# Bluefield Solar Income Fund Limited

# Interim Report and Unaudited Condensed Consolidated Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

Company Registration Number: 56708

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## General Information

**Board of Directors** (all non-executive)
John Rennocks (Chairman)
John Scott (Senior Independent Director)
Paul Le Page (Chairman of Audit Committee)
Laurence McNairn

**Investment Adviser**
Bluefield Partners LLP
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
Glategny Court, Glategny Esplanade
St. Peter Port
Guernsey GY1 1WR

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

**Registrar**
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

- The Company was the first of the solar focused funds to list on the Premium Segment of the London Stock Exchange on 12 July 2013;

- The objective of the Company is to deliver long-term, stable dividends growing in-line with the Retail Price Index (**“RPI”**);

- Successful placement (“**Placement**”) of new shares in November 2014 raising gross proceeds of £131 million to give a market capitalisation of £288 million at 31 December 2014;

- As part of November 2014’s Placement the Company announced 5 target acquisitions with an estimated combined energy capacity in excess of 100 Megawatts Peak (“**MWp**”). When completed, this will take the Company’s combined energy capacity to approximately 250 MWp across 29 assets;

- The Company funded two acquisitions, Redlands and Capelands with a combined energy capacity of 15 MWp using part of the £50 million revolving credit facility (“**Facility**”) arranged with The Royal Bank of Scotland plc (“**RBS**”), which was repaid from proceeds of the Placement before the end of the period;

- During the six months ended 31 December 2014, the Company made 17 acquisitions from total commitments of £51.5 million with an estimated combined energy capacity of 45 MWp including 3 from the target acquisitions announced by the Company as part of the Placement. A portfolio of 12 asset acquisitions were mainly funded through issue of consideration shares in the Company valued at £7.7 million (see Note 16);

- Net Asset Value (“**NAV**”) as at 31 December 2014 of £282 million (30 June 2014: £148 million);

- NAV per share as at 31 December 2014 of 101.34 pence per share (30 June 2014: 102.96 pence per share);

- The Company delivered an on-target dividend of 4 pence per share in the first financial year ending 30 June 2014 and has paid a further interim dividend of 3.25 pence per share and is on target to deliver a sector leading 7 pence per share for the financial year ending 30 June 2015;

- Notwithstanding the reduction in power prices during the period, the attractively priced portfolio and strong contractual protections give the Directors confidence that the Company will achieve the target return of 7 pence per share for the full financial year, rising with RPI thereafter;

- The Company announced a transition to a quarterly dividend schedule; and

- Since the end of the period, the Company has announced the acquisition of a 29 MWp asset in Oxfordshire, which was one of the assets disclosed in the Placement.

# Highlights (continued)

**Results Summary:**

| | Six months ended 31 December 2014 |
|---|---|
| Total income | £933,433 |
| Total net gains on financial assets held at fair value through profit or loss | £7,788,100 |
| Total comprehensive income before tax | £6,055,821 |
| Earnings per share | 3.48p |
| Second interim dividend in respect of the year ending 30 June 2014 | 2.00p |
| First interim dividend in respect of the year ending 30 June 2015 | 3.25p |
| NAV per share | 101.34p |
| Total Return (based on NAV movement and dividends paid) | 3.53% |
| Total Return to shareholders (based on share price and dividends paid) | 5.85% |

# Corporate Summary

Bluefield Solar Income Fund Limited (the **"Company"**) is a sector specialist infrastructure fund focused on the acquisition and optimisation of UK based large scale solar energy assets.

### Investment objective

The investment objective of the Company is to provide shareholders with an attractive return, principally in the form of dividends, by investing in a portfolio of large scale United Kingdom (**"UK"**) based solar energy infrastructure assets. The Board adopted quarterly dividends with effect from the first quarter of 2015.

### Structure

The Company is a non-cellular company limited by shares incorporated in Guernsey under the Companies (Guernsey) Law, 2008 as amended (the "**Law**") on 29 May 2013 with registration number 56708. It has been registered with, 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 on 12 July 2013 as part of its initial public offering ("**IPO**"). 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 ("**Bluefield**"/ "**Investment Adviser**") which is authorised and regulated by the UK Financial Conduct Authority under the number 507508.

# Chairman's Statement

### Introduction

The period to 31 December 2014, has seen the Company consolidate its position as the UK's leading premium listed solar investment company with the largest market capitalisation, most diversified portfolio, and on target to deliver sector leading returns.

In November 2014, we achieved a successful £131 million fundraise and announced an agreed investment pipeline of £150 million. At the same time we announced a fully covered dividend of 3.25 pence per share in November 2014, laying a solid foundation for a 7 pence per share dividend for the full financial year.

The Company's first annual report sought to deliver a clear and transparent analysis of our activities with a particular focus on the valuation methodology and underlying assumptions. I trust shareholders will find this interim report continues in the same vein. Transparency is especially pertinent today. Investors across the renewable energy sector have been seeking to understand the impact that lower power prices may have on the Company's ability to make dividend distributions and what effect this might have on the Company's valuation. I make reference to both dividends and valuation below; I would however direct you to pages 16 and 17 where there is a full description of the Company's power price strategy and the potential impact on dividends and their sensitivity to changes in power price. Apart from being instructive, I hope it gives you as much comfort as it has given the Board in reiterating the very robust nature of the Company's revenue streams. As with the annual report, you will see a detailed valuation analysis on pages 18 to 25 that highlights the Company's long-term view of power prices in relation to the NAV.

### Investment Strategy

The Company's strategy of funding assets through the construction phase in an increasingly competitive market has continued to give us a key competitive advantage over other groups who have decided to acquire assets only at the operational stage. As I have highlighted before, in a primary asset market such as the UK solar market, funding through construction gives the Company access to the widest pool of assets available and enables us to acquire them in a cost effective way. The success of this is demonstrable in the scale, pricing and quality of the pipeline announced in this period. The Company made 17 acquisitions and announced a pipeline that, when completed, will take the Company's energy capacity to approximately 250 MWp.

### Leverage

The Company has, currently, less than 5% long-term debt financing which is below the level the Board and Investment Adviser believe to be optimal. The Board has asked its Investment Adviser to prepare an analysis of the project finance and bond markets with the view to increase the level of structural debt in the medium term.

### Portfolio performance

The operational portfolio, whilst still in its early phase, is performing ahead of expectations. As the Investment Adviser highlights in its Portfolio analysis, part of the stability of the portfolio's revenues is down to the strong contractual protections the Company has negotiated with its contractors; the analysis of Betingau is a good example of the level of protection afforded to our shareholders.

### Power Price

When analysing the core assumptions that go into a valuation of a typical asset within the Company's portfolio the most volatile element post acquisition is the assumption of price for the sale of electricity through Power Purchase Agreements ("**PPA**"). This has always been the case but has been put under particular scrutiny with the recent reduction in power prices. The analysis delivered by the Investment Adviser when faced with a significant drop in power prices indicates how robust our investment model is proving to be. It is worth considering that, since the inception of the Company, power prices have dropped approximately 20% as at 31 December 2014, and at one point were down by 30%. Even in this environment, the Company is still confident of delivering its dividends in the medium term, which is a testament, ultimately, to the acquisition pricing discipline shown. On a positive note, should power prices track back to levels expected by the market over the next couple of years, there should be upside for our shareholders in terms of dividends.

### Valuation

The unaudited valuation shows a small decrease in the NAV per share since 30 June 2014, after payment in the half year of 5.25 pence of dividends. Other than power prices the other assumptions have remained the same, however in the period under review we have had two competing forces. We have seen power prices drop and we have seen a reduction in the long term forecast, as per the view of our independent power forecaster. Countering these downward forces have been the unwinding of the discount rate (a reflection of the reduction in the timing of cash flows discounted over the life of the asset), and a modest increase in the valuation from assets that have become operational and have been valued on a Discounted Cash-Flow ("**DCF**") basis.

### Market Growth

The final quarter of 2014 saw continued growth in the primary base of solar assets as developers and contractors pushed to get their assets grid connected before the end of the Renewable Obligation Scheme (the "**RO Scheme**")[1] for larger solar assets after March 2015. The UK remained the leading primary investment market for solar in Europe. It is expected that the first quarter of 2015 will see high installation levels for large scale assets. The period after March 2015, will be interesting for the solar industry as it transitions over to the new regime where the industry will start to use Contracts for Difference ("**CfD**") for large solar assets and growth in the commercial and industrial market is expected. Experience of other solar markets indicates that even in a changing regulatory landscape, solar markets are highly adaptable.

[1] This excludes those assets that have qualified for the 'grace period'

**Acquisitions, Cash Generation and Dividend**

Following consultation with shareholders, the Board has now adopted a quarterly dividend schedule under which dividends will be distributed as four interim dividends, declared quarterly. The first quarterly dividend, in respect of the three months to 31 March 2015, is expected to be declared in April 2015. During the period we undertook a Related Party Transaction, which was approved by shareholders, to acquire an investment asset (see Note 18). The performance of these plants have exceeded expectations since acquisition.

**Shareholders**

The Board is pleased with the successful Placement of 127.5 million shares to raise £128.5 million, net of expenses, in November 2014 and I would like to take this opportunity to thank our shareholders for their support. As a Board, we are hugely encouraged by the continued and increasing support from our shareholders, many of whom were with us at IPO. The success of the Placement indicates a strong endorsement of the Company's strategy and the Board is pleased with diversifying our shareholder base. We are also delighted to welcome our new shareholders and we look forward, with the Investment Adviser, to working hard on our shareholders' behalf to repay the faith they have put in us.

