Bluefield Solar Income Fund Limited

Annual Report and Consolidated Financial Statements

FOR THE PERIOD FROM INCORPORATION ON 29 MAY 2013 - 30 JUNE 2014

Company Registration Number: 56708

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General Information

Board of Directors (all non-executive)
John Rennocks (Chairman) *Appointed 12 June 2013*
John Scott (Senior Independent Director) *Appointed 12 June 2013*
Paul Le Page (Chairman of Audit Committee) *Appointed 12 June 2013*
Laurence McNairn *Appointed 1 July 2013*
Mark Huntley *Appointed 29 May 2013, resigned 1 July 2013*

Investment Adviser
Bluefield Partners LLP
53 Chandos Place
London, WC2N 4HS

Registered Office
Heritage Hall
PO Box 225
Le Marchant Street
St. Peter Port
Guernsey, GY1 4HY

Administrator, Company Secretary and Designated Manager
Heritage International Fund Managers Limited
Heritage Hall
PO Box 225
Le Marchant Street, St. Peter Port
Guernsey, GY1 4HY

Sponsor, Broker and Financial Adviser
Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London, EC4M 7LT

Independent Auditor & Reporting Accountants
KPMG Channel Islands Limited
PO Box 20
20 New Street, St. Peter Port
Guernsey, GY1 4AN

Legal Advisers to the Company
(as to English law)
Norton Rose Fulbright LLP
3 More London Riverside
London, SE1 2AQ

Registrar
Capita Registrars (Guernsey) Limited
Mont Crevelt House
Bulwer Avenue, St Sampson
Guernsey, GY2 4LH

Legal Advisers to the Company
(as to Guernsey law)
Carey Olsen
PO Box 98
Carey House
Les Banques
St Peter Port
Guernsey, GY1 4BZ

Receiving Agent and UK Transfer Agent
Capita Registrars Limited
The Registry
34 Beckenham Road, Beckenham
Kent, BR3 4TU

Principal Bankers
Royal Bank of Scotland International Limited
Royal Bank Place
1 Glategny Esplanade
St Peter Port
Guernsey, GY1 4BQ

Highlights

Introduction

- The Company was listed on the Premium Segment of the London Stock Exchange on 12 July 2013 raising £130m;
- The objective of the Company is to deliver long-term, stable dividends growing in-line with the Retail Price Index (**"RPI"**);
- The Company raised a further £13m on 21 February 2014, through a placing under the authority granted at launch;
- Between listing and 30 June 2014, the Company announced ten acquisitions from total commitments of £147 million with an estimated combined energy capacity of 128 Megawatts Peak ("**MWp**");
- Of the ten acquisitions made up to 30 June 2014, nine assets are operational with a consideration of £125 million and a capacity of 111 MWp. The remaining asset, committed to in June, 2014, is under construction and is expected to be grid connected in Quarter 4, 2014;
- The Company funded the acquisitions using the proceeds of the Initial Public Offering (**"IPO"**) and the oversubscribed placing, and will subsequently utilise a £50 million revolving credit facility ("**Facility**") arranged with The Royal Bank of Scotland plc ("**RBS**");
- Since 30 June, 2014, a further two acquisitions have been made thus bringing the total acquisitions to date to twelve taking the total commitments to £162 million and a combined energy capacity of 143 MWp;
- The Company has committed to a diversified portfolio of assets using five different contractors;
- Attractively priced acquisitions and strong contractual protections give the Directors comfort that the portfolio will achieve the target return of 7 pence per share annually, rising with RPI.
- The Company will seek to increase annual distributions after the successful execution of management strategies including driving technical and operational efficiencies across the portfolio and the strategic use of appropriate levels of leverage;
- Total dividends of 4 pence per share were declared in respect of the period ended 30 June 2014.

Highlights (continued)

Results Summary:

	As at 30 June 2014
Total Income	**£12,039,100**
Total comprehensive income before tax	**£9,444,045**
Earnings per share	**6.99p**
First interim dividend per share	**2.0p**
Second interim dividend per share	**2.0p**
Total dividend per share for period	**4.0p**
Net Asset Value (**"NAV"**) per share	**102.96p**
Total Return (based on NAV increase and dividends paid)	**7.0%**
Total Return to shareholders (based on share price and dividends paid)	**4.6%**

Corporate Summary

Investment objective

The investment objective of Bluefield Solar Income Fund Limited (the **"Company"**) is to provide shareholders with an attractive return, principally in the form of semi-annual income distributions, by investing in a portfolio of large scale United Kingdom (**"UK"**) - based solar energy infrastructure assets.

Structure

The Company is a non-cellular company limited by shares incorporated in Guernsey under the Companies (Guernsey) Law, 2008 (the "**Law**") on 29 May 2013. The Company's registration number is 56708, and it has been registered and is regulated by the Guernsey Financial Services Commission ("**GFSC**") as a registered closed-ended collective investment scheme. The Company's Ordinary Shares were admitted to the Premium Segment of the UK Listing Authority's Official List ("**Official List**") and to trading on the Main Market of the London Stock Exchange as part of its initial public offering which completed on 12 July 2013. The issued capital during the period comprises the Company's Ordinary Shares denominated in Sterling.

Investment Adviser

The Investment Adviser to the Company and its wholly owned subsidiary, Bluefield SIF Investments Limited ("**BSIFIL**"), (together the **"Group"**) during the period was Bluefield Partners LLP which is authorised and regulated by the UK Financial Conduct Authority ("**FCA**") under the number 507508.

Chairman's Statement

Introduction

It gives me great pleasure to introduce the Company's inaugural annual report, which details how our initial business plan has been successfully executed. The investment strategy adopted by the Company has enabled rapid deployment of the proceeds of the 2013 IPO and a subsequent 10% share placing into a high quality asset base acquired at attractive prices. The Board is confident that the portfolio will deliver the target returns to our shareholders and, importantly, will provide the Company with a solid platform from which to grow its asset base. We are pleased to meet our first year target for dividends and remain confident that we can deliver our projected returns in the coming years.

Investment Strategy

The Company has a diversified, high quality, operational portfolio acquired at a significant discount to the prices being paid by other solar investors. We believe this derives from the Company's adoption of an intelligent and appropriate investment strategy for the period to 30 June 2014; being able to fund assets through the construction phase, as the Report will show, has created a significant pricing benefit to our shareholders over our peer group.

The reasoning for the strategy is simple. The UK solar market has seen its primary asset base expand rapidly via developers and contractors who, in the vast majority of cases, were unable to fund construction on their own balance sheets. Making protected milestone payments during the short and straightforward construction phase has given the Company access to the widest pool of potential assets whilst removing a layer of external financing cost.

Market Growth

The Company is well placed to take advantage of the growth in the solar power market. The sector that has driven the increase in installed capacity has been the large scale, ground based installations;a market that is continuing to see high levels of activity. In the period since our listing, installed capacity across the UK has grown from c.700MWp to an estimated 2.2GWp[1]. It is a big success story for the renewable energy industry and the sector continues to have very high public approval ratings. I expect the Company to continue to invest in both the primary and the growing secondary sectors of the market.

We also expect to see growth in other sectors of the UK solar market, which should create attractive opportunities. For example, the UK government is looking to encourage significant investment into the commercial and industrial market. In July 2014, the Department of Energy and Climate Change ("**DECC**") offered significant insight into its ambition for this sector by targeting growth in installed capacity from below 3GWp in March 2014 to 11-12GWp by 2020. It is estimated that this step change in capacity would require investments of £12-13 billion, double what has been invested in the previous three years. The majority of this should come from commercial and industrial installations and the Company and its advisers will be working with DECC as this market develops. The Company's Investment Adviser pioneered acquisitions in the commercial and industrial market, including projects with companies such as Thames Water, and is working closely with government as it seeks to unlock this huge potential.

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[1] SolarBuzz who provide an industry database has a figure of 2.2GWp as at July 2014 of installations of >50kWp, DECC's published installed capacity is lower however their figures tend to lag actual installations.

Regulation

The Company, supported by the Investment Adviser, has been consistently supportive of the government's desire to create balanced growth across the different solar sectors. The move to Contracts for Difference ("**CfD**") is one example where, by seeking to drive cost efficiencies in the support mechanism via an auction process, the outcome should be a more sustainable and long-term market. That said, the Company is aware there is concern in certain parts of government about the growth in agriculturally situated solar farms and we believe the Company is well positioned to take advantage of different opportunities as they arise.

The very significant government ambition for commercial and industrial rooftop installations gives our Company the potential to be involved in a new investment market over the coming years, one that should be attractive to our shareholders. Regulated markets are always subject to change and on most measures the investment conditions that the UK government has established keep the UK solar market an attractive one for institutional investors looking for long term yield.

Portfolio performance

It is too early to sensibly review the portfolio performance as the majority of the assets became operational only in the first quarter of 2014. It is, however, encouraging that in our first full quarter of operations our projects achieved our base case projections through a combination of higher irradiation and effective contract management with our suppliers in the early phases of building and operating our portfolio of projects. It should be noted that this achievement was in the context of a drop in power prices during the period which had some impact on the short term power purchase agreements entered into by the investments.

Valuation

The valuation, which has been undertaken on a prudent basis, gives a modest uplift to the NAV, and the methodology and assumptions underpinning this are detailed on pages 32 to 35. I would like to highlight a couple of areas in advance of this section:

1. Moving from cost based valuation to discounted cash-flow: during the deployment phase, the majority of the assets were pre-operational at the time of commitment. As the valued portfolio is now operational it seems appropriate to move to a discounted cash-flow model;

2. The valuation is based on a discount rate of 7.8%, which we believe to be appropriate to reflect both the business risks we face and the financial climate in which we operate. We believe the assumptions we have used, which are set out in detail are in line with or more conservative than those being adopted by others in our sector.

We also firmly believe in full transparency in the presentation of our financial and operating performance and in this, our first year of activity, we have sought to provide shareholders with detailed and clear analysis of our projects and how we have approached valuation at the period end. In the coming years we expect to continue this policy of full transparency.

The Investment Adviser

In the run up to our listing in July 2013, and in our first busy year of investing in and commissioning our portfolio of projects, we have worked very closely with our Investment Adviser and I wish to record our recognition of the excellent support we have received from their team, ably led by James Armstrong, Mike Rand and Giovanni Terranova; their Investment Committee, led by Bill Doughty, which carries out a thorough review of all our projects before they are put forward to our Board for consideration; and their Valuation Committee led by Dr. Anthony Williams. They have given us excellent understandings and analysis of the sector and the projects in which we have invested.

The Board

I would like to make particular reference to my Board of Directors.

John Scott, the senior independent director, has brought a wealth of financial and commercial experience to the board. Paul Le Page, the chairman of the Audit Committee, and Laurence McNairn, our Guernsey based directors, have brought great experience and insight, especially in their respective key areas of audit and fund administration. All my colleagues are a pleasure to work with and would be an asset to any company and I look forward to continuing to work with them all as we grow the Company in the years ahead.

Outlook

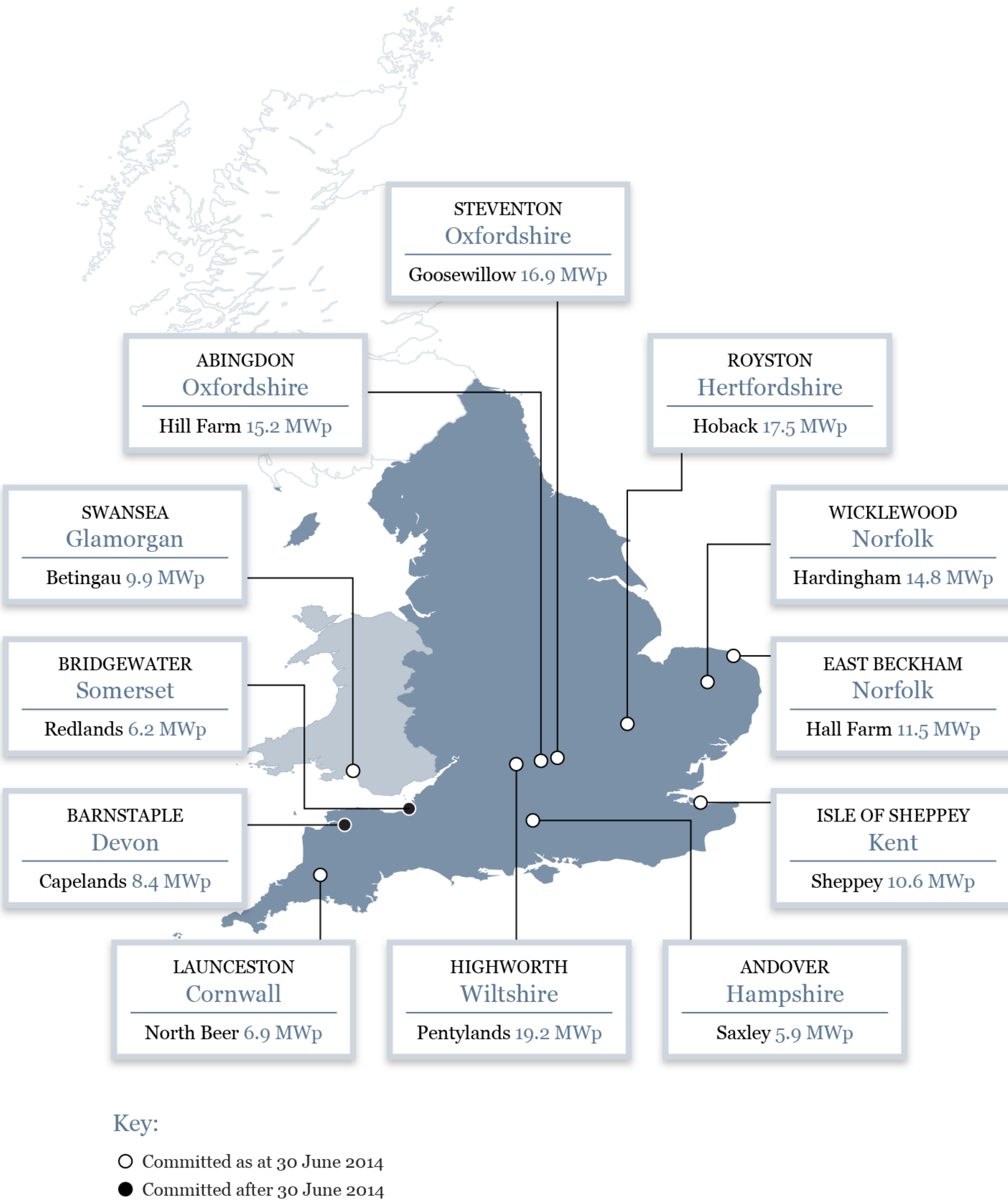
The Company and its Investment Adviser have worked hard to deliver a high quality, operational portfolio to our shareholders and create a clear competitive advantage over our peer group. I expect the Company to use this advantage in the coming months as we seek to achieve disciplined growth of the portfolio through the use of our short term acquisition facility and further equity issuance.

There are challenges ahead for future investments as the market moves to different pricing mechanisms through CfD and targets a wider range of projects including commercial and industrial sites. We believe this will lead to new and exciting projects in which to invest and that we are well placed as the leading solar specialist investor to continue to give our shareholders access to a market leading dividend yield from a growing and diverse solar operating base.

John Rennocks
Chairman
5 September 2014

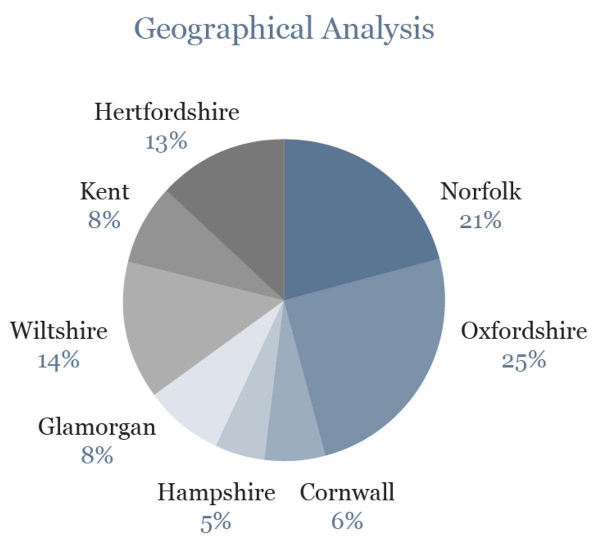
The Company's Investment Portfolio

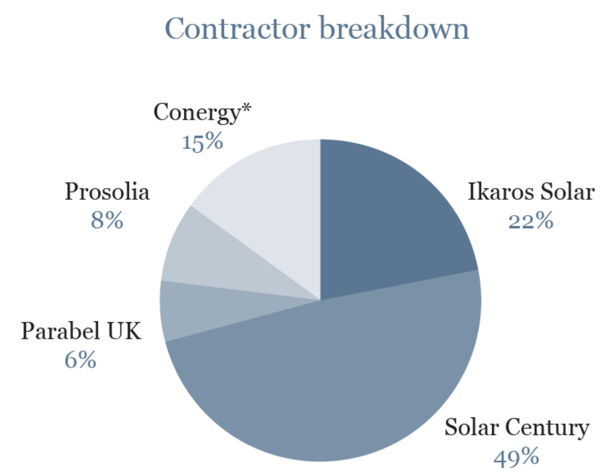
The Company has a geographically diverse group of assets containing a range of proven solar technology and infrastructure.

