Bluefield

Solar Income Fund Limited

INTERIM REPORT AND UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

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JOHN RENNOCKS


JOHN SCOTT


PAUL LE PAGE


LAURENCE McNAIRN

General Information

Board of Directors (all non-executive)

John Rennocks (Chairman)
John Scott (Senior Independent Director)
Paul Le Page (Chairman of Audit Committee)
Laurence McNairn

Investment Adviser
Bluefield Partners LLP
6 New Street Square
London, EC4A 3BF

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

Independent Auditor & Reporting Accountants
KPMG Channel Islands Limited
Glategny Court, Glategny Esplanade
St Peter Port, Guernsey, GY1 1WR

Registrar
Link Market Services (Guernsey) Limited
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Bulwer Avenue, St Sampson
Guernsey, GY2 4LH

Receiving Agent & UK Transfer Agent
Link Asset Services Limited
The Registry
34 Beckenham Road
Beckenham, Kent, BR3 4TU

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

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

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

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

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

Highlights

Introduction

- The Company enjoyed an excellent start to its 2018/19 financial year and delivered underlying earnings[1] of £18.0m in the period (31 December 2017: £13.0m), equating to earnings per share of 4.90 pence (31 December 2017: 3.53 pence).

- NAV has increased to 114.41pps (30 June 2018 : 113.28pps).
- The Company, through its subsidiary BSIFIL, successfully increased its RCF from £30m to £50m and extended the facility tenure from September 2019 to September 2021.
- The Company's levered equity discount rate has marginally fallen to 7.20% (7.26% as at 30 June 2018) due to progressive leverage reduction due to debt amortisation, whilst the Weighted Average Cost of Capital, "WACC", discount rate remains unchanged at 5.65% (5.65% as at 30 June 2018).
- The Company completed one acquisition during the period, in October 2018, amounting to 5MWp. This took the Company's total capacity to 465.3MWp as at 31 December 2018.
- As at 31 December 2018, the Company had a total of 46 large solar assets, 39 micro solar assets and 2 roof top assets, all of which were operational.
- Portfolio outperformed operational expectations by 0.5%, delivering an aggregate PR of 80.2% versus forecast of 79.8%.
- Consistent with spreading dividend payments evenly across the financial year, in the six months to 31 December 2018 the Company paid dividends of 3.83pps (being the 3rd and 4th interim dividends for the period ending 30 June 2018).
- Following the period end, in February 2019 the Company paid its 1st interim dividend for the year ending 30 June 2019, of 1.90pps.
- The Company, through its subsidiary BSIFIL, has made principal debt repayments of £7.7m in the period (31 December 2017: £7.3m).
- As at 31 December 2018 the Company's subsidiary and SPVs had outstanding third party debt of £216.8m (£217.4m as at 30 June 2018) comprised of £30.2m of RCF and £186.6m of fully amortising long term finance.

REDLANDS

1. Underlying earnings is an alternative performance measure employed by the Company to provide insight to the Shareholders by definitively linking the underlying financial performance of the operational projects to the dividends declared and paid by the Company. The above figures exclude ROC recycle revenues which are determined after period end and amounted to £1.6m in the period ending 31 December 2017. Further detail is provided on page 43.

Results Summary:

	Six months ended 31 December 2018
Total operating income	£19,028,586
Total comprehensive income before tax	£18,363,103
Underlying earnings	£17,964,338
Earnings per share	4.96p
Underlying EPS available for distribution[2]	2.77p
Underlying EPS brought forward	0.30p
Total underlying EPS available for distribution	3.07p
1st interim dividend for the year ended 30 June 2019[3]	1.90p
NAV per share	114.41p
Share Price as at 31 December 2018	123.18p
Total Return[4]	4.38%
Total Return to shareholders[5]	4.53%
Total Return to shareholders since inception[6]	56.36%
Dividends per share paid since inception	33.18p

2. Underlying EPS available for distribution is calculated using underlying earnings available for distribution (e.g. post debt repayments) divided by the number of shares in issue at the end of the period.
3. Dividends declared in January 2019 relating to the period 31 December 2018.
4. Total Return is based on NAV per share movement and dividends paid in the period.
5. Total Return to shareholders is based on share price movement and dividends paid in the period.
6. Total Return to shareholders since inception is based on share price movement and dividends paid since the IPO.

Corporate Summary

Investment objective

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

Structure

The Company is a non-cellular company limited by shares, incorporated in Guernsey under the Law on 29 May 2013. The Company's registration number is 56708, and it is regulated by the GFSC as a registered closed-ended collective investment scheme. The Company's Ordinary Shares were admitted to the Premium Segment of the Official List and to trading on the Main Market of the LSE following its IPO on 12 July 2013. The issued share capital during the period comprises the Company's Ordinary Shares denominated in Sterling.

The Company has the ability to use long term and short term debt at the holding company level as well as having long term, non-recourse debt at the SPV level.

Investment Adviser

The Investment Adviser to the Company during the period was Bluefield Partners LLP, which is authorised and regulated by the UK FCA under the number 507508. In May 2015 BSL, a company with the same ownership as the Investment Adviser commenced providing asset management services to the investment SPVs held by BSIFIL. In August 2017 BOL, a company with the same ownership as the Investment Adviser, commenced providing O&M services to the Company and now provides services to 20 of the investment SPVs held by BSIFIL.

Chairman's Statement

Introduction

The Company has had an excellent start to the year. Higher than average irradiation has been matched by a high performing portfolio, producing above expected generation. Power prices have risen; the data is strong: irradiation was 10% up, generation 11% up and total revenues 17% up. It has laid the foundations for another strong year.

Underlying earnings have been ahead of target at 4.90pps and we are on target to deliver a full year dividend of 7.68pps, covered by earnings and net of debt amortisation.

The Company's NAV was 114.41pps; NAV Total Return for the period was 4.38% and Shareholder Total Return was 4.53%.

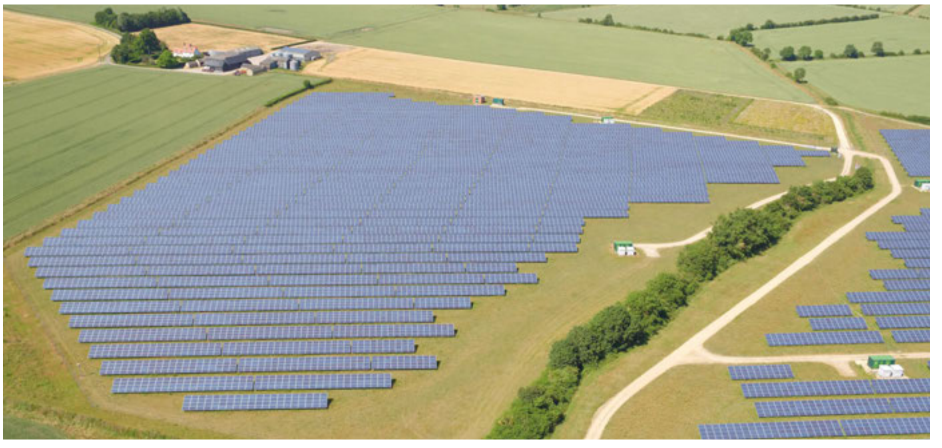
Key Events

The Company continues along the pathway I described in my Statement in September 2018. We have sought to maximise revenues in the existing portfolio and have delivered an above expected performance. We have continued to amortise our Aviva Investors long term financing. We have continued to elect not to expand our asset base due to high valuations and/or poor quality portfolios coming onto the market, barring one 5MWp acquisition, funded by our short term credit facility (RCF). Indeed, our Investment Adviser, presented only 2% of the assets they evaluated to the Board, a telling statistic.

The result of this continued discipline is a very strong six month performance for our shareholders.

Underlying Earnings and Dividend Income

The Company is a sterling income fund and, as such, we continue to focus on earnings and dividends. The underlying earnings for the period were £18.0m or 4.90pps, ahead of target and supporting the Company's sector leading dividend for the full year of 7.68pps.



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Valuation and Equity IRR

Valuation methodology remains consistent with previous reporting periods, with the Board receiving a valuation recommendation from the Investment Adviser, the product of a comprehensive DCF model. This valuation is then benchmarked against comparable transactional activity for UK based solar assets. In the Board's view, this is the most effective and transparent way in which to measure the value of the Company's portfolio because of the consistent characteristics seen in solar farms.

Following this combination of both market and DCF approach, the Board is continuing to derive an average price of £1.29m per MWp from comparable transactions. Indeed, we have not seen any transactions or structural changes to the market that would justify a deviation from this valuation.

Benchmarking the Company's portfolio to this £1.29m per MWp results (using our actual cost of debt) in a cost of equity discount rate of 7.20% (7.26% in June 2018 and 7.54% in December 2017) and an unchanged WACC discount rate of 5.65% (5.65% in June 2018 and 5.90% in December 2017). The very slight reduction in the equity discount rate is a result of the repayment of some of the long term debt during the period.

Non-Subsidised Solar

In September's Chairman's Statement, I said that non-subsidised solar was not quite there yet but caveated this statement saying that the solar industry has the ability to surprise in respect of the speed at which it adjusts to the prevailing market conditions. This speed of adjustment is happening and accelerating. We continue to evaluate this opportunity with our Investment Adviser and as market conditions evolve we believe this area will be of significant scale in the coming years.

The expected arrival of a scalable primary market based on non-subsidised solar is tailor-made for the skill set of the Investment Adviser. Working closely with developers and contractors, utilising the Investment Adviser's in-house technical, engineering and power purchase capabilities, and then equity funding through construction, has the potential to deliver the next phase of growth for the Company, while sustaining our market leading dividend objective. I look forward to updating you in due course.

Debt Strategy

The Company has used the period to continue to amortise its debt. The portfolio has the benefit of high levels of regulated revenues, almost exclusively using the RO Scheme, which provides index linked income for 20 years from the point of grid connection. It is our view that it is in shareholders' best interests to seek to use every year of regulated revenues to amortise the Company's existing long term debt, within the objectives of our dividend target. The period under review saw a good example of this in practice, whereby we paid down £7.7m of debt.

Power Prices

The second half of 2018 saw significant increases in power prices, driven by factors outlined in our Company's Investment Adviser Report. What is important for our shareholders is that the Company was able to take advantage of these rises and re-strike the majority of our contracts. This has delivered medium term certainty over a large percentage of our revenues and we have also seen our average weighted power contract price increase to in excess of £58 per MWh, up from £45 in the first half of 2018. As many of these contracts were struck for in excess of two years our shareholders will benefit from these higher priced contracts for a prolonged period, with most of these higher prices becoming effective in or shortly after January 2019.

Technical Asset Management

The higher irradiation was successfully converted into higher than expected generation. This and the combined effects of our strong portfolio and the excellent performance by BSL, the Bristol based technical asset management team that is responsible for all aspects of servicing the operation of the portfolio, has enabled generation to exceed expectations for the half year by over 11%.

Conclusion

The performance of the Company over the past six months had its foundations laid during the period when the Company's asset base was built, primarily, funding through construction to create a high quality and well priced portfolio. There have been few additions to our asset base since 2016 but we now anticipate that this patience and discipline should soon be rewarded with the potential arrival of an economic UK market for solar assets without subsidy. Our evaluation is ongoing and the intention is to seek to apply our highly effective investment model for primary market assets by funding through construction, to enhance the portfolio and continue to deliver our dividend objective.

And finally, on behalf of the Board, I would like to thank you for voting – as recommended by your Board – against the discontinuation resolution tabled at the Company's AGM on 30 November 2018.