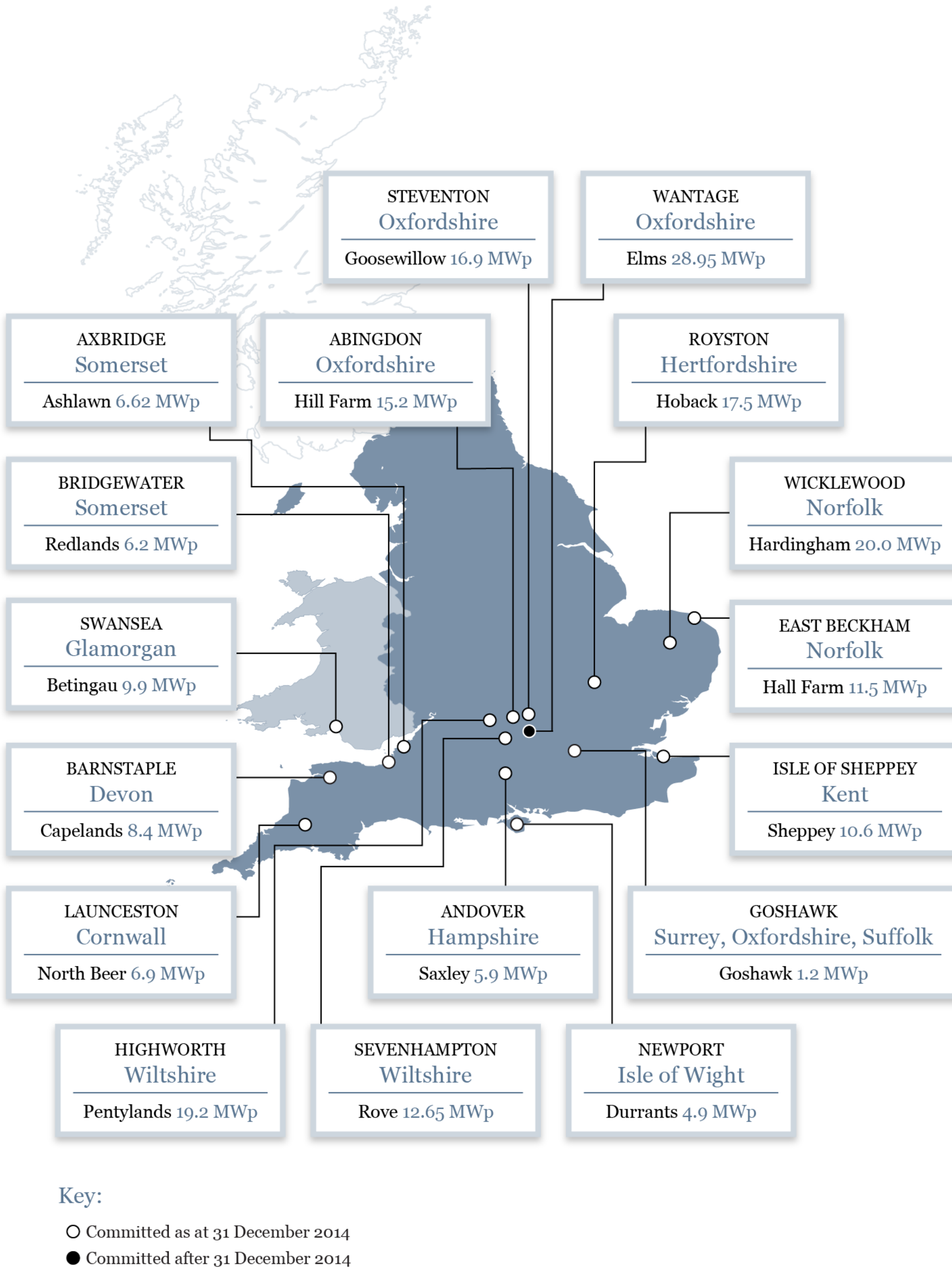
**Outlook**

The prospects for the Company remain very good, as we seek to build on the strong platform we have created in our first 18 months. In the immediate term, we will look to complete all the acquisitions disclosed in the Placement. Beyond that we will work with our trusted contractors to continue to build a high quality energy investment company with sector leading returns.

**John Rennocks**
Chairman
26 February 2015

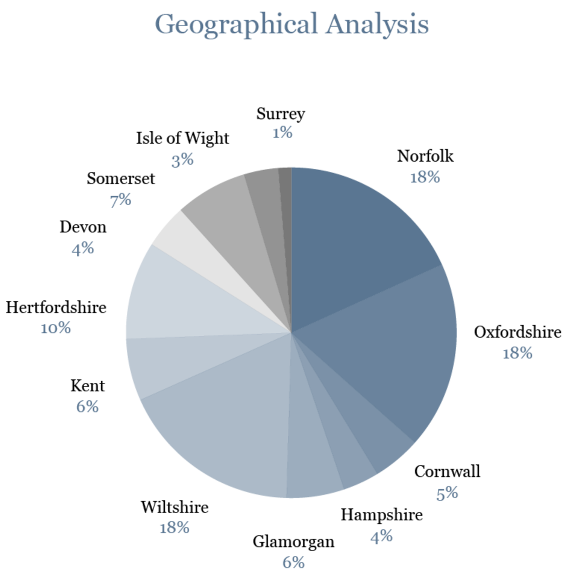
# The Company's Investment Portfolio

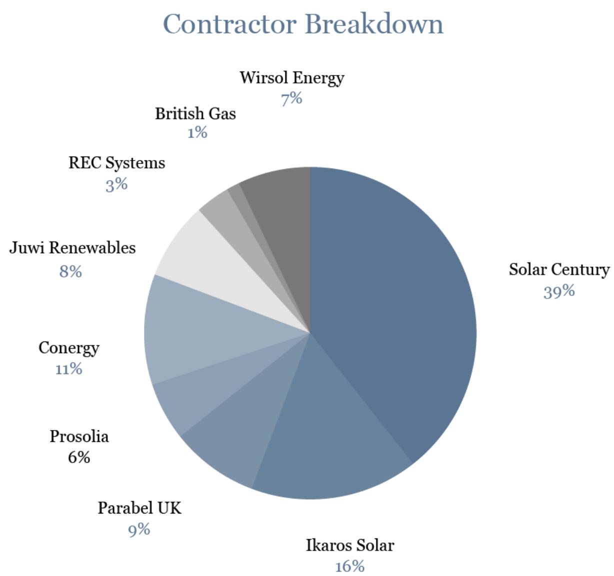
The Company has a geographically diverse group of assets containing a range of proven solar technology and infrastructure.

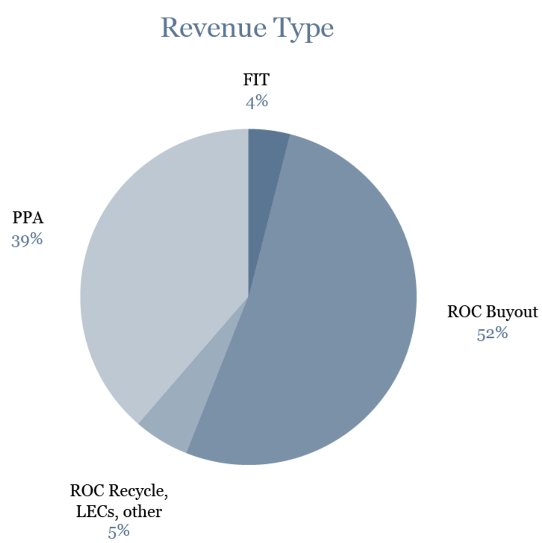


# Analysis of the Company's Investment Portfolio

The portfolio breakdown by commitments made as at 31 December 2014 is as follows:



# Report of the Investment Adviser

**Introduction**

Bluefield was established in 2009 and is an investment adviser to companies and funds investing in solar energy infrastructure. Our team has a proven record in the selection, acquisition and supervision of large scale energy and infrastructure assets in the UK and Europe. The team has been involved in over £600 million of solar photovoltaic ("**PV**") funds and/or transactions in both the UK and Europe since 2008 including over £380 million in the UK since December 2011.

Bluefield has led the acquisition of, 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.

**Portfolio Developments**

1. Portfolio Performance

The Company's operating portfolio as at 31 December 2014 is shown below:

| Project | Contractor | Region | ROC* banding/FiT** | MWp |
|---|---|---|---|---|
| Hardingham | Solar Century | Norfolk | 1.6 ROCs | 14.8 |
| Goosewillow | Ikaros Solar | Oxfordshire | 1.6 ROCs | 16.9 |
| North Beer | Parabel UK | Cornwall | 2.0 ROCs | 6.9 |
| Hill Farm | Solar Century | Oxfordshire | 1.6 ROCs | 15.2 |
| Hall Farm | Ikaros Solar | Norfolk | 1.6 ROCs | 11.5 |
| Saxley | Solar Century | Hampshire | 1.6 ROCs | 5.9 |
| Betingau | Prosolia | Glamorgan | 1.6 ROCs | 9.9 |
| Sheppey | Solar Century | Kent | 1.4 ROCs | 10.6 |
| Pentylands | Conergy | Wiltshire | 1.6 ROCs | 19.2 |
| Durrants | REC | Isle of Wight | FiT | 4.9 |
| Goshawk (10x Thames Water & 1x Adnams) | British Gas | Surrey/Oxfordshire /Suffolk | FiT | 1.2 |
| Hoback | Solar Century | Hertfordshire | 1.4 ROCs | 17.5 |
| | | **Total** | | **134.5** |

*Renewable Obligation Certificates ("**ROC**")
**Feed-in Tariffs ("**FiT**")

**Portfolio Developments (continued)**

1. Portfolio Performance (continued)

As at 31 December 2014, the Company had an operational portfolio of 21 commissioned investments committing £155.8 million and delivering an energy capacity of 134.5 MWp[2]. Located across the south of England and Wales, the investments are geographically diverse, have been constructed by 7 experienced solar contractors and contain a diverse range of proven solar technologies and infrastructure.

Total electricity production from 1 July 2014 to 31 December 2014 was 52.2 Gigawatt Hours ("**GWh**") and was in line with budgeted expectations for the whole portfolio although, within this the strong performance of the majority of the plants has been offset by a limited contribution from Project Betingau.

In September 2014, Project Betingau experienced a serial defect in relation to the transformers and was shut down for safety reasons until February 2015 when new replacement transformers were installed. Due to the strength of contractual protections in place, full recovery of all lost revenues from commissioning in March 2014 to the end of the period was secured under the terms of the construction contract as well recovery of all the costs associated with the defect.

Transformers from a new manufacturer (ABB) with five years' warranty were successfully installed after the end of the reporting period. In addition to these items a variation has also been signed that grants a price reduction of 3.5% on the overall cost of the project. When the defects arose the project company was holding £2.7 million of retention against the contract price plus a £1.7 million bond and as a result the strong protections to revenue, price and costs were able to be enforced without dispute. The project company will continue to hold a significant level of (retention and/or bond) security until the project has proven performance in line with warranty over its first two years of operation.

In October 2014 the Company acquired 12 operational projects, known as Project Durrants (1 asset) and Project Goshawk (11 assets), whilst in November 2014 Project Hoback also became operational in line with expectations. While as at the financial period end it is too early to make definitive statements regarding meaningful performance indicators for these 3 projects the irradiation and portfolio performance in the short period of operation was overall ahead of expectations.

Notwithstanding the positive operational performance it is notable that falling power prices in the period to 31 December 2014 have precipitated a fall in the pricing of PPAs between 30 June 2014 and the period end. The impact of the fall in power price and the Company's exposure to the power market for revenue is discussed in detail in the section below on Power Price Sensitivity and Dividends.

[2] This includes Durrants and Goshawk as these were operational when acquired in October 2014.