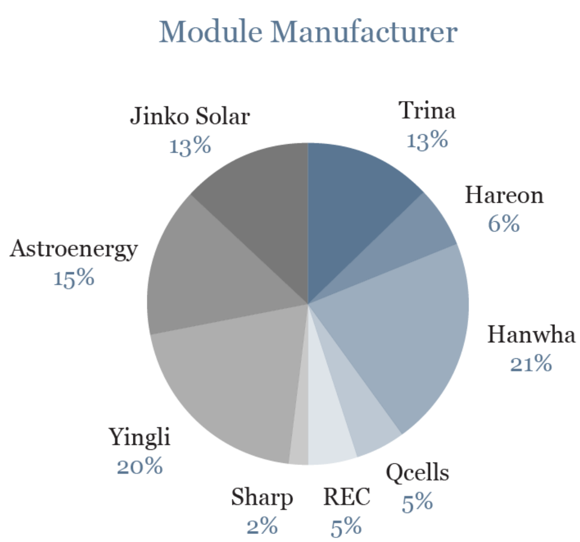


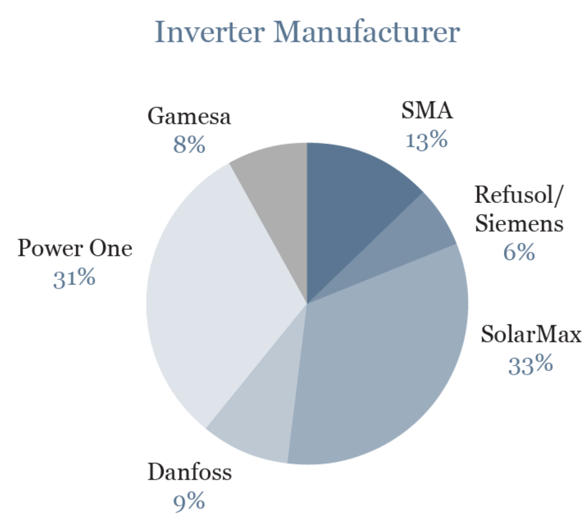
Analysis of the Company’s Investment Portfolio

The portfolio breakdown by commitments made as at 30 June 2014 is as follows:









*Formerly Wirsol Solar UK

Strategic Report

Introduction

The Strategic report sets out:

1. Company’s Objectives and Strategy
2. Company’s Operating Model
3. Investment Policy
4. Operational & Financial Review for the period (including Key Performance Indicators “**KPI**”)
5. Directors Valuation of Group’s Portfolio
6. Principal Risks and Uncertainties
7. Policies, approach and achievements adopted in respect of Corporate Social Responsibility

References in this report to the Company mean Bluefield Solar Income Fund Limited (and together with its wholly owned subsidiary, Bluefield SIF Investments Limited, “**the Group**”).

1. Company’s Objectives and Strategy

The Company seeks to provide shareholders with an attractive return, principally in the form of semi-annual income distributions, by investing in a portfolio of large scale UK based solar energy infrastructure assets. The Company targeted a dividend of 4 pence per Ordinary Share in relation to the financial period ending 30 June 2014 and targets a dividend of 7 pence per Ordinary Share in respect of the Company’s second financial year, with the intention of this rising annually thereafter with the RPI. Subject to maintaining a prudent level of reserves, the Company aims to achieve this through optimisation of asset performance, future acquisitions and use of gearing. The first interim dividend for the period ended 31 December 2013 of 2 pence per Ordinary Share was declared and paid in April 2014. For the period to 30 June 2014, the Company achieved its targeted dividend of 4 pence per Ordinary Share with the second interim dividend to be paid on 31 October 2014. The Operational and Financial Review section on page 16 provides further information relating to performance during the period.

2. Company’s Operating Model

Structure

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

Management

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

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

2. Company's Operating Model (continued)

Management (continued)

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

Through a Technical Services Agreement with BSIFIL the Investment Adviser is also responsible for all issues relating to the supervision and monitoring of existing investments (included within the fee cap under the Investment Advisory Agreement). A summary of the fees paid to the Investment Adviser is given in Note 5 of the consolidated financial statements.

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

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

Employees and Officers of the Company

The Company does not have any employees and therefore policies for employees are not required. The Directors of the Company are listed on page 3.

Investment Process

Through its record of investment in the UK solar energy market, the Investment Adviser has developed a rigorous approach to investment selection, appraisal and commitment. This investment process is based upon repeat transaction experience with specialist advisers; application of standardised terms which have been developed and refined based upon direct experience of operating solar assets; and through a rigorous internal approval process prior to issuing investment recommendations. All investment recommendations and divestments by the Investment Adviser are subject to review and approval by the Company's experienced Board of Directors. The Board is aware of the overall pipeline of potential new investments and possible disposal of existing ones, and the status of each. Board approval is also required before significant due diligence and transaction costs are incurred, and where material variations to the agreed terms of the final transaction are required before execution of that transaction.

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

Application of standardised terms developed based upon direct experience
The Investment Adviser has developed standardised terms which have been specifically tested by reference to real transaction and project operational experience. Whilst contract terms are specifically negotiated and tailored for each individual project, solar project contracts applied by the Investment Adviser typically have specific protections from the construction contracts regarding recovery of revenue losses for underperformance and obligations for correction of defects. Both such provisions have been specifically exercised by the Investment Adviser giving it direct experience in activating contractual protections.

2. Company's Operating Model (continued)

Investment Process (continued)

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

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

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

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

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

(5) Group Board approval
Following approval by the Investment Adviser Investment Committee, investment recommendations are issued by the Investment Adviser to the Group for review by the boards of the Company and BSIFIL. Both the Company and the BSIFIL board undertake detailed review meetings with the Investment Adviser to assess the project prior to determining any approval. Both board approvals are required in order for a transaction to be approved. If the boards of the Company and BSIFIL approve the relevant transaction, the Investment Adviser is authorised to execute the transaction in accordance with the Investment Adviser's recommendation and any condition stipulated in the boards' approval.

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

2. Company's Operating Model (continued)

Managing conflicts of interest

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

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

3. Investment Policy

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

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

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

No single investment in a solar energy infrastructure asset (excluding any third party funding or debt financing in such asset) represents, on acquisition, more than 25% of the Net Asset Value ("**NAV**"). The portfolio provides diversified exposure through the inclusion of not less than five individual solar energy infrastructure assets. Diversification is achieved across various factors such as grid connection points, individual landowners and leases, providers of key components (such as PV panels and inverters) and assets being located across various geographical locations within the UK.

The Group aims to derive a significant portion of its targeted return through a combination of RPI-linked Feed-in Tariffs ("**FiT**") and the sale of Renewable Obligation Certificates ("**ROC**") (or any such regulatory regimes that replace them from time to time). Both such regimes are currently underwritten by UK government regulation providing a level of FiTs or ROCs fixed for 20 years and each regime benefits from an annual RPI escalation. The Group also intends, where appropriate, to enter into Power Purchase Agreements with appropriate counterparties, such as co-located industrial energy consumers or wholesale energy purchasers.

3. Investment Policy (continued)

Investment Restrictions

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

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

Changes to Investment Policy

The Directors do not currently intend to propose any material changes to the Company's investment policy, save in the case of exceptional or unforeseen circumstances. As required by the UK Listing Authority listing rules ("**Listing Rules**"), any material change to the investment policy of the Company will be made only with the approval of shareholders.

4. Operational & Financial Review for the period

Key Performance Indicators ("KPI"s)

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

	As at 30 June 2014
Market Capitalisation	**£147,184,463**
Share price	**102.62p**
First interim dividend paid in the period	**£2,605,792**
First interim dividend paid in the period per share	**2.0p**
Second interim dividend per share	**2.0p**
NAV	**£147,676,019**
NAV per share	**102.96p**
Total Return (based on NAV increase and dividends)	**7.0%**
Total Return to shareholders (based on share price and dividends)	**4.6%**

Acquisitions

During the period, the Company completed 10 acquisitions for a total committed consideration of £146.8m. Each investment has been carefully selected to ensure the portfolio is well balanced geographically, with appropriate levels of diversification of construction and operation contractors and key equipment.

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

Portfolio Performance

Of the 10 investments made during the financial period, nine were contracted at or during the construction phase with the remaining one purchased with a track record of operation.

All projects successfully entered operation during the year (with the exception only of Project Hoback which was contracted in June 2014 for completion in Quarter 4, 2014). Although a number of projects commenced operation after the contracted construction deadlines, contractual protection enabled the Group to benefit from contractor delay liquidated damages which fully compensated the applicable investment vehicle for delays in generation, keeping revenues in line with budget. All projects commenced operations in the target ROC banding period.

While as at the financial period end it is too early to make definitive statements regarding meaningful performance indicators for those projects which had been in construction in the period, (due to the majority entering operation only in late Quarter 1, 2014,) the irradiation and portfolio yield in the short period of operation was overall ahead of expectations. The operational asset which was acquired in October 2013 has performed in line with budget over the nine month period. Notwithstanding the positive initial performance, it is notable that 2014 power prices declined in the first quarter of 2014 resulting in a fall in the pricing of Power Purchase Agreements ("**PPA**") between 2013 and 2014. The Company's PPA strategy is to enter into short term contracts with contracting periods staggered quarterly across the portfolio in order to minimise the portfolio's sensitivity to similar short-term price volatility.

Summary Consolidated Statement of Comprehensive Income

	As at 30 June 2014
Total Income	**£12,039,100**
Administrative expenses	**£2,054,320**
Transaction costs	**£508,102**
Finance costs	**£32,633**
Total comprehensive income before tax	**£9,444,045**
Tax	**-**
Total comprehensive income	**£9,444,045**
Earnings per share	**6.99p**

Total Income for the period represents the return recognised in the consolidated statement of comprehensive income from the combined impacts of valuation movement and investment income (derived from interest income and consultancy services fees paid by the SPV investment companies to BSIFIL). The total comprehensive income of £9.4m reflects the performance of the Group when operating costs are included. Further detail on valuation movements is given in the Report of the Investment Adviser.

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

Cost Analysis

A breakdown of the administrative expenses paid is provided below. Further details of the administrative expenses can be found in Note 5 of the consolidated financial statements.

Administrative expenses	**Period ended 30 June 2014 £**	**% of NAV as at 30 June 2014**
Fees to Investment Adviser	(1,204,987)	0.81%
Legal and professional fees	(21,900)	0.01%
Administration fees	(145,076)	0.10%
Directors' remuneration	(150,986)	0.10%
Audit fees	(35,000)	0.02%
Other expenses	(127,485)	0.09%
Total recurring	**(1,685,434)**	**1.13%**
Legal and professional fees	(319,600)	0.22%
Non-audit fees	(25,875)	0.02%
Listing fees	(12,018)	0.01%
Other expenses	(11,393)	0.01%
Total non-recurring	**(368,886)**	**0.26%**
Total administrative expenses	**(2,054,320)**	**1.39%**

On-going charges

On-going charges is a measure of the day-to-day costs of managing the Group. It is expressed in terms of a percentage reduction in shareholder returns assuming markets remain static and the investment portfolio is not traded.

The fees the Investment Adviser receives are based on the NAV and are in line with the growth in the investment portfolio and do not contain any variable fee element.

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

On-going charges	Period ended 30 June 2014 £
Annualised on-going charges*	(1,737,806)
Average NAV	134,673,931
On-going charges	**(1.29%)**

*As the Group has only been in operation since 12 July 2013, this is an annualised figure of recurring administrative expenses from the Cost Analysis table above.

The on-going charges ratio is calculated in accordance with the Association of Investment Companies ("**AIC**") recommended methodology, which excludes non-recurring costs, i.e. legal advice in relation to the RBS facility.

A more detailed analysis of the Group's financial performance can be found on pages 64 to 67 of the consolidated financial statements.

Group debt facility

On 11 June 2014 the Group entered into an agreement with the RBS for the provision of an acquisition facility of up to £50m. The Facility has a margin of 2.25% over LIBOR and is due to expire on 10 June 2017.

As at the period end the Facility remained undrawn.

5. Directors' Valuation of Group's portfolio

The Investment Adviser is responsible 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 and the Company has committed to procure a review of valuations by an independent expert not less than once every three years, the first of which is expected in 2016.

As the portfolio comprises only non-market traded investments, the Investment Adviser has adopted valuation guidelines based upon the International Private Equity and Venture Capital Valuation Guidelines 2012, ("**IPEV Valuation Guidelines**") as adopted by the European Venture Capital Association; application of which is considered consistent with the requirements of compliance with IAS 39 and IFRS 13.

In accordance with these guidelines, the Investment Adviser has prepared its valuations on the basis of discounted cash-flow methodology, exercising its judgement in assessing the expected future cash-flows, project life, financial model and discount rate. The application of a discounted cash-flow methodology for the valuation at 30 June 2014 is a variation from the Company's interim financial statements dated 31 December 2013, whereby applying the same guidelines the Company valued its investments at cost on the basis that the assets had been recently invested most remained under construction.

Following the recommendation of the Investment Adviser, the Directors' Valuation adopted for the portfolio as at 30 June 2014 was £136.1m representing a 6.9% uplift on investment cost, derived from a combination of income generated within the investments and revaluation uplift under discounted cash-flow methodology.

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

6. Principal Risks and Uncertainties

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

The Directors have identified the following as the key risks faced by the Company:

Risk	**Description**	**Mitigation/Approach**
Poor commercial investment decisions	This could involve missed investment opportunities.	Pipeline investments that have been identified were reviewed by the Investment Adviser and the appropriate due diligence was carried out. The Board relies on the experience of the Investment Adviser and their expertise to source further investment opportunities for the Company.
	The Company may acquire or dispose of an investment at a price that is not in the best interest of shareholders.	The Board reviews market pricing comparisons where relevant prior to approving transactions.
Over-reliance on key personnel of the Investment Adviser	The ability of the Company to achieve its investment objective depends heavily on the experience of the management team associated with the Investment Adviser, and more generally on the Investment Adviser's ability to attract and retain suitable staff. As a result, the success of the Company will depend largely upon the ability and continuing availability of the Investment Adviser. The death, incapacity or loss of the service of key individuals of the Investment Adviser would have a material adverse impact on the business of the Company and the investments made.	Through the investment and advisory fee, the Investment Adviser is incentivised to achieve the Company's investment objectives. Additionally, the Board has broad discretion to monitor the performance of the Investment Adviser or to appoint a replacement. In the event that any one of the key persons, as defined in the Investment Advisory Agreement, is no longer a member or employee of the Investment Adviser, the Board can terminate the Investment Advisory Agreement. The Board has negotiated key man provisions in the Investment Advisory Agreement that permit early termination.

6. Principal Risks and Uncertainties (continued)

Risk	Description	Mitigation/Approach
Poor timing of Investments	This entails portfolio cash management and the ability to pay dividends.	The timing of deals and the availability of finance is carefully managed in order to avoid any lost opportunities.
	Delays in the completion of the solar sites possibly due to manpower, connection timings or missing components could impact the Company's income flow and its ability to pay dividends.	The Board mitigates the risk of not being able to pay by ensuring that all purchase/deal agreements include a "watertight" clause to ensure compensation fees are due if the solar sites are unfinished by a specific date or if the grid is not connected by a certain date following completion.
	This also involves the risk of all site PPAs expiring at the same time, which could result in a lack of income and therefore a lack of funds for distribution.	The Investment Adviser ensures that when the agreements are initially put in place, the end dates of the investments are staggered in order to ensure a constant flow of revenue.
Loss of cash	This involves the risk of fraud, defalcation, credit risk default by the deposit counterparty or other instruments and interest rate/capital value risk.	The Administrator has procedures in place designed to detect and deter fraud such as: (i) "Four eyes" approach to all payments (six eyes for matters that require two “A” Signatories); (ii) Authorisation limits for payments; and (iii) Approval of invoices by the Investment Adviser. The Administrator also has whistle blowing procedures in place and policies that comply with the Anti-Bribery legislation.

6. Principal Risks and Uncertainties (continued)

Risk	Description	Mitigation/Approach
Valuation errors	Valuations of the SPV investments are reliant on large and detailed financial models based on discounted cash-flows. Significant inputs such as the discount rate, rate of inflation and the amount of electricity the solar assets are expected to produce are subjective and certain assumptions or methodologies applied may prove to be inaccurate. This is particularly so in periods of volatility or when there is limited transactional data for solar PV generation against which the investment valuation can be benchmarked. Other inputs such as the price at which electricity and associated benefits can be sold are subject to government policies and support.	The discount factor applied to the cash-flows is reviewed by the Investment Adviser to ensure that it is set at the appropriate level. All papers supporting the Gross Asset Value calculation and methodology used are presented to the Board for approval and adoption.
Dependence on the Administrator	As a consequence of a failure by the Administrator, monthly management information is not adequate and/or not received in a timely fashion and the financial statements are filed late, and therefore could lead to damaging market reputation of the Company.	The Administrator has employees with the right skills and resources to perform as appropriate Administrators. Moreover, the Company has entered into a detailed administration agreement with the Administrator to manage this risk. The Administrator is also regulated by the GFSC and is subject to periodic inspections and regular compliance reporting. The Administrator maintains full Professional Indemnity and Directors & Officers insurance.
Counterparty failure	The Company engages with various providers and counterparties. The success of the business and its investments will rely on the appropriate parties being engaged and their ability to deliver on the agreed terms.	The Administrator collates information to provide a historical track record of the counterparties which give comfort to the Board and the Investment Adviser. Price comparisons are made across competitors to ensure value for money is obtained.

6. Principal Risks and Uncertainties (continued)

Risk	Description	Mitigation/Approach
	Weaknesses or failings by the counterparties could potentially have adverse consequences for the Company in achieving its objectives.	The Company ensures that the selection process of the counterparties are carefully monitored and due regard given to their performance and financial standing, through collation of appropriate due diligence. Further, the Company mitigates the risk by diversifying the counterparties with which it engages. The Administrator ensures that the counterparties provide procedures and control documents as well as financial statements in an effort to mitigate potential for contractor bankruptcy.
Changes in regulation	The Company is authorised and regulated by the GFSC in Guernsey. The GFSC may determine that the Company's activities should be subject to increased regulation or compliance requirements.	The Company has appointed the Administrator to act as Compliance Officer. The Company also liaises with its Administrator to ensure compliance with the latest GFSC requirements.
	The Company's activities in the UK are subject to regulation under the Alternative Investment Fund Management Directive ("**AIFMD**").	After seeking professional regulatory and legal advice, the Company was established in Guernsey as self-managed Alternative Investment Fund. The Company continues to monitor developments under AIFMD and its impact on the Company.
	The Company must comply with the full handbook of the Main Market of the London Stock Exchange.	The Company liaises with its Broker, Administrator and other advisers, as required to ensure compliance with the latest full handbook requirements.
	A change in tax legislation applicable to any member of the Group or the underlying investments could result in increased tax liabilities for the Group and a consequential reduction in yield or capital to investors.	The Investment Adviser engages external tax advisers to determine the impact on returns.

