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

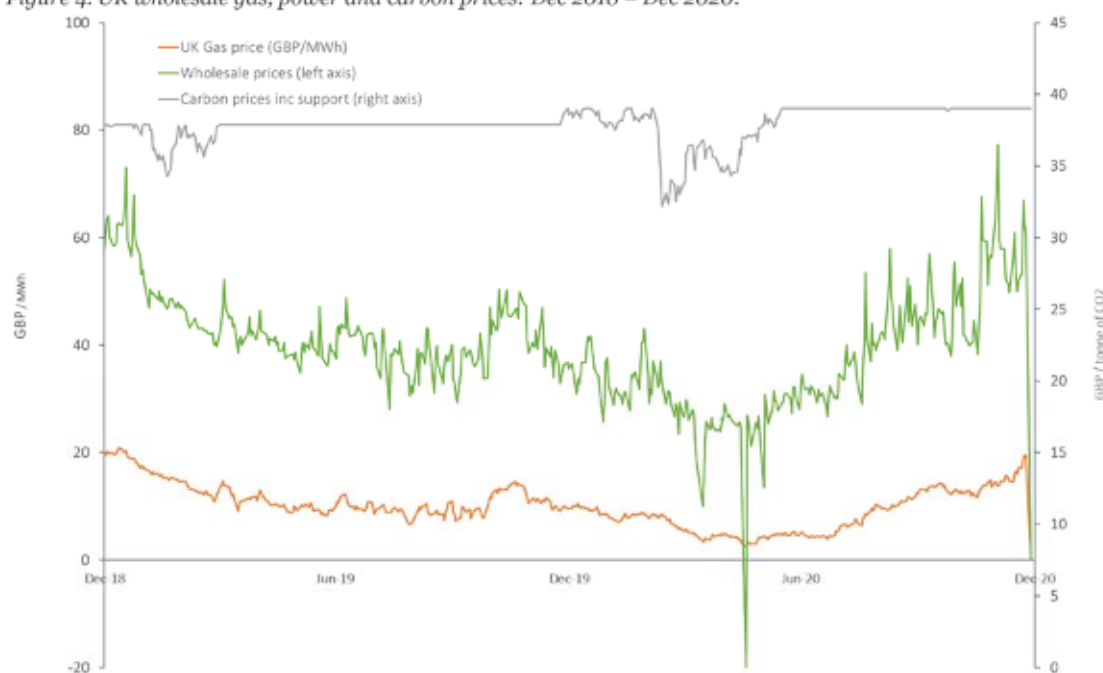
Reviewing the performance of the wholesale power market throughout 2020, whilst prices fell dramatically in late March when the UK Government initiated the first Covid-19 national lockdown, as the lockdown measures were eased during the Summer power demand rose along with the cost of gas and carbon pricing. Whilst persistent gas price increases continued to support rising power prices, they remained below August 2019 levels. In October 2020, a decrease in carbon prices and an increase in low marginal cost generation led to a dip in the average power price.

Average monthly power prices reached a year high in December 2020, as gas reserves tightened due to below-average seasonal temperatures, combined with depressed wind output and thermal plant outages.

Despite a recovery in power prices over the second half of 2020, the year-on-year comparison shows a decrease of 10.9% between the UK day ahead market base load power price for the 12 months to 31 December 2019 of £41.35 per MWh to £36.85 per MWh for the 12 months to 31 December 2020.

As a further illustration of the points mentioned above, the charts below compare the wholesale electricity prices versus gas and carbon over the last 24 months.

Figure 4. UK wholesale gas, power and carbon prices: Dec 2018 – Dec 2020:



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

This year-on-year downward movement of the wholesale power market has been reflected in the Company's average seasonal weighted power price. For 12 months period ending 31 December 2020, it was at £48.3 per MWh (vs. UK day ahead of £36.85 per MWh), a decrease from £56.12 per MWh for the 12 months ending 31 December 2019.

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

Report of the Investment Adviser (continued)

4. Analysis of underlying earnings

The total generation and revenue earned (including ROC recycle estimate) in the 6 months to 31 December 2020 by the Company's portfolio, split by subsidy regime, is outlined below.

Subsidy Regime	Generation (MWh)	PPA Revenue (£m)	Regulated Revenue (£m)
FIT	10,872	0.4	2.3
2.0 ROC	12,693	0.6	1.5
1.6 ROC	51,103	2.4	4.7
1.4 ROC	106,981	4.8	8.7
1.3 ROC	25,326	1.3	1.9
1.2 ROC	27,518	1.4	1.9
Total	234,493	10.9	21.0

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 2020, Ofgem announced that value for ROC recycle for the period April 2019 to March 2020 (CP18) was £5.02/ROC (equivalent to 10.29% of CP18 ROC buyout prices). This was in line with the ROC Recycle estimate the Company had recognised in its 30 June 2020 Financial Statements, however a further 'late payment' amount of £0.63/ROC was also announced in December 2020, equating to a further £459k. This amount has been included within the 'Other revenue' line within the table below.

The key drivers behind the changes in Underlying Earnings between H1 2020/21 and H1 2019/20 are the combined effects of lower generation and PPA pricing (-6.0% and -8.0% respectively) as well as limited receipt of business rates rebates being offset by an increase in earnings from the 64.2MWp acquisition completed in August 2020.

Underlying Portfolio Earnings

	Half year period to 31 Dec 2020 (£m)	Half year period to 31 Dec 2019 (£m)	Full year to 30 June 20 (£m)	Full year to 30 June 19 (£m)
Portfolio Revenue	31.9	30.0	65.9	63.6
Liquidated damages and Other Revenue*	1.2	2.9	3.8	0.8
Portfolio Income	33.1	32.9	69.7	64.4
Portfolio Costs	-7.8	-6.9	-14.1	-13.1
Project Finance Interest Costs	-0.8	-0.3	-0.6	-0.6
Total Portfolio Income Earned	24.5	25.7	55.0	50.7
Group Operating Costs***	-3.7	-2.7	-5.8	-5.4
Group Debt Costs	-2.1	-2.3	-4.6	-4.6
Underlying Earnings	18.7	20.7	44.6	40.7
Group Debt Repayments	-8.0	-8.0	-9.2	-8.8
Underlying Earnings available for distribution	10.7	12.7	35.5	31.9

Report of the Investment Adviser (continued)

4. Analysis of underlying earnings (continued)

	Half year to 31 Dec 2020 (£m)	Half year to 31 Dec 2019 (£m)	Full year to 30 June 20 (£m)	Full year to 30 June 19 (£m)
Brought forward reserves	8.4	2.3	2.3	1.1
Total funds available for distribution -1	19.1	15.0	37.6	33.0
Target distribution***	N/A	N/A	29.3	28.4

Actual Distribution -2	8.1	7.2	29.3	30.7
Underlying Earnings carried forward (1-2)	N/A	N/A	8.4	2.3
Excess Distribution Paid	N/A	N/A	0.0	2.3

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

#Includes the Company and BSIFIL (within BSIFIL is a group tax charge of c. £1.1m vs £0.4m in Dec 19)

**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 2020	Half year period to 31 Dec 2019	Full year to 30 June 20	Full year to 30 June 19
Target Distribution (RPI dividend) - £m	N/A	N/A	29.3	28.4
Total funds available for distribution (inc. reserves) - £m	19.1	15.0	37.6	33.0
Number of shares at period end	406,999,622	370,499,622	370,499,622	369,883,530
Target Dividend (pps)	N/A	N/A	7.9	7.68
Total funds available for distribution (pps) - 1	4.66	4.02	10.13	8.91
Total Dividend Declared & Paid (pps) - 2	2.0	1.95	7.90	8.31
Reserves carried forward (pps) * - 1-2	N/A	N/A	2.23	0.60

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

Report of the Investment Adviser (continued)

5. NAV and Valuation of the Portfolio

The Investment Adviser is responsible for advising the Board in determining the Directors' Valuation and, when required, for 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.

As the portfolio comprises only non-market traded investments, the Investment Adviser has adopted a valuation process based upon the IPEV Valuation Guidelines published by the BVCA (the British Venture Capital Association). The application of these guidelines 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 2020 was £608.4m (31 December 2019, £621.7m).