**Portfolio Developments (continued)**

2. Acquisitions

During the period the Company successfully completed the acquisition of 17 additional projects for the total consideration of £51.5 million as set out in the table below:

| Project | Contractor | Region | ROC banding/FiT | MWp | Status |
|---|---|---|---|---|---|
| Capelands | Juwi | Devon | 1.4 ROCs | 8.4 | Under construction |
| Redlands | Juwi | Somerset | 1.4 ROCs | 6.2 | Under construction |
| Durrants | REC | Isle of Wight | FiT | 4.9 | Operational |
| Goshawk (10x Thames Water & 1x Adnams) | British Gas | Surrey/ Oxfordshire/ Suffolk | FiT | 1.2 | Operational |
| Hardingham extension | Solar Century | Norfolk | 1.4 ROCs | 5.2 | Under construction |
| Ashlawn | Parabel UK | Somerset | 1.4 ROCs | 6.6 | Under construction |
| Rove | Wirsol | Wiltshire | 1.4 ROCs | 12.7 | Under construction |
| | | **Total** | | **45.2** | |

This expands the portfolio to 26 projects with a combined capacity of 173.6 MWp. Details of the acquisitions made, all of which are 100% owned by BSIFIL, during the period are outlined below:

Capelands & Redlands, Somerset/Devon

On 25 July 2014 terms were agreed with Juwi Renewables as Engineering, Procurement & Construction ("**EPC**") contractor to build two solar farms in Devon (8.4 MWp) and Somerset (6.2 MWp) respectively. The projects are currently in the final stages of construction and are expected to be accredited under the current 1.4 ROC regime. The plants will use S-Energy modules and SMA inverters and were funded initially through the Company's £50 million acquisition Facility and then latterly with the proceeds of the Placement completed in November 2014.

Durrants, Isle of Wight

The acquisition of the 4.9 MWp plant was agreed in October 2014 as part of the purchase of Bluefield L&P Solar Limited and included the taking over of a finance facility from Bayern LB of £14.5 million. The project was acquired as an operational asset (with a 2 year performance record) under the FiT regime. The plant was constructed by a German contractor, REC, and uses modules from REC and inverters from SMA and Advanced Energy. The investment was funded through the shareholder approved issue of shares pursuant to an October 2014 shareholder circular.

**Portfolio Developments (continued)**

2. Acquisitions (continued)

Goshawk, Surrey, Oxfordshire, Suffolk

The acquisition of Project Goshawk, a 1.2 MWp portfolio consisting of 11 operating projects, was agreed in October 2014 as part of the purchase of Bluefield L&P Solar Limited. The projects are all registered under the FiT regime and were constructed by British Gas. The plants use modules from Trina and Suntech with inverters from SMA. The investment was funded through the shareholder approved issue of shares pursuant to an October 2014 shareholder circular.

Hardingham Extension, Norfolk

In November 2014 terms were agreed with Solar Century as EPC contractor to build a 5.2 MWp extension to Project Hardingham in Norfolk. The project remained under construction at reporting period end and is expected to be accredited under the 1.4 ROC regime. The plant will use Hanwha modules and Power One inverters and was funded with the proceeds of the Placement completed in November 2014.

Ashlawn, Somerset

On 3 December 2014 terms were agreed with Parabel UK as EPC contractor to build a 6.6 MWp solar farm in Somerset. The project remained under construction at reporting period end and is expected to be accredited under the 1.4 ROC regime. The plant will use Q-cell modules and Huawei inverters and was funded with the proceeds of the Placement completed in November 2014.

Rove, Wiltshire

On 23 December 2014 terms were agreed with Wirsol Energy as EPC contractor to build a 12.7 MWp solar farm in Wiltshire. The project remained under construction at reporting period end and is expected to be accredited under the 1.4 ROC regime. The plant will use Astronergy modules and Advanced Energy inverters and was funded with the proceeds of the Placement completed in November 2014.

Elms, Oxfordshire

Since the period end the Company has announced terms were agreed with Wirsol Energy as EPC to build Project Elms, a 29.0 MWp solar plant in Oxfordshire. The plant is under construction and is expected to be accredited under the 1.4 ROC regime. The plant will use Astronergy modules and Advanced Energy inverters and will be funded with the proceeds of the Placement completed in November 2014.

**Power Price Sensitivity and Dividends**

The Company has a mix of regulated revenues and revenues derived from the sale of electricity, via PPAs.

1. Revenue Breakdown

The portfolio's revenue streams in the 2014/2015 financial year show the sale of electricity accounts for 39% of the Company's income. Regulated revenue from the sale of FiTs, ROCs and LECs accounts for 61%.

2. Tenure

During this initial period of growth where the Company is seeking to grow its asset base the Investment Adviser's strategy is to fix the price of power sale contracts for individual assets for periods of 12 to 18 months. Prices can be fixed up to 3 months in advance of the commencement of the fixing period. The target is to fix 25% of the portfolio within each quarter, in order to mitigate against seasonality and short-term events which can have an impact on the price of electricity in the UK. The fixing period seeks to enable the Company to maximise potential revenues for the Company during its current acquisition phase whilst spreading exposure to short-term power movements across the portfolio to avoid concentration of risk. The security of even longer term contracts would, we believe, invariably result in the generator sacrificing revenues for the comfort of longer term certainty, which, on balance, the Investment Adviser believes is not the optimal strategy for the Company at this stage. In addition, typical long term power off-take contracts available in the energy market provide floors but not fully fixed rates, such floors being significantly below even the recent lower power price levels.

3. Current Status

As at 31 December 2014, 56% of the portfolio has fixed power prices out to 30 June 2015 or beyond. The remaining 44% of the portfolio is either undergoing construction with prices to be fixed following commissioning in quarter 1 of 2015 or is operational and will be fixed in quarter 1 of 2015 in accordance with the portfolio quarterly fixing. As set out above, the projects being fixed will be negotiated for different tenures in order to spread portfolio fixing time evenly for future years.

4. Power Price Sensitivity

Analysis of the Company's portfolio and its exposure to power price variations affirms the robust nature of the revenues and the Company's ability to deliver its dividends in the coming years. This is partly due to the majority of revenues being regulated (61%) and also due to the Investment Adviser having applied a prudent power price forecast when making acquisitions.

In quantifying the impact of changes in the wholesale power price market, the Company's portfolio has been analysed based upon the base case power price the Company would need to generate the target dividend of 7 pence in the financial year ending 30 June 2015, rising with RPI thereafter, all other assumptions being unchanged. Based upon a steady state for all other assumptions the Company would expect to meet its dividend target, based upon earnings within its asset portfolio, at a power off-take rate of £48 per Megawatt hour ("**MWh**").

**Power Price Sensitivity and Dividends (continued)**

4. Power Price Sensitivity (continued)

This level is equivalent to the low point for 12 month forward PPA pricing during the accounting period which was reached in December 2014. If this low point was maintained at a constant level in real terms until financial year ending 30 June 2016 the Company would still expect to meet its RPI linked dividend target throughout this period.

The table below sets out the sensitivity of the earnings over the period to financial year ending 30 June 2016 to changes in power prices and illustrates the favourable dividends expected even in an environment of significantly falling power prices.

Dividend Target sensitivity (based upon Investment Adviser forecasts):

| **FYE June** | **2015** | **2016** |
|---|---|---|
| Target, pence per share* | 3.75 | 7.18 |
| 31 December 2014 price plus 20%:<br>Power price at £57.60<br>(2015 real) | 3.75 | 7.88 |
| 31 December 2014 price plus 10%:<br>Power price at £52.80<br>(2015 real) | 3.75 | 7.54 |
| 31 December 2014 price:<br>Power price at £48.00<br>(2015 real) | 3.75 | 7.19 |
| 31 December 2014 price minus 10%:<br>Power price at £43.20<br>(2015 real) | 3.75 | 6.84 |
| 31 December 2014 price minus 20%:<br>Power price at £38.40<br>(2015 real) | 3.75 | 6.49 |

*The 2015 dividend target is adjusted to reflect the 3.25 pence per share interim dividend that has already been paid. The 2016 dividend target reflects a 2.5% RPI uplift assumption.

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

**NAV and valuation of the 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.

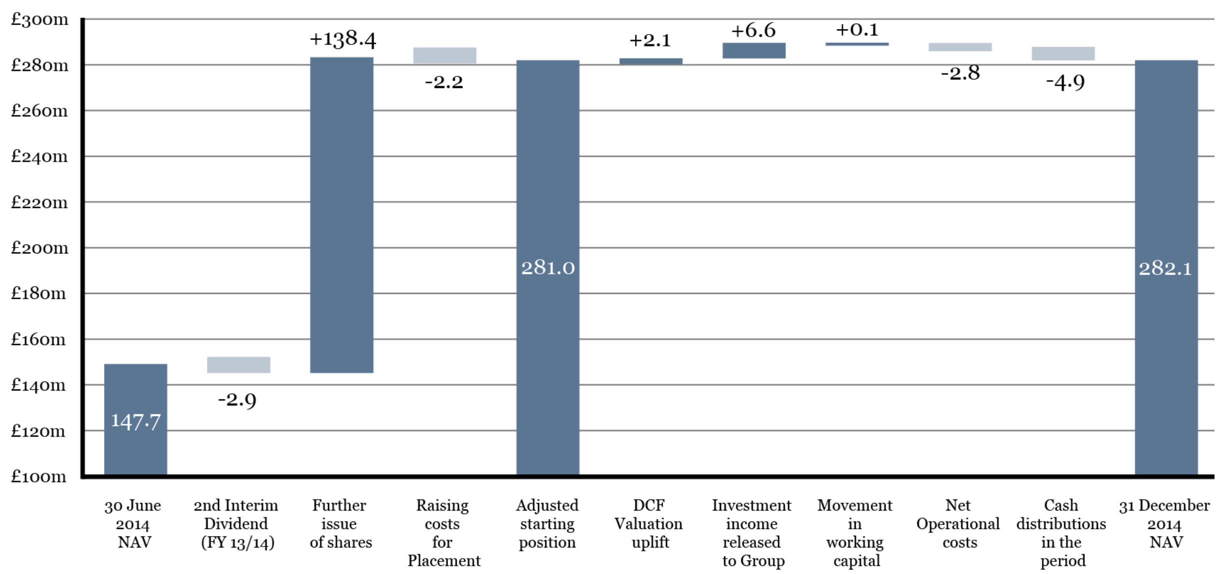
As the portfolio comprises only non-market traded investments, the Investment Adviser has adopted valuation guidelines based upon the International Private Equity and Venture Capital Valuation Guidelines 2012, ("**IPEV Valuation Guidelines**") as adopted by the European Venture Capital Association; application 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 either on the basis of cost for investments made shortly before the valuation date, or on the basis of DCF methodology, exercising its judgement in assessing the expected future cash-flows, project life, financial model and discount rate.

Following the recommendation of the Investment Adviser, the Directors' Valuation adopted for the portfolio as at 31 December 2014 was £187.1 million compared to £136.1 million as at 30 June 2014. The Company raised £138 million of new equity in the period and released a £7.8 million dividend (being 2 pence per share as second interim dividend in respect to the financial year ending 30 June 2014 and 3.25 pence per share as a first interim dividend in respect to the current reporting period). Excluding these adjustment factors the uplift in valuation during the period was £8.8 million or 4.9%, of which £6.1 million resulted from creation of working capital balances and £2.7 million from changes in the DCF valuation. This movement is analysed further in the section on Valuation movements below.