6. Principal Risks and Uncertainties (continued)

Risk	Description	Mitigation/Approach
Insider Dealing	Individuals working on behalf of the Company and employees of its service providers potentially have access to sensitive, non-public information about the Company which may be used for personal benefit.	The risk of unauthorised insider trading is mitigated by the Company through the maintenance of an insider trading list. The Investment Adviser and the Administrator review this list and confirm that the counterparties are aware of their obligations.
Unfavourable weather conditions	Annual income generation of the Company is sensitive to weather conditions and in particular to the level of irradiation across the investment locations. Variability in weather could result in greater than 10% variability in revenue generation year on year.	The Company uses on site measurement of irradiation in order to measure performance against budget, and its portfolio is relatively dispersed across the south of the United Kingdom. The use of solar photovoltaic technology at the sites means generation is not dependent only on direct irradiation but also on predictable daylight limiting short term volatility when compared to other weather dependent electricity generation.

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

The above risks are mitigated and managed by the Board through continual review, policy setting and half-yearly review of the Company's risk matrix by the Audit Committee to ensure that procedures are in place with the intention of minimising the impact of the above mentioned risks. The Board carried out its first formal review of the risk matrix at the Audit Committee meeting held on 26 February 2014. 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.

7. Policies, approach and achievements adopted in respect of Corporate Social Responsibility ("CSR")

The Directors and the Investment Adviser are focused on the corporate objective of providing investors with an ethical, socially responsible and transparently managed Company. The best standards of governance and CSR are central to the Company's ethics and important in ensuring the continued attractiveness of the Company to the broad group of stakeholders with which it interacts. Beyond the production of sustainable energy from the Company's portfolio that is expected to save on the emission of millions of tonnes of CO_2 throughout the life of the assets, the Company will seek to increase biodiversity at the sites by appropriate planting and landscaping of the land it manages.

Paul Le Page
Director
5 September 2014

Laurence McNairn
Director
5 September 2014

Report of the Investment Adviser

1. About Bluefield Partners LLP (“**Bluefield**” / “**Investment Adviser**”)

Bluefield was established in 2009 and is an investment adviser to companies and funds investing in solar energy infrastructure. The Investment Adviser’s team has a proven record in the selection, acquisition and supervision of large scale energy and infrastructure assets in the UK and Europe. The team has been involved in over £500m of solar PV funds and/or transactions in both the UK and Europe since 2008, including over £235m in the UK since December 2011.

Bluefield has led the acquisitions, and currently advises on over 50 UK based solar assets that are agriculturally, commercially or industrially situated. Bluefield was appointed Investment Adviser to the Company in June 2013. Based in its London office, Bluefield’s partners are supported by a dedicated and highly experienced team of investment, legal and portfolio executives.

Bluefield’s Investment Committee has collective experience of over £7 billion of energy and infrastructure transactions.

2. Investment Strategy

The Company’s investment policy has the flexibility to commit to assets during the construction phase or operational phase. During the period under review, the Investment Adviser made the strategic decision to invest primarily in assets during the construction phase in order to:

1. Maximise quality and scale of deal flow: the strategy maximised the pool of assets available to the Company. The majority of developers and contractors in the UK solar market were (and are) unable to fund on their own balance sheets, therefore construction funders such as Bluefield were able to select their construction partners and assets from the widest possible pool;

2. Minimise acquisition costs: funding through the construction phase removes a layer of financing cost provided by third party construction funders, typically passed on to the end acquirer;

3. Minimise risk via appropriate contractual agreements: construction funding of solar assets is low risk in nature due to the simple and quick construction process. Risk can be further minimised by appropriate contractual agreements. These include making milestone payments backed, typically, by bonds, security plant and equipment and significant cash hold backs. For example, subsidy risk can be largely mitigated during construction in the event that there was a delay to grid connection. Should a contractor secure a 1.4 ROC banding as opposed to the 1.6 ROC level, the Company had contractual protections that would have resulted in the contract price stepping down to compensate for the lower revenues, enabling the Company to achieve the same hurdle return from the asset; and

4. Acquire assets using conservative assumptions: Deployment of the proceeds of the IPO saw the Company acquire assets with acquisition prices that are expected to enable the delivery of a 7 pence annual distribution, rising with RPI, based upon a cautious set of assumptions. Key amongst these was a zero real energy price inflation assumption and low levels of leverage.

3. Portfolio Highlights

At 30 June 2014, the Company had made ten investments committing £146.8 million[2] and delivering an expected energy capacity of 128.5MWp. The operational portfolio consists of 111MWp across nine of the assets at a total commitment of £127.8 million[3]. Located across the south of England and Wales, the investments are geographically diverse, have been contracted from five experienced solar contractors and contain a diverse range of proven solar technologies and infrastructure.

[2] Total Commitment of £146.8m includes £50k of transaction costs per project excluded from Investment Cost of £127.3m.

[3] This excludes Project Hoback which is under construction.

3. Portfolio Highlights (continued)

The nine assets that are operational were acquired with the proceeds of the IPO and Placing. Project Hoback, the only asset under construction at the period end, will be funded with our new three year revolving credit facility. It is expected to be grid connected in Quarter 4, 2014.

4. Portfolio Pricing

The acquisition pricing also compares favourably to pricing disclosed by other funds investing into solar assets in the public markets:

2 ROC Assets: North Beer is the only operational plant bought so far by the Company. It is contracted into the 2 ROC asset regime and was acquired for a consideration of £1.34 million per MWp compared to a market average of £1.34 million per MWp[4].

1.6 ROC Assets: The Company funded seven acquisitions under the 1.6 ROC regime (all now operational) for an average consideration of £1.12 million per MWp compared to a market average of £1.27 million per MWp[4].

1.4 ROC Assets: The Company has also funded two assets under the 1.4 ROC regime. These were acquired for an average consideration of £1.06 million per MWp compared to a market average of £1.17 million per MWp[4].

Portfolio as at 30 June 2014:

Project	ROC Band	MWp	Acquisition & Construction (£m)	Deal costs & Reserves (£m)	Total Commitment (£m)	Acquisition & Construction (£m/MWp)	Total Commitment (£m/MWp)
North Beer	2	6.9	9.2	0.1	**9.4**	1.34	**1.36**
Goosewillow	1.6	16.9	18.7	0.4	**19.1**	1.10	**1.13**
Hardingham	1.6	14.8	16.7	0.3	**17.0**	1.13	**1.15**
Hill Farm	1.6	15.2	17.0	0.3	**17.3**	1.12	**1.14**
Hall Farm	1.6	11.5	13.1	0.3	**13.4**	1.14	**1.16**
Saxley	1.6	5.9	6.7	0.3	**7.1**	1.14	**1.20**
Betingau	1.6	9.9	10.9	0.3	**11.2**	1.10	**1.13**
Pentylands	1.6	19.2	21.2	0.2	**21.4**	1.10	**1.11**
Sheppey	1.4	10.6	11.5	0.5	**12.0**	1.08	**1.13**
Hoback	1.4	17.5	18.4	0.6	**19.0**	1.05	**1.08**
Total		**128.5**	**143.4**	**3.4**	**146.8**		
Total 2 ROC	*2*	*6.9*	*9.2*	*0.1*	*9.4*	*1.34*	*1.36*
Total 1.6 ROC	*1.6*	*93.5*	*104.3*	*2.1*	*106.4*	*1.12*	*1.14*
Total 1.4 ROC	*1.4*	*28.2*	*29.9*	*1.1*	*31.0*	*1.06*	*1.10*

[4] Market average is defined as the publicly available disclosures from the Foresight Solar Energy Fund (LSE: FSFL), Next Energy (LSE: NESF) and the Renewables Infrastructure Group (LSE: TRIG) the listed renewable energy companies that invest in solar PV in the UK.

5. Acquisitions

The ten assets in the portfolio are described below. Typically, the performance of each plant is warranted for two years.

Goosewillow, Oxfordshire

The acquisition of the 16.9 MWp plant was agreed in two phases, between August and December 2013, and resulted in a total commitment of £19.1 million. The contractor was Belgium based Ikaros Solar and the project was grid connected in the 1.6 ROC regulatory period. The plant uses modules from Trina and Yingli and inverters from SMA. The Company owns 100% of the plant via its subsidiary BSIFIL and the investment was funded utilising the proceeds of the IPO.

Hardingham, Norfolk

The acquisition of the 14.8MWp plant was agreed in September, 2013 and resulted in a total commitment of £17.0 million. The contractor was British based Solar Century and the project was grid connected in the 1.6 ROC regulatory period. The plant uses modules from Hanwha and inverters from Power One. The Company owns 100% of the plant via its subsidiary BSIFIL and the investment was funded utilising the proceeds of the IPO.

North Beer, Cornwall

The acquisition of the 6.9 MWp plant was agreed in October 2013 and resulted in a total commitment of £9.4 million. The contractor was German based Parabel AG and the project was grid connected in the 2 ROC regulatory period. The plant uses modules from Hareon and inverters from Refusol and Siemens. The Company owns 100% of the plant via its subsidiary BSIFIL and the investment was funded utilising the proceeds of the IPO.

Hill Farm, Oxfordshire

The acquisition of the 15.2 MWp plant was agreed in October 2013 and resulted in a total commitment of £17.3 million. The contractor was Solar Century and the project was grid connected in the 1.6 ROC regulatory period. The plant uses modules from Yingli and inverters from SolarMax. The Company owns 100% of the plant via its subsidiary BSIFIL and the investment was funded utilising the proceeds of the IPO.

Hall Farm, Norfolk

The acquisition of the 11.5 MWp plant was agreed in December 2013 and resulted in a total commitment of £13.4 million. The contractor was Ikaros Solar and the project was grid connected in the 1.6 ROC regulatory period. The plant uses modules from Hanwha Solar One and inverters from Danfoss. The Company owns 100% of the plant via its subsidiary BSIFIL and the investment was funded utilising the proceeds of the IPO.

5. Acquisitions (continued)

Saxley, Hampshire

The acquisition of the 5.9MWp plant was agreed in December 2013 and resulted in a total commitment of £7.1 million. The contractor was Solar Century and the project was grid connected in the 1.6 ROC regulatory period. The plant uses modules from Hanwha Q-Cells and inverters from Power One. The Company owns 100% of the plant via its subsidiary BSIFIL and the investment was funded utilising the proceeds of the IPO.

Betingau, Glamorgan

The acquisition of the 9.9 MWp plant was agreed in December 2013 and resulted in a total commitment of £11.2 million. The contractor was Spanish based Prosolia and the project was grid connected in the 1.6 ROC regulatory period. The plant uses modules from Sharp, REC and Trina and inverters from Gamesa. The Company owns 100% of the plant via its subsidiary BSIFIL and the investment was funded utilising the proceeds of the IPO.

Sheppey, Kent

The acquisition of the 10.6 MWp plant was agreed in January 2014 and resulted in a total commitment of £12.0 million. The contractor was Solar Century and the project was grid connected in the 1.4 ROC regulatory period. The plant uses modules from Yingli and inverters from SolarMax. The Company owns 100% of the plant via its subsidiary BSIFIL and the investment was funded utilising the proceeds of the IPO.

Pentylands, Wiltshire

The acquisition of the 19.2 MWp plant was agreed in February 2014 and resulted in a total commitment of £21.4 million. The contractor was British contractor Wirsol, now rebranded Conergy UK and the project was grid connected in the 1.6 ROC regulatory period. The plant uses modules from Astroenergy and inverters from Power One The Company owns 100% of the plant via its subsidiary BSIFIL and the investment was funded utilising the proceeds of the IPO and Placement.

Hoback, Hertfordshire

The acquisition of the 17.5 MWp plant was agreed in June 2014 and resulted in a total commitment of £19.0 million. The contractor was Solar Century and the plant is expected to be grid connected in Quarter 4, 2014, within the 1.4 ROC regulatory period. The plant will use modules from Jinko Solar and inverters from Solarmax. The Company owns 100% of the plant via its subsidiary BSIFIL and the investment is being funded utilising the proceeds of the Placement and the RBS facility.

6. Valuation of the Portfolio

The Investment Adviser makes its valuation recommendation through its Valuation Committee chaired by Dr. Anthony Williams, the former chair of Goldman Sachs Global Risk Committee for fixed income, currencies and commodities. Following approval by the Investment Adviser's Valuation Committee, the valuations are submitted to the Directors of the Company for their review and approval based upon a detailed presentation by the Investment Adviser.

As at 30 June 2014 nine of the Company's ten assets had commenced operation, meanwhile it was considered that the solar market had developed sufficiently since the investments were made to justify a revaluation to ensure the valuation represented an up to date 'willing buyer-willing seller' valuation.

The Directors' Valuation as at 31 December 2013 was £93.6m and the valuation as at 30 June 2014 is £136.1m. A comparison of valuation at cost and based upon the Directors' Valuation is presented in the table below:

Project	**Investment at Cost (£m)**	**Investment at Value (£m)**	**Valuation uplift on Cost (£m)**
North Beer	9.3	9.9	0.6
Goosewillow	19.0	19.9	0.9
Hardingham	16.9	18.8	1.9
Hill Farm	17.2	18.8	1.6
Hall Farm	13.4	14.1	0.7
Saxley	7.0	7.4	0.4
Betingau	11.2	11.8	0.6
Sheppey	11.9	12.6	0.7
Pentylands	21.4	22.8	1.4
Total	**127.3**	**136.1**	**8.8**

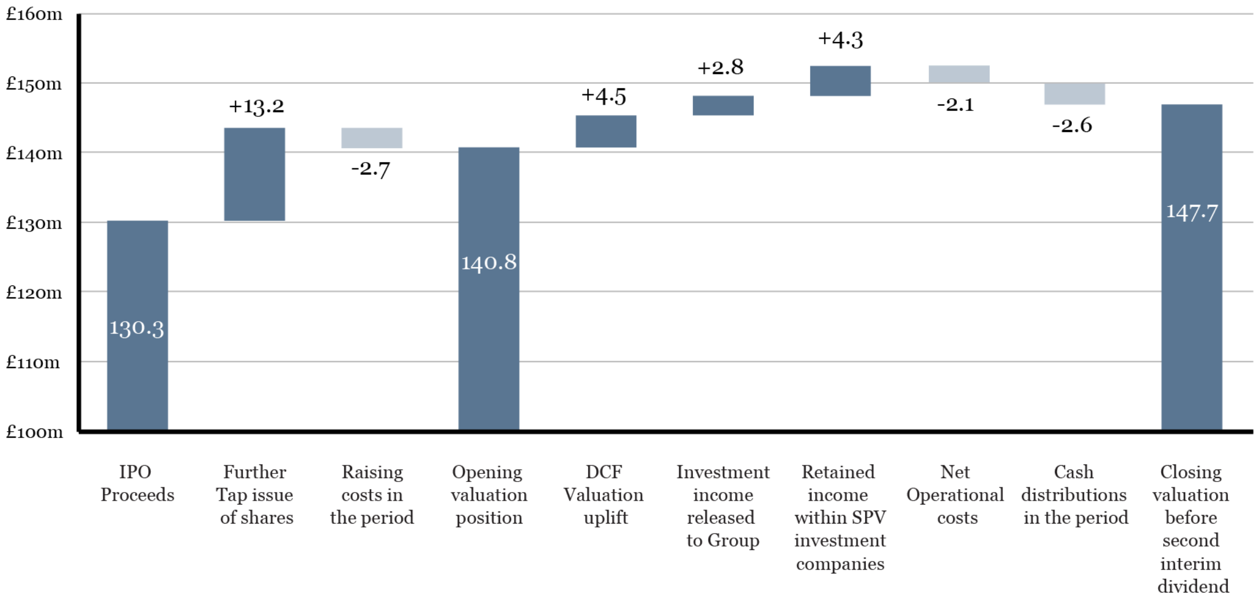
Of the Directors' Valuation presented in the table, £4.3m is attributable to income generated by within the investment SPV but not paid up to the Company within the accounting period, whilst £4.5m is attributable to the revaluation of the investments under the discounted cash-flow methodology. During the financial year the investment cost of Betingau and Goosewillow were reduced by an aggregate amount of £0.765m due to a nominal reduction in their final capacity versus contract, resulting in a contract price reduction; such amounts being returned to the Group's cash reserves.

It is noted that prior to the end of the financial period the Company closed a further £19.0m investment into Hoback Solar Limited, but this asset has not been included in the Directors' Valuation because the investment remained undrawn at the financial year end.

It is notable that in addition to the change in valuation and retained income within the investments, £2.8m of income was paid to the Group in the period.

A breakdown in the growth in the NAV since the IPO in July 2013, including the input of the Directors' Valuation, is presented below.

NAV movement in the period from IPO on 12 July 2013 to 30 June 2014



Valuation movement during the period to 30 June 2014

		(£m)
Proceeds raised at IPO		130.3
Further Tap issue of shares	13.2	
Raising costs for IPO and Tap issue	**-2.7**	
Opening valuation position		140.8
DCF Valuation uplift	4.5	
Investment income released to Group	2.8	
Retained income within SPV investment companies	4.3	
Net Operational costs	-2.1	
Cash distributions in the period	-2.6	
Closing Valuation before second interim dividend		**147.7**

Valuation movement during the period to 30 June 2014 (continued)

The valuation at the end of the period can be analysed as having two key components: (i) change in capital; and (ii) change in income, from which dividends are paid.

Analysis of valuation movement from 'capital'
In respect of the capital valuation, shares in the Company were issued at IPO in July 2013 at a cost of 100 pence per share, and a further 10% tap issuance was made in February 2014 at 101 pence per share. In line with budget, the total raising costs were £2.7m resulting in a net opening value of 98.2 pence per share in the period. The revaluation of investments based upon discounted cash-flow methodology (excluding any working capital uplifts) of £4.5m has more than offset the raising costs resulting in a revaluation before investment income of 100 pence per share, being a net uplift in capital valuation in the period of 3.1 pence per share.

The Investment Adviser considers that this capital valuation uplift when compared to investment cost is in line with expectations on the basis that of the nine investments included within the Directors' Valuation, only one was already operational and generating electricity at the time of investment, while at the end of the period all nine were operational and income generating.

While the Investment Adviser notes that its investment structures and contracts provide significant protection during construction, it is observed that operational investments are typically transacted at higher valuation multiples than projects that are not grid connected, which the Investment Adviser considers to be due to the relatively smaller number of assets available for sale at operational stage, the larger number of investors competing only for operational phase assets (due to their investment policy limitations), and the relative attraction of income generating assets. It is also noted that during the period since IPO a number of further IPOs have taken place for companies with a focus on investment in UK solar PV projects. In addition to the developments in the wider investment market, where the Investment Adviser has also observed a number of unlisted new entrants, the competitive investment environment is considered to be creating upward valuation pressure specifically for operational assets where most investors are focused.