John Rennocks
Chairman
25 February 2019

The Company's Investment Portfolio

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

Cambridgeshire

1 HOBACK
Royston 17.5 MWp

Cornwall

2 NORTH BEER
Launceston 6.9 MWp

3 TRETHOSA
St Austell 4.8 MWp

Derbyshire

4 BURNASTON
Burnaston 4.1 MWp

Devon

5 CAPELANDS
Barnstaple 8.4 MWp

6 LANGLANDS
Ashill 2.1 MWp

7 LITTLE BEAR
Exeter 5 MWp

8 OLD STONE
Totnes 5.0 MWp

9 PLACE BARTON
Totnes 5.0 MWp

Dorset

10 EAST
Overmoigne 5.0MWp

11 HOLLY
Overmoigne 5.0MWp

12 GALTON MANOR
Overmoigne 3.8MWp

Essex

13 BARVILLS
East Tilbury 3.2 MWp

Gloucestershire

14 GRANGE
Newent 5.0MWp

Hampshire

15 ROMSEY
Romsey 5.0MWp

16 SAXLEY
Andover 5.9 MWp

17 SOUTHWICK
Fareham 47.9 MWp

Isle of Wight

18 DURRANTS
Newport 5.0 MWp

Kent

19 LITTLEBOURNE
Canterbury 17.0 MWp

20 MOLEHILL
Herne Bay 18.0 MWp

21 SHEPPEY
Isle of Sheppey 10.6 MWp

Leicestershire

22 GYPSUM
Sileby 4.5 MWp

Lincolnshire

23 FOLLY LANE
Boston 4.8 MWp

Newport

24 COURT FARM
Llanmartin 5.0 MWp

Norfolk

25 BUNNS HILL
North Walsham 5.0 MWp

26 FROGS LOKE
North Walsham 5.0 MWp

27 HALL FARM
East Beckham 11.4 MWp

28 HARDINGHAM
Wicklewood 14.9 MWp

28 HARDINGHAM X
Wicklewood 5.2 MWp

29 OULTON
Oulton 5.0 MWp

30 ROOKERY
Attleborough 5.0 MWp

31 SALHOUSE
Norwich 5.0 MWp

32 WEST RAYNHAM
West Raynham 50.0 MWp

Northamptonshire

33 CORBY
Corby 0.5 MWp

34 KISLINGBURY
Kislingbury 5.0 MWp

North Yorkshire

35 KELLINGLEY
Beal 5.0 MWp

Oxfordshire

36 BUTTERISS DOWNS
20 Sites 0.8 MWp

37 ELMS
Wantage 28.9 MWp

38 GOOSEWILLOW
Steventon 16.9 MWp

39 HILL FARM
Abingdon 15.2 MWp

Somerset

40 ASHLAWN
Axbridge 6.6 MWp

41 CLAPTON
Cucklington 5.0 MWp

42 REDLANDS
Bridgwater 6.2 MWp

Staffordshire

43 WILLOWS
Uttoxeter 5.0 MWp

Sussex

44 PASHLEY
Bexhill on Sea 11.5 MWp

Swansea

45 BETINGAU
Swansea 10.0 MWp

Warwickshire

46 TOLLGATE
Lemington Spa 4.3 MWp

Wiltshire

47 PENTYLANDS
Highworth 19.2 MWp

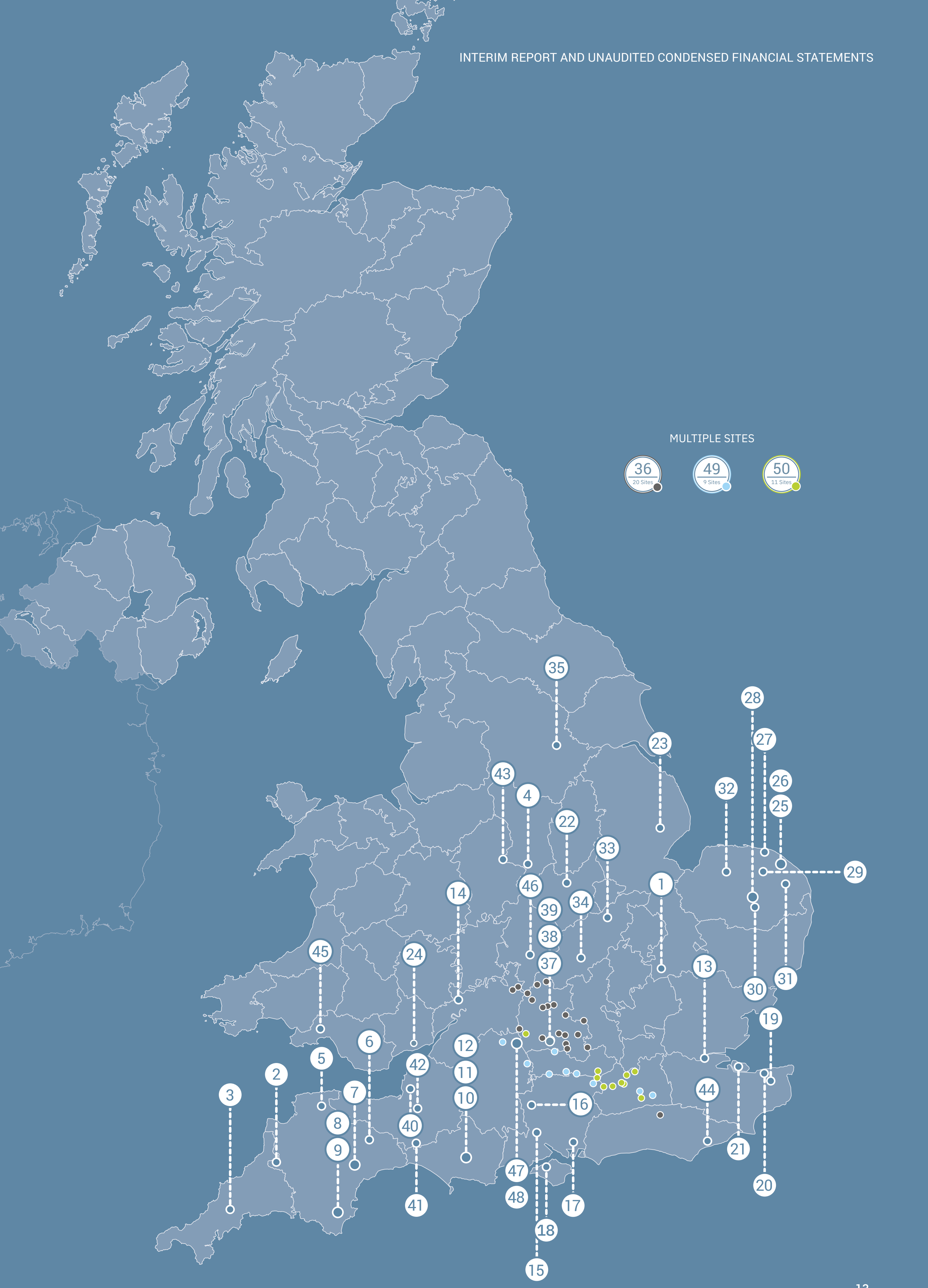
48 ROVES
Sevenhampton 12.7 MWp

Berkshire / Hampshire

49 PROMOTHAMES
9 Sites 0.4 MWp

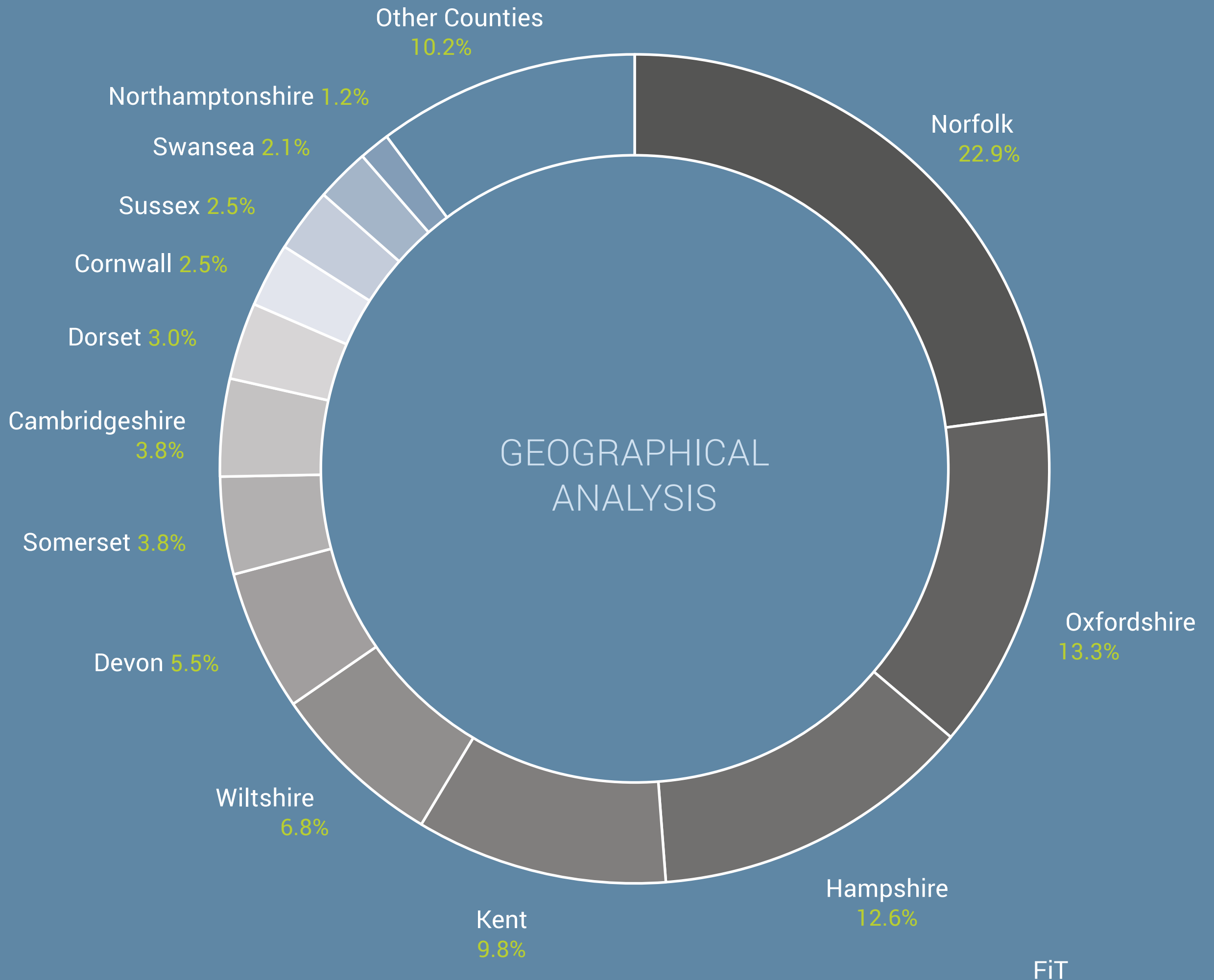
Oxfordshire / Surrey / Sussex

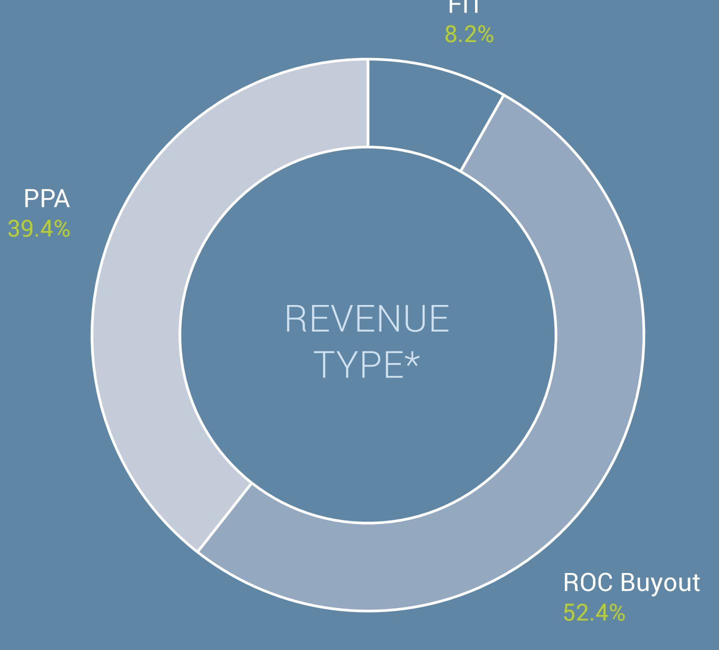
50 GOSHAWK
11 Sites 1.1 MWp


MULTIPLE SITES
36
20 Sites
49
9 Sites
50
11 Sites
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 37 38 39 40 41 42 43 44 45 46 47 48

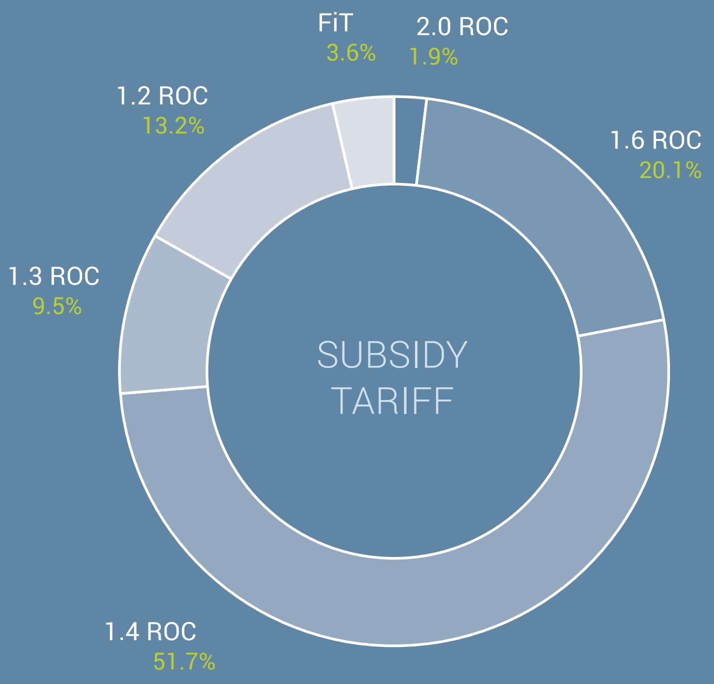
Analysis of the Company's Investment Portfolio

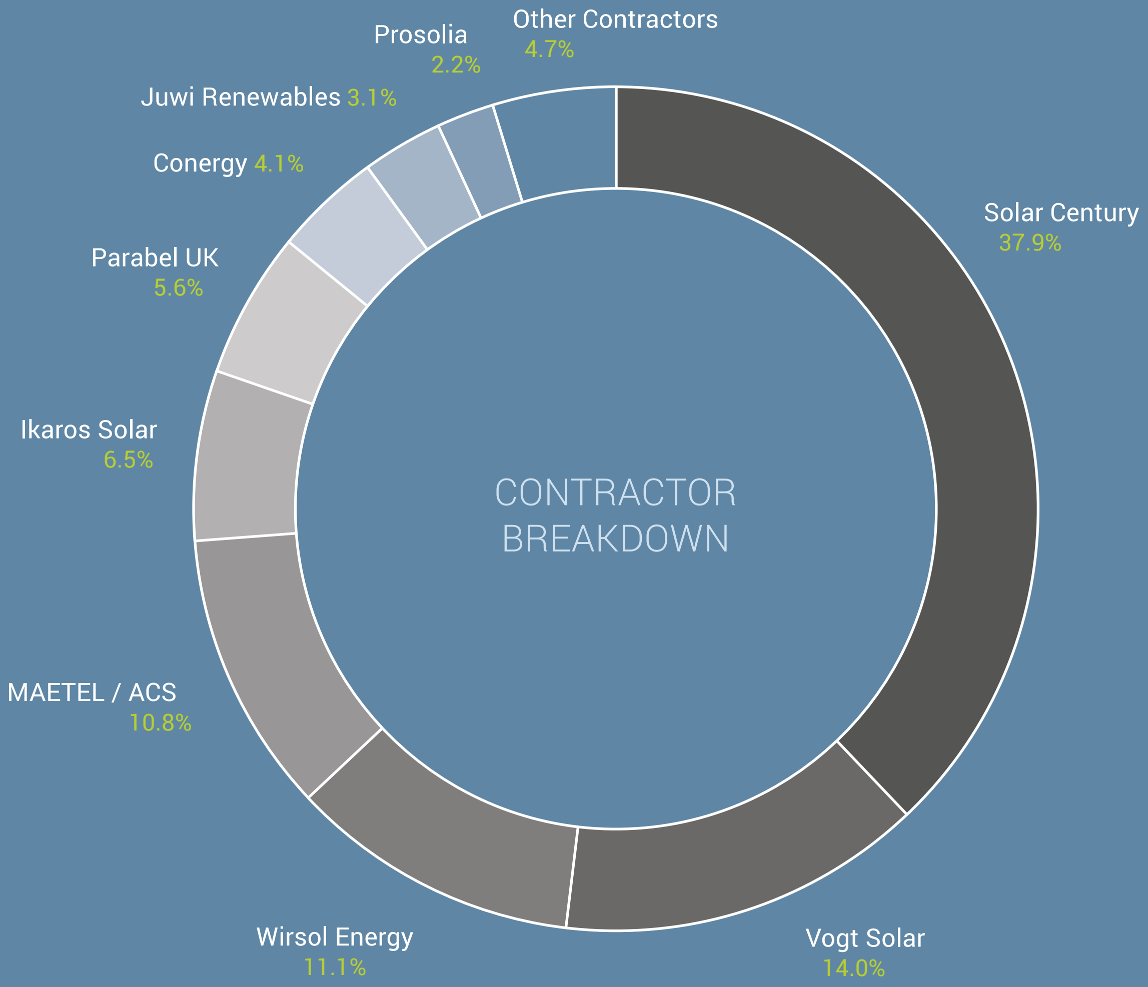
The Company's investment portfolio, analysed by geography, revenue type, subsidy tariff and contractor, as at 31 December 2018 is as follows:





* Revenue is based on the Company's operating portfolio of 465.3 MWp and does not include estimated ROC Recycle Revenue


FiT
3.6%
2.0 ROC
1.9%
1.2 ROC
13.2%
1.6 ROC
20.1%
1.3 ROC
9.5%
SUBSIDY
TARIFF
1.4 ROC
51.7%


Prosolia
2.2%
Other Contractors
4.7%
Juwi Renewables 3.1%
Conergy 4.1%
Solar Century
37.9%
Parabel UK
5.6%
Ikaros Solar
6.5%
CONTRACTOR
BREAKDOWN
MAETEL / ACS
10.8%
Wirsol Energy
11.1%
Vogt Solar
14.0%

JAMES ARMSTRONG
MANAGING PARTNER

MIKE RAND
MANAGING PARTNER

GIOVANNI TERRANOVA
MANAGING PARTNER

NEIL WOOD
GROUP FINANCE DIRECTOR

Report of the Investment Adviser

1. About Bluefield Partners LLP

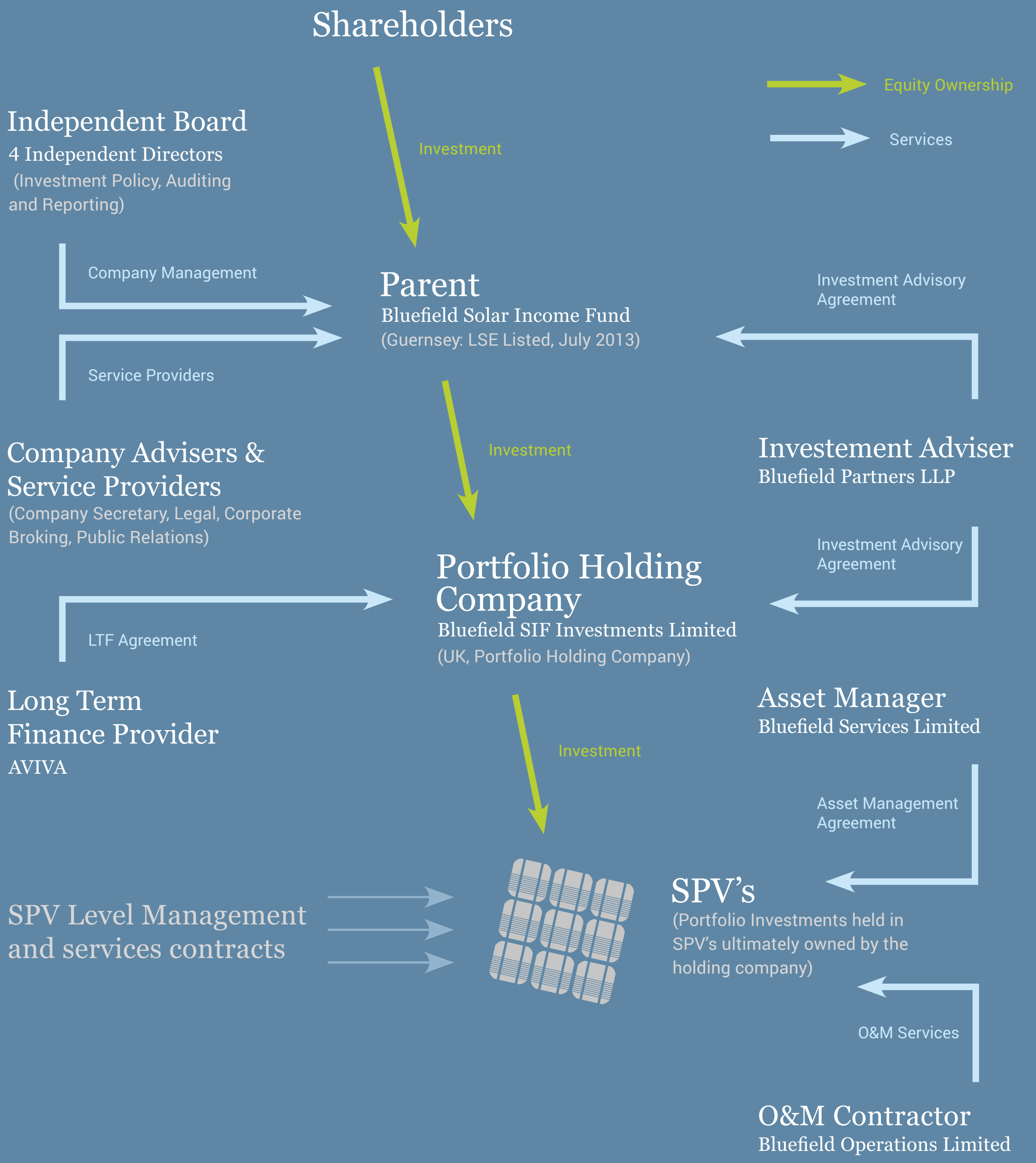
Bluefield was established in 2009 and is an investment adviser to companies and funds investing in solar energy infrastructure. Our team has a proven record in the selection, acquisition and supervision of large scale energy and infrastructure assets in the UK and Europe. The management team has been involved in over £1.7 billion of solar PV funds and/or transactions since 2008.