### NAV and valuation of the Portfolio (continued)

A breakdown in the movement of the NAV (£ million) of the company over the period is illustrated in the chart and set out in the table below.



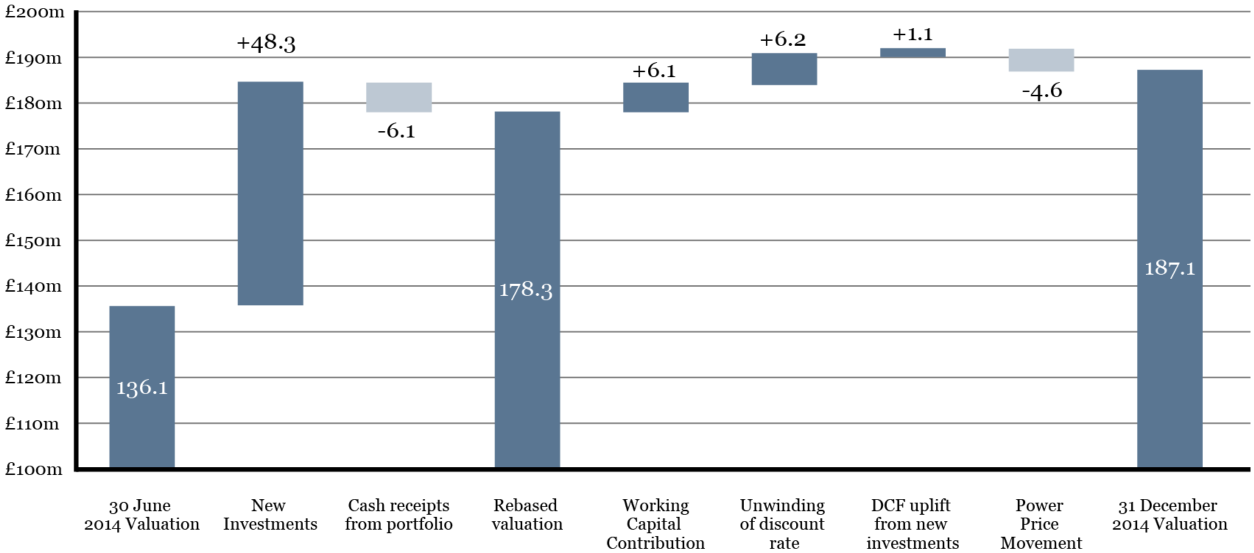

| | | (£million) |
|---|---|---|
| **30 June 2014 NAV** | | **147.7** |
| **2nd Interim Dividend (FY 13/14)** | -2.9 | |
| **Further issue of shares** | 138.4 | |
| **Raising costs for Placement** | -2.2 | |
| **Adjusted starting position** | | **281.0** |
| **DCF Valuation uplift** | 2.1 | |
| **Investment income released to Group** | 6.6 | |
| **Movement in working capital** | 0.1 | |
| **Net Operational costs** | -2.8 | |
| **Cash distributions in the period** | -4.9 | |
| **31 December 2014 NAV** | | **282.1** |

Whilst the movements in the table above represent the impact of activity in the period with respect to the overall NAV of the Company, within this are items that contribute to the movement in the Directors' valuation of the portfolio set out below.

These items are the DCF uplift, Investment Income released to Group and the Movement in working capital.

**Portfolio valuation movements**

A breakdown of the movement in the Directors' valuation of the portfolio in the period is illustrated in the chart and set out in the table below.




A breakdown of the growth in the Directors' Valuation of the portfolio in the period is tabled below.

**Valuation movement during the period to 31 December 2014**

| | | (£million) | As % of rebased valuation |
|---|---|---|---|
| **30 June 2014 Valuation** | | **136.1** | |
| **New Investments** | 48.3 | | |
| **Cash receipts from portfolio** | -6.1 | | |
| **Rebased Valuation** | | **178.3** | |
| **Working capital contribution** | 6.1 | | 3.4% |
| **Unwinding of discount rate** | 6.2 | | 3.5% |
| **DCF uplift from new investments** | 1.1 | | 0.6% |
| **Power Price Movement** | -4.6 | | -2.6% |
| **31 December 2014 Valuation** | | **187.1** | **4.9%** |

Net cash and working capital of £95.0 million and the Directors' valuation of the investments of £187.1 million equates to the total NAV value of £282.1 million.

**Valuation movement during the period to 31 December 2014 (continued)**

After taking into account cash commitments and portfolio cash distributions in the period of £48.3 million and -£6.1 million respectively, the growth over the re-based valuation of £178.3 million at 30 June 2014 is 4.9%.

Each movement between the re-based valuation and the 31 December 2014 valuation is considered in turn below:

*Working Capital Contribution*
This increase is driven by the income built up but not distributed to the group as at 31 December 2014.

*Unwinding of discount rate*
An increase in the period of £6.2 million is due to the unwinding of the discount rate in the period from 1 July 2014 to 31 December 2014.

*DCF uplift*
Within the period there has been a positive contribution of £1.1 million from new acquisitions being valued on a DCF basis for the first time.

*Power Prices*
The DCF analysis has been adapted to take account of a material change in energy price forecasts between the June 2014 and December 2014 valuations. In June 2014, the Group's portfolio was valued using a 5% discount to the most recent leading forecasters' energy curve (released in April 2014). The basis for this discount was that the Investment Adviser had witnessed a fall in PPA prices achieved between the forecast date of April 2014 and the date of the financial statements in June 2014.

In December 2014 the energy forecast used by the Investment Adviser was updated (with an additional reduction). The short-term pricing within the energy price forecast was compared by the Investment Adviser to PPA prices achievable in the market for its solar assets and considered to accurately reflect the market without discount or premium.

The significant reduction in power price forecast during the period resulted in a reduction to the portfolio value equivalent to £4.6 million, resulting from the fall in power price curve as well as a reduced growth expectation over the 25 year asset life.

**Discount rate**

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.

**Valuation movement during the period to 31 December 2014 (continued)**

**Discount rate (continued)**

The discount rate has been determined based on a risk free rate of 1.80% (10 year UK gilts as at 31 December 2014) plus a market risk premium of 6.0% calculated by the Investment Adviser based upon its judgement of market pricing within the UK solar PV sector. The Investment Adviser prepared a detailed analysis of precedent transactions as well as capital asset pricing theory, which was presented to the Board as part of the valuation proposal for the portfolio.

Whilst it was noted UK gilt yields had fallen in the period, the Board concluded that with increased volatility in the energy markets potentially impacting the risk premium attached to the asset class it was appropriate at this time to maintain the discount rate at an unchanged level.

As such, after reviewing the analysis presented by the Investment Adviser, the Board confirmed and have adopted the discount rate of 7.8%, representing the same discount rate as applied in the period to 30 June 2014.

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 selected rate has been applied to discount the unleveraged project cash-flows net of taxation (exclusive of any tax shield). 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%.

The discount rate used for valuing the projects as at 31 December 2014 and 30 June 2014 is shown below.

| **Period Ending** | **Government Bond yield** | **Risk Premium** | **Discount Rate** |
|---|---|---|---|
| 30 June 2014 | 2.8% | 5.0% | **7.8%** |
| 31 December 2014 | 1.8% | 6.0% | **7.8%** |

**Valuation Sensitivities**

*Discount Rate*

At 31 December 2014, all of the operational investments within the portfolio have been valued with DCF methodology on the basis of a discount rate of 7.8%, whilst those that remain under construction have been valued on a cost less impairment basis.

**Valuation Sensitivities (continued)**

*Discount Rate (continued)*
The analysis below shows the impact on valuation of increasing or decreasing this rate by 0.5%.

| **Discount Rate** | **-0.5%** | **Base: 7.8%** | **+0.5%** |
|---|---|---|---|
| Impact change on Directors' valuation | +£7.4 million | £187.1 million | -£6.9 million |
| Implied change in NAV per Ordinary Share | +2.6p | 101.3p | -2.5p |

*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 DCF.

The sensitivity table below illustrates the impact an increase and decrease of 0.25% from the assumed annual inflation rates has on the valuation of the portfolio.

| **Inflation Rate** | **-0.25%** | **Base: 2.5%** | **+0.25%** |
|---|---|---|---|
| Impact change on Directors' valuation | -£3.9 million | £187.1 million | +£4.0 million |
| Implied change in NAV per Ordinary Share | -1.4p | 101.3p | +1.4p |

*Power Price*
The DCF 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.

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 compound annual growth rate ("**CAGR**") implied by the power price forecast over the 25 year assumed asset life is 1.19% in real terms. When evaluating the power forecast impact on NAV however the real annual increase in power price on a straight line basis which would give rise to an equivalent NAV impact is 2.15%. This compares to a rate of 2.68% implied in June 2014. The higher result when taking into account the present value impact results from the fact that the assumed CAGR is higher in the early years but lower in later years. Applying the June 2014 power forecast the Directors' Valuation of the portfolio would have been £191.7 million.

If the Directors' Valuation of the Portfolio had assumed zero real energy price inflation the resulting valuation of the Company would be £171.0 million.

**Valuation Sensitivities (continued)**

The sensitivity below considers a flat 10% movement in power prices across the life of the projects.

| Power Price | -10% | Base: 0% | +10% |
|---|---|---|---|
| Impact change on Directors' valuation | -£8.6 million | £187.1 million | +£8.6 million |
| Implied change in NAV per Ordinary Share | -3.1p | 101.3p | +3.1p |

*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 (P50), the technical adviser provides an energy yield estimate based upon a 90% probability of exceedance, the so called "P90" (downside case), or in other words, the energy yield which there is a 10% probability of not being reached, as well as the "P10" (upside case) scenario, in which there is a 10% probability of base case being exceeded.

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.

The sensitivity below applies the impact of the P90/P10 scenarios on the valuation of the portfolio and movement in NAV per share.

| Energy Yield | P90 (10 year) | Base: (P50) | P10 (10 year) |
|---|---|---|---|
| Impact change on Directors' valuation | -£15.0 million | £187.1 million | +£15.0 million |
| Implied change in NAV per Ordinary Share | -5.4p | 101.3p | +5.4p |

**Valuation Sensitivities (continued)**

*Operating costs at project company level*

The sensitivity illustrates the effect of a 10% increase and a 10% decrease in annual operating costs for the portfolio, assuming in each case that the change occurs from 1 January 2015 and remains constant over the life of the project.