The table below shows a breakdown of the Directors' Valuations over the last four reporting periods:

Valuation Component	Dec 2020	June 2020	Dec 2019	June 2019
Enterprise Portfolio DCF value (EV)	698.3	602.7	611.6	605.2
Deduction of Project Co debt & NatWest 3 year Term loan	-120.3	-10.8	-11.2	-11.7
Projects valued at cost (amount invested)	0.0	0.0	0.0	0.0
Project Net Current Assets	30.4	32.4	21.3	28.6
Directors' Valuation	608.4	624.3	621.7	622.1
Portfolio Size (MWp)	543.0	478.8	465.3	465.3

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

Report of the Investment Adviser (continued)

5. NAV and Valuation of the Portfolio (continued)

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, as the range of pricing on subsidised solar assets equivalent to the ROC weighting of the Company's portfolio (average c.1.4ROC) continues to be between c.£1.20m/MWp and c.£1.40m/MWp. The Company's post period end acquisition of Bradenstoke for c.£1.27m/MWp sits within the lower band of this range. Accordingly, to ensure the Company's portfolio sensibly reflects market pricing as at 31 December 2020, the Directors have applied a discount rate of 6.00% (vs 6.00% in June 2020 and 6.50% in December 2019);
- (ii) Inclusion, on a discounted cash flow basis, of the 64.2 MWp acquisition completed in August 2020 and associated financing (the £110m 3 year term NatWest loan with 75% of the underlying gilt curve interest rate exposure hedged over 18 years at a swap rate of 0.31%);
- (iii) Elimination of the Company's drawn RCF balance which stood at £44m as at 30 June 2020, following the Company's £45m equity raise in November 2020;
- (iv) Progress continued regarding the Company's asset life extension programme (as outlined in the Portfolio section), with 306 MWp (245 MWp as at 30 June 2020) of the Company's portfolio now valued on the basis of 30-40 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 7.5% (7.5% in June 2020) for periods over 30 years. As at 31 December 2020, the weighted average life of the portfolio was 27.1 years (June 2020: 27.4 years);
- (v) As reported in the Company's 30 June 2020 annual accounts, the Directors' Valuation now uses an equal blend of three leading forecasters' power curves (see power curve graph on page 31).

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. Strong competition for large scale portfolios of equivalent or lower ROC banding to the Company's, mean pricing continues to be within a pricing range of £1.20m/MWp - £1.40m/MWp and so by valuing the portfolio at an EV of £698.3m (June 2020: £602.7m), and an effective price of £1.28m/MWp (June 2020: £1.26m/MWp), using a discount rate of 6.00%, the Board remains conservatively within the pricing range of precedent market transactions.

Report of the Investment Adviser (continued)

5. NAV and Valuation of the Portfolio (continued)

Debt Assumptions

The debt assumptions within the Directors' Valuation reflect all third-party loans within the Company's capital structure as at the valuation date. Interest rates and repayment profiles are matched to the terms of each loan. In the case of any short-term financing, conservative assumptions are applied with respect to interest rates and repayment profiles post maturity. As at 31 December 2020, the Company's short term debt consisted of a £110m term loan from NatWest, maturing in September 2023, and the conversion assumption within the Directors' Valuation is aligned to the percentage of the loan that has been hedged (being 75% with 18-year swaps at a rate of 0.31% until 2038).

The interest rate applied to the converted balance (being £82.5m) is 3.0%.

Power Price

The blended forecast of three leading consultants used within the latest Directors' Valuation, as shown graphically below, is based on forecasts released in October 2020 and December 2020 and implies a compound annual growth rate, in real terms from 2021, over the 30 year forecast of -0.02% per annum.

Whilst wholesale electricity price projections from the forecasters are generally comparable to June 2020, all forecasters used by the Company are now removing a c.£2.50/MWh BSUoS charge on generation from April 2023 in their projections. The impact of this change to network charging means it is less expensive for transmission connected assets to operate, which effectively translates to a broadly comparable drop in wholesale power prices.

Beyond the amendment to BSUoS costs, the latest curves also reflect the following key updates:

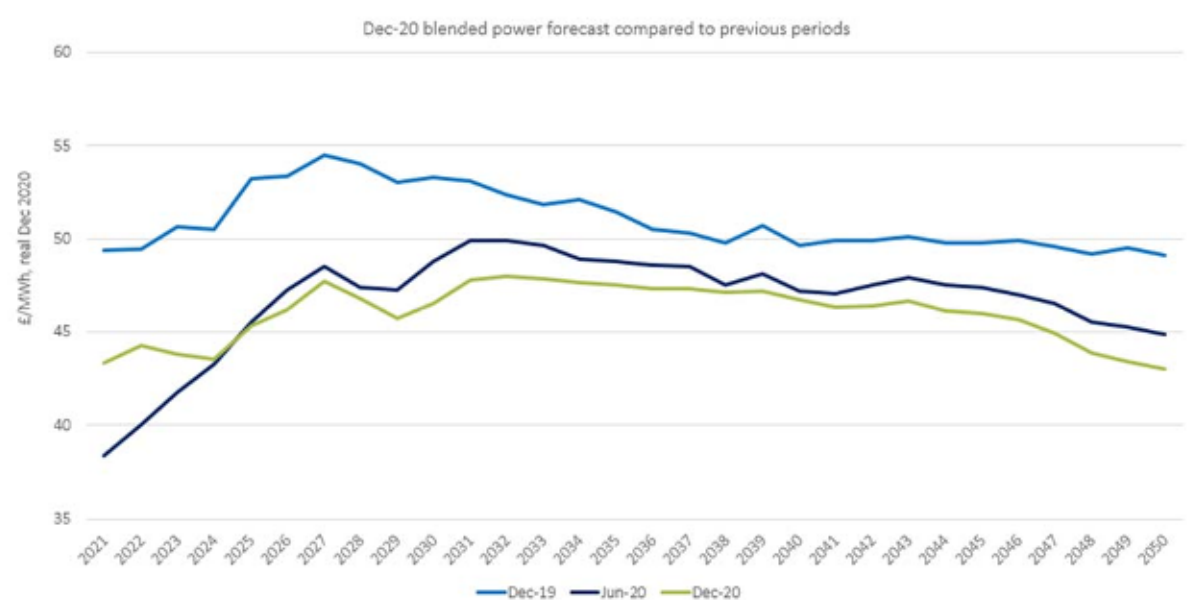
1. Short-term gas prices have risen slightly, bringing wholesale power prices upwards compared to previous forecasts,
2. Latest analysis on the impact of Covid-19 and the impact on electricity demand. Demand is expected to recover faster than envisaged in previous forecasts, resulting in a small increase in near-term prices.
3. Increased renewable deployment in the UK* (notably by 2030 c. 30 GWp of Offshore wind, c.20 GWp of Onshore Wind and c.17 GWp of solar) and Europe, which reflect governments' energy budgets, long-term plans* and announcements by project developers. Compared to June 2020 forecasts, this results in lower price forecasts in the medium-long term.

*Please note the reference to long term Government plans reflects those known by the forecasters at the time their curves were released and so do not cover the Energy White Paper or the 10 point plan.

Report of the Investment Adviser (continued)

5. NAV and Valuation of the Portfolio (continued)

For illustration purposes, the graph also includes the blended curves used in the past two Directors' Valuations.



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.

Plant Performance

The capacity of the Company's portfolio now being valued with reference to PR from operational or final acceptance (this covers a minimum of 2 years of operational data) is 467 MWp (out of 543 MWp) compared to 425 MWp (out of 465 MWp) in June 2020. The weighted average PR for these plants, including the effects of degradation, is 82.1% (June 2020: 82.4%).

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.

Inflation

The Directors have continued to apply an inflation assumption between 2020 and 2024 of 3.00% and from 2025 onwards of 2.75%.