Bluefield was appointed Investment Adviser to the Company in June 2013. Based in its London office, Bluefield comprises of a dedicated and highly experienced team of investment, legal and portfolio executives. As Investment Adviser, Bluefield takes responsibility, fully inclusive within its advisory fees, for selection, origination and execution of investment opportunities for the Company, having executed 50 individual SPV acquisitions on behalf of BSIF since flotation. Due to the strong expertise of the Investment Adviser, no additional transaction arrangement or origination service providers are employed by the Company and no investment transaction arrangement fees have been paid either to the Investment Adviser or any third parties.

Bluefield's Investment Committee has collective experience of over £19 billion of energy and infrastructure transactions.

2. Structure

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



3. Portfolio: Acquisitions, Performance and Value Enhancement

Portfolio

As at 31 December 2018, the Company held an operational portfolio of 87 PV plants (consisting of 46 large scale sites, 39 micro sites and 2 roof top sites) with a total capacity of 465.3MWp with the portfolio displaying strong diversity through: geographical variety (as shown by the map on page 13), a range of proven PV technologies and infrastructure (arising from the solar PV farms having been constructed by a number of experienced solar contractors), and a blend of asset sizes with capacities ranging from microsites to substantial, utility-scale solar farms (including two plants at c.50MWp).

Acquisitions

During the 6 month period to 31 December 2018, the Investment Adviser reviewed approximately 300MWp of acquisition opportunities, but due to the Investment Adviser's stringent acquisition criteria only 2% of the projects assessed went on to be recommended to the Board.

Out of this pipeline, the Company completed only one acquisition, with a capacity of 5MWp. The plant was constructed by Canadian Solar, is accredited under the 1.2 ROC Scheme and was funded using £5.9m from the Company's increased and extended £50m RCF (taking total drawings to £30.2m as at 31 December 2018), as well as utilising £0.9m of recycled working capital from previous acquisitions. The asset commenced generation in March 2017.

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

As a consequence of our strong pricing discipline, the focus continues to be primarily on the optimisation of performance of the excellent asset base already secured.

Performance

In the period to 31 December 2018, the portfolio, with a total installed capacity of 465.3MWp, achieved a net PR of 80.2%, against a forecasted net PR of 79.8% (H1 2017/18: 81.7%), creating an 'asset management uplift effect' of +0.5% for the first six months of current reporting period.

Table 1. Summary of BSIF Portfolio Performance for H1 2018/19 (441.5MWp):

	Actual H1, 2018/19	Forecast H1, 2018/19	Delta (% change)	Actual H1, 2017/18	YoY Delta (% change)
Weighted Average Irradiation (Hrs)[1,2]	604.6	548.5	+10.2%	524.4	+15.3%
Net Performance Ratio (%)[1,2]	80.2%	79.8%	+0.5%	82.4%	-2.6%
Generation Yield (MWh/MWp)[1,2]	**486.2**	**437.5**	**+11.1%**	**432.2**	**+12.5%**
Total unit Price – Power + ROCs + LDs[3] (GBP/MWh)	£123.68	£117.27	+5.5%	£122.17	+1.2%
Total Revenue -inc LDs (GBP/MWp)	**£60.13**	**£51.31**	**+17.2%**	**£52.80**	**+13.9%**

Notes to table 1

1. Excluding grid outages and significant periods of constraint or curtailment that were outside of the Company's control (for example, DNO-led outages and curtailments).
2. Table excludes assets with a collective capacity of 18.8MWp, which were acquired during H2 2017/18 reporting period and therefore do not yet offer comparisons with H1 2018/19. The table also excludes the 5MWp Little Bear plant, acquired in October 2018.
3. Actual and forecast revenue figures include ROC recycle estimates in line with standard forecasts

As shown in the table above, irradiation levels during the reporting period were almost 10% higher than forecast as July, September and October all experienced levels significantly above expectations, and also when compared to the same period in 2017/18 reporting year.

Operational outperformance (assisted by the Net PR being 0.5% above forecast levels) across the portfolio, when combined with the high irradiation levels, gave rise to significantly higher than forecast generation (+11.1%). When combined with an increase in Total Unit Price (materially due to rising power prices feeding into PPA fixes over the period) to £123.7/MWh, revenues were considerably higher than both expectations (+17.2%) and the corresponding period of H1 2017/18 (+13.9%).

The portfolio's 'availability' (the total time the plant was operating, as a percentage of the maximum possible) was substantially as expected, at 98.27%, against a forecast of 98.89%.

Although the portfolio's net performance was higher than forecast (+0.5%), it was lower than the equivalent period from the previous reporting year by 2.6%; a result of both expected and unexpected factors.

Firstly, a fall in year on year performance will always be expected as the effects of degradation impact the PV modules' performance (e.g. an industry standard rate of degradation is c.-0.4%per annum), however, as Figure 1 below illustrates, a consequence from the exceptionally high levels of irradiation experienced over the six months to 31 December 2018 is that the operational efficiency of the plants falls (albeit overwhelmingly

Figure 1 – H1 2018/19 vs H1 2017/18 actual PR and irradiation

offset by outperformance in absolute yield as both the performance table above and Figure 2 below illustrate).

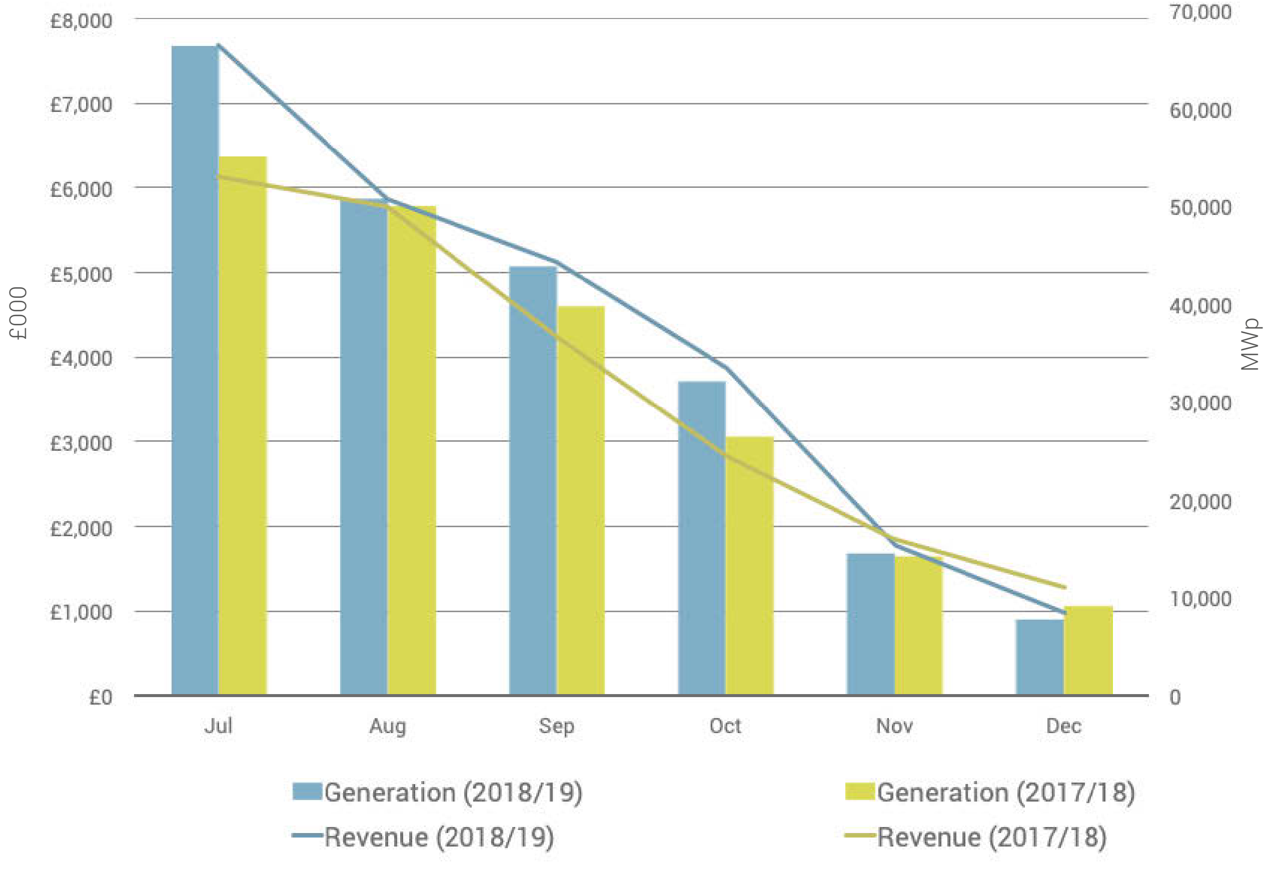
The reason behind this fall in efficiency is a result of the plants experiencing inverter saturation, commonly referred to as 'clipping', during periods of unexpectedly high irradiation. Inverter saturation occurs when the DC power from the PV array exceeds the maximum input level for the inverter.

In the UK, due to lower average irradiation levels (e.g. when compared to Southern Europe) it is common to oversize the generating capacity by a factor of 1.2 to 1.4 (i.e. building more module capacity than inverter capacity) to ensure generation is maximised at times when irradiation is below peak levels. An example might be a plant which is licensed to deliver 5MWp to the grid being built with a generating capacity of 6MWp; whilst 1MW will be 'clipped' at times of peak irradiation, the plant will be able to deliver 5MW for significantly more hours in the year than is the case where 5MW is the peak output available from the panels.

The consequence of clipping is that during periods of exceptionally high irradiation the output from the modules will exceed the permitted input of the inverter. At this point, whilst the plant will be generating above forecast expectations, since the inverter is not capturing all of the available DC generation the performance ratio of the plant (i.e. conversion efficiency) reduces.

This is a design feature of most of our plants and has no correlation to the underlying operational stability of the plant.

Figure 2 - H1 2018/19 vs H1 2017/18 actual generation and revenue



SALHOUSE

The geographical and equipment diversity within the Company's portfolio allows the effects of both 'Outage Risk' (whereby a higher proportion of large capacity assets would hold increased exposure to material losses due to curtailments and periods of outage, as directed by a specific DNO) and 'Defect Risk' (where over reliance on limited equipment manufacturers could lead to large proportions of the portfolio suffering similar defects) to be mitigated.

This diversification, combined with the considerable efforts of the Company's asset manager, BSL, is demonstrated by the fact that the outages experienced by the portfolio (those events both outside and inside the Company's control) allowed the higher irradiation levels experienced during the reporting period to be directly converted to higher generation and, consequently, higher revenues being collected.

The impact of outages resulting from events within the control of the Company (for example, periods when a plant, or part of a plant, were shut to conduct essential maintenance or repairs) accounted for a reduction of less than 0.11% of the portfolio's total generation (239.98MWh).

Outages and curtailments which were outside the control of the Company (for example, where these events are initiated by a DNO for them to undertake upgrade works in the local area) accounted for 4,923.94MWh of lost generation, an increase from the 3,200MWh of lost generation during the same period during the 2017/18 year. This increase reflects more DNO-led events due to essential repair and upgrade works within the proximity of the BSIF assets.

The combined impact of both sets of outages was an effective decrease of 2.20% to total generation across the portfolio.

Of the outages resulting from events outside the Company's control, the most significant periods were recorded at Southwick, a 48MWp plant in Hampshire, which experienced a complete outage for 121 hours in July 2018, as a result of failure on the DNO cable which connects the site to the local grid, as well as a further DNO led outage in September, lasting 85 hours.

Following these events, the Investment Adviser and the Company's asset manager have been working closely with the DNO, SSE, to mitigate the occurrence of future cabling issues. The combined impact of these outages gave rise to generation and revenue losses of 1,799.44MWh and £207.7k, respectively.

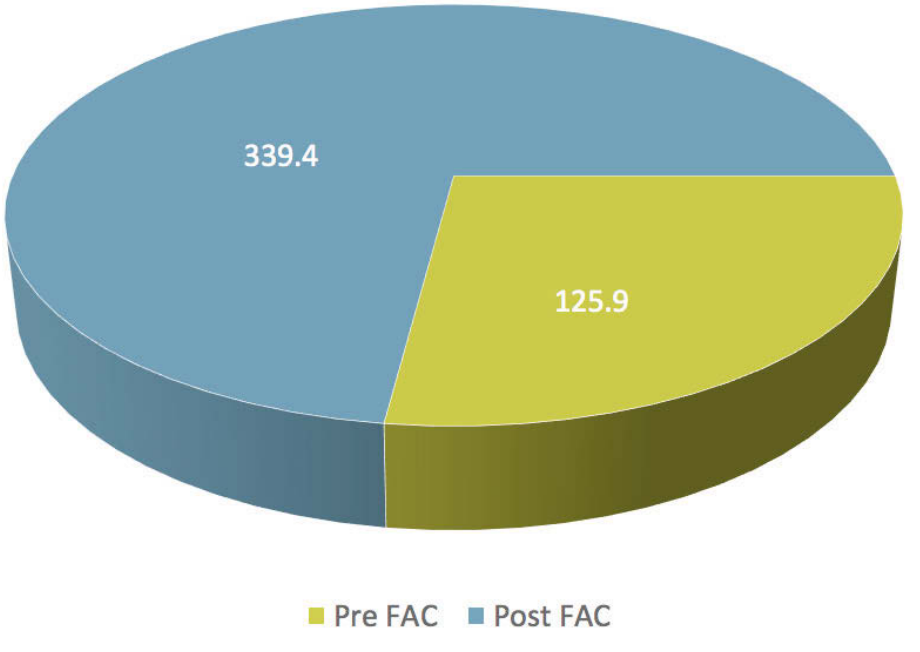
Regarding outages and curtailments due to planned maintenance or repairs by the Company, the most significant curtailment was recorded at Molehill in Kent where the plant experienced a transformer failure in October 2018.

Given the timing of the failure, the decision was taken by the Company to replace all three transformers on site to avoid similar future issues and as the resulting works required an outage over late October and early December 2018 lasting 1,368 hours, only 1,177.08 MWh of generation losses (equal to £131.37k) were suffered compared to a significantly higher value if the works had been deferred and completed during the spring or summer months.