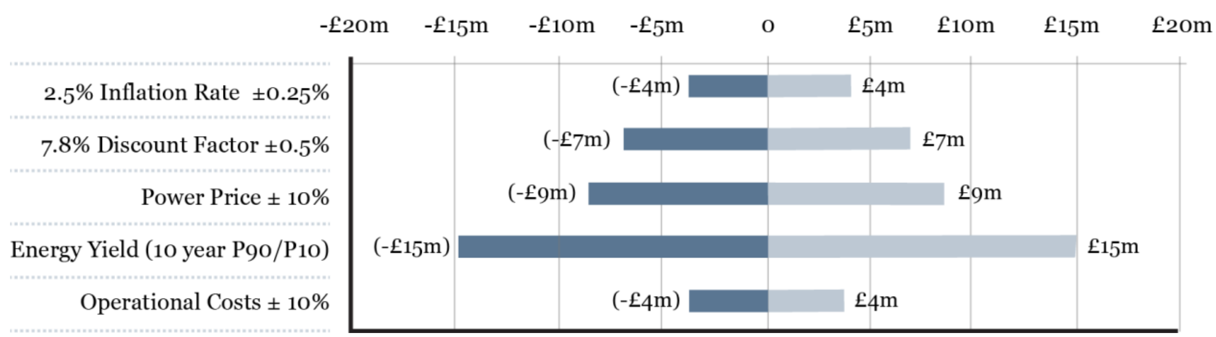
| Operating Costs | -10% | Base | +10% |
|---|---|---|---|
| Impact change on Directors' valuation | +£3.7 million | £187.1 million | -£3.7 million |
| Implied change in NAV per Ordinary Share | +1.3p | 101.3p | -1.3p |

*Other Assumptions*

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

- 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.

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




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.

**Financing**

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

The Facility was drawn in the period (£19.5 million) but fully repaid with part of the proceeds from the Placement in November 2014 and as at the period end the Facility was undrawn.

**Market Developments**

The regulatory outlook for the industry remains positive, albeit the industry will transition over to the new regulatory regime for newly built projects from April 2015, which naturally creates some uncertainty. It is the view of the Investment Adviser that even with this transition, the UK solar market is viewed as highly attractive by developers, contractors and funders and that the market will see continued growth throughout 2015. The shape of the market may be slightly different with an expectation to see an increase in the number of sub-5 MWp assets due to an ongoing RO Scheme eligibility and fewer large scale (>5 MWp capacity plants) until the next CfD auction at the end of the calendar year.

*Regulation*
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 outcome of the consultation into large scale solar was delivered in quarter 4, 2014 (the "**Consultation**").

The Consultation sought to achieve a market that has balanced growth across all the major investment sectors, domestic, commercial and industrial and agriculturally situated.

Under the Consultation, the RO Scheme for solar will close for installations that are greater than 5 MWp in capacity and are grid connected after 31 March 2015 (except in the case where they qualify for a 'Grace Period'). For assets that are greater than 5 MWp in capacity, they are to be replaced by the new support, the CfD, which is proposed to give fully-indexed revenues for 15 years with no exposure to wholesale energy prices. There is no change to support for projects connected prior to April 2015.

*Contracts for Difference*
The inaugural CfD bid process was delayed from December 2014 to February 2015. Contracts were originally expected to be awarded in January 2015, however the sealed bid window only closed on 4 February 2015.

# Report of the Investment Adviser (continued)

**Market Developments (continued)**

*Rooftop*

In July 2014, the Department of Energy and Climate Change ("**DECC**") announced its ambition to see the rooftop solar market grow from the current low installed capacity to 11-12 GWp by 2020, creating a potential major new investment market. The single biggest part of this market is expected to be the industrial and commercial market, an investment area pioneered by the Investment Adviser in the early days of the UK market. In respect of unlocking this huge potential, DECC launched a consultation on 25 November 2014, seeking views on whether medium and large rooftop solar installations could be moved without the loss of FiT payments. The consultation closed on 5 January 2015, and the results are yet to be announced. DECC also announced an amendment to the definition of building-mounted solar under the FiT to require that the building must use 10% of the electricity generated. The Investment Adviser is actively supporting this initiative and engaging with DECC.

*Grace Period*

At the same time as the launch of the rooftop consultation, DECC released the results of a previous consultation on the introduction of a grid delay grace period for projects qualifying for the RO Scheme Obligation, with DECC deciding in favour of the introduction of a 12 month grace period for projects greater than 5 MWp which have a Distribution Network Operator ("**DNO**") confirmed connection date before 31 March 2016.

**Bluefield Partners LLP**

26 February 2015

# Analysis of Financial Results

**Summary Unaudited Condensed Consolidated Statement of Comprehensive Income**

| | Six months ended 31 December 2014 Unaudited £ | 29 May 2013 to 31 December 2013 Unaudited £ |
|---|---|---|
| Operating income | 8,721,533 | 304,033 |
| Administrative expenses | (1,770,169) | (809,462) |
| Transaction costs | (471,561) | (459,850) |
| Finance costs | (423,982) | - |
| **Total comprehensive income /(loss) for the period** | **6,055,821** | **(965,279)** |
| **Earnings per share:** Basic and diluted (pence) | **3.48** | **(0.74)** |

Operating income increased during the period to £8,721,533. This includes net gains on assets held at fair value through profit or loss of £2,098,359 (31 December 2013: £Nil) reflecting the change in valuation from 30 June 2014 to 31 December 2014 as further detailed in the Investment Adviser's report, receipts from investments held at fair value through profit or loss of £5,689,741 (31 December 2013: £Nil) and investment income of £864,341 (31 December 2013: £Nil). Interest Income has fallen to £69,092 (31 December 2013: £304,033) reflecting the lower cash balance over the period to 31 December 2014.

Administrative expenses increased to £1,770,169 compared with £809,462 for the period to 31 December 2013 and are discussed in more detail in the Cost Analysis table below and in Note 5 of the consolidated financial statements.

Transaction costs increased to £471,561 (31 December 2013:£459,850). The costs for completed acquisitions decreased to £168,032 (31 December 2013: £335,865) and the costs for projects under review at the period end increased to £303,529 (31 December 2013: £123,985).

The finance costs for the period of £423,982 (31 December 2013: £Nil) represent the expenses (including interest and fees) associated with the Company's £50m Facility with RBS (completed on 11 June 2014).

The tax charge for the period shown in the unaudited condensed consolidated statement of comprehensive income is £Nil (31 December 2013: £Nil) due to the expectation that any taxable profits within the Group (BSIFIL had taxable profits of £4,708,214 (31 December 2013: £1,238,282)) will be offset against the taxable losses of the underlying SPVs through group relief.

As a result of the activity in the period Total Comprehensive Income has risen to £6,055,821 (31 December 2013: £(965,279)) and earnings per share to 3.48p from (0.74)p in the period to 31 December 2013.

# Analysis of Financial Results (continued)

**Cost Analysis**

| **Administrative expenses** | **Six months ended 31 December 2014 £** | **29 May 2013 to 31 December 2013 £** |
|---|---|---|
| Investment advisory fees | 872,286 | 575,665 |
| Legal and professional fees | 259,911 | - |
| Provision for VAT | 215,840 | - |
| Administration fees | 121,607 | 62,544 |
| Directors' remuneration | 73,096 | 72,699 |
| Audit & non-audit fees | 42,493 | 42,500 |
| Other expenses | 184,936 | 56,054 |
| **Total administrative expenses** | **1,770,169** | **809,462** |

Administrative expenses increased to £1,770,169 compared with £809,462 for the period to 31 December 2013. This increase is mainly a result of the costs associated with the successful completion of the Placement executed in November 2014 that raised a further £128,452,005 (after issues costs) for the Company.

The movement in expenses related to the placing programme are; Investment advisory fees (31 December 2014: £872,286; 31 December 2013: £575,665); legal and professional fees (31 December 2014: £259,911; 31 December 2013: £Nil), administration fees (31 December 2014: £121,607; 31 December 2013: £62,544) and listing fees (31 December 2014: £81,801; 31 December 2013: £4,391).

A more detailed analysis of the Group's financial performance can be found on pages 37 to 56 of the consolidated financial statements.

# Analysis of Financial Results (continued)

**Summary Unaudited Condensed Consolidated Statement of Financial Position**

| | 31 December 2014 Unaudited £ | 30 June 2014 Audited £ |
|---|---|---|
| Portfolio value | 187,132,114 | 136,120,317 |
| Cash and cash equivalents | 95,585,124 | 11,287,130 |
| Other working capital | (580,780) | 268,572 |
| **Total net assets** | **282,136,458** | **147,676,019** |
| **Number of Ordinary Shares in issue at period end** | **278,417,224** | **143,426,684** |
| **Net Asset Value per Ordinary Share (pence)** | **101. 34** | **102.96** |

The portfolio value grew by £51,011,797 in the period to £187,132,114 as a result of new acquisitions (Hoback, Capelands, Redlands, Durrants, Goshawk, Ashlawn, and Rove), the extension of an existing investment (Hardingham), and the uplift in the fair value of the portfolio following the period end valuation process. Further detail on the movement in the valuation of the portfolio is given in the Valuation section of the Report of the Investment Adviser.

Net assets increased by £134,460,439 to £282,136,458 as a result of raising new equity in the period (net proceeds of £128,452,005 through the issue of Ordinary Shares) and earnings in the period of £6,055,821 (31 December 2013; £(965,279)). The un-invested proceeds of the Placement contributed towards the increase in cash and cash equivalents during the period of £84,297,994 to £95,585,124.

# Analysis of Financial Results (continued)

**Summary Unaudited Condensed Consolidated Statement of Cash Flows**

| | Six months ended 31 December 2014 Unaudited £ | 29 May 2013 to 31 December 2013 Unaudited £ |
|---|---|---|
| Operating and investment cashflows | 6,623,174 | 304,033 |
| Operating and finance costs | (1,741,911) | (668,694) |
| **Net cash flow before acquisition and finance set up costs** | **4,881,263** | **(364,661)** |
| Debt financing costs | (74,449) | - |
| Issue of share capital (net of costs) | 136,177,961 | 127,460,594 |
| Purchase of new investments (including acquisition costs) | (48,913,438) | (56,076,759) |
| Dividends paid | (7,773,343) | - |
| **Cash movement in period** | **84,297,994** | **71,019,174** |
| | | |
| Opening cash balance | 11,287,130 | - |
| **Net cash at end of period** | **95,585,124** | **71,019,174** |

Cash received from the portfolio increased to £6,623,174 (31 December 2013: £304,033) as a result of income contributions from the projects of £6,554,082 (31 December 2013: £Nil) and interest income of £69,092 (31 December 2013: £304,033). This overall increase reflects the fact in the period to 31 December 2013 there was only 1 operational project in the portfolio where as in the period to 31 December 2014 there were 21 fully operational projects.

It is also important to note that 5 of investments made in the six months ended 31 December 2014 were still under construction and had not begun to contribute to the cash received by the end of 31 December 2014.

The £7,773,343 dividends paid in the period reflect the second interim dividend for the year ending 30 June 2014 of £2,868,534 (2.0 pence per share) and a payment of the first interim dividend in respect of the year to 30 June 2015 of £4,904,809 (3.25 pence per share).