Other Cash flow Assumptions

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

Report of the Investment Adviser (continued)

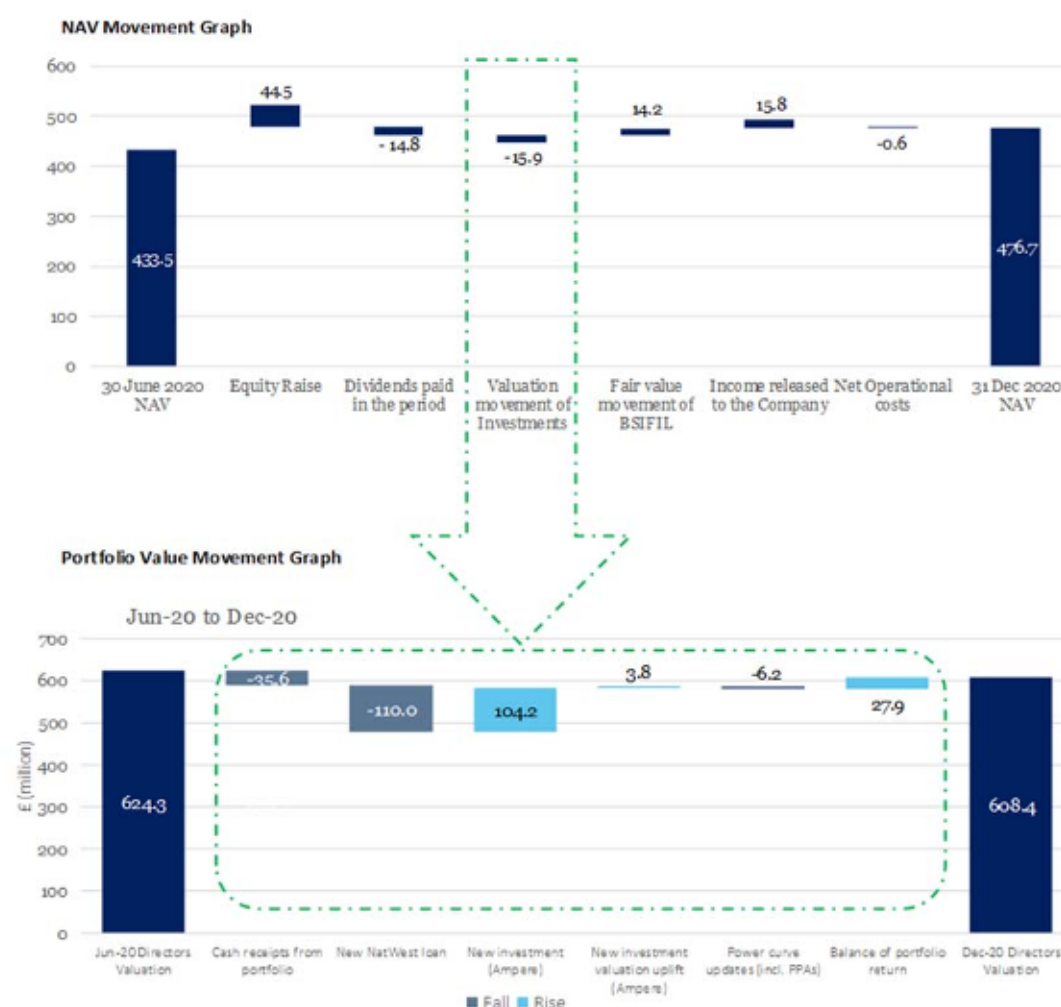
5. NAV and Valuation of the Portfolio (continued)

NAV movement

In the period, the Company paid total dividends of £14.8m, being 4.0pps in total for the third and fourth interim dividends in respect of the year ended 30 June 2020.

Over the period the Company's NAV has increased by £43.2m, from £433.5m as at 30 June 2020, to £476.7m as at 31 December 2020. Adjusting the 30 June 2020 NAV of £433.5m for the dividends paid in the period (£14.8m) and net equity raised of £44.5m results in an uplift in the NAV of the Company during the period of £13.5m.

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 March 2021, the Company will pay the first interim dividend for the 2020/21 financial year of 2.0pps.



Report of the Investment Adviser (continued)

5. NAV and Valuation of the Portfolio (continued)

Directors' Valuation movement

	(£million)	As % of 30 June 2020 valuation
30 June 2020 Valuation	624.3	
Cash receipts from portfolio	(35.6)	(5.7%)
New investment (64.2 MW portfolio)	104.2	16.7%
New NatWest term loan	-110.0	(17.6%)
New investment valuation uplift (64.2 MW portfolio)	3.8	0.6%
Power curve updates (incl. PPAs)	(6.2)	(1.0%)
Balance of portfolio return	27.9	4.5%
31 December 2020 Valuation	608.4	(2.5%)

Each movement since the 30 June 2020 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.

New investment (64.2MW portfolio) & New NatWest term loan

These movements reflect the base investment cost of £104.2m of the 64MWp portfolio the Company acquired in August 2020 and the three year term loan of £110m the Company arranged with NatWest to finance the transaction. The difference in value between base cost of the portfolio and quantum of the term loan is a working capital and transaction fees.

New investment valuation uplift (64.2MW portfolio)

Following the 64MWp acquisition, the Company has benefitted from a small value uplift of £3.8m compared to the base cost invested (being £104.2m excluding working capital). This value accretion is a result of the positive contribution the highly regulated revenue streams make to the overall revenue mix within the Directors' Valuation, as well as benefitting from limited life extension assumptions (between 5 – 15 years) on some of the assets within the portfolio.

Power curve updates (incl. PPAs)

The Company's three independent forecasters released updated forecasts in October and December 2020 and these have been applied to the Directors' Valuation. The impact of adopting an even blend of three independent forecasters as well as the latest power price fixes, against power price expectations applied in the 30 June 2020 valuation, results in a valuation decrease of £6.2m.

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 three independent forecasters' prices.

Report of the Investment Adviser (continued)

5. NAV and Valuation of the Portfolio (continued)

Balance of Portfolio Return

The balance of portfolio return is predominantly the result of the unwinding of the discount rate over the period, but it also includes the effects of the Company's slight change in capital structure following the equity issuance of £45m and the full repayment of the RCF in November 2020, 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 30 to 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 2020.

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, as well as cost optimisation on long term O&M fees.

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

Reconciliation of Directors' Valuation to Balance sheet

Category	Balance at Period End			
	31 December 2020 (£m)	30 June 2020 (£m)	31 December 2019 (£m)	30 June 2019 (£m)
Directors' Valuation	608.4	624.3	621.7	622.1
BSIFIL Working Capital	27.1	20.9	24.7	19.5
BSIFIL Debt*	(160.1)	(212.8)	(199.0)	(205.9)
Financial Assets at Fair Value per Balance sheet	475.4	432.4	447.4	435.7
Gross Asset Value	755.8	653.3	656.7	653.3
Gearing (% GAV**)	37%	33%	32%	33%

*30 June 2020, 31 December 2019, and 30 June 2019 include c.£1m of upstream intercompany loans.

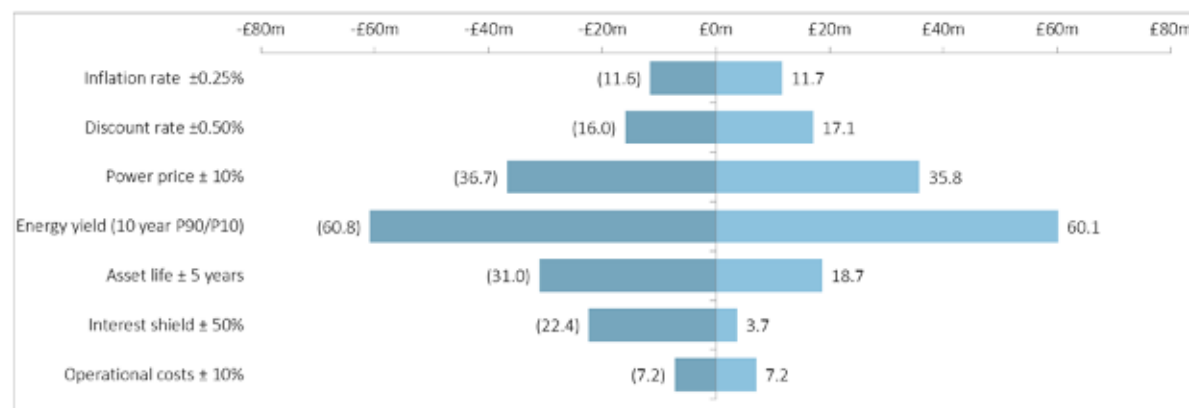
**GAV is the Financial Assets at Fair Value of £475.4m plus Aviva long term debt of £160.1m, Durrants' project debt of £10.3m and NatWest of £110m term loan, (giving total debt of £280.4m) As at 31 December 2020 the Company's GAV is £755.8m.

Report of the Investment Adviser (continued)

5. NAV and Valuation of the Portfolio (continued)

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 20)	Tenor	Cost	Average Loan Life at drawdown
Fixed	£121.5m	£99.9m	Fully amortising over 18 years to 2034, sculpted to cash flows	All in cost of 287.5bps	10.6
Index-Linked	£65.5m	£60.1m	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 £7.5m, combined with indexation increases of £0.4m, resulted in a total outstanding balance to Aviva Investors as at 31 December 2020 of £160.0m (Fixed £99.9m, Index linked £60.1m).

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 2020, the blended all in debt cost of the facilities was 2.5%).