A full analysis of discounted cash-flow valuation assumptions and the key sensitivities are explored further below.

Analysis of valuation movement from 'income'
During the reporting period, income generated by the investments comprised cash paid up from the investments to the Group of £2.8 million (2.0 pence per share) and £4.3 million (3.0 pence per share) income generated within the investment SPV's but not paid up to the Group within the accounting period. The resulting £7.1 million (5.0 pence per share) has been partially offset in the period by £2.1 million (1.5 pence per share) of net Group operational expenses, in line with budget. The net income result is a generation of £5.0 million (3.5 pence per share), before accounting for valuation changes derived from the discounted cash-flow valuation, which is considered to be in line with the Investment Adviser's objective to support the stated 4 pence year one target dividend with income generation.

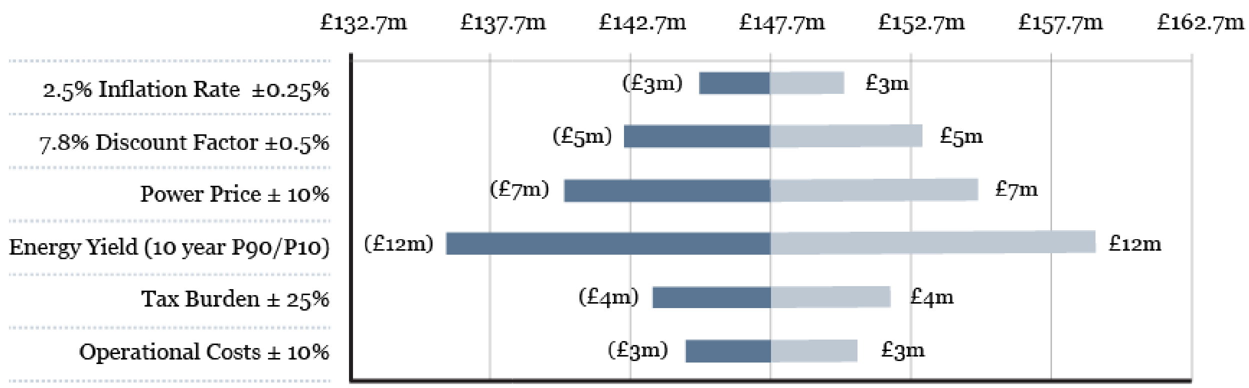
The combination of capital and income elements to the revaluation has resulted in an overall net change in valuation, before dividends, of £11.6m in the period (8.1 pence per share) against IPO share price of 100 pence. When Group set up and costs of £4.9m (3.4 pence per share) are considered as well as the distribution of 2 pence per share in February 2014 the total return in the period to 30 June 2014 is 7.0%, ahead of the Investment Adviser targets.

The following diagram reviews the sensitivity of the closing valuation to the key assumptions underlying the discounted cash-flow valuation.

Report of the Investment Adviser (continued)

The following diagram reviews the sensitivity of the closing valuation to the key assumptions underlying the discounted cash-flow valuation.

NAV Sensitivities – Impact on portfolio value from variances of key assumptions



Discount Rate
All of the portfolio investments have been valued with discounted cash-flow methodology on the basis of a discount rate of 7.8%. All investments in the portfolio are located in the UK and derive revenue from the sale of power and renewable obligation certificates, with c.50-60% of revenue expected to be derived from regulatory revenues linked to RPI.

While investments with different proportions of regulatory income, or different capital structures, may justify differentials in discount rates to reflect different cash-flow certainty, the assets currently held by the Group were considered to be substantially similar in revenue profile and capital structure therefore not meriting any differential in discount rate. The discount rate has been determined based on a risk free rate of 2.75% (10 year UK gilts as at 30 June 2014) plus a market risk premium of 5.05% calculated by the Investment Adviser based upon its judgement of market pricing within the UK solar photovoltaic sector. The Investment Advisor prepared a detailed analysis of precedent transactions as well as capital asset pricing theory, which was presented to the Board alongside a recommended discount rate of 7.8%. After reviewing the analysis and the proposed discount, the Board confirmed and adopted the discount rate of 7.8%.

The principal factors taken into consideration in determining a discount rate of 7.8% were: (i) comparative analysis of transaction pricing for pre- and post-construction solar assets; (ii) review of published return targets of the listed renewable energy funds; (iii) review of the conclusions of independent valuations of solar assets; and (iv) the Investment Adviser's market experience in bidding for UK solar assets under tender. In accordance with the capital asset pricing model, the discount rate has been applied to discount the unleveraged project cash-flows net of taxation (exclusive of any tax shield). As noted below, it is also important to note that this discount rate has been applied on the basis of the Investment Adviser's long term inflation assumption of 2.5%.

NAV Sensitivities – Impact on portfolio value from variances of key assumptions (continued)

Inflation Rate
Consistent with the Investment Adviser's financial analysis presented to investors at IPO, the Company has assumed an RPI inflation rate of 2.5% per annum flat for the full 25 year life of the discounted cash-flow. This inflation assumption was central to the Company's stated objective to deliver to investors a 7 pence dividend per annum from year commencing July 2014 resulting in a 7% target lifetime return to investors.

It is notable that a number of competing infrastructure and renewable energy funds apply a higher inflation assumption (typically 2.75%). A like-for-like analysis with a higher inflation rate assumption should be expected to be made on the basis of a higher discount rate, offsetting the valuation impact of the inflation assumption. If the Company had applied an inflation rate of 2.75% as commonly adopted, the resulting valuation of the Company would be £150.3m or 105 pence per share, 1.8% over its current valuation.

Taxation
The discounted cash-flow has been calculated on the basis that each investment is subject to full UK corporate taxation at the prevailing rate with tax shielding being limited to applicable capital allowances from the company's fixed asset investments. No tax shielding from leverage or from Group level costs is taken into account in the discounted cash-flow. In the event that taxation impact was reduced by 25% resulting from tax shield, (which since the Company closed a debt financing facility with RBS in June 2014, and as a material proportion of Group costs are incurred and as such tax deductible in the UK, may be considered reasonable), the resulting valuation of the Company would be £151.8m or 106 pence per share, 2.9% over its current valuation.

Power Price
The discounted capital valuation is based upon a power price forecast prepared by a leading forecaster. The Investment Adviser reviewed a number of power price forecast options including valuing on the basis of zero real energy price inflation or applying forecasts provided by alternative forecast providers.

In applying the IPEV Valuation Guidelines it is required that valuations are carried out on a 'willing buyer-willing seller' basis, and as such the Investment Adviser has taken consideration of the forecast assumptions used by solar market participants.

Notwithstanding the adoption of the independent power price forecasts, the Investment Adviser has applied additional caution to the forecasts in order to ensure that they accurately reflect its current experience of solar PPA power price capture. On this basis the Investment Adviser has applied the power price forecast with a 5% discount to reflect its experience of current market PPA prices.

It is notable that the forecast builds in a 'solar capture' rate reflecting the higher proportion of solar generation in peak hours, as well as a balancing cost discount which rises over the life of the forecast. The power price forecast used in the Directors' Valuation implies an annualised 2.68% real energy price inflation over the 25 year life of the cash-flow model.

If the Directors' Valuation of the Company had assumed zero real energy price inflation the resulting valuation of the Company would be £129.6m.

If the Company had applied the solar capture forecast independently prepared by the leading forecaster, the resulting valuation of the Company would be £151.5m or 106 pence per share, 2.6% over its current valuation.

NAV Sensitivities – Impact on portfolio value from variances of key assumptions (continued)

Energy Yield
The energy yield of a solar PV asset is derived from three factors: (i) the irradiation captured by the power plant; (ii) the ratio at which the power plant converts irradiation to energy, the so called 'Performance Ratio'; and (iii) the availability of the power plant (% days per year).

The Investment Adviser has relied upon independent technical advice provided by one of the leading solar PV technical advisers in the UK market as a basis for its assumptions, or where applicable, the Performance Ratio warranted by the contractor (against which the Contractor has penalty obligations and make good obligations if the plant does not perform).

The technical adviser determines its irradiation forecasts on the basis of a number of long term irradiation databases utilising both ground and satellite based measurements. These sources are applied on a weighted average basis according to the quality of the dataset and outliers are excluded.

In addition to analysing the base case energy yield, the technical adviser provides an energy yield estimate based upon a 90% probability of exceedance, the so called "P90", or in other words, the energy yield which there is a 10% probability of not being reached.

It is notable that solar energy yields have relatively low energy yield probability variance compared to other sectors, such as wind, due to the proportionately lower volatility of irradiation which is based on largely predictable daylight hours, rather than variable weather patterns.

Other Assumptions
A number of other assumptions while not separately analysed here should be taken into consideration:

- Costs are assumed to rise with RPI over the life of the investments and no cost efficiencies, such as reduction in operation & maintenance or insurance costs resulting from economies of scale, are assumed;
- Investment cash-flows are for 25 years with a zero terminal value. Planning permission for projects is typically granted for an initial 25 years subject to re-application at the end of the period, but leases typically benefit from extension options, giving rise to the potential for a longer operational life, which has not been taken into account in the Directors' Valuation; and
- Although in June 2014 the Company secured debt financing to fund further build out of the Group's portfolio, the Investment Adviser has not taken into account any potential valuation benefits which may be derived from financial structuring in the future of the Company.

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

7. Regulatory environment

The regulatory outlook for the industry remains positive. The UK government is seeking to grow the installed capacity of solar over the next few years from a low base of sub-5GWp across all installations to a medium range expectation of 12GWp by 2020, resulting in a multi-billion pound investment market.

Since the Company completed its IPO the UK solar market has experienced major inflows of funds from institutional investors into publicly traded companies, indicating a market view of low regulatory and country risk. It also reflects the growing base of primary and secondary assets which, in turn, is attracting institutional investors.

The UK solar market is unique in relation to established solar markets in that the UK government has explicitly outlined an ambitious plan for growth in the sector, through the publication of the Solar PV Strategy: Part 2 (the "**Strategy**"). In tandem with the Strategy, the direction of the intended growth has been proposed in the consultation on large scale solar announced in May, 2014, (the "**Consultation**").

The Consultation is seeking to achieve a market that has balanced growth across all the major investment sectors; domestic, commercial and industrial and agriculturally situated. The Consultation is clearly looking to see an increase in investment activity in the commercial and industrial sector whilst driving efficiency in the large scale market (>5MWp) via the CfD auction process.

Since listing, investment into solar infrastructure in the UK has given the Company the option to use either the Renewables Obligations Scheme (the "**RO Scheme**") or Feed-in Tariffs Scheme (the "**FiT Scheme**") to provide long-term, regulated revenues. The Company has exclusively used the RO Scheme due to all the assets being in excess of 5MWp (FiT support is only available to assets that are 5MWp capacity or less). The RO Scheme enables investors to access a 20 year support mechanism with revenues that are linked to RPI. The RO Scheme is the main support for renewable energy investment in the UK in terms of installed capacity and has been the basis of the growth in the UK offshore and onshore wind industry and the recent growth in the UK large-scale solar market.

Under the Consultation, the RO Scheme for solar is due to close for installations that are greater than 5MWp in capacity and are grid connected after the 31 March, 2015. It is proposed to be replaced by the new support, the CfD, which is proposed to give fully-indexed revenues for 15 years. For the installations less than 5MWp in capacity, both the RO and FiT Schemes remain in place.

The Company and the Investment Adviser have been active in working with the UK government and DECC during this Consultation.

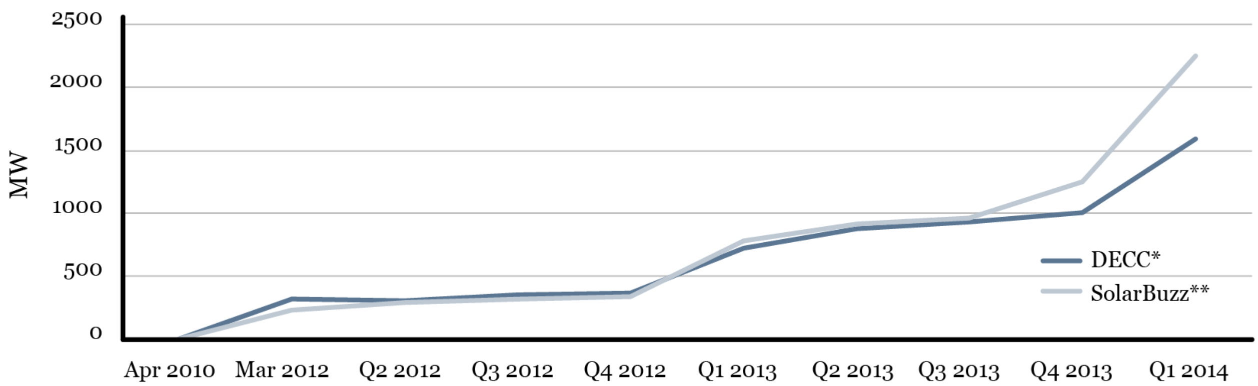
Historic Trends

The development and installation of large scale solar in the UK has experienced a significant growth phase during the period since IPO. The graph below shows the growth in the capacity of UK solar projects greater than 50kWp since the UK government introduced support for the technology in April 2010. Other than the officially published DECC numbers the SolarBuzz Industry Database is the main reference point for the industry's market data; however the Investment Adviser believes that the DECC numbers slightly lag the actual MWp installed in each quarter.

Historic Trends (continued)

The growth trend is strong irrespective of the reductions in subsidy support as solar reduces in installation cost. In the period between February 2010 and 31 March, 2012, DECC's figures show installed capacity of solar assets of 50kWp or greater of 309MWp. Between April 2012 and 31 March, 2013, installed capacity grew to in excess of 700MWp with an average size of installation of 4MWp. Since the IPO and up to 31 March, 2014, cumulative installations grew to just in excess of 1.5GWp according to DECC although the figure from SolarBuzz stands at 2.2GWp. SolarBuzz also estimates the average size of installation growing close to 8MWp.

UK Solar Capacity >=50kWp since the introduction of Feed in Tariff in April 2010



*DECC Energy Trends total solar installations less DECC Weekly Solar Installations (<=50kWp)
**SolarBuzz Industry Database – July 2014 UK Deal Tracker cumulative capacity

Future Trends

Indications are that the second half of 2014 will see continued growth in the primary market for agriculturally situated, large-scale sites, albeit as the 31 March 2015 ROC deadline approaches, less activity is expected for sites that are significantly bigger than 5MWp. Continued investment activity is expected for sites around the 5MWp size as the subsidy drop is a manageable event should the installation get grid connected post-31 March 2015.

The Consultation currently being undertaken indicates that the current government would like to see significant growth in the installed capacity of solar on and around commercial and industrial buildings. As part of this Consultation, the government is talking to industry to look to further incentivise investment in the sector and has regularly articulated ambitious installation targets.

Outlook

The growth in primary and secondary assets for large ground based solar assets is expected to continue, a trend that the Investment Adviser is well placed to take advantage of. The pricing discipline shown in the first annual period, combined with an increasingly lower cost base should, give the Company a competitive advantage when bidding for assets against a peer group with identical return targets but a more expensive portfolio and higher fee base.

As currently proposed in the government's Consultation and as the March 31 2015 ROC deadline approaches, the Investment Adviser is aware of increased risk in funding assets through construction if the asset is significantly bigger than 5MWp. The Company will adapt its strategy, where necessary, to ensure the Company continues to pursue the optimal strategy for the market conditions it faces.

Post-June update

Since period end, the Company has made two further commitments:

Capelands is an 8.4MWp project located in Devon and Redlands is a 6.2MWp project located in Somerset. juwi Renewable Energies will build the plant under an EPC contract with at least two year warranty period during which juwi Renewable Energies will also perform the operation and maintenance service. juwi Renewable Energies is a subsidiary of juwi AG which is one of the world's leading enterprises in the renewable energy sector. The plants were both funded with the RBS facility.

Since 1996 juwi has been designing, building, financing and operating plants that harness renewable energy. As with all other BSIF acquisitions, strong contractual protections during the construction phase and post commissioning have been put in place to minimise any construction and subsidy risk. The site leases are for 25 years. Power purchase agreements will be put in place once commissioning is achieved.

The plants are expected to be grid connected in Quarter 4, 2014.

Bluefield Partners LLP
5 September 2014

Report of the Directors

The Directors hereby submit the annual report and consolidated financial statements of the Group for the period from incorporation on 29 May 2013 to 30 June 2014.

General Information

The Company is a non-cellular company limited by shares incorporated in Guernsey under the Companies (Guernsey) Law, 2008 on 29 May 2013. The Company's registration number is 56708, and it has been registered and is regulated by the GFSC as a registered closed-ended collective investment scheme. The Company's Ordinary Shares were admitted to the Premium Segment of the Official List and to trading on the Main Market of the London Stock Exchange as part of its initial public offering which completed on 12 July 2013.

Principal Activities

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

The Company's objective is to target a dividend of 4 pence per Ordinary Share for its financial period ending 30 June 2014 and 7 pence per Ordinary Share in respect of its second financial year ending 30 June 2015, with the intention of the dividend rising annually in line with UK RPI thereafter.

Business Review

A review of the Group's business and its likely future development is provided in the Chairman's Statement, Strategic Report on pages 7 to 9 and 12 and in the Report of the Investment Adviser on pages 26 to 38.

Listing Requirements

Throughout the period since admission on 12 July 2013 to the Official List, maintained by the FCA, the Company has complied with the applicable Listing Rules.

Results and Dividends

The results for the period are set out in the consolidated financial statements on pages 64 to 67.

On 19 February 2014, the Directors declared a first interim dividend in respect of the period ended 31 December 2013 of 2 pence per Ordinary Share to shareholders on the register as at the close of business on 28 February 2014. On 5 September 2014, the Company declared a second interim dividend of 2 pence per Ordinary Share to shareholders on the register as at the close of business on 19 September 2014 in respect of the six months ended 30 June 2014.

Share Capital

At incorporation on 29 May 2013, the Company issued one founding Ordinary Share of no par value. On 12 July 2013 the Company issued a further 130,290,000 Ordinary Shares of no par value at £1 per Ordinary Share in an Initial Public Offering ("**IPO**"). On 21 February 2014, the Company issued a further 13,028,999 Ordinary Shares at £1.01 per Ordinary Share, raising a total of £13.2 million.