**Group debt facility**

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

The Facility was drawn in the period (£19.5 million) but fully repaid with part of the proceeds from the Placement in November 2014. As at the period end the Facility was undrawn.

# Statement of Principal Risks and Uncertainties for the Remaining Six Months of the year to 30 June 2015

The full list of risks and uncertainties are disclosed in the annual financial statements as at 30 June 2014. The Company assesses the following as the principal risks and uncertainties as the most likely to affect the Group for the remaining six months of the year to 30 June 2015:

**Risks relating to the Group's commercial investment decisions**

The Group may acquire or dispose of an investment at a price that is not in the best interest of shareholders. To mitigate this risk, the Board reviews market pricing comparisons where relevant prior to approving transactions.

The Group's Special Purpose Vehicle ("**SPV**") investments may be subject to underperformance versus the expectations at acquisition. To mitigate this risk, the Investment Adviser prepares a quarterly operational summary for the Board that evaluates the performance of each SPV investment against budget and highlights any issues to be addressed.

**Risks relating to the valuation of SPV investments**

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. To mitigate this risk, 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 Audit Committee and to the Board for challenge, approval and adoption. Additionally, the Investment Adviser actively monitors the output from each project on an ongoing basis and actions are taken to mitigate any shortfalls relating to the operations.

**Risks relating to unfavourable electricity market conditions**

Annual income generation of the Group is sensitive to future power-market pricing, with approximately 39% of the Company's revenue being derived from the sale of electricity. A major structural shift in power demand or supply will impact the Company's ability to meet its dividend target. To mitigate this risk, the Investment Adviser regularly updates the portfolio cash-flow model to reflect future power-market forecasts and applies additional discounts to the forecasts. New projects are always assessed using the most recent power-market forecast data available.

# Statement of Principal Risks and Uncertainties for the Remaining Six Months of the year to 30 June 2015 (continued)

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

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 a formal review of the risk matrix at the Audit Committee meeting held on 19 November 2014. The Board relies on periodic reports provided by the Investment Adviser and Administrator regarding risks that the Group faces. When required, experts will be employed to gather information, including tax advisers, legal advisers, and environmental advisers.

# Directors' Statement of Responsibilities

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

- the Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union; and

- the Chairman's Statement, Report of the Investment Adviser and Statement of Principal Risks and Uncertainties for the Remaining Six Months of the year to 30 June 2015 meet the requirements of an interim management report, and include a fair review of the information required by:

  a. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the Unaudited Condensed Consolidated Interim Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

  b. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place during the first six months of the financial year and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

**Paul Le Page**
Director
26 February 2015

# Independent Review Report to Bluefield Solar Income Fund Limited

**Introduction**

We have been engaged by Bluefield Solar Income Fund Limited (the **"Company"**) to review the condensed set of consolidated financial statements in the interim financial report for the six months ended 31 December 2014 which comprises the unaudited condensed consolidated statement of financial position, unaudited condensed consolidated statement of comprehensive income, unaudited condensed consolidated statement of changes in equity, unaudited condensed consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of consolidated financial statements.

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

**Directors' responsibilities**

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

As disclosed in Note 2, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the European Union (""**EU**"). The condensed set of consolidated financial statements included in this interim financial report have been prepared in accordance with IAS 34 Interim Financial Reporting, adopted by the **EU**.

**Our responsibility**

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

**Scope of review**

We conducted our review in accordance with the International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the interim financial report for the six months ended 31 December 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Neale D. Jehan

For and on behalf of KPMG Channel Islands Limited

*Chartered Accountants and Recognised Auditors*

Glategny Court, Glategny Esplanade

St. Peter Port,

Guernsey, GY1 1WR

26 February 2015

# Unaudited Condensed Consolidated Statement of Financial Position

*As at 31 December 2014*

| | Note | 31 December 2014 Unaudited £ | 30 June 2014 Audited £ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Financial assets held at fair value through profit or loss | 10 | 187,132,114 | 136,120,317 |
| Trade and other receivables | 12 | 377,778 | 511,111 |
| **Total non-current assets** | | **187,509,892** | **136,631,428** |
| **Current assets** | | | |
| Trade and other receivables | 12 | 967,956 | 608,530 |
| Cash and cash equivalents | 13 | 95,585,124 | 11,287,130 |
| **Total current assets** | | **96,553,080** | **11,895,660** |
| **TOTAL ASSETS** | | **284,062,972** | **148,527,088** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Other payables and accrued expenses | 14 | 1,926,514 | 851,069 |
| **Total current liabilities** | | **1,926,514** | **851,069** |
| **TOTAL LIABILITIES** | | **1,926,514** | **851,069** |
| **NET ASSETS** | | **282,136,458** | **147,676,019** |
| **EQUITY** | | | |
| Share capital | | 277,015,727 | 140,837,766 |
| Retained earnings | | 5,120,731 | 6,838,253 |
| **TOTAL EQUITY** | 16 | **282,136,458** | **147,676,019** |
| **Number of Ordinary Shares in issue at period end** | 16 | **278,417,224** | **143,426,684** |
| **Net Asset Value per Ordinary Share (pence)** | 9 | **101.34** | **102.96** |

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by a committee of the Board of Directors on 26 February 2015 and signed on their behalf by:

John Rennocks
**Director**
26 February 2015

Paul Le Page
**Director**

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

# Unaudited Condensed Consolidated Statement of Comprehensive Income

*For the six months ended 31 December 2014*

| | Note | Six months ended 31 December 2014 Unaudited £ | 29 May 2013 to 31 December 2013 Unaudited £ |
|---|---|---|---|
| **Income** | | | |
| Income from investments | 4 | 864,341 | - |
| Interest income from cash and cash equivalents | | 69,092 | 304,033 |
| | | **933,433** | **304,033** |
| Net gains on financial assets held at fair value through profit or loss | 10 | 7,788,100 | - |
| **Operating income** | | **8,721,533** | **304,033** |
| **Expenses** | | | |
| Administrative expenses | 5 | 1,770,169 | 809,462 |
| Transaction costs | 6 | 471,561 | 459,850 |
| **Operating expenses** | | **2,241,730** | **1,269,312** |
| **Operating profit/(loss)** | | **6,479,803** | **(965,279)** |
| Finance costs | 7 | 423,982 | - |
| **Total comprehensive income/(loss) before tax** | | **6,055,821** | **(965,279)** |
| Taxation | 8 | - | - |
| **Total comprehensive income/(loss) for the period** | | **6,055,821** | **(965,279)** |
| **Attributable to:** | | | |
| Owners of the Company | | **6,055,821** | **(965,279)** |
| **Earnings per share:** | | | |
| Basic and diluted (pence) | 15 | **3.48** | **(0.74)** |

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

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

# Unaudited Condensed Consolidated Statement of Changes in Equity

*For the six months ended 31 December 2014 (unaudited)*

| | Note | Number of Ordinary Shares | Share capital £ | Retained earnings £ | Total equity £ |
|---|---|---|---|---|---|
| **Shareholders' equity at 1 July 2014** | | **143,426,684** | **140,837,766** | **6,838,253** | **147,676,019** |
| Shares issued during the period: | | | | | |
| 120,000,000 Ordinary Shares issued via placing | **16** | 120,000,000 | 123,000,000 | - | 123,000,000 |
| 7,500,000 Ordinary Shares issued via placing | **16** | 7,500,000 | 7,687,500 | - | 7,687,500 |
| Share issue costs | **16** | - | (2,235,495) | - | (2,235,495) |
| Shares issued as consideration for SPV investment | **16,18** | 7,490,540 | 7,725,956 | - | 7,725,956 |
| Dividends paid | **16,17** | - | - | (7,773,343) | (7,773,343) |
| Total comprehensive income for the period | | - | - | 6,055,821 | 6,055,821 |
| **Shareholders' equity at 31 December 2014** | | **278,417,224** | **277,015,727** | **5,120,731** | **282,136,458** |

*For the period from incorporation on 29 May 2013 to 31 December 2013 (unaudited)*

| | 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 | 130,000,000 | 130,000,000 | - | 130,000,000 |
| 290,000 Ordinary Shares issued at IPO in lieu of Directors' fees | 290,000 | 290,000 | - | 290,000 |
| Share issue costs | - | (2,539,406) | - | (2,539,406) |
| Total comprehensive loss for the period | - | - | (965,279) | (965,279) |
| **Shareholders' equity at 31 December 2013** | **130,290,000** | **127,750,594** | **(965,279)** | **126,785,315** |

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

# Unaudited Condensed Consolidated Statement of Cash Flows

*For the six months ended 31 December 2014*

| | Note | Six months ended 31 December 2014 Unaudited £ | 29 May 2013 to 31 December 2013 Unaudited £ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Total comprehensive income/(loss) for the period | | 6,055,821 | (965,279) |
| Adjustments: | | | |
| Increase in trade and other receivables | | (226,093) | (81,724) |
| Increase in other payables and accrued expenses | | 1,075,445 | 682,342 |
| Net gains on financial assets held as fair value through profit or loss | **10** | (7,788,100) | - |
| Finance expense on revolving loan facility | 7 | 74,449 | - |
| **Net cash used in operating activities** | | **(808,478)** | **(364,661)** |
| **Cash flows from investing activities** | | | |
| Purchase of financial assets held at fair value through profit or loss | **10** | (48,913,438) | (56,076,759) |
| Receipts from SPV investments held at fair value through profit or loss | **10** | 5,689,741 | - |
| **Net cash used in investing activities** | | **(43,223,697)** | **(56,076,759)** |
| **Cash flow from financing activities** | | | |
| Proceeds from issue of Ordinary Shares | **16** | 138,413,456 | 130,000,000 |
| Issue costs paid | **16** | (2,235,495) | (2,539,406) |
| Dividends paid | **16,17** | (7,773,343) | - |
| Drawdown on revolving loan facility | **7** | 19,500,000 | - |
| Repayment of revolving loan facility | 7 | (19,574,449) | - |
| **Net cash generated from financing activities** | | **128,330,169** | **127,460,594** |
| Net increase in cash and cash equivalents | | 84,297,994 | 71,019,174 |
| Cash and cash equivalents at the start of the period | | 11,287,130 | - |
| **Cash and cash equivalents at the end of the period** | **13** | **95,585,124** | **71,019,174** |

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

# Notes to the Unaudited Condensed Consolidated Interim Financial Statements

*For the six months ended 31 December 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 unaudited condensed consolidated interim financial statements (the **"financial statements"**) for the six months ended 31 December 2014 comprise the financial statements of the Company and its wholly owned subsidiary, Bluefield SIF Investments Limited (**"BSIFIL"**), (together the **"Group"**) as at 31 December 2014.

The investment objective of the Group is to provide shareholders with an attractive return, principally in the form of dividends, by investing via Special Purpose Vehicles (**"SPV"**) in a portfolio of large scale United Kingdom ("**UK**") based solar energy infrastructure assets. The Board adopted quarterly dividends with effect from the first quarter of 2015.