Thanks to the prudent leverage (37% of GAV as at 31 December 2020), on the Company's base case projections the average DSCR remains close to 3 times.

RBSI Revolving Credit Facility

On 6 November 2020 the Company agreed with RBSI to extend the tenor of its £50m RCF to September 2022. This includes flexibility for a further one year extension to 30 September 2023 as well as an uncommitted facility of a further £50m. The terms of the revised facility remained unchanged, with a constant margin of 2.0% over LIBOR.

As at 31 December 2020 the RCF balance was nil as BSIFIL had fully repaid its drawn RCF balance of £44.1m on 27 November 2020, using proceeds from its £45m equity raise earlier in the month.

Post period end, on 7 January 2021, the Company drew £90m of its revised RCF (out of £100m available) to complete the acquisition of Bradenstoke solar farm. 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.

Project level debt

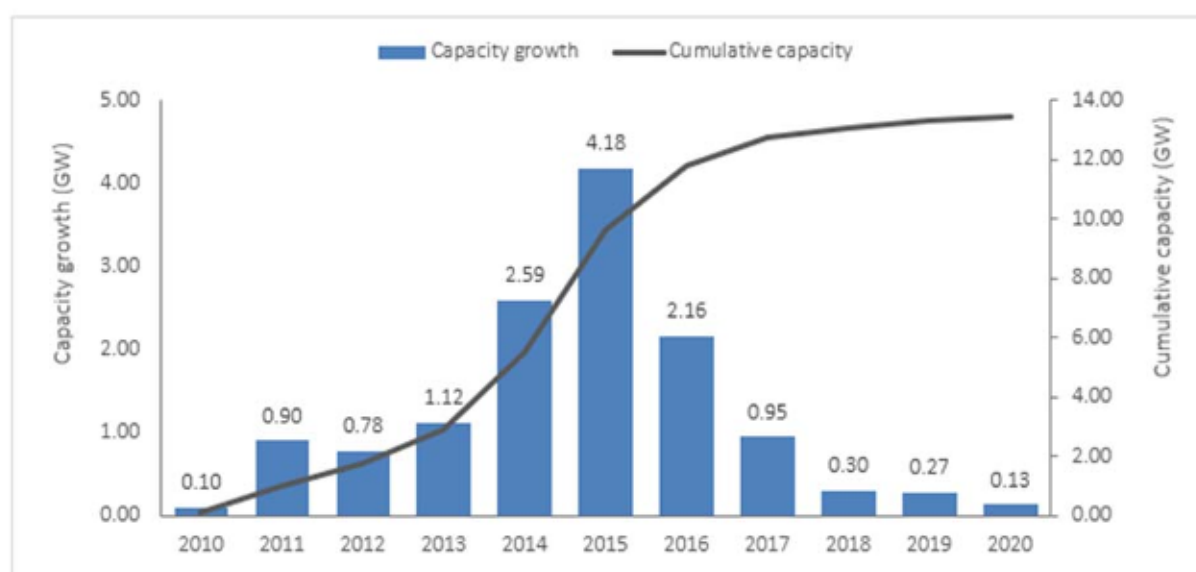
In addition to the LTF and the three year RCF, the Company has a three year term loan with NatWest of £110m, maturing in September 2023 (secured against a portfolio of 141.7 MWp within the Company's structure) and a small project finance loan of £10.3m, provided by BayernLB and fully amortising until maturity in 2029, secured against Durrants, a 5 MWp FIT plant located on the Isle of Wight.

Report of the Investment Adviser (continued)

7. Market Developments

UK solar photovoltaic capacity and deployment

According to BEIS, the UK's total installed solar photovoltaic capacity as at the end of November 2020 (the latest statistics available) was 13.45 GWp, across just over one million installations. This compares to 13.39 GWp in June 2020. Expansion over the period, of 66 MWp, has been driven exclusively by the deployment of c. 20,000 small unaccredited installations with capacities below 50 kWp. The chart below illustrates how the deployment of new generating capacity has diminished significantly since the closure of the RO scheme in 2017.



*Source: BEIS, Solar photovoltaics deployment November 2020

Capacity accredited nationally under the RO Scheme is 7.3GWp, represents 50% of the total solar capacity in the UK, but constitutes only 2.2% of the number of installations. Capacity accredited under the FiT scheme was 5.1 GWp according to the latest data from BEIS released in November 2020. This equates to about 38% of total solar capacity and 82% of all installations. Subsidy-free capacity stands at 1.1 GWp and 16% of installations, although many of these are micro installations.

Secondary market transactions and subsidy-free activity

Transactional activity in the UK secondary solar PV market saw a slight resurgence in 2020 after a quiet period in 2019 as investor appetite for subsidised assets continued to increase. According to the most recent figures from Bloomberg New Energy Finance (BNEF) and the Investment Adviser's market knowledge, 552 MWp changed hands between July and December 2020. For reference, some 300 MWp of solar PV project deals were reported in 2019.

Development activity in the UK subsidy-free market has also gained momentum, despite potential disruptions during the Covid-19 pandemic. Significant development activity is now underway within the UK, which is being driven by factors such as ambitious decarbonisation targets, falling installation costs and anticipation over the inclusion of solar PV into the upcoming CfD auction round. Estimates from Solar Power Media indicate that there is now a 13 GWp pipeline of large-scale solar projects in the development phase (as at the end of December 2020), a 44% increase on the 9 GWp reported in June 2020.

Report of the Investment Adviser (continued)

7. Market Developments (continued)

There have also been indications that the construction of larger-scale unsubsidised projects is beginning to gain momentum as projects progress through the development phase. A significant number of these projects are extensions to existing assets, community schemes or local council funded.

Various companies have continued to launch tenders for PPA agreements over the period, signalling their continued desire to procure electricity from renewable sources. This source of demand provides a potential route to market for subsidy free projects, if mutually beneficial offtake agreements can be reached.

Another theme is the co-location 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 613 MWp under management (including 70 MWp purchased after the period end), the Company continues to maintain a strong position within the UK solar market, as it owns and operates about 6.5% of the country's utility-scale solar PV capacity. As an established and experienced market participant, this regulated revenue base provides a strong foundation for growth of the Company through its subsidy-free solar strategy.

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. During the period BEIS announced that solar PV will be allowed to participate in the next CfD allocation round (AR4) for the first time since 2015.

The UK Government is aiming to support up to 12 GW of renewable energy projects in AR4, which is set to open in late 2021. The tender will split technologies across three 'pots'. Pot 1 includes established technologies such as onshore wind and solar PV; pot 2 includes less-established renewable technologies such as advanced conversion technologies and tidal stream, while a new pot 3 has been set up for offshore wind.

Further details on the design parameters for AR4 are expected to be published during the period. Subsequent rounds are then expected to be held approximately every two years.

UK net zero target

Since the UK introduced legislation requiring net greenhouse gas emissions to reduce to zero by 2050, the Government has published its Ten Point Plan for a Green Industrial Revolution and the Energy White Paper. These documents address how the Government envisages development of our energy system to accelerate the delivery of net-zero emissions and how it will promote a greener future for the country.

In December 2020 the UK Government also announced its new Nationally Determined Contribution (NDC) under the Paris Agreement, which commits the UK to reducing nationwide greenhouse gas emissions by at least 68% by 2030, compared to 1990 levels. The Climate Change Committee ("CCC") also published its 6th carbon budget (covering the period 2033 – 2038), which targets a 78% reduction in emissions relative to 1990 levels.

Report of the Investment Adviser (continued)

8. Regulatory Environment (continued)

The Ten Point Plan

This document, published on 18 November 2020, outlined the government's vision to become a global leader in green technologies and details targets for different sectors including offshore wind, hydrogen, transport, carbon capture and buildings. The plan also outlines ambitious funding plans, including £12 billion of Government investment to help create and support up to 250,000 green jobs. Solar is not specifically referenced within the document, besides the plan to include it in the next CfD auction round.

Energy White Paper

The Government published its highly anticipated Energy White Paper on 14 December 2020, which provides further clarity on how the UK aims to achieve its net zero target. The three objectives stated in the paper are to: i) transform the energy system; ii) support a green recovery and promote green jobs; and iii) to create a fair deal for consumers. The paper provides further detail on how to achieve the targets set out in the Ten Point Plan, as well as announcements such as the establishment of a UK emissions trading system.