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

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

Shareholdings of the Directors

The Directors of the Company and their beneficial interests in the shares of the Company as at 30 June 2014 are detailed below:

Director	Ordinary shares of £1 each held 30 June 2014	% holding at 30 June 2014
John Rennocks*	155,000	0.11
John Scott	201,176	0.14
Paul Le Page	70,000	0.05
Laurence McNairn	91,764	0.06

*held jointly with spouse and daughter

There have been no changes to the Directors' shareholdings since 30 June 2014.

Directors' Authority to Buy Back Shares

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

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

On incorporation the Company passed a written resolution granting the Directors' general authority to purchase in the market up to 14.99% of the Ordinary Shares in issue immediately following Admission at a price not exceeding the higher of (i) 5% above the average mid-market values of Ordinary Shares for the five Business Days before the purchase is made or (ii) the higher of the last independent trade or the highest current independent bid for Ordinary Shares. The Directors intend to seek renewal of this authority from the shareholders at the Annual General Meeting ("**AGM**").

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

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

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

Directors' and Officers' Liability Insurance

The Company maintains insurance in respect of directors' and officers' liability in relation to their acts on behalf of the Company. Insurance is in place, having been renewed on 12 July 2014.

Substantial Shareholdings

As at 23 August 2014, the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following substantial voting rights over 3% as shareholders of the Company.

Shareholder	Shareholding	% Holding
CCLA Investment Management	25,000,000	17.43
BlackRock	14,452,855	10.08
Newton Investment Management	10,784,829	7.52
Baillie Gifford	9,674,472	6.75
Investec Wealth & Investment Ireland	9,026,478	6.29
British Steel Pensions	6,000,000	4.18
Independent Investment Trust	5,000,000	3.49
JM Finn	4,744,006	3.31
Smith & Williamson	4,397,757	3.07

The Directors confirm that there are no securities in issue that carry special rights with regards to the control of the Company. There have been no changes that have been notified to the Company with respect to the substantial shareholdings since 30 June 2014.

Independent Auditor

KPMG Channel Islands Limited ("**KPMG**" or "**Auditor**") has been the Company's external Auditor since the Company's incorporation. This is the first period of audit. A resolution will be proposed at the forthcoming Annual General Meeting to re-appoint them as Auditor and authorise the Directors to determine the Auditor's remuneration for the ensuing year.

The Audit Committee will periodically review the appointment of KPMG and the Board recommends their appointment. Further information on the work of the Auditor is set out in the Report of the Audit Committee on pages 54 to 59.

Articles of Incorporation

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

Going Concern

At 30 June 2014, the Company had invested in ten solar projects through the full commitment of the IPO proceeds and the use of the additional £13.2 million raised through a subsequent share issue. Further to this, nine of the ten solar projects were completed and were in operation by 30 June 2014. This resulted in a cash balance of £11,287,130 and net assets of £147,676,019 as at 30 June 2014. During the period, the Company had also entered into a £50 million revolving loan facility which was not drawn down as at 30 June 2014. These resources, together with the net income generated by the acquired projects are expected to allow the Company to meet its liquidity needs for the payment of operational expenses, dividends and acquisition of new solar assets. The Company expects to continue to comply with the covenants of its revolving loan facility.

Going Concern (continued)

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 the consolidated financial statements, have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Group. The Directors have concluded that it is appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Financial Risks Management Policies and Procedures

Financial Risks Management Policies and Procedures are disclosed in Note 18.

Principal Risk and Uncertainties

Principal Risk and Uncertainties are discussed in the Strategic Report on pages 20 to 24.

Subsequent Events

On 5 September 2014, the Board declared a second interim dividend of 2 pence per Ordinary Share which will be payable to shareholders on the register as at 19 September 2014 with an associated ex-dividend date of 17 September 2014.

On 28 July 2014, the Group entered into two conditional contracts for a total commitment of £15 million comprising of an 8.5 MWp plant in Devon and 6 MWp in Somerset, which will be constructed by a UK contractor. Both plants are expected to qualify for the 1.4 ROC regime.

Since 30 June 2014, a total of £6.7 million was transferred from the Group to Hoback Solar Limited on the existing loan commitment at the period end.

Annual General Meeting

The AGM of the Company will be held on 17 October 2014 at Lefebvre Place, Lefebvre Street, St Peter Port, Guernsey. Details of the resolutions to be proposed at the AGM, together with explanations, will appear in the Notice of Meeting to be distributed to shareholders together with this Annual Report.

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

By order of the Board

John Rennocks
Chairman
5 September 2014

Board of Directors

John Rennocks (Chairman)

John Rennocks is non-executive chairman of Diploma plc, a non-executive deputy chairman of Inmarsat plc and a non-executive director of Greenko Group plc, a developer and operator of hydro and wind power plants in India. He has broad experience in emerging energy sources, support services and manufacturing. Mr Rennocks previously served as a non-executive director of Foreign & Colonial Investment Trust plc, as well as several other public and private companies, and as Executive Director-Finance for Smith & Nephew plc, Powergen plc and British Steel plc/Corus Group plc. Mr Rennocks is a Fellow of the Institute of Chartered Accountants of England and Wales.

John Scott (Senior Independent Director)

John Scott is a former investment banker who spent 20 years with Lazard and is currently a director of several investment trusts. Mr Scott has been Chairman of Scottish Mortgage Investment Trust plc since December 2009 and Chairman of Impax Environmental Markets plc since May 2014; he has also been Chairman of Alpha Insurance Analysts since April 2013. Until the company's sale in March 2013, he was Deputy Chairman of Endace Ltd. of New Zealand and in November 2012 he retired after 12 years as a non-executive director of Miller Insurance. He has an MA in Economics from Cambridge University and an MBA from INSEAD; he is also a Fellow of the CII and of the CISI.

Paul Le Page (Chairman of the Audit Committee)

Paul Le Page is a director of FRM Investment Management Guernsey Limited, a subsidiary of Man Group plc. He is responsible for managing hedge fund portfolios, and is a director of a number of FRM funds. Mr Le Page was formerly a Director of, and Audit Committee Chairman for, Cazenove Absolute Equity Limited and Thames River Multi Hedge PCC Limited. He has extensive knowledge of, and experience in, the fund management and the hedge fund industry. Prior to joining FRM, he was an Associate Director at Collins Stewart Asset Management from January 1999 to July 2005, where he was responsible for managing the firm's hedge fund portfolios and reviewing fund managers. He joined Collins Stewart in January 1999 where he completed his MBA in July 1999. He originally qualified as a Chartered Electrical Engineer after a 12-year career in industrial research and development, latterly as the Research and Development Director for Dynex Technologies (Guernsey) Limited, having graduated from University College London in Electrical and Electronic Engineering in 1987.

Laurence McNairn

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

Directors' Statement of Responsibilities

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

The Law requires the Directors to prepare financial statements for each financial year. Under the Listing Rules, the Directors are required to prepare the financial statements in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the European Union ("**EU**"). Under the Law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these consolidated financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Group and enable them to ensure that the consolidated financial statements comply with the Law. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law and regulations.

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

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

By order of the Board

Paul Le Page
Director
5 September 2014

Laurence McNairn
Director
5 September 2014

Responsibility Statement of the Directors in Respect of the Annual Report

Each of the Directors, whose names are set out on page 43 in the Report of the Directors section of the annual report, confirms that to the best of their knowledge that:

- the consolidated financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its subsidiary included in the consolidation taken as a whole;

  the Management Report (comprising Chairman's Statement, Strategic Report and Report of the Investment Adviser) includes a fair review of the development and performance of the business and the position of the Company and its subsidiary included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties faced on pages 20 to 24; and

The Directors are responsible for preparing the annual report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Directors consider the annual report and consolidated financial statements, taken as a whole, as fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

By order of the Board

Paul Le Page
Director
5 September 2014

Laurence McNairn
Director
5 September 2014

Corporate Governance Report

The Directors recognise the importance of sound corporate governance, particularly the requirements of the Association of Investment Companies Code of Corporate Governance ("**AIC Code**").

The Company became a member of the Association of Investment Companies ("**AIC**") effective 15 July 2013. The Directors have considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for Investment Companies ("**AIC Guide**"). The AIC Code, as explained by the AIC Guide, provides a 'comply or explain' code of corporate governance and addresses all the principles set out in the UK Corporate Governance Code ("**UK Code**") as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies such as the Company. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), provides better information to shareholders.

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

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

Throughout the period ended 30 June 2014, the Company has complied with the recommendations of the AIC Code and the provisions of the UK Code, except to the extent highlighted below.

Provision A.2.1 of the UK Code requires a chief executive to be appointed, however, as an investment company, the Company has no employees and therefore has no requirement for a chief executive. As all the Directors including the Chairman are non-executive and independent of the Investment Adviser, the Company has not established a nomination committee, remuneration committee or a management engagement committee, which is not in accordance with provisions B.2.1 and D.2.1 of the UK Code, and Principle 5 of the AIC Code respectively. The Board is satisfied that as a whole, any relevant issues can be properly considered by the Board. The absence of an internal audit function is discussed in the Report of the Audit Committee on page 58.

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

The Board

The Directors' details are listed on page 43 which set out the range of investment, financial and business skills and experience represented.

John Rennocks, John Scott and Paul Le Page were appointed on 12 June 2013 and Laurence McNairn was appointed 1 July 2013. Mark Huntley was appointed on 29 May 2013 and resigned on 1 July 2013. The Board appointed John Scott as Senior Independent Director effective from 10 December 2013 to fulfil any function that is deemed inappropriate for the Chairman to perform.

All Directors shall retire and submit themselves for election at the first AGM of the Company, due to take place on 17 October 2014. The Company's Memorandum and Articles of Incorporation specify that each Director shall retire and seek re-election at each subsequent AGM of the Company at least every three years. However, in accordance with corporate governance best practice, all Directors are to be re-elected annually.

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

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

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

The Company has adopted a share dealing code for the Board and will seek to ensure compliance by the Board and relevant personnel of the Investment Adviser with the terms of the share dealing code.

Directors' Remuneration

The Chairman is entitled to an annual remuneration of £50,000. The other Directors are entitled to an annual remuneration of £30,000, with Paul Le Page receiving an additional annual fee of £5,000 for acting as Chairman of the Audit Committee. The Board will review all Directors' remuneration annually.

During the period to 30 June 2014, the remuneration earned by each Director was as follows:

Director	**(£)**
John Rennocks	52,603
John Scott	31,561
Paul Le Page	36,822
Laurence McNairn	30,000

The above fees for the Directors are for the period from appointment to 30 June 2014.

The Directors elected to receive their Directors' fees for the first two years through an issue of Ordinary Shares, which were allotted and issued at the initial issue price. The value of this non-cash consideration is equivalent to the aggregate cash payment that otherwise would have been made to the Directors for the provision of their services in accordance with the terms of their respective appointment letters.

As a result, on 12 July 2013, the Company issued a total of 290,000 Ordinary Shares as part of the IPO at the issue price of £1 per Ordinary Share, to the Directors in lieu of a cash payment for Directors' fees for the first two years. The total Directors' fees expense for the period amounted to £150,986 with a prepaid element of £139,014 at the period end.

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

Duties and Responsibilities

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

- statutory obligations and public disclosure;
- strategic matters and financial reporting;
- investment strategy and management;
- risk assessment and management including reporting, compliance, governance, monitoring and control; and
- other matters having a material effect on the Company.

The Directors have access to the advice and services of the Administrator, who is responsible to the Board for ensuring that Board procedures are followed and that it complies with Guernsey Law and applicable rules and regulations of the GFSC and the London Stock Exchange. Where necessary, in carrying out their duties, the Directors may seek independent professional advice and services at the expense of the Company. The Company maintains appropriate Directors' and Officers' liability insurance in respect of legal action against its Directors on an on-going basis.

Duties and Responsibilities (continued)

The Board's responsibilities for the annual report are set out in the Directors' Responsibilities Statement on page 45. The Board is also responsible for issuing appropriate half-yearly financial reports, interim management statements and other price-sensitive public reports.

The attendance record of the Directors for the period to 30 June 2014 is set out below:

Director	Scheduled Board Meetings (max 4)	Ad-hoc Board Meetings (max 12)	Audit Committee Meetings (max 4)
John Rennocks	4	5	2
John Scott	4	3	2
Paul Le Page	4	12	4
Laurence McNairn	3	9	4
Mark Huntley	-	3	-

12 unscheduled committee meetings were held during the period to formally review and authorise each investment made by the Company, to discuss placing of Ordinary Shares and to consider interim dividends, amongst other items.

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

Performance Evaluation
In accordance with Principle 7 of the AIC Code, the Board is required to undertake a formal and rigorous evaluation of its performance on an annual basis. Due to the commencement of operations of the Company, no formal Board evaluation has been carried out as at the date of this report. A formal evaluation of the performance of the Board as a whole, and the Chairman will be completed in 2014, in the form of self-appraisal questionnaires and a detailed discussion of the outcomes which include assessing the Directors' continued independence.

Committees of the Board

Audit Committee

On 24 June 2013, the Board established an Audit Committee which held its first meeting on 10 December 2013. The Audit Committee is chaired by Paul Le Page and at the date of this report comprised all of the Directors set out on page 3. The report of the role and activities of this committee and its relationship with the Auditor is contained in the Report of the Audit Committee on pages 54 to 59. The Committee operates within clearly defined terms of reference which are available on the Company's website (www.bluefieldsif.com).

Internal Control and Financial Reporting

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

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

The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Administrator and Investment Adviser, including their own internal controls and procedures, provide sufficient assurance that a sound system of risk management and internal control, which safeguards shareholders' investment and the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary, as explained on page 58.

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

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

Investment Advisory Agreement

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

The Investment Adviser is led by its managing partners, James Armstrong, Mike Rand and Giovanni Terranova, who founded the business in 2009 following their prior work together in European solar energy. The Investment Adviser's managing partners have a combined record, prior to Bluefield Partners LLP, of investing in or project financing approximately £7 billion of renewable and conventional energy projects. The managing partners have been involved in over £500 million of solar PV deals in both the UK and Europe since 2008, including over £235 million of solar PV transactions in the UK since December 2011. The Investment Adviser's non-executive team includes William Doughty, the founding CEO of Semperian; Dr. Anthony Williams, the former chair of the Risk Committee for the Fixed Income, Currencies & Commodities Division, and Partner at Goldman Sachs & Co; and Jon Moulton, the current chairman of Better Capital and former managing partner and founder of Alchemy Partners.

Investment Advisory Agreement (continued)

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

Dealings with shareholders

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

Principal risks and uncertainties

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

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

The Company's principal risks and uncertainties are discussed in detail on page 20 to 24 of the Strategic Report. The Company's financial instrument risks are discussed in Note 18 to the consolidated financial statements.

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

Changes in Regulation

The Board monitors and responds to changes in regulation as it affects the Group and its policies. A number of changes to regulation occurred during the period.

Alternative Investment Fund Management Directive ("AIFMD")

The AIFMD, which was implemented across the EU 22 July 2013 with the transition period ending 22 July 2014, aims to harmonise the regulation of Alternative Investment Fund Managers ("AIFMs") and imposes obligations on managers who manage or distribute Alternative Investment Funds ("AIFs") in the EU or who market shares in such funds to EU investors.

After seeking professional regulatory and legal advice, the Company was established in Guernsey as a self-managed Non-EU AIF. Additionally, the Company has taken advice on and implemented sufficient and appropriate policies and procedures that enable the Board to fulfil its role in relation to portfolio management and the management of risk. The Company is therefore categorised as an internally managed Non-EU AIFM for the purposes of the AIFM Directive and as such neither it nor the Investment Adviser is required to seek authorisation under the AIFM Directive.

Alternative Investment Fund Management Directive ("AIFMD") (continued)

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

Currently, the AIFMD National Private Placement Regime (the "NPPR") provides a mechanism to market Non-EU AIFs that are not allowed to be marketed under the AIFMD domestic marketing regimes. The Board intends to utilise NPPR in order to market the Company, specifically in the UK pursuant to regulations 57, 58 and 59 of the UK Alternative Investment Fund Managers Regulations 2013. The Board is working with the Company's advisers to ensure the necessary conditions are met, and all required notices and disclosures are made under NPPR. Eligible AIFMs will be able to continue to use NPPR until at least 2018, and until 2015 NPPR will be the sole regime available to market in the EEA.

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

The Board is working with the Company's advisers to ensure the necessary conditions are met, and all required notices and disclosures are made under NPPR.

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

Foreign Account Tax Compliance Act ("FATCA")

FATCA became effective on 1 January 2013 and is being gradually implemented internationally. The legislation is aimed at determining the ownership of US assets in foreign accounts and improving US Tax compliance with respect to those assets. The Board in conjunction with the Company's service providers and advisers have ensured the Company's compliance with the Act's requirements to the extent relevant to the Company.

Corporate Governance Report (continued)

Non-Mainstream Pooled Investment ("NMPI")

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

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

By order of the Board

Paul Le Page
Director
5 September 2014

Laurence McNairn
Director
5 September 2014

Report of the Audit Committee

On 24 June 2013, the Board established the Audit Committee which held its first meeting on 10 December 2013. The Audit Committee, chaired by Paul Le Page and comprises all of the Directors set out on page 3, operates within clearly defined terms of reference (which are available from the Company's website) and includes all matters indicated by Disclosure and Transparency Rule 7.1 and the AIC Code. Appointments to the Committee shall be for a period of up to three years, extendable for one or further three-year periods. It is also the formal forum through which the Auditor will report to the Board of Directors.

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

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

Responsibilities

The main duties of the Audit Committee are:

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

Report of the Audit Committee (continued)

Responsibilities (continued)

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

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

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

Financial Reporting

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

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

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

Meetings

The Committee has met formally on four occasions since inception to the date of this report. The matters discussed at those meetings were:

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

Meetings (continued)

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

During the year, the Audit Committee also held informal meetings and discussions with the Company's corporate finance advisers to ensure that the Company obtained maximum value for money for these services.

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

Primary Area of Judgement

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

As outlined in Note 10 of the consolidated financial statements, the fair value of investments as at 30 June 2014 was £136,120,317. Market quotations are not available for these investments as their valuation is undertaken using a discounted cash-flow methodology. Significant inputs such as the discount rate, rate of inflation and the amount of electricity the solar assets are expected to produce are subjective and include certain assumptions. As a result, this requires a series of judgements to be made as explained in Note 3 in the consolidated financial statements.