During the financial year to date, the Company received c.£0.1m in LDs (£0.3m Dec 17) for underperformance, revenue losses and the rectification of minor equipment defects.

During the period, 8 plants (52.23MWp) successfully passed through their FAC bringing the Company's total number of sites passed FAC to 339.5MWp (c.73%) out of a total portfolio of 465.3MWp as at 31 December 2018.

Figure 3 – Proportion of the Company's portfolio pre/post FAC as at 31 December 2018



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

Whilst the portfolio is maturing, a significant portion (29% by installed capacity) remains protected by performance warranties provided by the EPC contractors (in addition to equipment manufacturers' warranties), backed by retentions or warranty bank bonds, applicable from each asset's provisional acceptance date. These warranties provide a contractual entitlement to the recovery of damages because of operational underperformance against a contracted level of performance, or as a result of defects.

At the end of the reporting period, our operation and maintenance subsidiary, BOL, now provides O&M contractor services to 20 of the Company's assets, representing 225MWp, just under 50% of the BSIF portfolio. Aside from annual cost savings of c.£160k for the sites already transferred, this transition of services is expected to deliver noticeable benefits from increased contractual service levels and, through a close operational working relationship with the asset manager, BSL, faster response times.

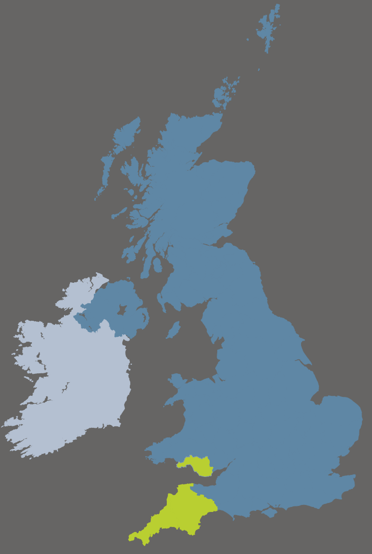
The Company's operating portfolio as at 31 December 2018 and the total electricity generated during H1 of the 2018/19 financial year is shown below:

Table 3. BSIF Portfolio Generation for the reporting period by Asset (excluding the 5MWp site Little Bear acquired in October 2018):

Solar Farm Asset	Total Investment Commitment (Million GBP)	Installed Capacity (MWp)	Generation to 31 December 2018 (Actual, MW/h)
West Raynham	55.9	50.0	25,785.03
Southwick	61.0	47.9	21,225.11
Elms	32.8	28.9	14,604.29
Hardingham	22.7	20.1	10,220.29
Pentylands	21.4	19.2	9,085.30
Molehill	23.1	18.0	8,361.60
Hoback	19.0	17.5	8,805.02
Littlebourne	22.0	17.0	8,230.56
Goosewillow	19.0	16.9	8,681.16
Hill Farm	17.3	15.2	7,821.78
Roves	14.0	12.7	6,172.94
Pashley	15.4	11.5	6,022.85
Hall Farm	13.4	11.4	5,794.20
Sheppey	12.0	10.6	5,560.29
Betingau	11.2	10.0	4,097.26
Capelands	8.6	8.4	3,785.14
North Beer	9.3	6.9	2,997.93
Ashlawn	7.6	6.6	2,903.35
Redlands	6.4	6.2	3,098.87
Saxley	7.0	5.9	2,674.18
Durrants	6.4	5.0	2,473.49
Romsey	5.8	5.0	2,537.67
Salhouse	5.6	5.0	2,559.37
Frogs Loke	5.6	5.0	2,586.81
The Grange	5.4	5.0	2,340.42

Solar Farm Asset	Total Investment Commitment (Million GBP)	Installed Capacity (MWp)	Generation to 31 December 2018 (Actual, MW/h)
Bunns Hill	5.3	5.0	2,608.36
Oulton	5.3	5.0	2,512.23
Rookery	5.2	5.0	2,543.02
Old Stone	5.7	5.0	2,378.70
Place Barton	5.5	5.0	2,355.14
Court Farm	5.5	5.0	2,441.47
Kellingley	5.0	5.0	2,366.20
Kislingbury	5.0	5.0	2,451.50
Willows	4.6	5.0	2,190.29
Clapton	6.3	5.0	2,437.60
Holly Farm	7.3	5.0	2,633.17
East Farm	5.5	5.0	1,919.07
Trethosa	5.8	4.8	2,158.65
Folly Lane	5.3	4.8	2,340.83
Gypsum	4.4	4.5	2,176.79
Tollgate Farm	4.6	4.3	2,046.41
Burnaston	14.4	4.1	1,809.80
Galton Manor	7.2	3.8	2,562.57
Barvills	3.3	3.2	1,676.96
Langlands	3.1	2.1	938.15
Goshawk (10 micro sites)	2.0	1.1	475.22
Butteriss (20 micro sites)	2.3	0.8	334.50
Corby	2.3	0.5	207.09
Promothames (9 micro sites)	1.3	0.4	193.74
GRAND TOTAL	**550.1**	**460.3**	**224,182.37**

Swansea, Devon and Cornwall



Betingau
Swansea

OWNERSHIP	100%
INVESTMENT DATE	December 2013
CAPACITY (MWP)	10.0
PANEL SUPPLIER	Sharp / REC
EPC CONTRACTOR	Prosolia
SUBSIDY VINTAGE	1.6 ROC

Capelands
Barnstaple

OWNERSHIP	100%
INVESTMENT DATE	August 2014
CAPACITY (MWP)	8.4
PANEL SUPPLIER	S-Energy
EPC CONTRACTOR	Juwi Renewables
SUBSIDY VINTAGE	1.4 ROC

Langlands
Ashill

OWNERSHIP	100%
INVESTMENT DATE	February 2017
CAPACITY (MWP)	2.1
PANEL SUPPLIER	Yingli
EPC CONTRACTOR	Ikaros
SUBSIDY VINTAGE	2.0 ROC

Old Stone
Totnes

OWNERSHIP	100%
INVESTMENT DATE	January 2017
CAPACITY (MWP)	5.0
PANEL SUPPLIER	JA Solar
EPC CONTRACTOR	Solar Century
SUBSIDY VINTAGE	1.2 ROC

Place Barton
Totnes

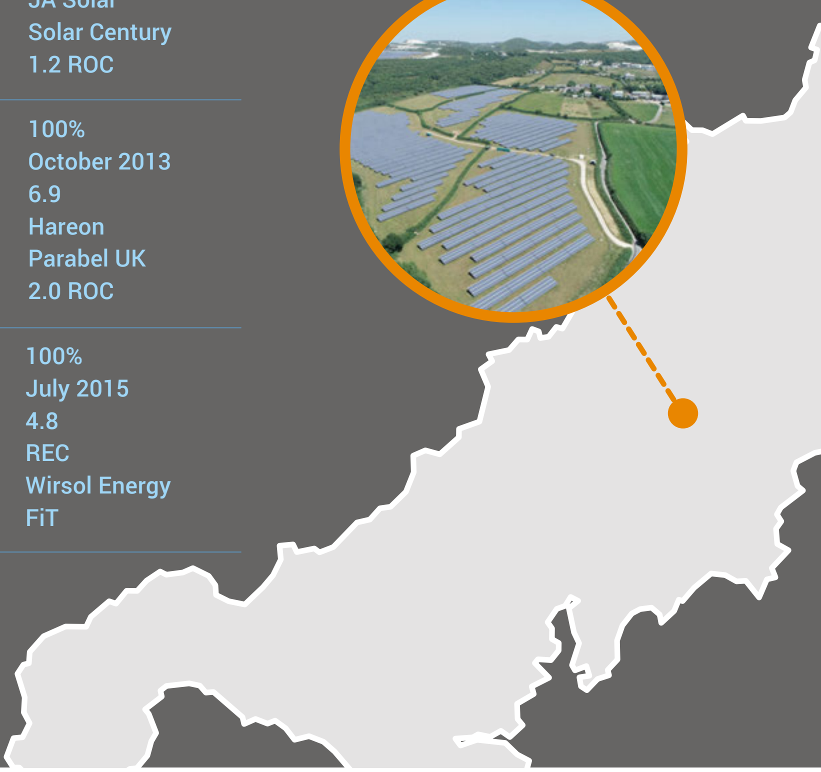
OWNERSHIP	100%
INVESTMENT DATE	January 2017
CAPACITY (MWP)	5.0
PANEL SUPPLIER	JA Solar
EPC CONTRACTOR	Solar Century
SUBSIDY VINTAGE	1.2 ROC

North Beer
Launceston

OWNERSHIP	100%
INVESTMENT DATE	October 2013
CAPACITY (MWP)	6.9
PANEL SUPPLIER	Hareon
EPC CONTRACTOR	Parabel UK
SUBSIDY VINTAGE	2.0 ROC

Trethosa
St Austell

OWNERSHIP	100%
INVESTMENT DATE	July 2015
CAPACITY (MWP)	4.8
PANEL SUPPLIER	REC
EPC CONTRACTOR	Wirsol Energy
SUBSIDY VINTAGE	FiT



Newport, Somerset and Dorset

Court Farm
Llanmartin

OWNERSHIP	100%
INVESTMENT DATE	December 2016
CAPACITY (MWP)	5.0
PANEL SUPPLIER	Hanwha Q Cells
EPC CONTRACTOR	Parabel UK
SUBSIDY VINTAGE	1.2 ROC

Ashlawn
Axbridge

OWNERSHIP	100%
INVESTMENT DATE	August 2014
CAPACITY (MWP)	6.6
PANEL SUPPLIER	Hanwha Q Cells
EPC CONTRACTOR	Parabel UK
SUBSIDY VINTAGE	1.4 ROC

Redlands
Bridgwater

OWNERSHIP	100%
INVESTMENT DATE	August 2014
CAPACITY (MWP)	6.2
PANEL SUPPLIER	S-Energy
EPC CONTRACTOR	Juwi Renewables
SUBSIDY VINTAGE	1.4 ROC

Clapton
Cucklington

OWNERSHIP	100%
INVESTMENT DATE	August 2014
CAPACITY (MWP)	5.0
PANEL SUPPLIER	Jinko Solar
EPC CONTRACTOR	Vogt Solar
SUBSIDY VINTAGE	1.2 ROC

Galton Manor
Overmoigne

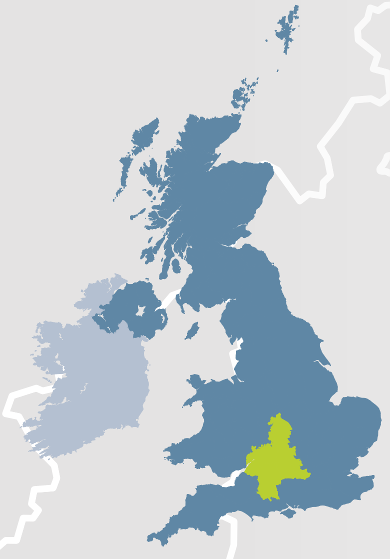
OWNERSHIP	100%
INVESTMENT DATE	March 2018
CAPACITY (MWP)	3.8
PANEL SUPPLIER	Jinko Solar
EPC CONTRACTOR	Vogt Solar
SUBSIDY VINTAGE	1.2 ROC

Holly
Overmoigne

OWNERSHIP	100%
INVESTMENT DATE	March 2018
CAPACITY (MWP)	5.0
PANEL SUPPLIER	Jinko Solar
EPC CONTRACTOR	Vogt Solar
SUBSIDY VINTAGE	1.2 ROC

East
Overmoigne

OWNERSHIP	100%
INVESTMENT DATE	March 2018
CAPACITY (MWP)	5.0
PANEL SUPPLIER	Jinko Solar
EPC CONTRACTOR	Vogt Solar
SUBSIDY VINTAGE	1.2 ROC



Warkwickshire, Glouchestshire, Oxfordshire and Wiltshire

Tollgate
Lemington Spa

OWNERSHIP	100%
INVESTMENT DATE	January 2016
CAPACITY (MWP)	4.3
PANEL SUPPLIER	Canadian Solar
EPC CONTRACTOR	Solar Century
SUBSIDY VINTAGE	1.3 ROC

Grange
Newent

OWNERSHIP	100%
INVESTMENT DATE	February 2016
CAPACITY (MWP)	5.0
PANEL SUPPLIER	Canadian Solar
EPC CONTRACTOR	Solar Century
SUBSIDY VINTAGE	1.3 ROC

Elms
Wantage

OWNERSHIP	100%
INVESTMENT DATE	February 2015
CAPACITY (MWP)	28.9
PANEL SUPPLIER	Astroenergy
EPC CONTRACTOR	Wirsol Energy
SUBSIDY VINTAGE	1.4 ROC

Goosewillow
Steventon

OWNERSHIP	100%
INVESTMENT DATE	Aug & Nov 2013
CAPACITY (MWP)	16.9
PANEL SUPPLIER	Trina
EPC CONTRACTOR	Ikaros Solar
SUBSIDY VINTAGE	1.6 ROC

Hill Farm
Abingdon

OWNERSHIP	100%
INVESTMENT DATE	October 2013
CAPACITY (MWP)	15.2
PANEL SUPPLIER	Yingli
EPC CONTRACTOR	Solar Century
SUBSIDY VINTAGE	1.6 ROC

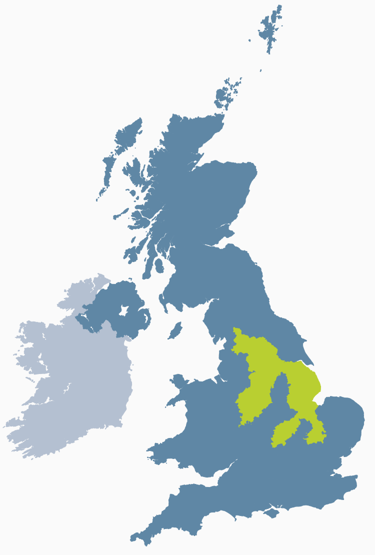
Roves
Sevenhampton

OWNERSHIP	100%
INVESTMENT DATE	March 2015
CAPACITY (MWP)	12.7
PANEL SUPPLIER	Astroenergy
EPC CONTRACTOR	Wirsol Energy
SUBSIDY VINTAGE	1.4 ROC

Pentylands
Highworth

OWNERSHIP	100%
INVESTMENT DATE	February 2014
CAPACITY (MWP)	19.2
PANEL SUPPLIER	Astroenergy
EPC CONTRACTOR	Conergy
SUBSIDY VINTAGE	1.6 ROC

Yorkshire, Lincolnshire, Staffordshire, Derbyshire, Northamptonshire, Leciestershire and Cambridgeshire



Kellingley
Beal

OWNERSHIP	100%
INVESTMENT DATE	June 2017
CAPACITY (MWP)	5.0
PANEL SUPPLIER	Trina
EPC CONTRACTOR	TSF Construction
SUBSIDY VINTAGE	1.2 ROC

Folly Lane
Boston

OWNERSHIP	100%
INVESTMENT DATE	December 2015
CAPACITY (MWP)	4.8
PANEL SUPPLIER	Canadian Solar
EPC CONTRACTOR	Solar Century
SUBSIDY VINTAGE	1.3 ROC

Willows
Uttoxeter

OWNERSHIP	100%
INVESTMENT DATE	November 2016
CAPACITY (MWP)	5.0
PANEL SUPPLIER	Canadian Solar
EPC CONTRACTOR	Solar Century
SUBSIDY VINTAGE	1.2 ROC

Burnaston
Burnaston

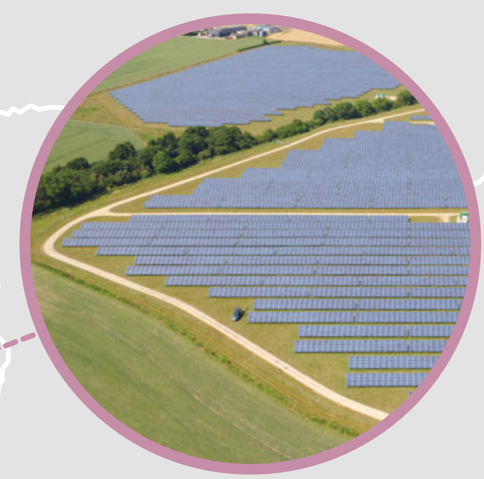
OWNERSHIP	100%
INVESTMENT DATE	April 2016
CAPACITY (MWP)	4.1
PANEL SUPPLIER	Sharp
EPC CONTRACTOR	British Gas
SUBSIDY VINTAGE	FiT