9. Environmental, Social and Governance

ESG Report from Bluefield Solar's Investment Adviser & Key Service Providers

Introduction

ESG activities relating to the portfolio are undertaken by the Investment Adviser and Bluefield subsidiaries ("the Bluefield Group") on behalf of the Company. In addition to creating an ESG strategy for the Company, the Bluefield Group has been evaluating its own sustainability position. For the first time, a dedicated ESG function has been created, working to enhance ESG commitments within each of the Bluefield companies. Furthermore, an ESG policy for the group is currently being developed, detailing the approach to sustainability across portfolio-related activities.

The following report constitutes a high-level summary of key ESG activities, including new developments over the past six months.

Covid-19 Update

The Bluefield Group has adjusted efficiently to the circumstances imposed by the Covid-19 pandemic and has continued to run as normal, with only slight adjustments to service. In accordance with Government instructions on the 23 March 2020, all employees who were able to work from home were asked to do so with immediate effect. Key workers were identified and have been able to operate at normal levels, with additional measures in place to mitigate Health & Safety risk.

The majority of staff have been able to work effectively from home locations. As the homeworking requirement continues to be extended, staff needs are being carefully monitored and efforts made to ensure staff have a comfortable working environment. Health & Safety remains paramount and employees have been asked to undertake Display Screen Equipment (DSE) assessments at home and discuss concerns with line managers.

Report of the Investment Adviser (continued)

9. Environmental, Social and Governance (continued)

The mental health of employees continues to be a priority and efforts have been made to support staff wellbeing through flexible working, E-learning courses and promotion of an Employee Assistance Programme (EAP). During January, Bluefield ran a 'Wellness and Charity Initiative' to encourage employees to improve their wellbeing through exercise, including the opportunity to take time out during the day to take advantage of limited day-time hours.

Environmental Considerations

Renewable Energy Generation

The Bluefield Group is committed to having a positive environmental impact, most notably through the production of clean, renewable energy. The Investment Adviser was founded to attract capital into renewable energy assets and, through the funds to which it acts as investment adviser, produces thousands of megawatts of clean energy each year. As a result, hundreds of thousands of tonnes of CO₂ are saved from being released into the atmosphere annually, supporting climate initiatives and the UK's commitment to achieve net zero greenhouse gas emissions by 2050.

Land Management

O&M provider Bluefield Operations Ltd is responsible for ensuring each asset under management is fully compliant with its Landscape and Ecological Management Plan (LEMP). This ensures the asset has no net negative impact on the surrounding environment, and in some cases can enhance the diversity of the fauna and flora present. Under correct management, a solar farm can return intensively farmed land back into natural meadows, increasing diversity and returning nitrates to soils.

Biodiversity

The Bluefield Group is focused on supporting biodiversity and intends to take a considered and informed approach to increasing biodiversity across the portfolio. The priority this financial year is to benchmark biodiversity through ecological surveys, potentially in collaboration with a University.

The placement of beehives has been trialled on various sites, supporting local bee farmers as well as surrounding ecosystems. Efforts are underway to increase the number of beehives across the portfolio, with the addition of at least three beehives confirmed for Spring 2021.

Report of the Investment Adviser (continued)

9. Environmental, Social and Governance (continued)

Social Considerations

Winter Learning & Development Programme

A Learning & Development Programme was launched across the Bluefield group of companies over the winter months, to provide staff with the opportunity to advance and learn new skills despite the restrictions of home working. Following the launch of a new E-learning platform in November 2020, staff were encouraged to develop skills in areas of business, compliance, well-being and leadership. In November and December, some 100 hours of learning were completed.

To support the learning culture and growth mindset advocated by Bluefield, a 360 Feedback and Insights Programme was also launched at the end of 2020, focused on senior leaders. The objective was to increase the self-awareness of senior individuals through feedback, assisting their development and enhancing team performance.

Quote from Baiju Devani, UK Investment Director: "I found the 360 Feedback and Insights Programme invaluable. Not only did it enhance my own self-awareness, but the expert coaching and advice I received will improve my performance, and subsequently my team's performance, at work."

Governance

Third Party Due Diligence

A comprehensive vetting process has been developed to ensure subcontractors are suitably qualified, carry appropriate levels of insurance and have planned works in a safe manner. This is achieved primarily through use of a sub-contractor questionnaire and analysis of contractor certification. Training in these matters is undertaken by appropriate staff. Searches and checks are tools that are applied during initial tenders and negotiations, as well as during formal audits. The Bluefield Group focuses on ensuring that none of its counterparties has ever been sanctioned by any regulatory body.

Anti-Bribery, Money Laundering and Slavery

Internal policy requires that the companies, and all those who work for them and with them, uphold principles embodied in the anti-bribery, anti-money laundering and anti-slavery/trafficking legislation. These requirements are reflected in contractual obligations and may be followed up with annual audit requirements of contractors. Policies are subject to periodic reviews and renewed as appropriate, with staff trained on a yearly basis.

Compliance

Regulation and compliance, including with respect to GDPR and cybersecurity, direct Bluefield's decision making and underpin all work undertaken. Widespread awareness of legal obligations throughout the senior teams ensures a vigilant company approach. The Investment Adviser uses third party compliance advisers to ensure regulatory obligations, relating to both the Company and the Bluefield Group, are met through annual audit on business activities. Annual training on regulation and internal policies is given to relevant staff.

Report of the Investment Adviser (continued)

9. Environmental, Social and Governance (continued)

The asset management team at Bluefield Services Ltd ensure compliance with the specific conditions associated with each asset, throughout the asset's lifetime. Internal processes and procedures are used alongside an asset management platform to ensure all regulations are adhered to, with regular site visits confirming that environmental conditions are being met.

Principles of Responsible Investment

In 2019 the Investment Adviser became a signatory to the Principles of Responsible Investment (PRI) and will continue to review its commitments in line with the investment principles.

Health and Safety

The Bluefield Group has a rigorous approach to Health & Safety management, with Health & Safety awareness embedded at every level of the organisation. The on-site activities of Bluefield Operations Ltd pose the highest risk and are therefore a key area of focus.

Comprehensive Health & Safety policies and processes, created alongside specialist consultants, are frequently reviewed to ensure compliance with the latest Health & Safety guidance. Every task, whether corrective maintenance or just a site visit, is preceded by a Health & Safety analysis.

During the interim period there was one major Health & Safety incident to declare, which resulted in no injuries to personnel and no significant downtime.

Corporate Responsibility

FareShare South West & The Felix Project

Due to the ongoing social impact of Covid-19, the Bluefield Group wanted to give back to organisations that have supported local communities during the pandemic. The Felix Project and FareShare South West are charities focused on alleviating food poverty through the redistribution of surplus food. During the pandemic, demand for the services of these charities increased at least three-fold, as individuals were unable to access food supplies and experienced financial hardship.

Bluefield donated to each charity in December to support demand over winter, a period when food poverty levels naturally peak. In total, Bluefield funded the distribution of over 50,000 meals. In January 2021, employees were encouraged to take part in a Bluefield 'Wellness and Charity Initiative', with resulting funds donated to both organisations.

Bluefield Partners LLP

1 March 2021

Environmental, Social and Governance Report

Introduction

Bluefield Solar Income Fund was listed on the London Stock Exchange in July 2013. Since IPO, the Company has been part of a major investment theme that has seen numerous renewable energy funds list and create a multi-billion-pound investment sector. Environmental considerations and concerns about climate change have grown in the intervening period and so too have Shareholders' interest in the social impact of their investments and associated governance. As a result, ESG is now one of the most important considerations in investment today.

In the Annual Report for the year ending 30 June 2020, the Board and the Bluefield Group presented the first detailed ESG Report relating to the Company. A full update on progress in this area will be provided in the Annual Report for the year ending 30 June 2021.

Environmental Impact

The Company plays an important role in the decarbonisation of the power sector in the UK. The annual CO₂ savings generated by the portfolio are listed in the table below. Since inception, the portfolio has saved over 850,000 tonnes of CO₂ from being released into the atmosphere. Despite the portfolio steadily increasing in size, annual CO₂ savings decrease after 2017. This is caused by the reducing contribution of fossil fuels to the UK's electricity mix and within that mix coal has largely been replaced by gas, which produces significantly less CO₂ than other fossil fuels. As renewable energy generation increases, the proportion of the grid supplied by fossil fuels will continue to decrease. This means CO₂ savings derived from the displacement of fossil fuel generated energy will also decline over time. However, as the absolute generation of energy increases, it provides renewable energy for higher numbers of households, as detailed below:

Reporting Year (01 July – 30 June)	Total CO ₂ Savings (tonnes) ¹	Houses Powered for a Year ²
13/14	12,516	8,841
14/15	67,325	42,917
15/16	141,704	99,697
16/17	167,753	132,124
17/18	153,723	142,147
18/19	134,881	154,906
19/20	125,534	170,705

¹ CO₂ savings have been calculated using generation data aligned with the appropriate Government CO₂ conversion factor. Generation data has not been pro-rated in accordance with conversion factor expiry dates, but instead the conversion factor encompassing the largest proportion of the reporting year has been used.