The valuation process and methodology were discussed with the Investment Adviser regularly during the period and with the Auditor as part of the period end audit planning and interim review processes. The Audit Committee also challenged the Investment Adviser on the period end fair value of investments as part of its consideration of the consolidated financial statements.

For the interim financial statements as at 31 December 2013, the Committee determined that the valuation methodology applied would be a 'cost less impairment' approach as the majority of the Company's solar plants held within the SPV investments were under construction. The issue of cost apportionment between revenue and capital was discussed and it was agreed to include transaction costs that were intrinsically linked to the value of the investment in the carrying value of each investment, but to expense any transaction costs arising from an acquisition as these are recurring in nature and would be suffered by the next purchaser.

For the annual audited consolidated financial statements, the Committee decided to value the operational solar plants within the SPV investments on a discounted cash-flow basis. This policy was adopted as the majority of the Company's portfolio of solar plants were operational and a significant number of market comparative valuations were available against which the Company's portfolio could be benchmarked. This valuation methodology would also reflect the value of the portfolio if the assets were to be purchased by a third party in a 'willing buyer-willing seller' scenario. The Audit Committee reviewed and agreed with the Investment Adviser's analysis for determining the discount rate that was applied in the discounted cash-flow calculations. This rate was based on the Investment Adviser's knowledge of the market, taking into account pricing levels applied on recent bidding activity on operational assets and third party valuations of the Investment Adviser's other unlisted funds.

Primary Area of Judgement (continued)

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

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

The Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) standard is a recently issued standard and the Committee discussed in detail at a meeting during the period on whether the Company satisfied the criteria as set out in the amendments to be regarded as an investment entity, and the appropriateness of early adopting these amendments. Before reaching our conclusions we considered papers prepared by the Investment Adviser and the Administrator which compared the contractual, operational and commercial arrangements in place against the criteria in the standard. The Board has reconsidered the on-going appropriateness of this accounting policy following the Company's acquisition of two additional wholly owned assets in early 2014 and concluded that the Company continues to meet the definition of an investment entity.

The amendments require investment entities to account for subsidiaries at fair value rather than consolidate their results. Notwithstanding this, IFRS 10 requires subsidiaries that provide investment related services to be consolidated. The significant assumptions and judgements used in evaluating whether the Company meets the definition of an investment entity are described in Note 3 to the consolidated financial statements. Adoption of this standard ensures consistent treatment of the SPV investments held in the portfolio, and we are of the opinion that it will provide more meaningful, relevant and understandable information to shareholders.

There is also some degree of uncertainty with regards to the future of accounting for subsidiaries that provide investment related services which also hold a portfolio of investments (such as BSIFIL) as the IFRS Interpretations Committee are currently discussing these issues. An Exposure Draft on Investment Entities: Applying the Consolidation Exception was published for comment by the IASB during the reported period of the Group's consolidated financial statements. The proposed amendment requires all subsidiaries to be held at fair value rather than being consolidated except where the subsidiary itself does not qualify as an investment entity. The Group currently consolidates its only direct subsidiary, BSIFIL, and holds all SPV investments at fair value. The net assets of BSIFIL, which at 30 June 2014 principally comprise cash and working capital balances in addition to the SPV investments, would be required to be included in the carrying value of the financial assets held at fair value through profit or loss. This change would not materially affect the Group's net assets. At 30 June 2014, BSIFIL's cash and working capital balances are not included in the fair value of the financial assets held at fair value through profit or loss and are consolidated within the Group's net assets. As it is uncertain as to whether the accounting standard will be amended, the Board will continue to monitor these discussions.

Risk Management

The Company's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Committee. The work of the Audit Committee is driven primarily by the Group's assessment of its principal risks and uncertainties as set out on pages 20 to 24 of the Strategic Report, and it receives reports from the Investment Adviser and Administrator on the Group's risk evaluation process and reviews changes to significant risks identified.

Internal audit

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

External Audit

KPMG has been the Company's external Auditor since the Company's inception. This is the first period of audit.

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

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

The external Auditor may not undertake any work for the Group in respect of the following matters;preparation of the financial statements, provision of investment advice, taking management decisions or advocacy work in adversarial situations.

The Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the Auditor, with particular regard to the level of non-audit fees. During the period, KPMG was engaged to provide Reporting Accountant services in relation to the IPO and a review of the Group's first quarterly NAV calculation. Total fees paid amounted to £100,875 for the period ended 30 June 2014 of which £35,000 related to audit and audit related services to the Group and £65,875 in respect of non-audit services.

Notwithstanding such services, most of which have arose in connection with the Company's IPO and subsequent share placing, the Audit Committee considers KPMG to be independent of the Company and that the provision of such non-audit services is not a threat to the objectivity and independence of the conduct of the audit as appropriate safeguards are in place.

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

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

Report of the Audit Committee (continued)

External Audit (continued)

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

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

The Audit Committee is satisfied with KPMG's effectiveness and independence as Auditor having considered the degree of diligence and professional scepticism demonstrated by them. Having carried out the review described above and having satisfied itself that the Auditor remains independent and effective, the Audit Committee has recommended to the Board that KPMG be reappointed as Auditor for the year ending 30 June 2015.

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

On behalf of the Audit Committee

Paul Le Page
Chairman of the Audit Committee
5 September 2014

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

Opinions and conclusions arising from our audit

Opinion on financial statements

We have audited the consolidated financial statements (the "financial statements") of Bluefield Solar Income Fund Limited (the "Company") and its subsidiary (together, the 'Group') for the period from incorporation on 29 May 2013 (date of incorporation) to 30 June 2014 which comprise the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash-flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union ('EU'). In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2014 and of its total comprehensive income for the period from 29 May 2013 (date of incorporation) to 30 June 2014;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- comply with the Companies (Guernsey) Law, 2008.

Our assessment of risks of material misstatement

The risks of material misstatement detailed in this section of this report are those risks that we have deemed, in our professional judgment, to have had the greatest effect on: the overall audit strategy; the allocation of resources in our audit; and directing the efforts of the engagement team. Our audit procedures relating to these risks were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of these risks, and we do not express an opinion on these individual risks.

In arriving at our audit opinion above on the financial statements, the risks of material misstatements that had the greatest effect on our audit were as follows:

Accounting treatment for subsidiaries arising from the adoption of Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (the "Investment Entities Amendments").

Refer to page 58 of the Report of the Audit Committee, Note 2(c) of the accounting policies and Note 3 disclosures

- **The risk** –The Group has early adopted IFRS 10 to 12 including the Investment Entities Amendments which are subject to further potential changes in the future. The Directors have concluded that the Company meets the definition of an Investment Entity as prescribed in IFRS 10 and, as a result, the Company does not consolidate its controlled subsidiaries except for those that provide services relating to its investment activities. Whether the Company is an Investment Entity is a key judgement made by the Directors as those controlled subsidiaries which are not consolidated are held at fair value. The Directors have also made a judgement as to which entities in the Group provide investment related services and are consolidated within the financial statements. The risk addressed is that the Directors have made appropriate judgments in applying the Investment Entities Amendments notwithstanding that new interpretations may be issued to the Investment Entities Amendments that may result in a change in the Directors' conclusions and therefore the accounting treatment.

- **Our response** – Our audit procedures with respect to the above judgement included, but were not limited to, forming an independent evaluation of the relevant facts and circumstances, the purpose and the design of the Group and of the documentation supporting the Directors' assessment that the Company meets the definition of an Investment Entity. Specifically, we challenged the Directors' assessment that the Company's business purpose is to invest for returns solely from capital appreciation and/or investment income and that the Company measures and evaluates the performance of the investments on a fair value basis. We used our knowledge of the Group to challenge the Directors' assessment that a subsidiary, Bluefield SIF Investments Limited, provided investment related services and so is consolidated in the financial statements. We have considered the adequacy of the Group's disclosures in respect of the application of the Investment Entities Amendments (Notes 2c and 3).

Valuation of the Special Purpose Vehicle ("SPV") Investments [£136,120,317 (or 92% of NAV)]

Refer to pages 56 and 57 of the Report of the Audit Committee, Note 2(i) accounting policies and Note 10 disclosures

- **The risk** –The Group measures its SPV investments at fair value based on discounted cash-flows of the underlying solar projects in addition to the other assets and liabilities of the SPV investments. The Investment Advisor performs a valuation of each SPV investment. The Directors consider the valuations performed by the Investment Advisor and decide on the appropriate valuation to include in the financial statements.

  The Investment Advisor performs the valuations using forecast cash-flows generated by each project over a long-term period and selects key assumptions such as the discount rates, base energy yield assumptions, electricity price forecasts and macroeconomic assumptions such as inflation and tax rates. The valuations are adjusted for other specific assets and liabilities of the SPVs. The assessment of long-term term forecasts and the selection of appropriate assumptions surrounding uncertain future events, as set out in the key judgments and estimates section of the financial statements, are key judgements made by the Directors. There is a risk that changes to forecast cash-flows and the selection of different assumptions may result in a materially different valuation.

- **Our response** – Our audit procedures with respect to the valuation of the SPV investments included but were not limited to, meeting with the Investment Advisor and Directors of the Company to identify circumstances which would impact the cash-flows and challenging the underlying assumptions with reference to source data. We challenged the key assumptions for discount rates, base energy yield assumptions, electricity price forecasts, inflation and tax rates using our own valuation specialists which included reviewing macroeconomic data and observable market data to perform benchmarking and sensitivity tests. We have also challenged the other specific assets or liabilities of the SPVs that are included in the valuation exercise by the Investment Advisor. We have considered the adequacy of the Group's disclosures in accordance with IFRS 13 (see Note 10) including the use of estimates and judgements in arriving at fair value and sensitivities. Further, we performed a review of the Group's valuation policy disclosures as presented in the Annual Report.

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

Materiality is a term used to describe the acceptable level of precision in financial statements. Auditing standards describe a misstatement or an omission as "material" if it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The auditor has to apply judgment in identifying whether a misstatement or omission is material and to do so the auditor identifies a monetary amount as "materiality for the financial statements as a whole".

The materiality for the financial statements as a whole was set at £3,800,000. This has been calculated using a benchmark of the Group's net asset value (of which it represents approximately 2.6%) which we believe is the most appropriate benchmark as net asset value is considered to be one of the principal considerations for members of the Company in assessing the financial performance of the group.

We agreed with the audit committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £190,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

The Group audit team performed the audit of the Group as if it was a single operating entity based on the aggregated set of financial information for the Group. The audit was performed using the materiality levels set out above and covered 100% of total Group operating income, Group total comprehensive income before tax and total Group assets.

Our assessment of materiality has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

Whilst the audit process is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather we plan the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant depth of work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the Responsible Individual, to subjective areas of the accounting and reporting process.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Matters on which we are required to report by exception

Under International Standards on Auditing [ISAs] (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

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

Under the Companies (Guernsey) Law, 2008, we are required to report to you if, in our opinion:

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

Under the Listing Rules we are required to review the part of the Corporate Governance Report on pages 46 to 53 relating to the Company’s compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Independent Auditor's Report (continued)

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

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

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Statement of Responsibilities set out on Page 44, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the UK Ethical Standards for Auditors.

Neale D Jehan

For and on behalf of KPMG Channel Islands Limited

Chartered Accountants and Recognised Auditors

Guernsey

5 September 2014

Consolidated Statement of Financial Position

As at 30 June 2014

	Note	30 June 2014 £
ASSETS		
Non-current assets		
Financial assets held at fair value through profit or loss	**10**	136,120,317
Trade and other receivables	**12**	511,111
Total non-current assets		**136,631,428**
Current assets		
Trade and other receivables	**12**	608,530
Cash and cash equivalents	**13**	11,287,130
Total current assets		**11,895,660**
TOTAL ASSETS		**148,527,088**
LIABILITIES		
Current liabilities		
Other payables and accrued expenses	**14**	851,069
Total current liabilities		**851,069**
TOTAL LIABILITIES		**851,069**
NET ASSETS		**147,676,019**
EQUITY		
Share capital	**16**	140,837,766
Retained reserves	**16**	6,838,253
TOTAL EQUITY		**147,676,019**
Number of Ordinary Shares in issue at period end	**16**	**143,426,684**
Net Asset Value per Ordinary Share (pence)	**9**	**102.96**

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 5 September 2014 and signed on their behalf by:

Paul Le Page
Director
5 September 2014

Laurence McNairn
Director

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

Consolidated Statement of Comprehensive Income

For the period from incorporation on 29 May 2013 to 30 June 2014

	Note	29 May 2013 to 30 June 2014 £
Income		
Investment income	**4**	1,142,237
Interest income from cash and cash equivalents		418,838
		1,561,075
Net gains on financial assets held at fair value through profit or loss	**10**	10,478,025
Operating income		**12,039,100**
Expenses		
Administrative expenses	**5**	2,054,320
Transaction costs	**6**	508,102
Operating expenses		**2,562,422**
Operating profit		**9,476,678**
Finance costs	7	32,633
Total comprehensive income before tax		**9,444,045**
Taxation	**8**	-
Total comprehensive income for the period		**9,444,045**
Attributable to:		
Owners of the Company		**9,444,045**
Earnings per share:		
Basic and diluted (pence)	**15**	**6.99**

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

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

Consolidated Statement of Changes in Equity

For the period from incorporation on 29 May 2013 to 30 June 2014

	Note	Number of Ordinary Shares	Share capital £	Retained earnings £	Total equity £
Shareholders' equity at 29 May 2013		-	-	-	-
Shares issued during the period:					
130,000,000 Ordinary Shares issued at IPO	**16**	130,000,000	130,000,000	-	130,000,000
290,000 Ordinary Shares issued at IPO in lieu of Directors' fees	**16,19**	290,000	290,000	-	290,000
13,028,999 Ordinary Shares issued via placing	**16**	13,028,999	13,159,289	-	13,159,289
107,685 Ordinary Shares issued via scrip dividend	**16**	107,685	109,812	-	109,812
Share issue costs	**16**	-	(2,721,335)	-	(2,721,335)
Dividends paid	**16,17**	-		(2,605,792)	(2,605,792)
Total comprehensive income for the period		-	-	9,444,045	9,444,045
Shareholders' equity at 30 June 2014		**143,426,684**	**140,837,766**	**6,838,253**	**147,676,019**

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

Consolidated Statement of Cash Flows

For the period from incorporation on 29 May 2013 to 30 June 2014

	Note	29 May 2013 to 30 June 2014 £
Cash flows from operating activities		
Total comprehensive income for the period		9,444,045
Adjustments:		
Increase in trade and other receivables		(829,641)
Increase in other payables and accrued expenses		851,069
Net gains on financial assets held at fair value through profit or loss	**10**	(10,478,025)
Net cash inflow generated from operating activities		**(1,012,552)**
Cash flows from investing activities		
Purchase of financial assets at fair value through profit or loss		(127,313,722)
Receipts from SPV investments held at fair value through profit or loss		1,671,430
Net cash used in investing activities		**(125,642,292)**
Cash flow from financing activities		
Proceeds from issue of Ordinary Shares	**16**	143,159,289
Issue costs paid	**16**	(2,721,335)
Dividends paid	**16,17**	(2,495,980)
Net cash generated from financing activities		**137,941,974**
Net increase in cash and cash equivalents		11,287,130
Cash and cash equivalents at the start of the period		-
Cash and cash equivalents at the end of the period	**13**	**11,287,130**

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

Notes to the Consolidated Financial Statements for the period from incorporation on 29 May 2013 to 30 June 2014

1. General information

Bluefield Solar Income Fund Limited (the "**Company**") is a non-cellular company limited by shares and was incorporated in Guernsey under the Companies (Guernsey) Law, 2008 (the "**Law**") on 29 May 2013 with registered number 56708 as a closed-ended investment company. It is regulated by the Guernsey Financial Services Commission.

The consolidated financial statements for the period from 29 May 2013 to 30 June 2014 comprise the financial statements of the Company and its wholly owned subsidiary, Bluefield SIF Investments Limited ("**BSIFIL**"), (together the **"Group"**) as at 30 June 2014.

The investment objective of the Group is to provide shareholders with an attractive return, principally in the form of semi-annual income distributions, by investing via Special Purpose Vehicles (**"SPV"**) into a portfolio of large scale United Kingdom ("**UK**") based solar energy infrastructure assets.

On 11 July 2013, the Company completed its Initial Public Offering ("**IPO**"), which raised gross proceeds of £130,290,000. The Company's shares were admitted to trading on the Main Market of the London Stock Exchange on 12 July 2013.

The Group has appointed Bluefield Partners LLP as its Investment Adviser ("**Investment Adviser**").

2. Accounting policies

a) Basis of preparation

The consolidated financial statements, included in this annual report, have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the European Union ("**EU**") and the Disclosure and Transparency Rules of the Financial Conduct Authority.

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

The principal accounting policies adopted are set out below.

2. Accounting policies (continued)

a) Basis of preparation (continued)

Standards and Interpretations in issue and not yet effective:

New Standards		**Effective date**
IFRS 9	Financial Instruments	No stated effective date*
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014

Revised and amended standards		
IAS 27	Consolidated and Separate Financial Statements	1 January 2014
IFRS 10, IFRS 12, IAS 27	Amendments relating to investment entities	1 January 2014
IAS 32	Financial Instruments: Presentation - Amendments relating to the offsetting of financial assets and financial liabilities	1 January 2014
IAS 36	Impairment of Assets - Amendments relating to the recoverable amount disclosures for non-financial assets	1 January 2014
IAS 39	Financial Instruments: Recognition and Measurement – Amendments for novations of derivatives and continuation of hedge accounting	1 January 2014

* At the February 2014 meeting, the International Accounting Standards Board (IASB) tentatively decided that the mandatory effective date will be for annual periods beginning on or after 1 January 2018. This is to be endorsed by the EU.

The Group has not early adopted these standards and interpretations with the exception of IFRS 10, IFRS 12 and IAS 27 and the Amendments to these standards relating to investment entities (see 2 (c) below).

b) Going concern

At 30 June 2014, the Company had invested in ten solar projects through the full commitment of the IPO proceeds and the use of the additional £13.2 million raised through a subsequent share issue. Further to this, nine of the ten solar projects were completed and were in operation by 30 June 2014. This resulted in a cash balance of £11,287,130 and net assets of £147,676,019 as at 30 June 2014. During the period, the Company had also entered into a £50 million revolving loan facility which was not drawn down as at 30 June 2014. These resources, together with the net income generated by the acquired projects are expected to allow the Company to meet its liquidity needs for the payment of operational expenses, dividends and acquisition of new solar assets. The Company expects to continue to comply with the covenants of its revolving loan facility.