Gypsum
Sileby

OWNERSHIP	100%
INVESTMENT DATE	December 2016
CAPACITY (MWP)	4.5
PANEL SUPPLIER	Hanwha Q Cells
EPC CONTRACTOR	Parabel UK
SUBSIDY VINTAGE	1.2 ROC

Corby
Corby

OWNERSHIP	100%
INVESTMENT DATE	December 2016
CAPACITY (MWP)	0.5
PANEL SUPPLIER	Azur
EPC CONTRACTOR	British Gas
SUBSIDY VINTAGE	FiT



Kislingbury
Kislingbury

OWNERSHIP	100%
INVESTMENT DATE	December 2016
CAPACITY (MWP)	5.0
PANEL SUPPLIER	Canadian Solar
EPC CONTRACTOR	Solar Century
SUBSIDY VINTAGE	1.2 ROC

Hoback
Royston

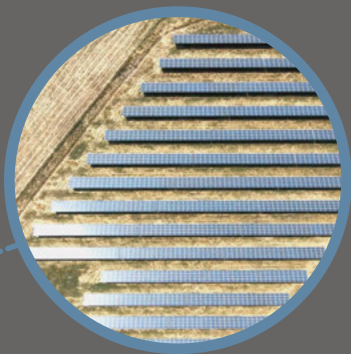
OWNERSHIP	100%
INVESTMENT DATE	June 2014
CAPACITY (MWP)	17.5
PANEL SUPPLIER	Jinko Solar
EPC CONTRACTOR	Solar Century
SUBSIDY VINTAGE	1.4 ROC

Hardingham
Wicklewood

OWNERSHIP	100%
INVESTMENT DATE	September 2013
CAPACITY (MWP)	14.9
PANEL SUPPLIER	Hanwha Q Cells
EPC CONTRACTOR	Solar Century
SUBSIDY VINTAGE	1.6 ROC

Hardingham X
Wicklewood

OWNERSHIP	100%
INVESTMENT DATE	November 20014
CAPACITY (MWP)	5.2
PANEL SUPPLIER	Hanwha Q Cells
EPC CONTRACTOR	Solar Century
SUBSIDY VINTAGE	1.4 ROC



Norfolk

Hall Farm
East Beckham

OWNERSHIP	100%
INVESTMENT DATE	December 2013
CAPACITY (MWP)	11.4
PANEL SUPPLIER	Hanwha Q Cells
EPC CONTRACTOR	Ikaros Solar
SUBSIDY VINTAGE	1.6 ROC

Bunns Hill
North Walsham

OWNERSHIP	100%
INVESTMENT DATE	December 2015
CAPACITY (MWP)	5.0
PANEL SUPPLIER	Neo Solar Europe
EPC CONTRACTOR	Solar Century
SUBSIDY VINTAGE	1.3 ROC

Frogs Loke
North Walsham

OWNERSHIP	100%
INVESTMENT DATE	December 2015
CAPACITY (MWP)	5.0
PANEL SUPPLIER	Canadian Solar
EPC CONTRACTOR	Solar Century
SUBSIDY VINTAGE	1.3 ROC

West Raynham
West Raynham

OWNERSHIP	100%
INVESTMENT DATE	June 2015
CAPACITY (MWP)	50.0
PANEL SUPPLIER	Trina
EPC CONTRACTOR	MAETEL / ACS
SUBSIDY VINTAGE	1.4 ROC

Oulton
Oulton

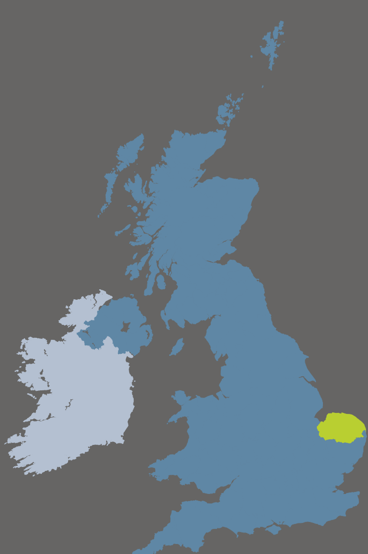
OWNERSHIP	100%
INVESTMENT DATE	February 2016
CAPACITY (MWP)	5.0
PANEL SUPPLIER	Canadian Solar
EPC CONTRACTOR	Solar Century
SUBSIDY VINTAGE	1.3 ROC

Salhouse
Norwich

OWNERSHIP	100%
INVESTMENT DATE	June 2015
CAPACITY (MWP)	5.0
PANEL SUPPLIER	REC
EPC CONTRACTOR	Wirsol Energy
SUBSIDY VINTAGE	1.3 ROC

Rookery
Attleborough

OWNERSHIP	100%
INVESTMENT DATE	January 2016
CAPACITY (MWP)	5.0
PANEL SUPPLIER	Canadian Solar
EPC CONTRACTOR	Solar Century
SUBSIDY VINTAGE	1.3 ROC



Saxley
Andover

OWNERSHIP	100%
INVESTMENT DATE	December 2013
CAPACITY (MWP)	5.9
PANEL SUPPLIER	Hanwha Q Cells
EPC CONTRACTOR	Solar Century
SUBSIDY VINTAGE	1.6 ROC

Romsey
Romsey

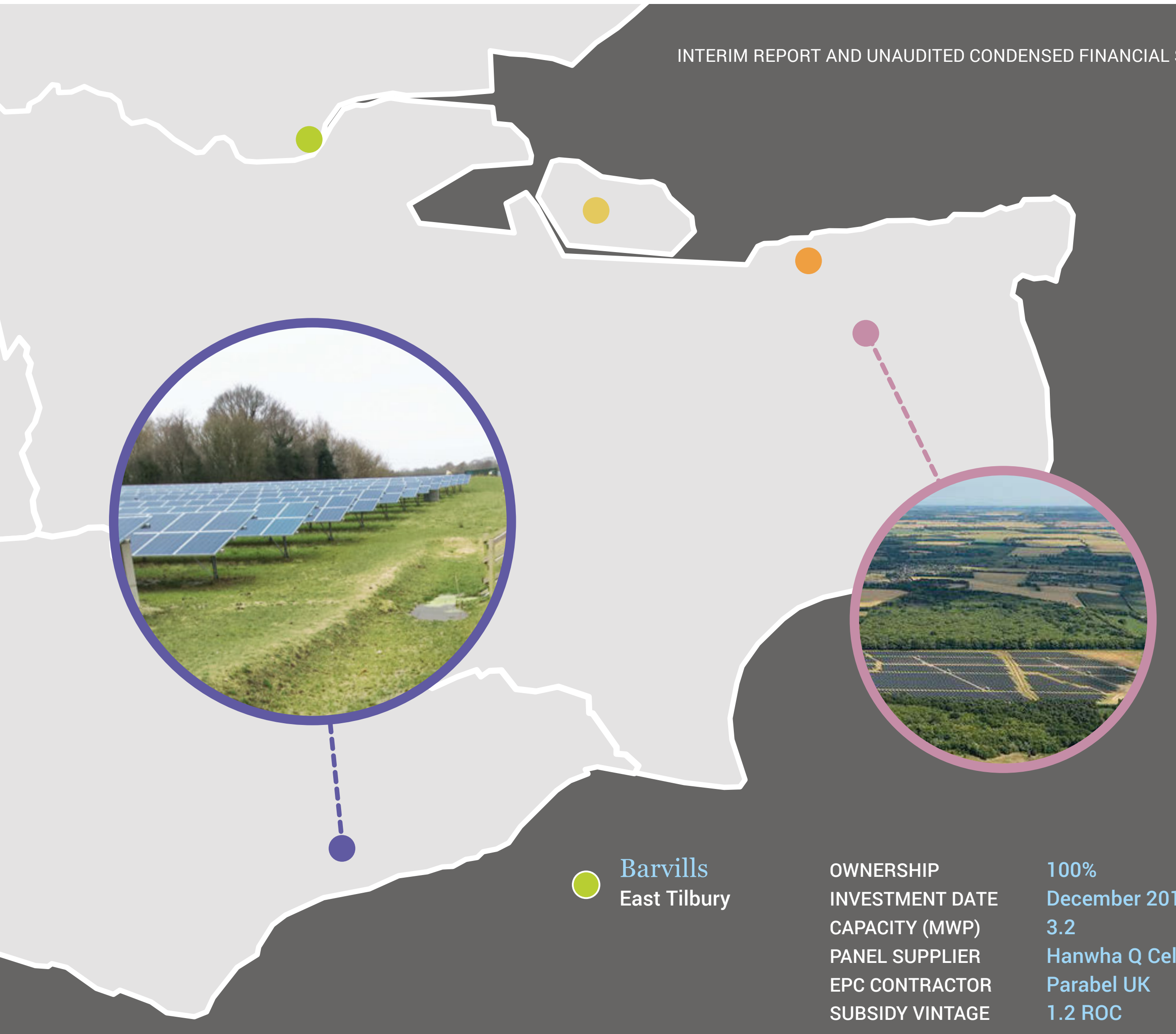
OWNERSHIP	100%
INVESTMENT DATE	February 2016
CAPACITY (MWP)	5.0
PANEL SUPPLIER	Canadian Solar
EPC CONTRACTOR	Solar Century
SUBSIDY VINTAGE	1.3 ROC

Southwick
Fareham

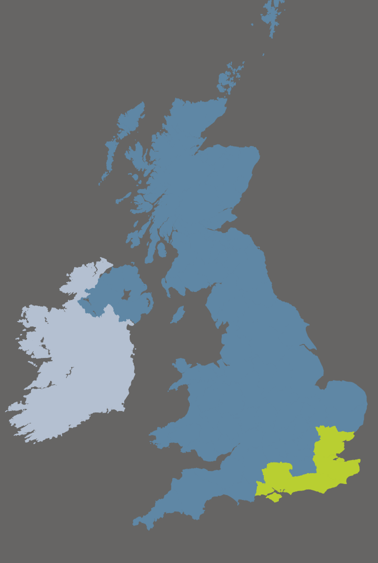
OWNERSHIP	100%
INVESTMENT DATE	January 2016
CAPACITY (MWP)	47.9
PANEL SUPPLIER	JA Solar
EPC CONTRACTOR	Solar Century
SUBSIDY VINTAGE	1.4 ROC

Durrants
Newport

OWNERSHIP	100%
INVESTMENT DATE	September 2014
CAPACITY (MWP)	5.0
PANEL SUPPLIER	REC
EPC CONTRACTOR	REC Systems
SUBSIDY VINTAGE	FiT



Isle of Wight, Hampshire, Essex, Kent and Sussex



Barvills
East Tilbury

OWNERSHIP	100%
INVESTMENT DATE	December 2016
CAPACITY (MWP)	3.2
PANEL SUPPLIER	Hanwha Q Cells
EPC CONTRACTOR	Parabel UK
SUBSIDY VINTAGE	1.2 ROC

Sheppey
Isle of Sheppey

OWNERSHIP	100%
INVESTMENT DATE	January 2014
CAPACITY (MWP)	10.6
PANEL SUPPLIER	Yingli
EPC CONTRACTOR	Solar Century
SUBSIDY VINTAGE	1.4 ROC

Molehill
Herne Bay

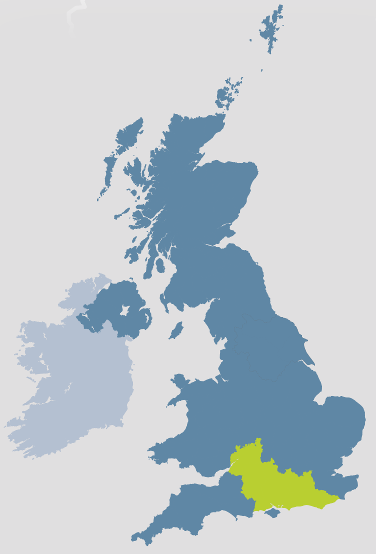
OWNERSHIP	100%
INVESTMENT DATE	January 2016
CAPACITY (MWP)	18.0
PANEL SUPPLIER	Hanwha Solar One
EPC CONTRACTOR	Vogt Solar
SUBSIDY VINTAGE	1.4 ROC

Littlebourne
Cantebury

OWNERSHIP	100%
INVESTMENT DATE	January 2016
CAPACITY (MWP)	17.0
PANEL SUPPLIER	Hanwha Solar One
EPC CONTRACTOR	Vogt Solar
SUBSIDY VINTAGE	1.4 ROC

Pashley
Bexhill on Sea

OWNERSHIP	100%
INVESTMENT DATE	January 2016
CAPACITY (MWP)	11.5
PANEL SUPPLIER	Hanwha Solar One
EPC CONTRACTOR	Voght Solar
SUBSIDY VINTAGE	1.4 ROC



Assets with Multiple Sites

Butteriss Downs 20 sites	OWNERSHIP	100%
	INVESTMENT DATE	August 2015
	CAPACITY (MWP)	0.8
	PANEL SUPPLIER	Trina / LDK
	EPC CONTRACTOR	British Gas
	SUBSIDY VINTAGE	FiT
Promothames 9 Sites	OWNERSHIP	100%
	INVESTMENT DATE	August 2015
	CAPACITY (MWP)	0.4
	PANEL SUPPLIER	Trina
	EPC CONTRACTOR	British Gas
	SUBSIDY VINTAGE	FiT
Goshawk 11 Sites	OWNERSHIP	100%
	INVESTMENT DATE	September 2014
	CAPACITY (MWP)	1.1
	PANEL SUPPLIER	Trina / Suntech
	EPC CONTRACTOR	British Gas
	SUBSIDY VINTAGE	FiT

Value Enhancement Initiatives

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

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

The project is progressing well, and the Investment Adviser is pleased to report that over 75% of the BSIF portfolio (by installed capacity) is now being actively engaged. To date, contractual terms have been agreed with the landowners on nearly half of these assets, with formal lease variations now executed on solar farms with a total combined capacity of approximately one quarter of the portfolio.

These variations allow the lease tenure to be increased up to 40 years.

Of the plants where agreement has been reached with the respective landowners, submissions to the relevant Local Planning Authorities are expected during Q1 2019.

When extending lease terms, the Investment Adviser is using the opportunity to add further value through including new rights to install and operate battery storage facilities so that when the commercial climate for such infrastructure becomes attractive, these facilities can be rapidly deployed across the portfolio.

By way of illustration, the prospective valuation impact to the Company assuming an increase of 5 years to the current 25 year operational life assumption (i.e extending from 25 years to 30 years) with respect to the plants (61MWp) currently being prepared for planning submission would be c.£3.4m or c.0.9pps, but perhaps more significantly, this will extend the life of the Company and reduce the rate of NAV depreciation.

To date, no allowance has been made within our valuation models for the benefit of any lease extensions and whilst there is a high degree of confidence that a PV plant could operate for 30years, assuming the equivalent increase in planning, in the absence of formal consent, would require a more fully substantiated position to be detailed before adoption within the Director's valuation.

In addition, the Investment Adviser is actively discussing opportunities within the UK's burgeoning long term, corporate and direct wire PPA market, as both routes have the potential to provide predictable and reliable income streams over the long term (in some cases up to 25 years).

Furthermore, the Investment Adviser is also undertaking detailed studies relevant to the post-subsidy-era solar PV developments, including the assessment of various internal and external development opportunities.

PPA Strategy

Over the reporting period, the Company maintained its strategy to fix the price of power sale contracts for individual assets not covered by long term contracts, for periods between 12 and 36 months. The majority of contracts are being struck for a minimum of 18 months, which is the average duration required under the LTF agreement.