² The number of houses powered has been calculated using generation data divided by the appropriate Ofgem Typical Domestic Consumption Value for a medium sized household.

Environmental, Social and Governance Report (continued)

Environmental Impact (Continued)

Following the 64.2MW portfolio acquisition, the installed capacity of the portfolio increased to 543 MWp. As a result, during the 6 months to 31 December 2020 period the portfolio delivered CO₂ savings of over 54,000 tonnes. Based on Ofgem's Typical Domestic Consumption Values, a medium household uses 2,900 kWh electricity per year. If the six month generation data is extrapolated across a year, the portfolio has the capacity to power approximately 170,000 homes – equating to a city similar in population size to Nottingham.

Community Benefits

The Company is committed to building strong relationships with communities in close proximity to the solar assets. Community benefit schemes are supported across the portfolio, with significant donations made each year.

Environmental Accreditations & Frameworks

In 2019, the Company was awarded the LSE Green Economy Mark and achieved Guernsey Green Fund status. The Company is currently reviewing its disclosure commitments in line with the requirements of the EU Taxonomy.

Contribution to UN Sustainable Development Goals (SDGs)

The Company understands the importance of the SDGs and their role in society. The Company's contribution to the SDGs will be considered during the development of an ESG strategy and reflected in subsequent ESG reporting.

Statement of Principal Risks and Uncertainties for the Remaining Six Months of the year to 30 June 2021

As described in the Company's annual financial statements as at 30 June 2020, 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;
- Cyber risk;
- Adverse publicity;
- Covid-19 pandemic;
- 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 2021.

Further information in relation to these principal risks and uncertainties may be found on pages 27 to 31 of the Company's annual financial statements as at 30 June 2020.

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 18 November 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

The Directors are responsible for preparing the Interim Report and Unaudited Condensed Interim Financial Statements in accordance with applicable regulations. The Directors confirm 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 2021 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
1 March 2021



Laurence McNairn
Director
1 March 2021

Independent Review Report to Bluefield Solar Income Fund Limited

Conclusion

We have been engaged by Bluefield Solar Income Fund (the “Company”) to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2020 of the Company which comprises the unaudited condensed statements of financial position, comprehensive income, changes in equity, cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2020 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules (“the DTR”) of the UK’s Financial Conduct Authority (“the UK FCA”).

Scope of review

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

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

Directors’ responsibilities

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

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

Our responsibility

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

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

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

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



Rachid Frihmat
for and on behalf of KPMG Channel Islands Limited
Chartered Accountants, Guernsey
1 March 2021

Unaudited Condensed Statement of Financial Position

As at 31 December 2020

		31 December 2020 Unaudited £'000	30 June 2020 Audited £'000
	Note		
ASSETS			
Non-current assets			
Financial assets held at fair value through profit or loss	7	475,408	432,426
Total non-current assets		475,408	432,426
Current assets			
Trade and other receivables	8	1,132	768
Cash and cash equivalents	9	504	747
Total current assets		1,636	1,515
TOTAL ASSETS		477,044	433,941
LIABILITIES			
Current liabilities			
Other payables and accrued expenses	10	372	436
Total current liabilities		372	436
TOTAL LIABILITIES		372	436
NET ASSETS		476,672	433,505
EQUITY			
Share capital		413,214	368,712
Retained earnings		63,458	64,793
TOTAL EQUITY	12	476,672	433,505
Number of Ordinary Shares in issue at period/year end	12	406,999,622	370,499,622
Net Asset Value per Ordinary Share (pence)	6	117.12	117.01

These unaudited condensed interim financial statements were approved and authorised for issue by the Board of Directors on 1 March 2021 and signed on their behalf by:



Paul Le Page
Director
1 March 2021



Laurence McNairn
Director
1 March 2021

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 2020

	Note	Six months ended 31 December 2020 Unaudited £'000	Six months ended 31 December 2019 Unaudited £'000
Income			
Income from investments	4	362	362
Interest income from cash and cash equivalents		-	2
		362	364
Net gains on financial assets held at fair value through profit or loss	7	13,827	27,987
Operating income		14,189	28,351
Expenses			
Administrative expenses	5	704	673
Operating expenses		704	673
Operating profit		13,485	27,678
Total comprehensive income for the period		13,485	27,678
Attributable to:			
Owners of the Company		13,485	27,678
Earnings per share:			
Basic and diluted (pence)	11	3.57	7.48

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 2020

	Note	Number of Ordinary Shares	Share capital £'000	Retained earnings £'000	Total equity £'000
Shareholders' equity at 1 July 2020		370,499,622	368,712	64,793	433,505
Shares issued during the period	12	36,500,000	45,260	-	45,260
Share issue costs	12	-	(758)	-	(758)
Dividends paid	12,13	-	-	(14,820)	(14,820)
Total comprehensive income for the period		-	-	13,485	13,485
Shareholders' equity at 31 December 2020		406,999,622	413,214	63,458	476,672

For the six months ended 31 December 2019

	Note	Number of Ordinary Shares	Share capital £'000	Other Reserves £'000	Retained earnings £'000	Total equity £'000
Shareholders' equity at 1 July 2019		369,883,530	368,013	699	67,684	436,396
Dividends paid	12,13	-	-	-	(16,681)	(16,681)
Ordinary Shares issued in settlement of variable fee	14	616,092	699	(699)	-	-
Total comprehensive income for the period		-	-	-	27,678	27,678
Shareholders' equity at 31 December 2019		370,499,622	368,712	-	78,681	447,393

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 2020

	Note	Six months ended 31 December 2020 Unaudited £'000	Six months ended 31 December 2019 Unaudited £'000
Cash flows from operating activities			
Total comprehensive income for the period		13,485	27,678
Adjustments:			
(Increase)/decrease in trade and other receivables		(364)	361
Decrease in other payables and accrued expenses		(64)	(27)
Net gains on financial assets held at fair value through profit or loss	7	(13,827)	(27,987)
Net cash (used in)/generated from operating activities		(770)	25
Cash flow from investing activities			
Purchase of financial assets held at fair value through profit or loss		(44,625)	-
Receipts from unconsolidated subsidiary	7	15,470	17,332
Net cash (used in)/generated from investing activities		(29,155)	17,332
Cash flow from financing activities			
Proceeds from issue of Ordinary Shares	12	44,625	-
Issue costs paid	12	(123)	-
Dividends paid	12,13	(14,820)	(16,681)
Net cash generated from/(used in) financing activities		29,682	(16,681)
Net (decrease)/increase in cash and cash equivalents		(243)	676
Cash and cash equivalents at the start of the period		747	278
Cash and cash equivalents at the end of the period	9	504	954

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

Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 31 December 2020

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 regular income distributions, by being invested in solar energy assets located in the UK. It also has the ability to invest a minority of its capital into wind, hydro and energy storage 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 the year ended 30 June 2020.

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 2020, which were prepared under full IFRS requirements and the DTRs of the UK FCA.

Seasonal and cyclical variations

Although the bulk of the Company's electricity 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 current worldwide Coronavirus outbreak (Covid-19), declared by the World Health Organization as a global health emergency in March 2020, has caused disruption to businesses and economic activity. The Board and Investment Adviser have been closely monitoring this and it has been considered as part of its going concern assessment. Operationally the Bluefield Group has adjusted efficiently to the circumstances imposed by the Covid-19 pandemic and has continued to run as normal, with only slight adjustments to service.

Notes to the Unaudited Condensed Interim Financial Statements (continued)

For the six months ended 31 December 2020

2. Accounting policies (continued)

b) Going concern (continued)

Included within the power price forecasts used in the Directors' Valuation is the latest analysis on the impact of Covid-19 and the impact on electricity demand. Demand is expected to recover faster than envisaged in previous forecasts, resulting in a small increase in near-term prices. Despite a recovery in power prices over the second half of 2020, the year-on-year comparison shows a decrease of 10.9% between the UK day ahead market base load power price for the 12 months to 31 December 2019 of £41.35 per MWh to £36.85 per MWh for the 12 months to 31 December 2020.

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

c) Accounting for subsidiaries

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

d) Segmental reporting

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

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

For management purposes, the Company is engaged in a single segment of business, being investment in renewable 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.