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

## 2. Accounting policies

### a) Basis of preparation

The financial statements, included in this interim report, have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the EU and the Disclosure and Transparency Rules of the Financial Conduct Authority. The same accounting policies, presentation and methods of computation are followed in these financial statements as were applied in the preparation of the Group's consolidated financial statements for the period from 29 May 2013 to 30 June 2014.

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

These financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Group's consolidated financial statements for the period from 29 May 2013 to 30 June 2014.

### Functional and presentation currency

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

### Seasonal and cyclical variations

The Group's results do not vary significantly during reporting periods as a result of seasonal activity.

**2. Accounting policies (continued)**

**b) Going concern**

The Directors in their consideration of going concern, have reviewed comprehensive cash-flow forecasts prepared by the Investment Adviser, future projects in the pipeline and the performances of the current solar plants in operation and, at the time of approving these financial statements, have a reasonable expectation that the Company 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 these financial statements.

**c) Segmental reporting**

International Financial Reporting Standards ("**IFRS**") 8 'Operating Segments' requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

The Board, as a whole, has been determined as constituting the chief operating decision maker of the 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 NAV, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in these financial statements.

For management purposes, the 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.

**d) Acquisitions settled through share consideration**

Where an acquisition of an investment asset by BSIFIL is settled by consideration of shares in the Company, the number of shares issued is determined using the fair value of each share at the time of the acquisition (see Note 16).

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

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

The area involving a high degree of judgement or complexity or area where assumptions and estimates are significant to the financial statements has been identified as the risk of misstatement of the valuation of the SPV investments (see Note 10).

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.

**Accounting for subsidiaries**

As noted in the Group's consolidated financial statements for the period from 29 May 2013 to 30 June 2014, the Group had early adopted IFRS 10 'Consolidated Financial Statements' including the Investment Entities Amendments to IFRS 10, IFRS 12 and IAS 27 (the "**Amendments**") and the Company consolidates its results with BSIFIL. This treatment is based on an exception to the requirement for mandatory non-consolidation under IFRS 10 for Investment Entities. As the Company is an investment entity and BSIFIL is a subsidiary providing investment services to the Company, consolidation is required.

On 18 December 2014, the International Accounting Standards Board issued further amendments to IFRS 10 (Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) (the "**Consolidation Exception Amendments**") which may have a material impact on the preparation and presentation of the Group accounts as they have clarified the scope of the exceptions to mandatory non-consolidation. The Consolidation Exception Amendments are mandatory for annual periods beginning on or after 1 January 2016. The Board is currently assessing the full impact of these and the Company continues to consolidate its results with BSIFIL in these financial statements.

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

*For the six months ended 31 December 2014*

### 4. Income from investments

| | Six months ended 31 December 2014 £ | 29 May 2013 to 31 December 2013 £ |
|---|---|---|
| Consultancy services fee income | 864,341 | - |
| | **864,341** | **-** |

BSIFIL has 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

| | Six months ended 31 December 2014 £ | 29 May 2013 to 31 December 2013 £ |
|---|---|---|
| Investment advisory fees (including technical services fee) (see Note 18) | 872,286 | 575,665 |
| Legal and professional fees | 259,911 | - |
| Provision for VAT (see Note 12) | 215,840 | - |
| Administration fees (see Note 18) | 121,607 | 62,544 |
| Directors' remuneration (see Note 18) | 73,096 | 72,699 |
| Audit fees | 21,643 | 17,500 |
| Non-audit fees | 20,850 | 25,000 |
| Broker fees | 25,745 | 23,378 |
| Regulatory Fees | 13,048 | 6,235 |
| Registrar fees | 15,302 | 6,023 |
| Insurance | 20,581 | 4,503 |
| Listing fees | 81,801 | 4,391 |
| Other expenses | 28,459 | 11,524 |
| | **1,770,169** | **809,462** |

### 6. Transaction costs

| | Six months ended 31 December 2014 £ | 29 May 2013 to 31 December 2013 £ |
|---|---|---|
| Completed investment acquisitions | 168,032 | 335,865 |
| Other investment acquisitions | 303,529 | 123,985 |
| | **471,561** | **459,850** |

**7. Finance costs**

| | Six months ended 31 December 2014 £ | 29 May 2013 to 31 December 2013 £ |
|---|---|---|
| Arrangement fees | 133,333 | - |
| Loan facility fees | 216,200 | - |
| Loan interest | 74,449 | - |
| | **423,982** | **-** |

On 11 June 2014, the Group entered into a three-year revolving acquisition facility for up to £50m with The Royal Bank of Scotland plc, which expires on 10 June 2017. During the first six months of the financial year, the Group had drawn down amounts of £19.5 million from this facility. The facility is subject to an interest rate of margin over LIBOR of 2.25% and arrangement fee of 1.6% over total commitment, secured against the Group's assets. The arrangement fee is to be amortised over the three year term of the loan facility. Interest charged for the six months ended 31 December 2014 amounted to £74,449 (31 December 2013: £Nil). The drawn down amount plus interest was repaid in November 2014. The balance of the loan at 31 December 2014 was £Nil (30 June 2014: £Nil).

As at 31 December 2014, £112.3 million (30 June 2014: £111.8 million) of the Group's assets have been pledged as security against the Group's 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). With effect from 1 January 2015, this annual fee will increase to £1,200. 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 December 2014 is 21%.

At the period end, BSIFIL had taxable profits of £4,708,214 (31 December 2013: £1,238,282) 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 unaudited condensed consolidated statement of comprehensive income is £Nil (31 December 2013: £Nil).

**9. Net Asset Value per Ordinary Share**

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

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

| | 31 December 2014 Total £ | 30 June 2014 Total £ |
|---|---|---|
| Opening balance (Level 3) | 136,120,317 | - |
| Additions* | 48,913,438 | 127,313,722 |
| Change in fair value of financial assets held at fair value through profit or loss | 2,098,359 | 8,806,595 |
| **Closing balance (Level 3)** | **187,132,114** | **136,120,317** |

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

| | Six months ended 31 December 2014 £ | 29 May 2013 to 31 December 2013 £ |
|---|---|---|
| Change in fair value of financial assets held at fair value through profit or loss | 2,098,359 | - |
| Receipt from SPV investments held at fair value through profit or loss | 5,689,741 | - |
| | **7,788,100** | - |

*As at 31 December 2014, additions include equity in SPV investments of £3,285,862 (30 June 2014: £1,317,617).

**Fair value measurements**

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

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

The determination of what constitutes 'observable' requires significant judgement by the 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 investments held by the Group, through the SPVs, 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.

### 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 six months ended 31 December 2014. Due to the nature of the investments, these will be classified as Level 3.

**Valuation methodology and process**

The same valuation methodology and process is followed in these financial statements as was applied in the preparation of the Group's consolidated financial statements for the period from 29 May 2013 to 30 June 2014.

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.

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, inflation rate, irradiation forecasts and taxation. Original discount rates applied when the solar assets were first purchased could change due to factors such as a material change in long term inflation expectations or risk-free rates; 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% (30 June 2014: 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, where appropriate, by the Investment Adviser by applying an adjustment 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. No adjustment was applied in respect of this valuation as the forecasting power curve was the most up to date datapoint at 31 December 2014 (30 June 2014: 5% discount). The compound annual growth rate ("**CAGR**") implied by the power price forecast over the 25 year assumed asset life is 1.19% in real terms. When evaluating the power forecast impact on NAV however, the real annual increase in power price on a straight line basis which would give rise to an equivalent NAV impact is 2.15%. This compares to a rate of 2.68% implied in June 2014. The higher result when taking into account the present value impact results from the fact that the assumed CAGR is higher in the early years but lower in later years.

## 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% (30 June 2014: 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 photovoltaic ("**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) (30 June 2014: P50).

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% | (6,899,682) | (2.48) |
| | -0.5% | 7,360,605 | 2.64 |
| Power prices | +10% | 8,610,916 | 3.09 |
| | -10% | (8,616,609) | (3.09) |
| Inflation rate | + 0.25% | 4,011,353 | 1.44 |
| | - 0.25% | (3,888,796) | (1.40) |
| Energy yield | 10 year P90 | (14,964,581) | (5.37) |
| | 10 year P10 | 14,940,597 | 5.37 |
| Operational costs | +10% | (3,700,521) | (1.33) |
| | -10% | 3,698,638 | 1.33 |

**11. Financial support to unconsolidated SPV investments**

The following table shows the SPV investments of the Group. As the Group is considered to be an investment entity under IFRS 10, these SPV investments have not been consolidated in the preparation of these financial statements:

| Project | SPV investment | 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% |
| L&P Solar (see Notes 16 and 18) | Bluefield L&P Solar Limited* | 9 October 2014 | Various | 100% |
| Capelands | Capelands Solar Farm Limited | 25 July 2014 | Devon | 100% |
| Redlands | Redlands Solar Farm Limited | 25 July 2014 | Somerset | 100% |
| Ashlawn | Ashlawn Farm Limited | 3 December 2014 | Somerset | 100% |
| Rove | Wel Solar Farm Limited | 23 December 2014 | Wiltshire | 100% |

*Bluefield L&P Solar Limited includes underlying SPVs; KS SPV5 Limited and Bluefield Goshawk Limited.

### 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 investment | Total loan commitment £ | Drawn down by SPVs at 31 December 2014 £ | Outstanding loan commitment 31 December 2014 £ |
|---|---|---|---|---|
| Hill Farm | HF Solar Limited | 17,249,999 | 17,259,434 | - |
| Hardingham | Hardingham Solar Limited | 22,649,999 | 17,794,057 | 4,855,942 |
| Betingau | Betingau Solar Limited | 11,154,999 | 11,154,727 | 272 |
| Goosewillow | ISP (UK) 1 Limited | 18,909,990 | 18,883,577 | 26,413 |
| Hall Farm | Hall Solar Limited | 12,003,479 | 11,997,592 | 5,887 |
| North Beer | North Beer Solar Limited | 9,299,000 | 9,292,586 | 6,414 |
| Saxley | Saxley Solar Limited | 6,949,999 | 6,967,792 | - |
| Sheppey | Sheppey Solar Limited | 11,949,999 | 11,967,345 | - |
| Pentylands | Solar Power Surge Limited | 21,349,990 | 21,349,857 | 133 |
| Hoback | Hoback Solar Limited | 18,949,999 | 14,048,311 | 4,901,688 |
| L&P Solar (see Notes 16 and 18) | Bluefield L&P Solar Limited | 7,725,957 | 7,725,957 | - |
| Capelands | Capelands Solar Farm Limited | 8,569,900 | 5,845,684 | 2,724,216 |
| Redlands | Redlands Solar Farm Limited | 6,319,900 | 4,650,501 | 1,669,399 |
| Ashlawn | Ashlawn Farm Limited | 7,549,999 | 3,522,349 | 4,027,650 |
| Rove | Wel Solar Farm Limited | 13,949,999 | 10,481,529 | 3,468,470 |
| **As at 31 December 2014** | | **194,583,208** | **172,941,298** | **21,686,484** |

The Group's SPVs are committed to pay amounts equal to the loan commitment and equity to meet working capital requirements and payments for the turnkey EPC contracts entered into with the contractors for the design and construction of the solar plants.