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

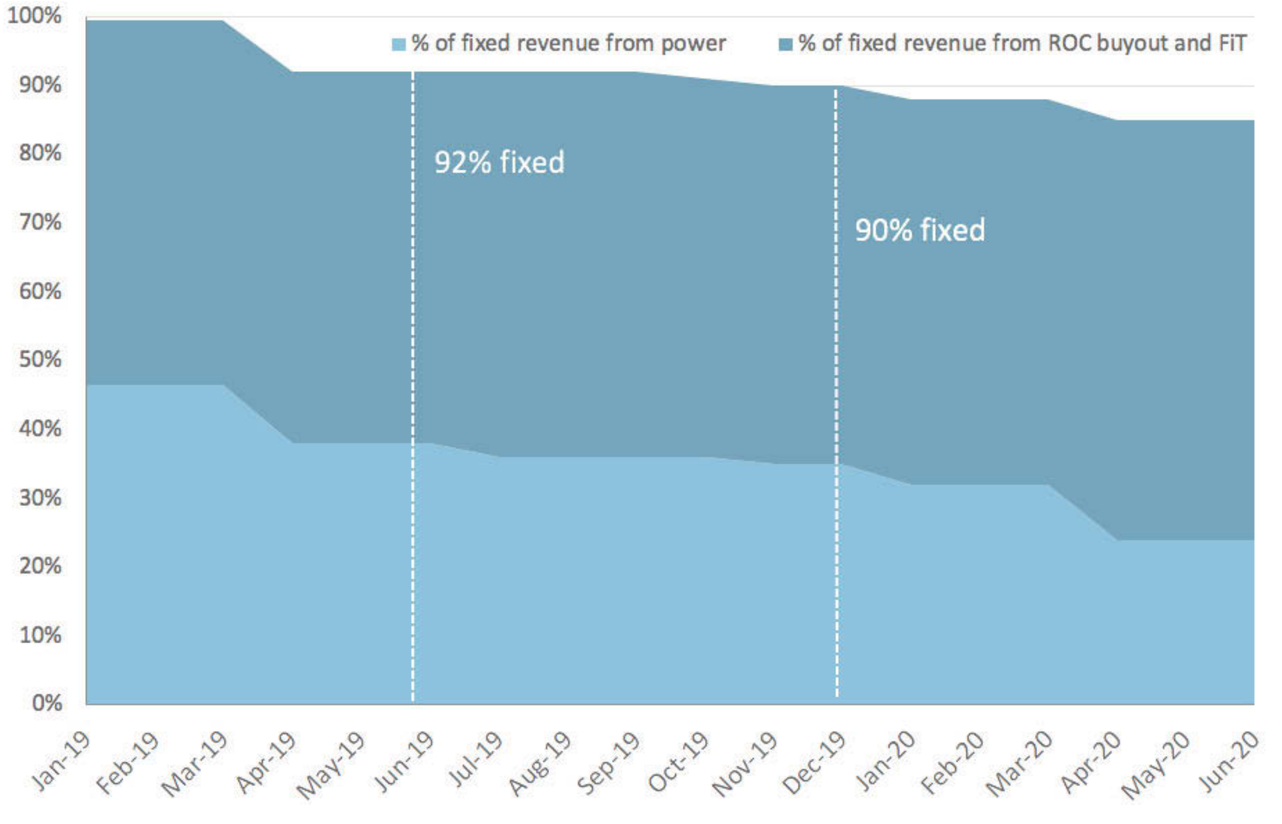
Prices are typically fixed up to 3 months in advance of the commencement of the fixing period and PPA counterparties are selected on a competitive basis, but with a clear focus on achieving diversification of counterparty risk.

The PPA renewal strategy applied during the period, and c.95MWp of plants (some 20% of the portfolio) benefitting from 15 year PPAs with floor prices, means BSIF, in the unlikely scenario of power prices falling to nil, has c.65% of its revenue guaranteed over the next 15 years, as revenues are derived from a combination of floor prices and the guaranteed renewable electricity support schemes.

The graph below shows that as at 31 December 2018 the Company has a price confidence level of c.92% to June 2019 and c.90% to December 2019 over its power and subsidy revenue streams.

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

Figure 4. Percentage (%) of BSIF PPA revenues fixed, as at 31 December 2018



The Investment Adviser's strategy to secure leverage at the portfolio rather than asset level has enabled the Company to retain flexibility in implementing its short term PPA strategy following the closing of the Company's long term borrowing facility, through its subsidiary BSIFIL, in September 2016.

This means the Company has the flexibility to explore value-enhancing options, such as negotiating corporate PPA offtake. This flexibility would not be available if the lenders had required BSIF to enter 15 year offtake contracts, as is a typical requirement of asset level project financing. The Company also remains able to maximise potential economies of scale by taking advantage of opportunities only available to owners who can commit significant volumes of generating capacity.

As a result, the Company can regularly tender out a large portion of its power to ensure it always achieves the most competitive pricing and avoids the greater discounts applied by offtakers when they are entering long term contracts. For example, a tender of 4 x 5MWp is preferred over 4 separate tenders of 5MWp in order to maximise value.

Revenues and Power Prices

The portfolio's revenue streams in the reporting period, excluding ROC recycle estimates, show that the sale of electricity accounts for 39.4% of the Company's income. Regulated revenues from the sale of FiTs and ROCs account for 60.6%.

Overall, wholesale power markets have shown significant improvement during the reporting period as global commodity prices rose during 2018, and UK power prices hit an 8 year high in September 2018, with an average price of £67/MWh.

The two key drivers behind the rise (c.20%) in UK power prices over the last 12 months were:

1. **Rising carbon prices**
   Since the beginning of 2018 European Emission Allowance (EUA) prices have jumped 150% as speculators have entered the market predicting future scarcity and price increases. At US$92 per tonne, coal prices have also been higher (they passed the US$100 mark in September 2018).

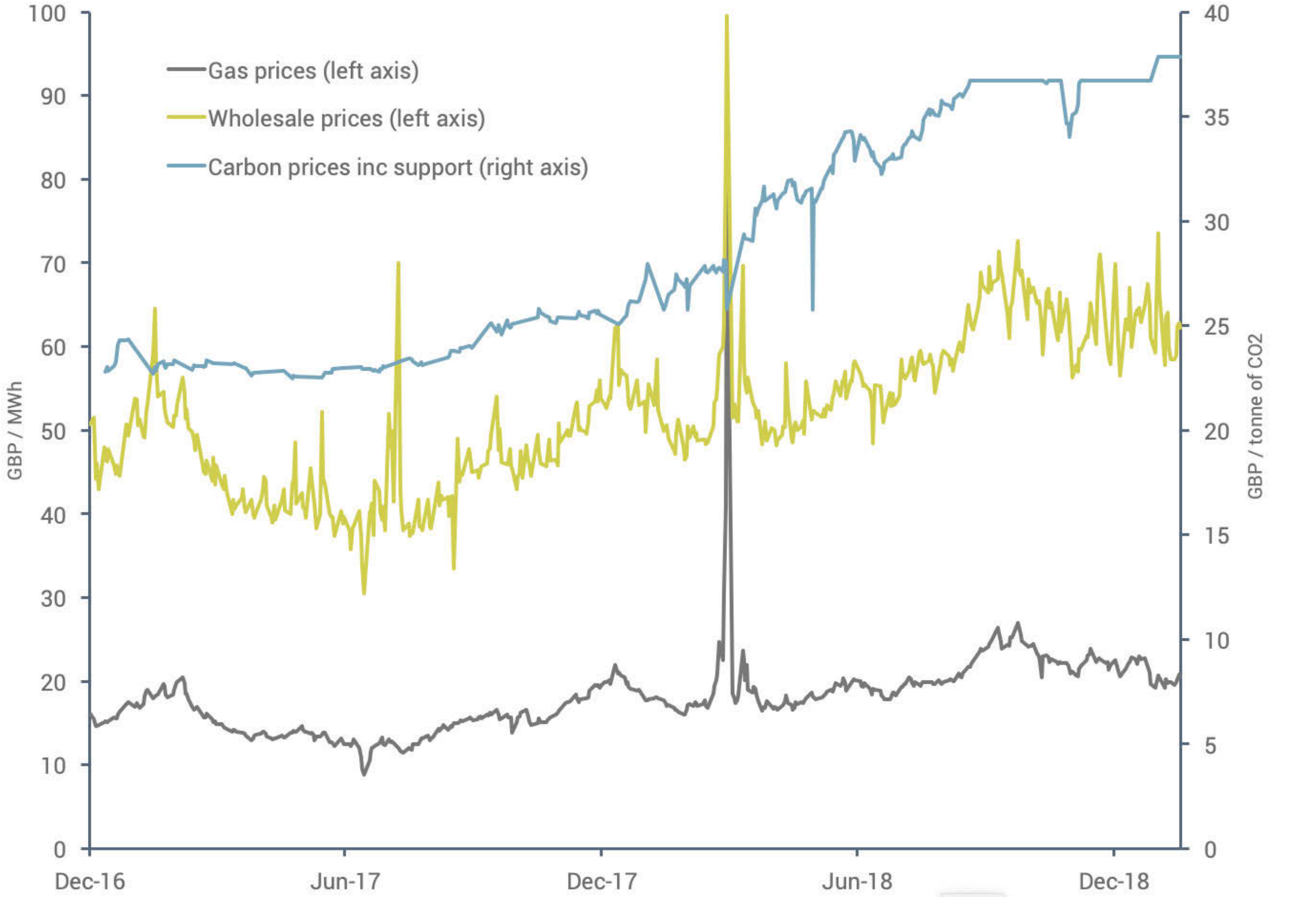
2 **Higher gas prices**
Gas prices rose over 30% during the year as an exceptionally cold FY17/18 winter led to higher summer gas demand from storage facilities. With the UK's main gas storage facility (Rough) closed and a reduction in the gas production in the Netherlands (Groningen field's output being limited for security reasons), demand outstripped short term flexibility of supply.

These factors have meant short term electricity prices have de-coupled from recent curves released by power forecasters, who present figures on an average weather year basis and do not attempt to accommodate these extreme weather effects.

Compounding this deviation is also the fact that traded prices usually reflect present views more than market fundamentals. In other words, market prices in the short term are more representative of current market circumstances (low wind + high demand + current gas market constraints) than balanced market scenarios (e.g. what is the electricity market equilibrium for an average weather in any given year).

As an illustration of the points mentioned above, please see below a chart comparing the wholesale electricity prices versus gas and carbon over the last 24 months.

Figure 5. Wholesale Electricity Prices versus Gas and Carbon over the last 24 months.



Source data from Bloomberg. Carbon price EU ETS from Bloomberg Jan 2019, effective GB price based on IA calculations

Evidencing the Company's PPA strategy provides it with the ability to benefit from rising power prices is the fact that in the period post 30 June 2018 the weighted volume average pricing for PPA fixes (covering c.232MWp of the Company's portfolio), for contracts between 12-36 months was £58.57/MWh.

This compares to a day ahead market base load power price of £45.06 per MWh for the 12 months to 31 December 2017, and £59.45 per MWh to 31 December 2018 as well as the latest blended forecaster estimates of £56.31/MWh for 2019 and £52.90/MWh for 2020.

Although it is important to note that as PPAs are struck on a rolling forward looking quarterly basis, the majority of the fixes completed in the period to December 2018 take effect in Q1 2019.

However, due to the timing of the increase in power prices over 2018 (prices rose significantly from June 2018) this upward movement has had a limited impact with respect to the Company's average seasonal weighted power price (from £45.54/MWh in the 12 months ending 31 December 2017, compared to £46.21/MWh to 31 December 2018).

Targeted Charging Review - Potential Changes to the treatment of BSUoS

Background

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

The main objectives of this review were to: consider the reform of charging arrangements so that the network can operate efficiently in the future; ensure costs are shared fairly amongst all users; and prevent any adverse impacts on consumers.

Since the TCR was launched the Company has monitored the progress of this review, but until November 2018 the likely impacts on solar generators have been unclear and minimal. Thus it has not been appropriate to attempt to quantify the potential impacts.

However, in November 2018 Ofgem published a consultation document and accompanying Impact Assessment on the TCR, which summarised Ofgem's proposals in relation to the future of transmission and distribution residual charges with respect to charging arrangements for 'embedded generators', i.e. smaller scale, non-centralised generators such as solar and onshore wind.

Whilst the scope of the TCR is very wide ranging, the pertinent point for the Company, and indeed all solar plant owners, is that Ofgem's 'minded to' decision is that there should be changes in the way that BSUoS charges – how the electricity system operator recovers its costs for grid balancing services – are allocated.

The proposed changes, and the reasons for their relevance to the Company, are as follows:

- Currently, embedded generators receive a benefit (c.£2/MWh) within the price secured under PPAs, as an avoided BSUoS benefit. This benefit would be removed under the proposals.
- Embedded generators do not currently pay BSUoS. The proposal states that embedded generators would be charged to help align charging with transmission connected generators.
- The proposals would be implemented from April 2021.

In conjunction with other large scale asset owners (and led by the Solar Trade Association), the Company has been involved in submitting a response to the consultation (which closed on 4 February 2019) on behalf of the solar industry, with Ofgem due to publish its final decision in mid-2019.

Potential future impact on the Company's valuations and earnings

As the proposed change to BSUoS covers two elements, removal of a benefit and potential application of a charge, the changes could affect both the future earnings and valuation of the Company's portfolio.

To this end, the potential impact on the Company from Ofgem's proposed changes are outlined below:

- **Loss of embedded benefit: No expected impact** - currently, the BSUoS embedded benefit is often included within the fixed price when PPAs are agreed. The company has always adopted a conservative approach to this benefit and does not assume a future benefit within its earnings forecasts or NAV calculation. As a result, its removal would not affect the Company's forecasts or NAV.
- **Application of BSUoS charge: Some expected impact** - assuming a charge of c.£2/MWh from April 2021 (as predicted by independent power forecasters), BSIF valuation could be reduced by c.£10m (c.2.8pps) based on the blended forecast power curve adopted for the Company's 31 December 2018 valuation.

Given the proposal is under consultation and the outcome has not yet been finalised, neither the Investment Adviser nor the Directors believe it appropriate that any speculative assumptions on the outcome of the review should be included in the Company's 31 December 2018 valuation.

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4. Analysis of underlying earnings

The total generation and revenue earned in the 6 months to 31 December 2018 by the Company's portfolio, split by subsidy regime, is outlined below.

Subsidy Regime	Generation (MWh)	PPA Revenue (£m)	Regulated Revenue (£m)
FiT	7,652	0.3	2.2
2.0 ROC	3,936	0.2	0.4
1.6 ROC	45,730	2.2	3.9
1.4 ROC	117,199	5.2	8.7
1.3 ROC	22,075	1.2	1.5
1.2 ROC	27,589	1.4	1.8
Total	**224,182**	**10.5**	**18.5**

The Company includes ROC recycle assumptions within its long term forecasts and applies a market based approach on recognition within any current financial period, including prudent estimates within its accounts where there is clear evidence that participants are attaching value to ROC recycle for the current accounting period.

In October 2018, Ofgem announced that the final value for ROC recycle for the period April 2017 to March 2018 (CP16) was £5.42 per MWh (equivalent to 11.9% of CP16 ROC buyout prices). This was in line with the ROC Recycle estimate the Company had recognised in its 30 June 2018 Financial Statements.

The following demonstrates that the portfolio generated underlying earnings of £18.0m (4.9pps) and underlying earnings for distribution, post debt repayments of £7.7m (2.1pps), of £10.3m (2.8pps).