Notes to the Unaudited Condensed Interim Financial Statements (continued)

For the six months ended 31 December 2020

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

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

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

As disclosed in Note 7, the Board believes it is appropriate for the Company's portfolio to be benchmarked on a £m / MWp basis against comparable portfolio transactions and on this basis the weighted average discount rate remains at 6.00% (6.00% in June 2020), which reflects the return hurdles in the market for lowly levered, subsidised assets.

4. Income from investments

	Six months ended 31 December 2020	Six months ended 31 December 2019
	£'000	£'000
Monitoring fee in relation to loans supplied	362	362
	362	362

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 2020	Six months ended 31 December 2019
	£'000	£'000
Investment advisory base fee (see Note 14)	170	163
Legal and professional fees ¹	109	65
Administration fees	151	154
Directors' remuneration (see Note 14)	114	109
Audit fees	32	47
Non-audit fees	30	17
Broker fees	25	25
Regulatory Fees	27	22
Registrar fees	26	18
Insurance	5	4
Listing fees	10	14
Other expenses	5	35
	704	673

1. The increase in legal and professional fees for the six months ended 31 December 2020 was driven by the legal advice sought by the Company regarding the change of the Company's investment policy.

Notes to the Unaudited Condensed Interim Financial Statements (continued)

For the six months ended 31 December 2020

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

	Six months ended 31 December 2020	Twelve months ended 30 June 2020
	Total £'000	Total £'000
Opening balance (Level 3)	432,426	435,736
Additions	44,625	-
Change in fair value	(1,643)	(3,310)
Closing balance (Level 3)	475,408	432,426

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 Unaudited Condensed Statement of Financial Position is shown below.

	31 December 2020 Total £'000	30 June 2020 Total £'000
Investment portfolio, Directors' Valuation	608,415	624,269
BSIFIL		
Cash	24,249	16,918
Working capital	2,799	4,012
Debt	(160,055)	(212,773)
	(133,007)	(191,843)
Financial assets at fair value through profit or loss	475,408	432,426

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 2020	Six months ended 31 December 2019
	£'000	£'000
Unrealised change in fair value of financial assets held at fair value through profit or loss	(1,643)	10,655
Cash receipts from unconsolidated subsidiary*	15,470	17,332
Net gains on financial assets held at fair value through profit and loss	13,827	27,987

*Comprising of repayment of loans and Eurobond interest

Notes to the Unaudited Condensed Interim Financial Statements (continued)

For the six months ended 31 December 2020

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

Fair value measurements

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

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

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

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

Transfers during the period

There have been no transfers between levels during the six months period ended 31 December 2020. 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 2020. Solar plants under construction and not yet operational are valued at cost (deemed to approximate fair value) 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 more than 25 years) and, under the ‘willing buyer-willing seller’ methodology, prudently benchmarked on a £/MWp basis against comparable transactions for large scale portfolios. As at the end of the period, there was one asset valued at cost, which is deemed to approximate fair value.

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

The key inputs to a DCF based approach are: the equity discount rate, the cost of debt (influenced by interest rate, gearing level and length of debt), power price forecasts, long term inflation rates, irradiation forecasts, operational costs, asset life 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.

Given the fact discount rates are subjective, there is sensitivity within these to the interpretation of factors outlined above.

Notes to the Unaudited Condensed Interim Financial Statements (continued)

For the six months ended 31 December 2020

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

Directors' Valuation methodology and process (continued)

Judgement is used by the Board in determining the weighted average discount rate of 6.00% (6.00% as at 30 June 2020), with three key factors that have impacted the adoption of this rate outlined below:

- a. Transaction values have remained consistent at c.£1.20 -1.40/MWp for large scale portfolios and which the Board have used to determine that an effective price of £1.28/MWp is an appropriate basis for the valuation of the BSIF portfolio as at 31 December 2020.
- b. Inclusion of the latest long term power forecasts from the Company's three providers.
- c. Inclusion of a prudent uplift with respect to asset extensions of 15 years on a subset (306 MWp) of the portfolio.

The debt assumptions within the valuation reflect all third-party loans within the Group's capital structure as at the valuation date. Interest rates and repayment profiles are matched to the terms of each loan. In the case of any short-term financing, conservative assumptions are applied with respect to interest rates and repayment profiles post maturity. As at 31 December 2020, the Group's short term debt consisted of a £110m term loan with NatWest, maturing in September 2023, and the conversion assumption within the valuation is aligned to the percentage of the loan that has been hedged (being 75% with 18-year swaps at a rate of 0.31% until 2038). The interest rate applied to the converted balance (being £82.5m) is 3.0%. In addition, the Company has a small project finance loan of £10.3m, provided by BayernLB and fully amortising until maturity in 2029, secured against Durrants, a 5 MWp FiT plant located on the Isle of Wight.

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

The 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.

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.

Notes to the Unaudited Condensed Interim Financial Statements (continued)

For the six months ended 31 December 2020

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

Input	Change in input	Change in fair value of the Directors' Valuation (£'M)	Change in NAV per share (pence)
Discount Rate (6.00%)	+0.5%	(16.0)	(3.93)
	-0.5%	17.1	4.20
Power prices (blended curve parallel shift)	+10%	35.8	8.80
	-10%	(36.7)	(9.02)
Inflation rate (2.75%)	+ 0.25%	11.7	2.87
	- 0.25%	(11.6)	(2.85)
Energy yield (P50)	10 year P90	(60.8)	(14.94)
	10 year P10	60.1	14.77
Interest shield (15.00%)	+50%	3.7	0.91
	-50%	(22.4)	(5.50)
Operational costs	+10%	(7.2)	(1.77)
	-10%	7.2	1.77
Asset Life (weighted average life 27.1 years)	+5 Years	18.7	4.59
	- 5 Years	(31.0)	(7.62)

8. Trade and other receivables

	31 December 2020 £'000	30 June 2020 £'000
Current assets		
Monitoring fees receivable (see Note 4)	1,087	725
Other receivables	6	12
Prepayments	39	31
	1,132	768

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.

Notes to the Unaudited Condensed Interim Financial Statements (continued)

For the six months ended 31 December 2020

10. Other payables and accrued expenses

	31 December 2020 £'000	30 June 2020 £'000
Current liabilities		
Investment advisory fees	83	78
Administration fees	74	74
Audit fees	42	135
Directors' Fees (see Note 14)	60	57
Other payables	113	92
	372	436

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 2020	Six months ended 31 December 2019
Profit attributable to Shareholders of the Company	£13,485,183	£27,677,999
Weighted average number of Ordinary Shares in issue	377,839,296	369,910,317
Basic and diluted earnings from continuing operations and profit for the period (pence per share)	3.57	7.48

Notes to the Unaudited Condensed Interim Financial Statements (continued)

For the six months ended 31 December 2020

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 2020 Number of Ordinary Shares	Year ended 30 June 2020 Number of Ordinary Shares
Opening balance	370,499,622	369,883,530
Shares issued for cash	36,500,000	-
Shares issued in respect of variable fee	-	616,092
Closing balance	406,999,622	370,499,622

Shareholders' equity	Six months ended 31 December 2020 £'000	Year ended 30 June 2020 £'000
Opening balance	433,505	436,396
Ordinary Shares issued for cash	45,260	-
Ordinary Shares issued in settlement of variable fee	-	699
Ordinary Shares to be issued in settlement of variable fee	-	(699)
Share issue costs	(758)	-
Dividends paid	(14,820)	(31,131)
Total comprehensive income	13,485	28,240
Closing balance	476,672	433,505

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

Shares issued during the period

On 24 November 2020, the Company issued 36,500,000 new Ordinary Shares following a placing. These Shares were issued at a price of £1.24 per Ordinary Share, raising gross proceeds of £45,260,000.

Rights attaching to shares

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

Retained earnings

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

13. Dividends

On 24 July 2020, the Board declared a third interim dividend of £7,224,743, in respect of the year ended 30 June 2020, equating to 1.95pps (third interim dividend in respect of the year ended 30 June 2019: 1.90pps), which was paid on 21 August 2020 to Shareholders on the register on 7 August 2020.

Notes to the Unaudited Condensed Interim Financial Statements (continued)

For the six months ended 31 December 2020

13. Dividends (continued)

On 22 September 2020, the Board declared a fourth interim dividend of £7,595,242, in respect of the year ended 30 June 2020, equating to 2.05pps (fourth interim dividend in respect of the year ended 30 June 2019: 2.03pps), which will be paid on or around 28 October 2020 to Shareholders on the register on 2 October 2020.