### 12. Trade and other receivables

| | 31 December 2014 | 30 June 2014 |
|---|---|---|
| | £ | £ |
| **Non-current assets** | | |
| Prepayments: | | |
| - Arrangement fees (Note 7) | 377,778 | 511,111 |
| | **377,778** | **511,111** |
| **Current assets** | | |
| Income receivable from consultancy services fee (see Note 4) | 477,756 | 148,243 |
| VAT receivable | 215,840 | 16,728 |
| Provision for VAT | (215,840) | - |
| Interest receivable | 50,701 | 5,274 |
| Other receivables | 2,681 | 23,887 |
| Prepayments: | | |
| - Arrangement fees (Note 7) | 266,667 | 266,667 |
| - Directors' remuneration (Note 18) | 65,918 | 139,014 |
| - Insurance | 77,669 | 286 |
| - Other | 26,564 | 8,431 |
| | **967,956** | **608,530** |

BSIFIL is currently engaged with HM Revenue and Customs regarding the recovery of VAT. Pending resolution of this matter, the VAT receivable balance has been provided for in full. There are no other material past due or impaired receivable balances outstanding at the period end.

The Directors' remuneration prepayment totalling £65,918 (30 June 2014: £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 18).

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.

| | 31 December 2014 | 30 June 2014 |
|---|---|---|
| Cash and cash equivalent: | £ | £ |
| - Committed | 21,686,484 | 5,035,375 |
| - Uncommitted | 73,898,640 | 6,251,755 |
| | **95,585,124** | **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

| | 31 December 2014 | 30 June 2014 |
|---|---|---|
| | £ | £ |
| Loan from SPV investment | 780,000 | - |
| Investment advisory fees | 537,267 | 322,758 |
| Transaction costs | 302,235 | - |
| Legal and professional fees | 25,380 | 313,164 |
| Administration fees | 38,621 | 33,688 |
| Audit fees | 18,500 | 35,000 |
| Non-audit fees | 10,500 | - |
| Other payables | 214,011 | 146,459 |
| | **1,926,514** | **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

| | Six months ended 31 December 2014 | 29 May 2013 31 December 2013 |
|---|---|---|
| Profit/(loss) attributable to shareholders of the Company | £6,055,821 | £(965,279) |
| Weighted average number of Ordinary shares in issue | 174,243,151 | 130,290,000 |
| **Basic and diluted earnings from continuing operations and profit/(loss) for the period (pence)** | **3.48** | **(0.74)** |

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.

| | Six months ended 31 December 2014 Number of Ordinary Shares | 29 May 2013 to 30 June 2014 Number of Ordinary Shares |
|---|---|---|
| **Opening balance** | **143,426,684** | - |
| Shares issued as consideration for SPV investment (Note 18) | 7,490,540 | - |
| Shares issued for cash | 127,500,000 | 143,028,999 |
| Shares issued in lieu of Directors' fees | - | 290,000 |
| Shares issued as a scrip dividend alternative | - | 107,685 |
| **Closing balance** | **278,417,224** | **143,426,684** |

| **Shareholders equity** | Six months ended 31 December 2014 £ | 29 May 2013 to 30 June 2014 £ |
|---|---|---|
| **Opening balance** | **147,676,019** | - |
| Shares issued as consideration for SPV investment (Note 18) | 7,725,956 | - |
| Shares issued for cash | 130,687,500 | 143,159,289 |
| Shares issued in lieu of Directors' fees | - | 290,000 |
| Share issued as a scrip dividend alternative | - | 109,812 |
| Share issue costs | (2,235,495) | (2,721,335) |
| Dividends paid | (7,773,343) | (2,605,792) |
| Retained earnings | 6,055,821 | 9,444,045 |
| **Closing balance** | **282,136,458** | **147,676,019** |

Dividends declared and paid in the period are disclosed in Note 17.

**Amendment to the Articles of Incorporation (the "Articles")**

At an Extraordinary General Meeting ("**EGM**") of the Company on 1 October 2014, the Directors of the Company were approved to issue new Ordinary Shares and/as redeemable convertible shares of no par value in the Company ("**C Shares**") to related parties of the Company, pursuant to the placing programme.

As described in the circular to shareholders dated 9 September 2014, the Board believe that it is in the interests of shareholders that the Board has greater discretion, with regard to the date on which the conversion ratio should be calculated, with a view to ensuring that the conversion of C Shares into new Ordinary Shares is not earnings dilutive as far as the existing Ordinary Shares are concerned. Giving the Board this discretion required an amendment to the Articles.

**16. Share capital (continued)**

**Amendment to the Articles of Incorporation (the "Articles") (continued)**

Accordingly, at the EGM of the Company on 1 October 2014, it was proposed and passed, that the definition of Calculation Time as set out in the Articles ("**Calculation Time**") be amended to remove the requirement that at least 80% (or such other percentage) of the assets attributable to the relevant C Shares must have been invested in accordance with the investment policy and instead that the Board be given absolute discretion to determine the Calculation Time with a view to achieving the objective that the conversion of the C Shares should not be earnings dilutive as far as the existing Ordinary Shares is concerned, provided however that the Calculation Time cannot fall later than a longstop date falling six months after admission of the relevant class of C Shares.

During the period and as at 31 December 2014, no C shares were in issue.

**Shares issued during the period**

On 9 October 2014, the Company issued 7,490,540 new Ordinary Shares as partial consideration for the acquisition of Bluefield L&P Solar Limited. These shares were issued at a price of £1.03143 per Ordinary Share, raising total gross proceeds of £7,725,956 (see Notes 11 and 18). The issue price for each consideration share equalled the average mid-market price of the Ordinary Shares during the seven dealing days up to and including the third dealing day prior to completion of the acquisition agreement. The issuance of the consideration shares is reflected as an increase in equity and a corresponding increase in financial assets held at fair value through profit or loss. This transaction had no impact on the unaudited condensed consolidated statement of comprehensive income.

On 14 November 2014, the Company issued 120,000,000 new Ordinary Shares following a placing subsequent to the authority granted by the shareholders at the EGM held on 1 October 2014. These shares were issued at a price of £1.025 per Ordinary Share, raising gross proceeds of £123,000,000.

On 25 November 2014, the Company issued 7,500,000 new Ordinary Shares following a placing subsequent to the authority granted by the shareholders at the EGM held on 1 October 2014. These shares were issued at a price of £1.025 per Ordinary Share, raising gross proceeds of £7,687,500.

**Rights attaching to shares**

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

**Retained reserves**

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

**17. Dividends**

On 8 September 2014, the Board declared a second interim dividend of £2,868,534, in respect of the year ending 30 June 2014, equating to 2 pence per Ordinary Share, which was paid on 31 October 2014 to shareholders on the register on 19 September 2014.

In conjunction with the placings, as disclosed in Note 16, the Board had considered the timing of the Company's dividends with the objective of ensuring that any issue of new shares would not be dilutive to the dividend attributable to existing ordinary shareholders. As such, the Board decided to bring forward the declaration and payment dates of the first interim dividend in respect of the year to 30 June 2015. As a result, on 3 November 2014 the Board declared the first interim dividend of £4,904,809, equating to 3.25 pence per Ordinary Share (first interim dividend in respect of the year ending 30 June 2014: 2.0 pence per Ordinary Share), which was paid on 5 December 2014 to shareholders on the register on 14 November 2014.

**18. 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, £71,736 (31 December 2013: £56,918) relates to the fees of the Administrator, of which £38,621 (30 June 2014: £33,688) was outstanding at the period end.

The total Directors' fees expense for the period amounted to £73,096 (31 December 2013: £72,699); therefore, at 31 December 2014, the prepaid element of the shares issued is £65,918 (30 June 2014: £139,014). Of this, Laurence McNairn received a Director's fee of £15,123 (31 December 2013: £15,041) with £14,877 (30 June 2014: £30,000) prepaid at the period end.

As at 31 December 2014, the number of Ordinary Shares held by each Director is as follows:

| | **31 December 2014** | **30 June 2014** |
|---|---|---|
| John Rennocks | 255,805 | 155,000 |
| Paul Le Page | 70,000 | 70,000 |
| Laurence McNairn | 241,764 | 91,764 |
| John Scott | 251,176 | 201,176 |
| | **818,745** | **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 subsidiary.

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

The Group's investment advisory fees (including technical services fee) for the period amounted to £872,286 (31 December 2013: £575,665) of which £537,267 (30 June 2014: £322,758) was outstanding at the period end.

The Group's consultancy services fee income for the period amounted to £864,341 (31 December 2013: £Nil) of which £477,756 (30 June 2014: £148,243) was outstanding at the period end.

On 9 October 2014, BSIFIL acquired Bluefield L&P Solar Limited. As three members of the Investment Adviser, are also Directors of BSIFIL or its subsidiaries, are indirectly key management personnel of the Company and owned B shares in Bluefield L&P Solar Limited, they are considered related parties, and the transaction a related party transaction, under UK FCA Listing Rule 11 'Related Party Transactions' and IAS 24 'Related Party Disclosures'. The three members of the Investment Adviser received £1,548 cash consideration for their B shares. As holders of B shares, they were also entitled to receive 20% of the profit generated by the sale of Bluefield L&P Solar Limited. Their share of this amounted to £353,965. In reviewing the purchase price paid by the Company for the acquisition of Bluefield L&P Solar Limited, the Board obtained a valuation report from BDO LLP to confirm that the purchase price was determined on a fair and reasonable basis.

**19. Guarantees and other commitments**

As at 31 December 2014, the Group had provided guarantees amounting to £184.63 million (30 June 2014: £125.04 million) to the SPVs in relation to the funding of EPC contracts entered into by the SPVs, of which £36.8 million (30 June 2014: £100.83 million) was paid during the period and £47.01 million (30 June 2014: £24.21 million) held by the SPVs in escrow.

As at 31 December 2014, the Company had provided guarantees amounting to £112.3 million (30 June 2014: £111.8 million) to BSIFIL in relation to the revolving loan facility entered into the by Group (see Note 10).

At the reporting date, the Group had loan commitments of £21,686,484 (30 June 2014: £18,985,375) relating to the shareholder loans extended to its SPVs (see Note 11).

**20. Subsequent events**

Since 31 December 2014, further amounts totalling £3.99 million were transferred from the Group to the SPVs on the existing loan commitments at period end.

On 13 February 2015, the Company entered into a conditional contract for a total commitment of £32.8 million to acquire a 29 MWp solar plant in Oxfordshire. Since 13 February 2015, £22.46 million has been transferred from the Group to the SPV.