Underlying Portfolio Earnings

	Half year period to 31-Dec-18 (£m)	Half year period to 31-Dec-17 (£m)	Full year to 30-Jun-18 (£m)	Full year to 30-Jun-17 (£m)
Portfolio Revenue*	28.9	24.7	56.2	47.9
Liquidated damages	0.1	0.3	1.7	1.3
Portfolio Income	**29.0**	**25.0**	**57.9**	**49.2**
Portfolio Costs	-6.1	-5.8	-12.9	-11.4
Project Finance Interest Costs	-0.3	-0.4	-0.7	-0.7
Total Portfolio Income Earned	**22.6**	**18.8**	**44.3**	**37.1**
Group Operating Costs#**	-2.3	-2.2	-4.3	-4.2
Group Debt Costs	-2.3	-2.0	-4.2	-4.4
Underlying Earnings	**18.0**	**14.6**	**35.8**	**28.5**
Group Debt Repayments	-7.7	-7.3	-8.3	-3.4
Underlying Earnings available for distribution	**10.3**	**7.3**	**27.5**	**25.1**
Bought forward reserves	1.1	1.1	1.1	0.8
Total funds available for distribution -1	**11.4**	**8.4**	**28.6**	**25.9**
Target distribution* **	**N/A**	**N/A**	**27.5**	**24.6**
Actual Distribution -2	**7.0**	**6.7**	**27.5**	**24.8**
Underlying Earnings carried forward (1-2)	**N/A**	**N/A**	**1.1**	**1.1**

Includes the Company and BSIFIL

* Includes ROC recycle revenue of £1.6m for CP15 (April 2016-March 2017). This is only applicable to Dec 17 and Jun 18

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

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

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

	Half year period to 31-Dec-18 (£m)	Half year period to 31-Dec-17 (£m)	Full year to 30-Jun-18 (£m)	Full year to 30-Jun-17 (£m)
Target Distribution (RPI dividend)	N/A	N/A	27.5	24.6
Total funds available for distribution (inc reserves)	**11.4**	**8.4**	**28.6**	**25.9**
Average Number of shares in year*	369,883,530	369,811,281	369,866,027	342,735,213
Target Dividend (pps)	N/A	N/A	7.43	7.18
Total funds available for distribution (pps) - 1	**3.07**	**2.27**	**7.73**	**7.55**
Total Dividend Declared & Paid (pps) - 2	1.90	1.80	7.43	7.25
Reserves carried forward (pps) ** - 1-2	N/A	N/A	0.30	0.30

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

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

5. NAV and Valuation of the Portfolio

The Investment Adviser is responsible for advising the Board in determining the Directors' Valuation and, when required, carrying out the fair market valuation of the Company's investments.

Valuations are carried out on a six monthly basis as at 31 December and 30 June each year with the Company committed to conducting independent reviews as and when the Board believes it benefits the shareholders to do so (in the period 2013-2018 two independent valuation reviews were commissioned).

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

Following consultation with the Investment Adviser, the Directors' Valuation adopted for the portfolio as at 31 December 2018 was £609.7m (31 December 2017: £576.3m).

The table below shows a breakdown of the Directors' Valuations over the last four 6 month periods:

Valuation Component (£m)	Dec 2018	June 2018	Dec 2017	June 2017
Enterprise Portfolio DCF value (EV)	601.8	592.5	568.5	558.6
Deduction of Project Co debt	-12.1	-12.5	-12.9	-13.2
Projects valued at cost (amount invested)	0.0	0.0	6.3	5.0
Project Net Current Assets	20.0	24.2	14.4	23.0
Directors' Valuation	**609.7**	**604.2**	**576.3**	**573.4**

Detail of core drivers behind the period end valuation are outlined in the portfolio valuation movement section below.

Key factors impacting the Directors' Valuation methodology

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

(i) Competition for operational assets continues to be high, driven in part by a slowdown in the number of large scale portfolios coming to market compared to the previous 18 months. As noted by the Investment Adviser in previous reports, buyers continue to be a mix of private and public funds but pricing for solar assets remains between £1.29m/MWp and £1.35m/MWp. Evidence of this pricing post Jun '18 comes in the form of Foresight's acquisition of assets from its own internally managed EIS funds of 114MWp (£1.35m/MWp) and 80.9MWp (£1.27m/MWp) as well as NTR's acquisition of 38MWp (£1.42MWp). Post period end, Greencoat announced the acquisition of a 60.4MWp portfolio from CEE Group, although the price was undisclosed;

(ii) A change to capital allowance rates, from April 2019, was announced in the Autumn Budget. The change sees a reduction in the rate, from 8% to 6%, applied to assets within the Special Rate pool;

(iii) After RPI reached a 7 year peak in December 2017 at 4.1%, it dropped gradually over the 12 months to December 2018 to end at 2.7%. Over the equivalent period the Bank of England announced one rate rise of 0.25% (in August 2018) to take the base rate from 0.5% to 0.75%;

(iv) As mentioned in the Power Price section above, UK power prices reached an 8 year high in September 2018, resulting in short term (1-3 years) power prices being significantly ahead of forecast curves released by the leading forecasters in H1 2018. The increase has fed through into the forecasters' Q4 2018 curves, creating a positive impact on the Company's period end valuation, albeit that pricing expectations in the longer term (post 2030) continue to be revised down (principally due to lower gas prices in the long term, higher renewable penetration driving down prices and lower power prices in interconnected European markets). To avoid sensitivity to a single forecast in a volatile market, the Investment Adviser averages data from two leading forecasters.

Discounting Methodology and Discount Rate

The Directors' Valuation is based upon the discounting of the net, unlevered, project cash flows of each investment held by the Company, through BSIFIL, irrespective of whether the investment has project leverage or not, with the result then benchmarked against comparable market multiples. The discount rate applied on the project cash flows is therefore the WACC.

This approach of discounting the unlevered cash flows with a WACC is consistent with the approach taken in every previous Directors' Valuation and is intended to avoid asset valuations being distorted by different debt sizing or amortisation profiles.

Having discounted the unlevered project cash flows, to establish a 'willing buyer/willing seller' enterprise valuation or 'EV', project level debt (if any) is then deducted along with additions of projects at cost and period end working capital to establish the 'Directors' Valuation' of the portfolio.

Of the 50 SPVs held by the Company, only one (Durrants) has asset level debt (being £12.1m at the financial period end).

Continuing the theme first outlined by the Board in June 2017 as a result of increasing competition within the UK solar market, a sustained trend has emerged with respect to the £/MWp for large scale portfolios. The first notable benchmark transaction was EFG Hermes' purchase of TerraForm's 365MW portfolio for an EV of £1.29m/MWp in December 2016, but since then over 1.3GWp of operational portfolios have been sold, to both public and private funds, within the value range of £1.29m-£1.42m/MWp.

Consequently, the Board continues to adopt the approach, under the 'willing buyer/willing seller' methodology, that the valuation of the Company's portfolio be prudently benchmarked on £/MWp basis against comparable portfolio transactions. As the period to 31 December 2018 has continued to see high levels of competition for large scale portfolios, the Board believes it appropriate to maintain a prudent benchmarking approach, on £/MWp basis, in respect of the valuation of the BSIF portfolio.

By valuing the portfolio at an EV of £601.8m, and an effective price of £1.29m/MWp, the Board has conservatively achieved this aim. On this basis, the WACC discount rate of 5.65%, has remained unchanged from June 2018.

The cost of equity (or levered equity discount rate) implied by a WACC of 5.65% is 7.20% (June 2018: WACC 5.65%, cost of equity 7.26%).

Whilst the WACC discount rate has remained unchanged, the levered equity discount rate has fallen fractionally from June 2018 as a result of slight reductions to the Company's leverage. This is the result of repayments to the long term portfolio facility with Aviva Investors (£7.3m) and the project level facility at our Durrants plant (£0.4m) being higher than additional drawings under the RCF (£5.9m).

As in the June 2018 valuation, the Company continues to apply the conservative assumption that 70% (£21.1m) of the amounts drawn under the RCF (£30.2m as at 31 December 2018) will be converted into long term fully amortising debt on maturity in September 2021, at an interest rate of 3.50%.

Given the Investment Adviser's record of securing competitive long term debt, as evidenced by the re-financing in September 2016 of the Company's £200m RCF with Aviva Investors who subsequently authorised the increase of the current RCF in September 2018, the Directors are comfortable with the assumptions applied to the conversion of such a small tranche before September 2021.

In parallel, as mentioned above and further below, the equity discount rate has marginally decreased.

For completeness, as outlined in the last two reporting cycles, tax shielding based on interest deductions relating to both the Company's external and, as permitted (under the Finance Bill 2017), inter-company loans (e.g. Eurobonds) has been included within the cash flows which are discounted.

The average EBITDA interest tax shield from this combination of third party long term debt and inter-company debt equates to 16.5% over the life, being 25% (14% from external shielding and 11% from internal shielding) in 2019 and falling thereafter with amortisation of the debt, and remains conservative with respect to the 30% level permitted under the fixed ratio test of the corporate interest restriction rules.

With the WACC remaining unchanged since June 2018 and the levered equity discount reducing only fractionally, the equity IRR implied by the Directors' Valuation of 6.63% has also remained broadly constant (6.70% as at 30 June 2018).

The equity IRR is derived from the actual impact of the Company's amortisation profile over the tenor of its third party debt, £216.8m as at 31 December 2018, taking into account both the cost and declining leverage levels (34%, based on the Company's GAV as at 31 December 2018 of £639.3m*), as well as the effect of interest shielding on £80m of Eurobond notes between BSIF and BSIFIL.

The equity IRR of 6.63% is the return from the equity forecast cash flows of the portfolio (after tax deductions) which give rise to the same resulting NAV as the WACC methodology and is intended to assist in outlining the relationship between a point in time valuation of the Company's portfolio, based on the Company's underlying valuation assumptions, and the commensurate equity return.

The equity IRR implies that the future cash flows of the Company, based upon the Directors' Valuation of £609.7m, which includes the conservative assumption of a zero terminal value of each asset after c.25 years of operational life, are expected to deliver a c.6.6% gross annualised return on today's NAV.

For the Company's portfolio this equates, within the Directors' Valuation as at 31 December 2018, to a weighted average portfolio life of 21.3 years. The Board has elected not to adopt a longer assumed life, even for assets with extended lease or planning permissions at this stage.

Nevertheless, the Investment Adviser is carrying out an active programme of asset life extensions through planning and lease amendments and this may justify the adoption of a longer asset life in the future.

Consistent with the previous financial year, the Board has adopted an assumed RPI of 2.75% throughout the expected asset life (including from 2019 onwards). This inflation rate was increased in December 2016 following a revision of market expectations with respect to long term inflation rates.

Power Price

As with Directors' Valuations since 31 December 2016, the Directors have continued to adopt an equal blend of the forecasts from two leading independent forecasters. As stated in previous reports, the reason for this is to prevent the valuation of the portfolio being unduly influenced by one forecasters set of assumptions.

The blended forecast used within the latest Directors' Valuation is based on forecasts released in December 2018 (both forecasters) and implies an annual growth rate, in real terms from 2019, over the 25 year forecast of -0.8% from a starting point of the mid £50s / MWh to final life price in 2042 of the mid £40s/MWh.

This fall in real term pricing is a consequence of the predicted increased penetration of renewables post 2030 and higher levels of interconnection capacity.

The DCF for each project applies the contractually fixed power price applicable to each solar PV asset until the end of the fixed period and, thereafter, the blended independent forecast price.

As in previous valuation cycles, the short term pricing within the energy price forecast used was compared by the Investment Adviser to PPA prices achievable in the market for its solar assets and was considered to reflect the market without discount or premium.

Plant Performance

During the period, a further 8 plants (combined capacity 52.23MWp) underwent FAC testing.

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

The number of projects now being valued using PR from operational or final acceptance (this covers a minimum of 2 years of operational data) is 20 (19 assets in June 2018) and the Investment Adviser is pleased to confirm that the weighted average PR for these plants, including the effects of degradation, is 82.2% (June 2018: 83.3%).

Consistent with the valuation approach taken in previous periods, the Directors' Valuation does not amend long term plant performance forecasts based upon short term performance while the plants remain within the warranty period and subject to outstanding contractual testing obligations.

Other Cash flow Assumptions

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

NAV movement

In the period, the Company paid total dividends of £14.2m, being 3.83pps in total for the third and fourth interim dividends in respect of the year ended 30 June 2018 (which, combined with the earlier interim dividends, provided a total dividend in the 2017/18 financial year of 7.43pps).

Over the period the Company's NAV has increased by £4.2m, from £419.0m as at 30 June 2018, to £423.2m as at 31 December 2018. Adjusting the 30 June 2018 NAV of £419.0m for the dividends paid in the period (£14.2m) results in an uplift in the NAV of the Company during the period of £18.4m.

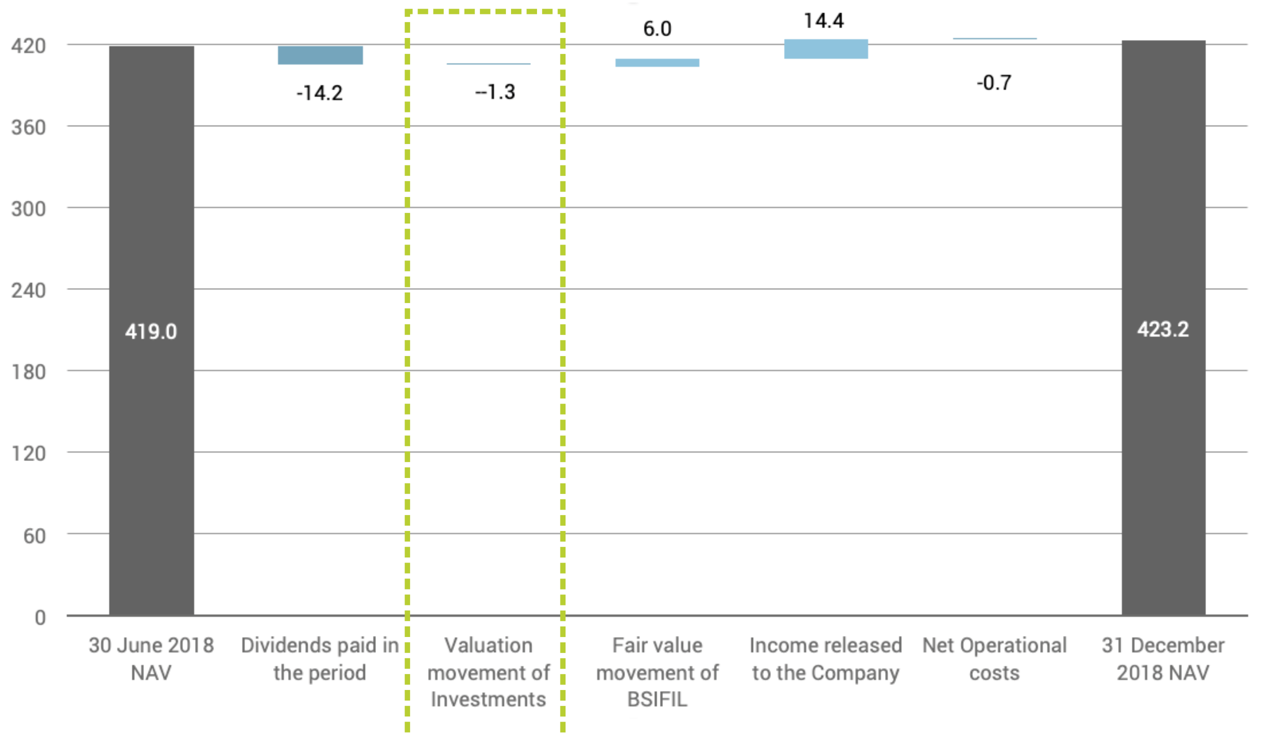
A breakdown in the movement of the NAV (£m) of the Company over the period and how this interacts with the movement in the valuation of the portfolio is illustrated in the charts below.

Post period end, in February 2019, the Company paid the first interim dividend for the 2018/19 financial year of 1.90pps. It expects to pay a second interim dividend of 1.90pps in May 2019, a third interim dividend of 1.90pps in August 2019 and a final, fourth interim of 1.98pps in October 2019 to meet the Company's 2018/19 dividend target of 7.68pps.

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

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

NAV Movement Graph



Portfolio Value Movement Graph

Directors' Valuation movement

		(£million)	As % of re-based valuation
30 June 2018 Valuation		604.2	
Additions in the period#	6.8		
Re-based Valuation		611.0	
Cash receipts from portfolio	(25.7)		(4.2)%
Operational updates	(4.2)		(0.7)%
Power Curve Movement	9.4		1.5%
Capital Allowance update	(2.1)		(0.3)%
Balance of portfolio return	21.3		3.5%
31 December 2018 Valuation		**609.7**	**(0.2)%**

Additions in the period reflect total investment commitment for Little Bear (5MWp) in October 2018

Each movement between the re-based valuation and the 31 December 2018 valuation is considered in turn below:

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

Operational updates
This movement reflects the impact of updates to operational running costs, power price fixes as well as minor revisions to asset level PRs in order to accurately reflect expected life time operational performance.