Post period end, on 22 January 2021, the Board declared its first interim dividend of £8,139,992, in respect of year ending 30 June 2021, equating to 2.00pps (first interim dividend in respect of the year ended 30 June 2020: 1.95pps), which will be paid on 1 March 2021 to Shareholders on the register on 5 February 2021.

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 £113,250 (31 December 2019: £108,750) of which £59,750 was outstanding at 31 December 2020 (30 June 2020: £57,375).

Remuneration paid to each Director is as follows:

	31 December 2020 £'000	31 December 2019 £'000
John Rennocks	31	30
Paul Le Page	23	22
Laurence McNairn	20	19
Meriel Lenfestey	20	19
John Scott	20	19
	114	109

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

	31 December 2020	31 December 2019
John Rennocks*	316,011	316,011
John Scott	512,436	512,436
Laurence McNairn	441,764	441,764
Meriel Lenfestey	-	-
Paul Le Page	35,000	70,000
	1,305,211	1,340,211

*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.

Fees paid during the period by SPVs to BSL, a company which has the same ownership as that of the Investment Adviser totalled £1,288,761 (31 December 2019: £1,111,437).

Fees paid during the period by SPVs to BOL, a company which has the same ownership as that of the Investment Adviser totalled £1,544,107 (31 December 2019: £1,403,087).

Notes to the Unaudited Condensed Interim Financial Statements (continued)

For the six months ended 31 December 2020

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

Shareholders also approved revisions to the Investment Adviser's base fee and removal of the Adviser's variable fee which apply from 1 July 2020 onwards. The base fee is payable quarterly in arrears in cash, at a rate equivalent to 0.8% per annum of the NAV up to and including £750,000,000, 0.75% per annum of the NAV above £750,000,000 and up to and including £1,000,000,000 and 0.65% per annum of the NAV above £1,000,000,000. The base fee will be calculated on the NAV reported in the most recent quarterly NAV calculation as at the date of payment.

The Company and BSIFIL's investment advisory fees for the period amounted to £1,894,986 (31 December 2019: £1,678,266) of which £82,774 (30 June 2020: £255,331) was outstanding at the period end and is to be settled in cash. Included within the investment advisory fee expense for 2019 is £699,080 in respect of performance fees for the year ended 30 June 2019. The Investment Adviser received the variable element of its 2019 fees through the issue of 616,092 Ordinary Shares on 23 December 2019 (See Note 13).

The Company's loan monitoring fee income for the period, due from its subsidiary BSIFIL, amounted to £362,500 (31 December 2019: £362,500) of which £1,087,500 was outstanding at the period end (30 June 2020: £ 725,000).

15. Risk Management Policies and Procedures

As at 31 December 2020 there has been no change to financial instruments risk to those described in the financial statements of 30 June 2020.

16. Subsequent events

Post period end, on 8 January 2021, the Company completed the acquisition of Bradenstoke Solar Park Limited, an operational 70MWp solar plant for a total cash consideration of £89m. The Company will receive the economic benefit of all cash flows from the plant from 1 April 2020.

On 22 January 2021, the Board declared its first interim dividend of £8,139,992, in respect of year ending 30 June 2021, equating to 2.00pps (first interim dividend in respect of the year ended 30 June 2020: 1.95pps), which will be paid on 1 March 2021 to Shareholders on the register on 5 February 2021.

Glossary of Defined Terms

Administrator means Ocorian Administration (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

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

Bluefield Group means Bluefield Partners LLP and Bluefield Companies

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 (continued)

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

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

ESG means Environmental, Social and Governance

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

GDPR means General Data Protection Regulation

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

Glossary of Defined Terms (continued)

IAS means International Accounting Standard

IASB means the International Accounting Standards Board

IFRS means International Financial Reporting Standards as adopted by the EU

Investment Adviser means Bluefield Partners LLP

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

IPO means initial public offering

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

Mutualisation Rebate means the additional payments made when a shortfall occurs if a supplier is unable to meet its obligation under the RO Buy-Out Scheme

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

Glossary of Defined Terms (continued)

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

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

SDG means the United Nations Sustainable Development Goals

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

Glossary of Defined Terms (continued)

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.

Alternative Performance Measures *Unaudited*

APM	Definition	Purpose	Calculation
Total return	The percentage increase/(decrease) in NAV, inclusive of dividends paid, in the reporting period.	A key measure of the success of the Investment Adviser's investment strategy.	The quotient of the NAV per share at the end of the period (117.12p) and the NAV per share at the beginning of the period (117.01p), plus any dividends paid, minus one expressed as a percentage.
Shareholder Total return	The percentage increase/(decrease) in share price, inclusive of dividends paid, in the reporting period.	A measure of the return that could have been obtained by holding a share over the reporting period.	The quotient of the price per share at the end of the period (130.0p) and the price per share at the beginning of the period (134.5p), plus any dividends paid, minus one expressed as a percentage. The measure excludes transaction costs.
Underlying Earnings	Total net income of the Company's investment portfolio.	A measure to link the underlying financial performance of the operational projects to the dividends declared and paid by the Company.	Total income of the Company's portfolio minus Group operating costs minus Group debt costs.
NAV per Ordinary Share	The Company's closing share price on the London Stock Exchange for a specified date.	A measure of the value of one Ordinary Share.	The net assets attributable to Ordinary Shares on the Statement of Financial Position (£476.7m) divided by the number of Ordinary Shares in issue (406,999,622) as at the calculation date.
Sale of Electricity	The total proportion of revenue generated by the Company's portfolio that is attributable to electricity sales.	A measure to understand the proportion of revenue attributable to sales of electricity.	The amount of revenue attributable to electricity sales divided by the total revenue generated by the Company's portfolio, expressed as a percentage.
Total Revenue	Total net income of the Company's investment portfolio.	A measure to outline the Total revenue of the portfolio on per MWp basis.	Total income of the Company's portfolio owned for a full 12 months.
PPA Revenue	Revenue generated through PPAs.	A measure to outline the revenue earned by the portfolio from power sales.	Total revenue from all power price sales during the period from the Company's portfolio.
Regulated Revenue	Revenue generated from the sale of FiTs and ROCs.	A measure to outline the revenue earned by the portfolio from government subsidies.	Total revenue from all subsidy income earned during the period from the Company's portfolio.

Alternative Performance Measures (continued) *Unaudited*

Ongoing charges ratio	The recurring costs that the Company and BSIFIL has incurred during the period excluding performance fees and one off legal and professional fees expressed as a percentage of the Company's average NAV for the period.	A measure of the minimum gross profit that the Company needs to produce to make a positive return for Shareholders.	Calculated in accordance with the AIC methodology detailed in the table below.
Weighted Average ROC	A relative indicator of the regulatory revenues within a renewable portfolio.	A measure of the Company's portfolio earnings as a proportion of its assets.	Total Regulated Revenue received by the portfolio divided by the product of the current market value of a ROC and the annual generation capacity of the portfolio.
Weighted Average Life	The average operational life of the Company's portfolio.	A measure of the Company's progress in extending the life of its portfolio beyond the end of the subsidy regime in 2036.	The sum of the product of each plant's operational capacity in MWp and the plant's expected life divided by the total portfolio capacity in MWp.
Directors' Valuation	The gross value of the SPV Investments held by BSIFIL, including their holding companies minus project level debt.	An estimate of the sum that would be realised if the Company's portfolio was sold on a willing buyer, willing seller basis.	A reconciliation of the Directors' Valuation to financial assets at fair value through profit and loss is shown in Note 7 of the financial statements.
Gross Asset Value	The Market Value of all Assets within the Company.	A measure of the total value of the Company's Assets.	The total assets attributable to Ordinary Shares on the Statement of Financial Position.
Total Outstanding Debt	The total outstanding balances of all debt held within the Company and its subsidiaries.	A measure that is used to establish the Company's level of gearing.	The sum of the Sterling equivalent values of all loans held within the Company.

Alternative Performance Measures (continued) *Unaudited*

Ongoing Charges	Period to 31 December 2020		
	The Company £'000	BSIFIL £'000	Total £'000
Fees to Investment Adviser	170	1,725	1,895
Legal and professional fees	139	56	195
Administration fees	151	-	151
Directors' remuneration	114	6	120
Audit fees	32	22	54
Other ongoing expenses	98	1,285	1,383
Total expenses	704	3,094	3,798
Non-recurring expenses	(37)	(1,066)	(1,103)
Total ongoing expenses	667	2,028	2,695
Average NAV			444,838
Annualised Ongoing Charges (using AIC methodology)			1.21%