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 the consolidated financial statements, have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Group. The Directors have concluded that it is appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements.

2. Accounting policies (continued)

c) Accounting for subsidiaries

The Board has determined that the Company has all the elements of control as prescribed by IFRS 10 in relation to all its subsidiaries as the Company is effectively the sole shareholder in all the subsidiaries, is exposed and has rights to the returns of all subsidiaries and has the ability either directly or through the Investment Adviser to affect the amount of its returns from all subsidiaries.

The Investment Entities Amendments (the "**Amendments**") to IFRS 10, IFRS 12 and IAS 27 were endorsed by the EU on 20 November 2013, and have an effective date of 1 January 2014 with early adoption permitted. The Amendments introduced an exception to the principle that controlled subsidiaries should be consolidated. It defined an investment entity and required a parent that is an investment entity to measure its subsidiaries at fair value through profit or loss in accordance with IAS 39 'Financial Instruments: Recognition and Measurement', rather than consolidate the results of the subsidiaries on a line by line basis.

The Directors have reassessed the position of the Group since 31 December 2013 and are of the opinion that the Group has all the typical characteristics of an investment entity and the three essential criteria specified in the standard.

The three essential criteria are such that the entity must:

- obtain funds from one or more investors for the purpose of providing these investors with professional investment management services;
- commit to its investors that its business purpose is to invest its funds solely for returns from capital appreciation, investment income or both; and
- measure and evaluate the performance of substantially all of its investments on a fair value basis.

In respect of the first essential criterion, typically an investment entity would have several investors who pool their funds to gain access to investment management services and investment opportunities that they might not have had access to individually. In accordance with the Company's Prospectus, typical investors of the Company are generally institutional and sophisticated investors due to the high capital costs, potential risk of capital loss, limited liquidity of the underlying solar assets, long-term nature of these assets and regulatory issues. The Company, being listed on the London Stock Exchange Main Market, attracts investment from a diverse group of external shareholders.

In respect of the second criterion, consideration is also given to the time frame of an investment. An investment entity should not hold its investments indefinitely but should have an exit strategy for their realisation. As the Group invests in underlying solar assets that have an expected life of 25 years and as the solar assets are expected to have no residual value after their 25 year life, the Directors consider that this demonstrates a clear exit strategy from these investments.

2. Accounting policies (continued)

c) Accounting for subsidiaries (continued)

In respect of the third criterion, the Group measures and evaluates the performance of all of its investments as one portfolio. Subsidiaries are consolidated into the consolidated financial statements when they provide investment management services to the Company while all other subsidiaries and investments are held at fair value through profit or loss (see Note 2 (k)(i)).

As such, the Directors have concluded that the Group satisfies the criteria as defined in the Amendments to be regarded as an investment entity for the period ended 30 June 2014.

Consolidated subsidiary

The Company makes its investments in the SPVs through its subsidiary, BSIFIL in which it is the sole shareholder. The Amendments require a subsidiary of an investment entity that provides services that relate to the investment entity's activities to be consolidated. The Board reassessed the function of the Company's subsidiary, BSIFIL, and maintains that it provides investment related services because such services are an extension of the operations of the Company. As such at 30 June 2014, the Company consolidates the results of BSIFIL which leads to BSIFIL's investments in the SPVs being represented as financial assets held at fair value through profit or loss on the consolidated statement of financial position date.

Where necessary, adjustments have been made to the financial statements of BSIFIL to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The results of BSIFIL incorporated during the period are included in the consolidated statement of comprehensive income from the effective date of incorporation up to the end of the period. BSIFIL results for the period ended 30 June 2014 have been included by reference to management accounts drawn in line with the Group's reporting period.

Unconsolidated subsidiaries

The Group has not consolidated its equity interests in the SPVs that invest in the solar projects. Accordingly, the Group's equity interests in the SPVs are held for investment purposes and not as operating vehicles and therefore it is the Group's interest in the SPVs which constitute its investment assets, rather than each SPV's investment in the solar project itself.

Note 11 discloses the financial support provided by the Group to the unconsolidated SPV investments.

d) Functional and presentation currency

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

2. Accounting policies (continued)

e) Income

Consultancy services fee income is recognised on an accruals basis.

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

f) Expenses

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

Transaction costs arising from the acquisition of the Group's investments that are recurring in nature and that would not be recovered on the subsequent sale of the investment in an orderly transaction (such as legal fees relating to due diligence and technical reviews of the solar farms) are expensed in the consolidated statement of comprehensive income. Transaction costs that are intrinsically linked to the value of the investments (such as legal fees relating to the contracts on the construction and maintenance of solar assets, stamp duty fees relating to the leases on the solar farms, insurance during construction and technical due diligence on construction) are included in the cost of the financial assets held at fair value through profit or loss at the period end. All transaction costs relating to uncompleted investment projects are expensed to the consolidated statement of comprehensive income.

g) Finance costs

Borrowing costs are recognised in the consolidated statement of comprehensive income in the period to which they relate on an accruals basis using the effective interest rate method.

h) Dividends

Dividends paid are disclosed in equity. Dividends approved by the Board prior to a period-end are disclosed as a liability. Dividends declared but not approved will be disclosed in the notes to the consolidated financial statements.

i) Segmental reporting

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

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

2. Accounting policies (continued)

i) Segmental reporting (continued)

The Board, as a whole, has been determined as constituting the chief operating decision maker of the Group. The key measure of performance used by the Board to assess the Group's performance and to allocate resources is the total return on the Group's Net Asset Value ("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 consolidated financial statements.

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

j) Taxation

Current tax is the expected tax payable on the taxable income for the period, using tax rates that have been enacted or substantively enacted by the date of the consolidated statement of financial position.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, except for deferred income tax assets which are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credit or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted "in use" basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the reporting date and the tax system elected by the Company.

BSIFIL is registered for UK Value Added Tax ("VAT") purposes with HM Revenue & Customs. Recoverable VAT is included within receivables at period end.

k) Financial instruments

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

2. Accounting policies (continued)

k) Financial instruments (continued)

Financial assets

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

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

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

- *Classification*

The Group has been classified as an investment entity and as such its investments in the SPVs are held at fair value through profit or loss and measured in accordance with the requirements of IAS 39 (see Note 2 (c)).

- *Recognition*

Investments made by the Group in the SPVs are initially recognised at transaction price on the day the loan commitment is drawn down. Transaction costs arising from the acquisition of the investments in the SPVs that are recurring in nature and that would not be expected to be recovered on a subsequent sale of the investment are expensed to the consolidated statement of comprehensive income. However, 'one-off' transaction costs that are incurred by or on behalf of the SPVs in order to create future cash-flows are intrinsically linked to the value of the investments and as such are included in the cost of the financial assets held at fair value through profit or loss (see Note 2 (f)).

- *Measurement*

Subsequent to initial recognition, the investments in the SPVs are measured at each subsequent reporting date at fair value. Gains and losses resulting from the revaluation of investments in the SPVs are recognised in the consolidated statement of comprehensive income (see Note 10). The Group has elected to recognise all gains and losses from financial assets held at fair value through profit or loss as a single line in the consolidated statement of comprehensive income. Fair value is determined on an unleveraged, discounted cash-flow basis in accordance with the International Private Equity and Venture Capital Valuation Guidelines, 2012 ("**IPEV Valuation Guidelines**") recognising any other assets and liabilities of the SPV.

2. Accounting policies (continued)

k) Financial instruments (continued)

Financial assets (continued)

ii) Derecognition of financial assets

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

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

iii) Cash and cash equivalents and other receivables

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

Financial liabilities

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

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

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

i) Financial liabilities measured at amortised cost

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

ii) Derecognition of financial liabilities

A financial liability (in whole or in part) is derecognised when the Group has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the consolidated statement of comprehensive income.

2. Accounting policies (continued)

l) Equity instruments

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

m) Share based payments

Directors' fees

The Group recognises services received in a share-based payment transaction as the services are received on an accruals basis. A corresponding increase in equity is recognised when payment for the services received is due in an equity settled share based payment transaction based on the fair value of the equity instruments granted. If the contractual arrangements require the delivery of the shares in advance, the corresponding increase in equity is recognised when the shares are issued with a corresponding prepayment being recognised and expensed over the period in which the services will be provided.

Investment Adviser's variable fee

The Group recognises the variable fee for the services received in a share-based payment transaction as the Group becomes liable to the variable fee on an accruals basis. The variable fee will be accrued in the accounting period in which the Company exceeds its target distribution as per the Investment Advisory Agreement (see Note 5). A corresponding increase in equity is recognised when payment for the variable fee is made in an equity settled share based payment transaction based on the fair value of the services provided. The variable fee is not applicable in the Company's first financial period.

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

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

The area involving a high degree of judgement or complexity or area where assumptions and estimates are significant to the consolidated financial statements has been identified as the risk of misstatement of the valuation of the SPV investments (see Note 10). Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

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

The estimates and underlying assumptions are reviewed on an on-going 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.

Following the adoption of the Amendments, the Board has determined that the Company satisfies the criteria to be regarded as an investment entity and that the Company, together with its subsidiary, BSIFIL which also serves as a holding company for the Group's investments in the SPVs, provides investment related services. This determination involves a degree of judgement due to the complexity within the wider structure of the Group and the investments in the SPVs (see Note 2 (c). As disclosed in Note 2 (c), the Board has determined the unit of account to be the Group's interest in the SPV rather than the SPVs investments in the solar projects. Additionally, as the investments in the SPVs consist of both debt and equity investments, judgement has been applied to the unit of account for the measurement of these investments.

There is also some degree of uncertainty with regard to the future of accounting for subsidiaries that provide investment related services which also hold a portfolio of investments (such as BSIFIL) as the IFRS Interpretations Committee are currently discussing these issues. An Exposure Draft on Investment Entities: Applying the Consolidation Exception, was published for comment by the IASB during the reported period of the Group's consolidated financial statements. The proposed amendment requires all subsidiaries to be held at fair value rather than being consolidated except where the subsidiary itself does not qualify as an investment entity. The Group currently consolidates its only direct subsidiary, BSIFIL, and holds all SPV investments at fair value. The net assets of BSIFIL, which at 30 June 2014 principally comprise cash and working capital balances in addition to the SPV investments, would be required to be included in the carrying value of the financial assets held at fair value through profit or loss. This change would not materially affect the Group's net assets. At 30 June 2014, BSIFIL's cash and working capital balances are not included in the fair value of the financial assets held at fair value through profit or loss and are presented within the Group's net assets. As it is uncertain as to whether the accounting standard will be amended, the Board will continue to monitor these discussions.

4. Investment income

	29 May 2013 to 30 June 2014 £
Consultancy services fee income	1,142,237
	1,142,237

4. Investment income (continued)

During the year, BSIFIL entered into consultancy agreements with each SPV for the provision of on-going ad-hoc advisory services in the management, administration and operation of each SPV. The consultancy services fee income is charged according to hourly rates and agreed from time to time between BSIFIL and each SPV.

5. Administrative expenses

	29 May 2013 to 30 June 2014 £
Investment advisory fees (including technical services fee)	1,204,987
Legal and professional fees	341,500
Administration fees	145,076
Directors' remuneration	150,986
Audit fees	35,000
Non-audit fees*	25,875
Broker fees	48,453
Regulatory Fees	9,589
Registrar fees	11,812
Insurance	9,214
Listing fees	26,849
Other expenses	44,979
	2,054,320

*excludes £40,000 of non-audit fees in relation to the IPO, which were deducted from the IPO proceeds.

Investment Advisory Agreement

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

5. Administrative expenses (continued)

Investment Advisory Agreement (continued)

The variable fee is based on the following:

(i) if in any year (excluding the Company's first financial year), the Company exceeds its distribution target of 7 pence per Ordinary Share per year which will rise with the annual Retail Price Index ("**RPI**") in the third year, the Investment Adviser will be entitled to a variable fee equal to 30% of the excess, subject to a maximum variable fee in any year equal to 1% of the NAV as at the end of the relevant financial year. The variable fee shall be satisfied either by the issue of Ordinary Shares to the Investment Adviser at an issue price equal to the prevailing NAV per Ordinary Share; acquisition of Ordinary Shares held in treasury; or purchase of Ordinary Shares in the market. The Ordinary Shares issued to the Investment Adviser will be subject to a three year lock-up period, with one-third of the relevant shares becoming free from the lock-up on each anniversary of their issue.

(ii) if in any year (excluding the Company's first financial year), the Company fails to achieve its distribution target of 7 pence per Ordinary Share per year which will rise with the annual RPI in the third year, the Investment Adviser will repay its base fee in proportion by which the actual annual distribution per Ordinary Share is less than the target distribution, subject to a maximum repayment in any year equal to 35% of the base fee calculated prior to any deduction being made. The repayment will be split equally across the four quarters in the following financial year and will be set off against the quarterly management fees payable to the Investment Adviser in that following financial year.

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

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

The fees incurred for the period and the amount outstanding at the period end have been disclosed in Note 19.

5. Administrative expenses (continued)

Administration Agreement

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

Under the terms of the Administration Agreement, the Administrator is entitled to an annual fee, at a rate equivalent to 10 basis points of NAV up to and including £100 million, 7.5 basis points of NAV above £100 million and up to and including £200 million and 5 basis points of the NAV above £200 million, subject to a minimum fee of £100,000 per annum. The fees are for the administration, accounting, corporate secretarial services, corporate governance, regulatory compliance and Stock Exchange continuing obligations provided to the Company. In addition, the Administrator will receive an annual fee of £5,000 and £2,500 for the provision of a compliance officer and Money Laundering Reporting Officer respectively.

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

The fees incurred for the period and the amount outstanding at the period end have been disclosed in Note 19.

6. Transaction costs

	29 May 2013 to 30 June 2014 £
Completed investment acquisitions	465,132
Other investment acquisitions	42,970
	508,102

7. Finance costs

	29 May 2013 to 30 June 2014 £
Arrangement fees	22,222
Loan facility fees	10,411
	32,633

7. Finance costs (continued)

On 11 June 2014, the Group entered into a three-year revolving acquisition facility for up to £50 million with The Royal Bank of Scotland plc, which expires on 10 June 2017. This facility has been secured against the Group's assets through a debenture agreement entered into as part of the facility. This facility includes a working capital element and will provide the Group with a flexible source of funding to make additional acquisitions of solar energy assets in the UK. The facility is subject to an interest rate of margin over LIBOR of 2.25% and arrangement fee of 1.6% over the total commitment, secured against the Group's existing assets (see Note 10). The arrangement fee is to be amortised over the three year term of the loan facility. The Group is required to meet certain financial covenants, the most significant of which is maintaining a Forecast and Historic Interest Cover Ratio above 3.5:1 and a Leverage Ratio of not greater than 0.35:1. At 30 June 2014, the Group had not drawn down any amounts from the revolving loan facility.

8. Taxation

The Company has obtained exempt status under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 for which it pays an annual fee of £600 (included within regulatory fees).

The income from the Company's investments is not subject to any further tax in Guernsey although the subsidiary and underlying SPVs, as UK based entities, are subject to the current prevailing UK corporation tax rate. The standard rate of UK corporation tax to 31 March 2014 is 23% and 21% from 1 April 2014.

At the period end, BSIFIL had taxable profits of £5,056,147 which are expected to be offset against the taxable losses of the underlying SPVs through group relief. As a result, the tax charge for the period shown in the consolidated statement of comprehensive income is nil.

9. Net Asset Value per Ordinary Share

The calculation of NAV per Ordinary Share is based on NAV of £147,676,019 and the number of shares in issue at 30 June 2014 of 143,426,684 Ordinary Shares.

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

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

	30 June 2014 Total £
Opening balance (Level 3)	-
Additions	127,313,722
Change in fair value of financial assets held at fair value through profit or loss	8,806,595
Closing balance (Level 3)	**136,120,317**

Analysis of net gains on financial assets held at fair value through profit or loss (per consolidated statement of comprehensive income)	
Change in fair value of financial assets held at fair value through profit or loss	8,806,595
Receipts from SPV investments held at fair value through profit or loss	1,671,430
	10,478,025

At 30 June 2014, £111.8 million of the Group's assets have been pledged as security against the Group's revolving loan facility (see Note 7).

Fair value measurements

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

The fair value hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- 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 Group. The Group 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 SPV investments held by the Group, which are fair valued at each reporting date. The Group's investments have been classified within Level 3 as the SPV investments are not traded and contain unobservable inputs (see Note 2 (k)).

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

Transfers during the period

There have been no transfers between levels during the period ended 30 June 2014. Any transfers between the levels will be accounted for on the last day of each financial period. Due to the nature of the investments, these are always expected to be classified as Level 3.

Valuation methodology and process

The Directors base the fair value of the investments in the SPVs held by the Group on information received from the Investment Adviser. Fair value is calculated on an unleveraged, 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. However, in every third year (commencing not later than the year ended 30 June 2016), the Board will have an external valuation performed by an experienced independent third party.

The Board reviews and considers the fair value arrived at by the Investment Adviser before incorporating into the fair value of the investments adopted by the Group. As all the underlying solar plants are fully operational, the discounted cash-flow technique was applied in appraising each SPV's solar project. This method identifies the inputs that have the most significant impact on the carrying value of the investments which include the discount rate, electricity price forecasts, the amount of electricity the solar assets are expected to produce and inflation rate on related costs.

The Directors have satisfied themselves as to the Group's valuation policy, valuation methodology, discount rates and key assumptions applied.

The key inputs to the valuation are the discount rate, power price forecasts and inflation rate. Original discount rates applied when the solar assets were first purchased could change due to factors such as a material change in long term inflation expectations or risk-free rates; a change in risk perception of solar assets or the regulation supporting solar assets; or a change in the nature of capital available within the industry (for example, large scale institutional investors with a low cost of capital may drive the reduction in the cost of capital for solar assets). As a result, the discount rates are subjective and an alternative assumption may result in a different rate. Judgement is used by the Investment Adviser in arriving at the appropriate discount rate used by the Group, which has been determined at 7.8%. This is based on the Investment Adviser's knowledge of the market, taking into account pricing levels applied on recent bidding activity on operational assets and third party valuations of the Investment Adviser's other unlisted funds.

Long term power price forecasts are obtained from a leading power forecaster, which are reviewed and adjusted by the Investment Adviser by applying a 5% discount on the leading forecaster's price power curve in order to align these with the fixed power prices which would currently be achieved on the power purchasing agreements that the SPVs have entered into. This curve, as reduced by 5%, equates to an increase in power prices from the 2014/2015 financial year at an average nominal rate of 2.68%, compared with our assumption on inflation of 2.5% per annum.

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

Valuation methodology and process (continued)

Related revenue (for associated Feed-in Tariffs ("**FiT**") and Renewable Obligation Certificates ("**ROC**") benefits) and costs (for the construction and maintenance of the solar assets) may not stay constant in real terms over the life of the solar assets due to inflation rates. The Group assumes an inflation rate of 2.5%.

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

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 Group's SPV investments.

Sensitivity analysis

The table below analyses the sensitivity of the fair value of investments to an individual input, while all other variables remain constant. The Board considers the changes in inputs to be within a reasonable expected range based on their understanding of market transactions. This is not intended to imply that the likelihood of change or that possible changes in value would be restricted to this range.

Input	Change in input	Change in fair value of investments £	Change in NAV per share (pence)
Discount rate	+ 0.5%	(5,248,224)	(3.55)
	- 0.5%	5,602,764	3.79
Power prices	+10%	7,362,428	4.99
	-10%	(7,363,074)	(4.99)
Inflation rate	+ 0.25%	2,626,043	1.78
	- 0.25%	(2,548,372)	(1.73)
Energy yield	10 year P90	(11,572,695)	(7.84)
	10 year P10	11,560,789	7.83
Taxation	+ 25%	(4,227,338)	(2.86)
	- 25%	4,227,338	2.86
Operational costs	+10%	(3,040,785)	(2.06)
	-10%	3,040,408	2.06

11. Financial support to unconsolidated SPV investments

The following table shows the SPV investments of the Group which have not been consolidated in the preparation of these consolidated financial statements as the Group has adopted the investment entity exemption referred to Note 2 (c):

Project	SPV Investments	Date of investment	Site location	*Ownership* Interest
Hill Farm	HF Solar Limited	21 October 2013	Oxfordshire	100%
Hardingham	Hardingham Solar Limited	30 August 2013	Norfolk	100%
Betingau	Betingau Solar Limited	23 December 2013	Glamorgan	100%
Goosewillow	ISP (UK) 1 Limited	5 August 2013	Oxfordshire	100%
Hall Farm	Hall Solar Limited	24 December 2013	Norfolk	100%
North Beer	North Beer Solar Limited	10 October 2013	Cornwall	100%
Saxley	Saxley Solar Limited	19 December 2013	Hampshire	100%
Sheppey	Sheppey Solar Limited	18 February 2014	Kent	100%
Pentylands	Solar Power Surge Limited	4 March 2014	Wiltshire	100%
Hoback	Hoback Solar Limited	17 June 2014	Hertfordshire	100%

Project	SPV Investments	Date of investment	Site location	*Ownership* Interest
Hill Farm	HF Solar Limited	21 October 2013	Oxfordshire	100%
Hardingham	Hardingham Solar Limited	30 August 2013	Norfolk	100%
Betingau	Betingau Solar Limited	23 December 2013	Glamorgan	100%
Goosewillow	ISP (UK) 1 Limited	5 August 2013	Oxfordshire	100%
Hall Farm	Hall Solar Limited	24 December 2013	Norfolk	100%
North Beer	North Beer Solar Limited	10 October 2013	Cornwall	100%
Saxley	Saxley Solar Limited	19 December 2013	Hampshire	100%
Sheppey	Sheppey Solar Limited	18 February 2014	Kent	100%
Pentylands	Solar Power Surge Limited	4 March 2014	Wiltshire	100%
Hoback	Hoback Solar Limited	17 June 2014	Hertfordshire	100%

11. Financial support to unconsolidated SPV investments (Continued)

The Group has advanced the following shareholder loans to the SPVs, the loans are subject to an interest rate of 7% per annum, are unsecured and repayable no later than 25 years from the date the respective loan agreements were entered into:

Project	SPV	Total loan commitment £	Drawn down by SPVs at 30 June 2014 £	Outstanding commitment 30 June 2014 £
Hill Farm	HF Solar Limited	17,250,000	17,241,285	8,715
Hardingham	Hardingham Solar Limited	16,950,000	16,943,714	6,286
Betingau	Betingau Solar Limited	11,155,000	11,148,912	6,088
Goosewillow	ISP (UK) 1 Limited	18,910,000	18,978,969	-
Hall Farm	Hall Solar Limited	13,320,071	13,408,976	-
North Beer	North Beer Solar Limited	9,300,000	9,292,206	7,794
Saxley	Saxley Solar Limited	6,950,000	6,996,734	-
Sheppey	Sheppey Solar Limited	11,950,000	11,943,508	6,492
Pentylands	Solar Power Surge Limited	21,350,000	21,359,418	-
Hoback	Hoback Solar Limited	18,950,000	-	18,950,000
As at 30 June 2014		**146,085,071**	**127,313,722**	**18,985,375**

The Group's SPVs are committed to pay amounts equal to the loan commitment to meet working capital requirements and payments for the turnkey engineering, procurement and construction ("**EPC**") contracts entered into with the contractors for the design and construction of the solar plants. At 30 June 2014, the amounts drawn down by the SPVs are not equal to the loan commitment due to timing differences, which will be settled in due course.

12. Trade and other receivables

	30 June 2014 £
Non-current assets	
Prepayments:	
- Arrangement fees (Note 7)	511,111
	511,111

Current assets	
Income receivable from consultancy services fee (see Note 4)	148,243
VAT receivable	16,728
Interest receivable	5,274
Other receivables	23,887
Prepayments:	
- Arrangement fees (Note 7)	266,667
- Directors' remuneration (see Note 19)	139,014
- Other	8,717
	608,530

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

The Directors' remuneration prepayment totalling £139,014 relates to the cost of 290,000 Ordinary Shares that were issued to the Directors on 12 July 2013 in lieu of a cash payment for Directors' fees for the first two years (see Note 19).

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

13. Cash and cash equivalents

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

	30 June 2014 £
Cash and cash equivalent:	
- Committed	5,035,375
- Uncommitted	6,251,755
	11,287,130

Committed cash and cash equivalents consist of amounts expected to be utilised to meet the Group's commitments.

14. Other payables and accrued expenses

	30 June 2014 £
Investment advisory fees	322,758
Legal and professional fees	313,164
Administration fees	33,688
Audit fees	35,000
Other payables	146,459
	851,069

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

15. Earnings per share

	For the period 29 May 2013 to 30 June 2014 £
Profit attributable to shareholders of the Company	9,444,045
Weighted average number of Ordinary shares in issue	135,075,710
Basic and diluted earnings from continuing operations and profit for the period (pence)	**6.99**

There was no income earned or shares issued between 29 May 2013 and 11 July 2013, therefore this period has not been included for the purpose of calculating the weighted average number of shares above.

There are no potentially dilutive shares in issue.

16. 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 denominated in such currencies as they may determine.

	Number of Ordinary Shares
Opening balance at 29 May 2013	-
Shares issued for cash	143,028,999
Shares issued in lieu of Directors' fees	290,000
Share issued as a scrip dividend alternative	107,685
Closing balance at 30 June 2014	**143,426,684**

16. Share capital (continued)

	Shareholder's equity £
Opening balance at 29 May 2013	-
Shares issued for cash	143,159,289
Shares issued in lieu of Directors' fees	290,000
Share issued as a scrip dividend alternative	109,812
Share issue costs	(2,721,335)
Dividends paid	(2,605,792)
Retained earnings	9,444,045
Closing balance at 30 June 2014	**147,676,019**

On 12 July 2013, the Company issued 130,290,000 fully paid Ordinary Shares with a par value of £1 each raising total proceeds of £130,290,000 (see Note 19) of which £130,000,000 was received in cash. The proceeds, net of issue costs of £2,539,406 (1.9% of gross proceeds), amounted to £127,750,594.

On 21 February 2014, the Company issued 13,028,999 new Ordinary Shares following a placing under the authority granted at launch. These shares were issued at a price of £1.01 per Ordinary Share, raising gross proceeds of £13,159,289. The proceeds, net of issue costs of £181,929 (1.4% of gross proceeds), amounted to £12,977,360, thus bringing the total proceeds since inception to £140,727,954.

On 19 February 2014, the Board declared a first interim dividend of £2,605,792 equating to 2 pence per Ordinary Share, which was paid on 8 April 2014 to shareholders on the register on 28 February 2014. As a result of the scrip dividend alternative offered to shareholders, on 11 April 2014, 107,685 new Ordinary Shares at a price of 101.975 pence per Ordinary Share totalling £109,812 were admitted to the London Stock Exchange.

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 distributions made and such income shall be divided pari passu among the holders of Ordinary Shares in proportion to the number of Ordinary Shares held by them.

Retained reserves

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

17. Dividends

On 19 February 2014, the Board declared a first interim dividend of £2,605,792 equating to 2 pence per Ordinary Share, which was paid on 8 April 2014 to shareholders on the register on 28 February 2014.

Subsequent to the period end, on 5 September 2014, the Board declared a second interim dividend of 2 pence per Ordinary Share, which will be paid on 31 October 2014 to shareholders on the register on 19 September 2014.

18. Risk Management Policies and Procedures

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

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

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

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

Market price risk

Market price risk is defined as the risk that the fair value of future cash-flows of a financial instrument held by the Group will fluctuate because of changes in market prices.

Market price risk will arise from changes in the inflation rate as the electricity prices generated by the Group, although fixed through the FiTs and ROC regimes, will be subject to annual inflationary changes.
The Group’s future SPV investments are subject to fluctuations in the price of new solar photovoltaic (“**PV**”) equipment. The price of solar equipment can be influenced by a number of factors, including the price and availability of raw materials, demand for PV equipment and any import duties that may be imposed on PV equipment. Changes in the cost of solar PV equipment could have a material adverse effect on the Group’s ability to source projects that meet its investment criteria and consequently its business, financial position, results of operations and business prospects.

The valuation of future investments will be subject to the risk that these will not achieve the expected ROC banding if a new accreditation comes into effect in future. In order to mitigate this risk, if the expected ROC banding is not achieved, the EPC contract price will be reduced in order for the Company to maintain the same internal rate of return on each project.

18. Risk Management Policies and Procedures (continued)

Market price risk (continued)

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

Currency risk

The Group does not have any direct currency risk exposure as all its investments and transactions are in Sterling. The Group is however indirectly exposed to currency risk on future investments that will require importation of equipment.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments, related income from the cash and cash equivalents and interest income from the loan commitments to the SPVs will fluctuate due to changes in market interest rates. The Company is also exposed to interest rate risk via its floating rate credit facility. This facility was undrawn at period end.

The Group's interest bearing financial assets consist of cash and cash equivalents and the loan commitments to the SPVs. The Group's interest rate risk is limited to interest earned on cash balances and from the loan commitments to the SPVs. The interest rates on the short-term bank deposits are fixed and do not fluctuate significantly with changes in market interest rates. The interest rate of 7% per annum applied to the shareholder loans to the SPVs is also fixed in nature and is therefore not expected to fluctuate significantly with changes in market interest rates (see Note 11). Accordingly, the fair value of the financial assets held at fair value through profit or loss as determined on an unleveraged, discounted cash-flow basis is not expected to fluctuate significantly with changes in market interest rates.

The following table shows the portfolio profile of the financial assets at 30 June 2014:

	Interest rate	Total as at 30 June 2014 £
Floating rate		
The Royal Bank of Scotland International Limited	0.10%	94,990
The Royal Bank of Scotland plc	0.10%	4,080,925
Fixed rate		
Lloyds Bank International Limited	0.50%	22,939
Lloyds Bank Group plc	1.00%	7,088,276
		11,287,130

The valuation of the SPV investments is subject to variation in the discount rate, which are themselves subject to changes in interest rate risk due to the discount rates applied to the discounted cash-flow technique when valuing the investments. The Investment Adviser reviews the discount rates bi-annually and takes into consideration market activity to ensure appropriate discount rates are recommended to the Board. Total exposure to interest rate risk on the financial assets held at fair value through profit or loss at the period end is £136,120,317 (see Note 10).

18. Risk Management Policies and Procedures (continued)

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Group's SPVs have entered into turnkey EPC contracts with contractors for the design and construction of the solar plants. Payments advanced to the contractors in accordance with the terms of the EPC contracts are protected through performance bonds or titles to assets for amounts greater than any payment made. At the reporting date the Group's SPVs held performance bonds totalling £10,969,303 with banks that have a Fitch group credit rating of A- or higher and an insurance company with an A.M. Best group credit rating of BBB.

The Group's credit risk exposure is due to a portion of the Group's assets being held as cash and cash equivalents and accrued interest. The Group maintains its cash and cash equivalents and borrowings across two different banking groups to diversify credit risk which have all been group rated A by Fitch, and this is subject to the Group's credit risk monitoring policies, as mentioned above. The total exposure to credit risk arises from default of the counterparty and the carrying amounts of financial assets best represent the maximum credit risk exposure at the period end date. As at 30 June 2014, the maximum credit risk exposure in relation to cash and cash equivalents was £11,292,404.

	Fitch's Rating	Cash £	Fixed deposit £	Interest accrued £	Total as at 30 June 2014 £
The Royal Bank of Scotland plc	A	4,175,915	-	-	4,175,915
Lloyds Bank Group plc	A	-	7,111,215	5,274	7,116,489
		4,175,915	**7,111,215**	**5,274**	**11,292,404**

The carrying amount of these assets approximates their fair value.

The Group also faces credit risk with the construction of solar PV assets, as it is likely to result in reliance upon services being delivered by one or more contractors. Whilst the performance of contractor services will usually be guaranteed with penalties linked to underperformance, and potentially in some cases backed by guarantees, any such guarantees are expected to be limited in their scope and quantum and may not always cover the full loss of profit incurred by a project. Failure of a contractor or a change in a contractor's financial circumstances may, among other things, result in the relevant asset underperforming or becoming impaired in value and there can be no assurance that such underperformance or impairment will be fully or partially compensated by any contractor warranty or bank guarantee.

Liquidity risk

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

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

18. Risk Management Policies and Procedures (continued)

Liquidity risk (continued)

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

	Less than one year £	Between one and five years £	After five years £	Total as at 30 June 2014 £
Assets				
Financial assets held at fair value through profit or loss	11,017,412	26,273,820	127,028,117	**164,319,349**
Trade and other receivables*	194,133	-	-	**194,133**
Cash and cash equivalents	11,287,130	-	-	**11,287,130**
Liabilities				
Other payables and accrued expenses	(851,069)	-	-	**(851,069)**
	21,647,606	26,273,820	127,028,117	**174,949,543**

* excluding prepayments

At 30 June 2014, there is sufficient liquidity in the form of cash and cash equivalents to satisfy the Group's obligations.

Capital management policies and procedures

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

In accordance with the Group's investment policy, the Group's principal use of cash (including the proceeds of the IPO and the loan facility when drawn down) is to fund the Group's projects, as well as initial expenses related to the issue, on-going operational expenses and payment of dividends and other distributions to shareholders in accordance with the Company's dividend policy.

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

The Company has no imposed capital requirements except for the financial covenants as disclosed in Note 7.

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

19. Related Party Transactions and Directors' Remuneration

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

Laurence McNairn, Director of the Company, is also a Director of the Company's Administrator, Heritage International Fund Managers Limited. From the total administration fees incurred during the period, £145,076 relates to the fees of the Administrator, of which £33,688 was outstanding at the period end.

The Directors are remunerated for their services with annual fees of £30,000 each, with Paul Le Page receiving an additional annual fee of £5,000 for acting as chairman of the audit committee. The Chairman receives fees of £50,000 per annum.

The Directors elected to receive their Directors' fees for the first two years through an issue of Ordinary Shares, which were allotted and issued at the initial issue price. The value of this non-cash consideration is equivalent to the aggregate cash payment that otherwise would have been made to the Directors for the provision of their services in accordance with the terms of their respective appointment letters.

As a result, on 12 July 2013, the Company issued a total of 290,000 Ordinary Shares as part of the IPO at the issue price of £1 per Ordinary Share, to the Directors in lieu of a cash payment for Directors' fees for the first two years (see Note 16).

The total Directors' fees expense for the period amounted to £150,986; therefore, at 30 June 2014, the prepaid element of the shares issued is £139,014. Of this, Laurence McNairn received a Director's fee of £30,000 with £30,000 prepaid at the period end.

At 30 June 2014, the number of Ordinary Shares held by each Director is as follows:

Director	**Shares**
John Rennocks	155,000
Paul Le Page	70,000
Laurence McNairn	91,764
John Scott	201,176
	517,940

John Scott and John Rennocks are Directors of BSIFIL. Mike Rand and James Armstrong, who are partners of the Investment Adviser, are also Directors of BSIFIL. None of these Directors receives any fees for their services as Directors of this wholly owned subsidiary.

The Group's investment advisory fees for the period amounted to £1,204,987 of which £322,758 was outstanding at the period end.

The Group's consultancy services fee income for the period amounted to £1,142,237 of which £148,243 was outstanding at the period end.

20. Guarantees and other commitments

As at 30 June 2014, the Group had provided guarantees amounting to £125.04 million to the SPVs in relation to the funding of EPC contracts entered into by the SPVs, of which £100.83 million was paid during the period and £24.21 million held by the SPVs in escrow.

As at 30 June 2014, the Company had provided guarantees amounting to £111.8 million to the BSIFIL in relation to the revolving loan facility entered into by the Group (see Note 10).

At the reporting date, the Group had loan commitments of £18,985,375 relating to the shareholder loans extended to its SPVs (see Note 11).

21. Subsequent events

On 5 September 2014, the Board declared a second interim dividend of 2 pence per Ordinary Share which will be payable to shareholders on the register as at 19 September 2014 with an associated ex-dividend date of 17 September 2014.

On 28 July 2014, the Group entered into two conditional contracts for a total commitment of £15 million comprising of an 8.5 MWp plant in Devon and 6 MWp in Somerset, which will be constructed by a UK contractor. Both plants are expected to qualify for the 1.4 ROC regime.

Since 30 June 2014, a total of £6.7 million was transferred from the Group to Hoback Solar Limited on the existing loan commitment at the period end.