Power Price Movement
Both of the Company's two independent forecasters released updated forecasts in December 2018 and these have been applied to the Directors' Valuation. The impact of adopting an equal blend of two independent forecasters, against power price expectations applied in the 30 June 2018 valuation, results in an increase of £9.4m and is primarily due to an uplift in the shape of the blended curve over the immediate 5-10 years.

The discounted cash flow for each project applies the contractually fixed power price applicable to each solar PV asset until the end of the fixed period, and thereafter the equal blend of two independent forecasters' prices.

Capital Allowance update
This change reflects the reduction in capital allowance rate from 8% to 6% with respect to capital spend allocated to the Special Rate pool – a change that impacts all business that have capital spend allocated to long life equipment.

The impact on the Company's 31 December 2018 valuation is a reflection of tax depreciation on Special rate pool balances (c.84% of each SPV's capital allowances) being spread over a longer period of time and so whilst the overall payment of tax remains neutral compared to 30 June 2018, the reduction in rate means the timing of tax payments has been brought forward.

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

Other Assumptions
Consistent with previous Directors' Valuations, the valuation assumes a terminal value of zero for all projects within the portfolio c.25 years after their commencement of operation.

Although as outlined in the Portfolio section, should the operational life of the assets be extended by a further 5 years (to 30 years), the valuation of the portfolio would benefit from a meaningful increase.

Overall there have been no material changes to assumptions regarding the future performance or cost optimisation of the portfolio when compared to the Directors' Valuation of 30 June 2018.

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

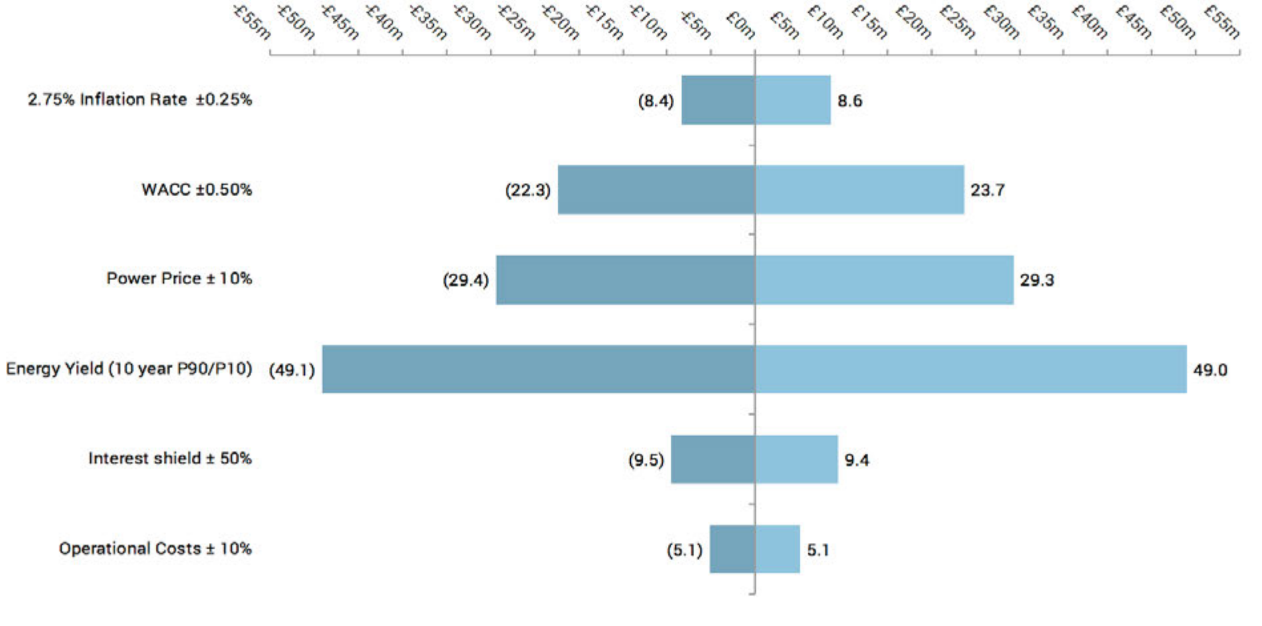
Following the adoption of IFRS 10 and the Company's move to presenting its results on a non-consolidated basis, rather than consolidating its immediate subsidiary BSIFIL, the below table serves to aid the reader in reconciling the Directors' Valuation to the relevant line on the Statement of Financial Position.

Reconciliation of Directors' Valuation to Balance sheet

	BALANCE AT PERIOD / YEAR END			
Category	31 December 2018 (£m)	30 June 2018 (£m)	31 December 2017 (£m)	30 June 2017 (£m)
Directors' Valuation	609.7	604.2	576.3	573.4
BSIFIL Working Capital	17.5	18.8	23.2	15.9
BSIFIL 3rd Party Debt	(204.7)	(204.9)	(184.6)	(186.0)
Financial Assets at Fair Value per Balance sheet	**422.5**	**418.1**	**414.9**	**403.3**

Directors' Valuation sensitivities

Valuation sensitivities are set out in tabular form in Note 8 of the financial statements. The following diagram reviews the sensitivity of the EV of the portfolio to the key underlying assumptions within the discounted cash flow valuation.



6. Financing

Aviva Investors Long Term Facility

The LTF is provided by Aviva Investors in two tranches. The first is a £121.5m fixed rate long term facility and the second is a £65.5m index-linked long term facility.

Loan	Amount	Tenor	No Refinancing Risk	Cost	Average Loan Life at drawdown	Interest rate exposure during 18 year tenor
Fixed	£121.5m	18 years and 3 months from drawdown	Fully amortising over 18 years sculpted to cash flows	All in cost of 287.5bps	10.6	Zero
Index-Linked	£65.5m	18 years and 3 months from drawdown	Fully amortising over 18 years sculpted to cash flows	RPI plus 70bps	11.3	Linked to RPI

Both tranches are fully amortising over 18 years, providing natural alignment with the average remaining life of the Company's regulated revenues, eliminating refinancing risk as well as insulating the Company's equity cash flows from significant principal repayments in the final years of the facility when the contribution of revenue from power is increased.

During the period principal repayments of £7.3m, combined with indexation increases of £1.1m, resulted in a total outstanding loan balance as at 31 December 2018 of £174.5m (Fixed £110.3m, Index linked £64.1m).

The LTF is held by the Company's wholly-owned subsidiary, BSIFIL, and is the result of a deliberate structuring approach to maximise both transparency and portfolio management flexibility, whilst also delivering the lowest cost of capital in our sector (as at 31 December 2018, the blended debt cost of the facilities was 3.3%).

Thanks to the conservative leverage (35% of GAV as at 31 December 2018), on the Company's base case projections the average DSCR remains close to 3 times, with the lowest point of coverage over the entire tenor projected to be in excess of 2.5 times.

Revolving Credit Facility – Increase & Extension

On 23 October 2018 the RCF, provided by RBSI to BSIFIL, was successfully increased from £30m to £50m and extended by a further two years to 30 September 2021. The re-stated and amended facility also includes the option for BSIFIL to request a further one year extension to 30 September 2022.

The terms of the facility have not changed, with a constant margin of 2.0% over LIBOR.

As at 31 December 2018 the Company had drawn £30.2m, out of £50m, from its RCF.

Both the RCF and the LTF are secured upon a selection of the Company's investment portfolio and offer the ability to substitute reference assets.

Project level debt

In addition to the LTF and the RCF, the Company also has a small project finance loan of £12.1m secured against project Durrants (a 5 MWp FiT plant located on the Isle of Wight).

This facility was provided by Bayern Landesbank and is fully amortising with a final maturity of 2029.

7. Market Developments

Brexit negotiations continued to dominate 2018, with financial market sentiment intrinsically linked to the developments of the dialogues between the United Kingdom and the European Union.

Brexit did not have everything to answer for, as trade disputes and the global economic slowdown have also been determinant factors for financial markets in the second half of the year as equity markets around the world, including the UK, suffered considerable declines between June and December 2018.

With crude oil falling in excess of 30% since October 2018, government debt, particularly US treasuries, saw important inflows as investors sought protection against falling financial markets.

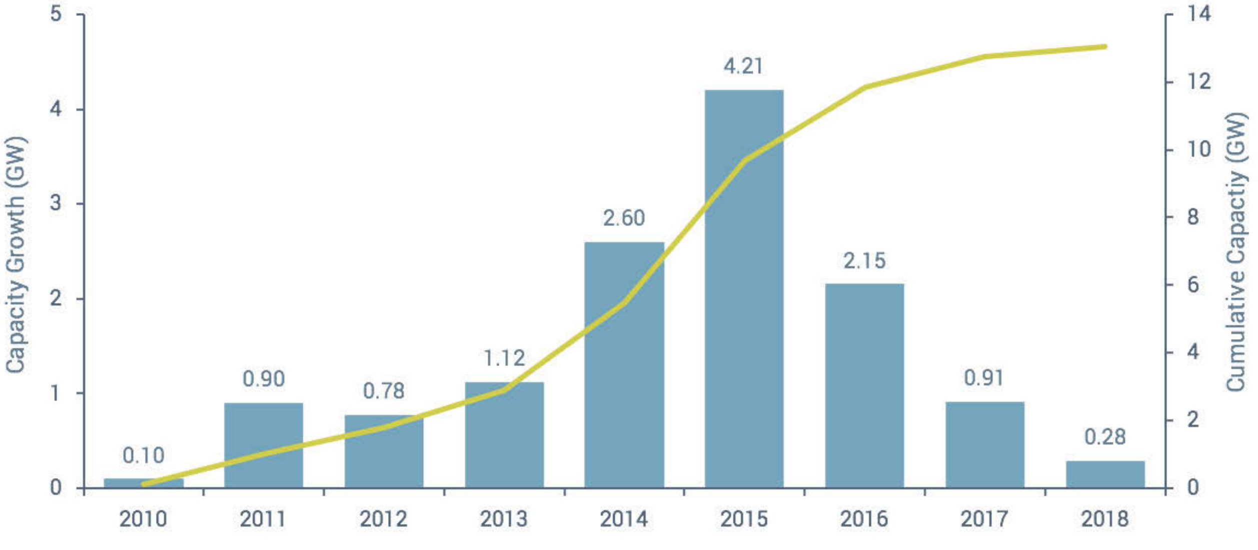
In a period of market volatility, the renewable energy sector becomes a net beneficiary, as it usually is perceived as a defensive sector with stable cash flows and predictable returns in the form of dividends.

Between 30 June 2018 and 31 December 2018, the Company yielded a total return of +5.34%* compared to -10.24%* for the FTSE100 reflecting the perceived value of long term cash flows in the Renewables sector.

Capacity accredited under the RO Scheme remains unchanged at 7.2GWp, representing 56% of the total solar capacity in the UK, but constituting only 2.4% of the number of installations, implying a high concentration of generation from industrial scale sites.

About 26% of all operational capacity is projects sized 50kWp to 5MWp and circa one third are larger than 5MWp but smaller than 25MWp. Capacity accredited under the FiT scheme was 4.8GWp as of 30 November 2018. This equates to about 38% of total solar capacity and 85% of all installations.

According to the BEIS, the UK's total installed solar capacity breached 13GWp (across 972,468 installations) as at 30 November 2018 as installed capacity increased by 1.8% (146MWp) compared to November 2017.



*Source; Bloomberg comparative return tool

Illustrating the dramatic change to the expansion of the market between 2013-17 is the stark fact that during November 2018, there were 4,728 confirmed installations, but only a total capacity of 17 MWp. Whilst this is the highest number of installations in a month since September 2016, 86.3% of these were sub-4kWp installations.

Overall, c.70MWp of solar PV capacity was added to the grid in the second half of 2018, all across sub-5MW plants.

Mirroring the slowdown in the primary market, secondary activity has also dramatically decreased, with c.800MWp changing hands between the beginning of January and November 2018, compared to over 1.4GWp during 2017, reflecting the lowest yearly M&A activity since 2013.

With 465MWp under management, the Company continues to maintain a strong position within the UK solar market, as it maintains and operates about 4% of the country's utility-scale solar PV capacity and continues to apply stringent capital discipline to ensure it only acquires assets that are accretive to shareholders' returns.

8. Regulatory Environment

UK Carbon Budgets

These are legally binding greenhouse gas reduction targets, set for five-year periods, with the ultimate goal of reducing emissions to at least 80% below 1990 levels by 2050.

The main recommendations of the 5th Carbon Budget (2028-32) were to set the limit at 1,765MtCO2e, including international shipping, and to limit annual emissions to an average 57% below 1990 levels.

Without international shipping and aviation, the limit would be 1,725Mt and should be met without the use of international carbon credits (apart from the EU ETS).

For power, the CCC recommended that the government implement policies to reduce the sector's carbon intensity to below 100gCO2/kWh in 2030 compared with 450gCO2/kWh in 2014. This represents a target reduction of 78% with respect to 2014 levels.

Update on Contracts for Differences

On 11 October 2017, the UK government announced new CfD rounds to be scheduled in 2019. The total budget of up to £557m in subsidies will again be restricted to offshore wind and other "less mature technologies". This means there will be no new government support for solar power until at least the end of the decade.

On 20 November 2018, the BEIS released a draft notice on the budget and terms for the third CfD allocation round. The next CfD allocation round is due to begin in May 2019 and has a budget of £60m.

Subsidy free PV

The lack of supportive regulations means that any new projects will have to be delivered on a subsidy free basis and the economics of investment in solar PV continue to improve as a result of falling equipment prices.

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

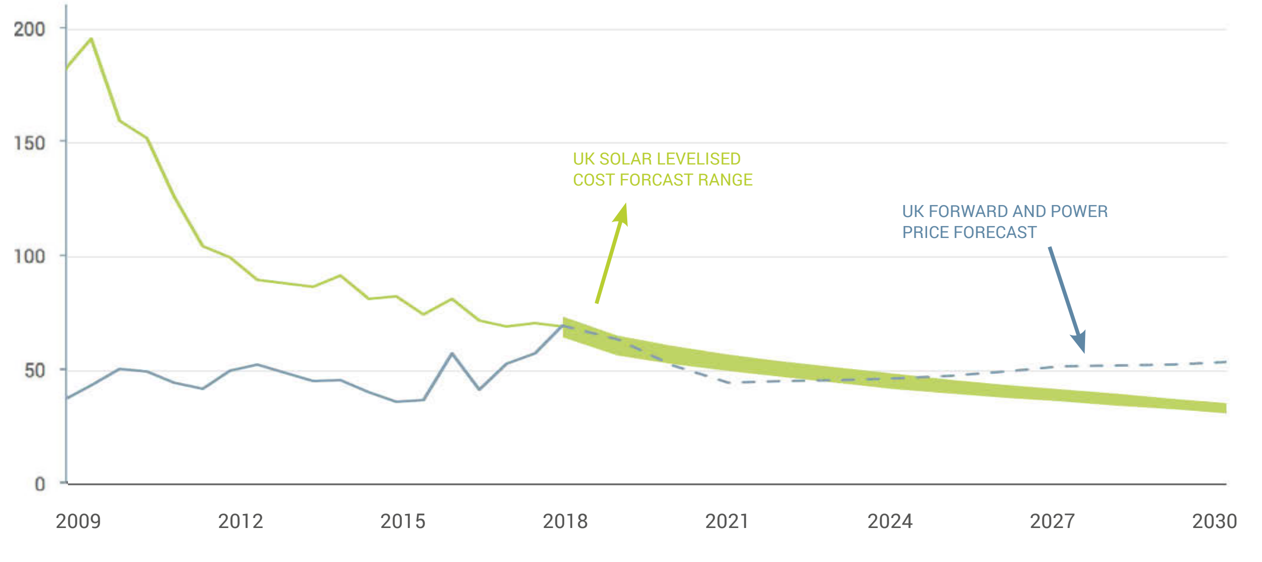
In the UK, over 110MWp subsidy free solar PV capacity was added to the grid in 2018, of which c.74MWp is utility scale.

The figure below shows historical and projected LCOE for a UK solar project based on data provided by a leading market intelligence service.

Plotted against historic and spot and forward prices in the UK, which can act as a reference for potential PPA prices, the Investment Adviser has observed a much more rapid convergence of power prices to the UK solar levelised cost of electricity compared to the same projections in June 2018.

These are promising signs for the future of subsidy free solar PV in the UK and, as a result, the Company continues to monitor opportunities on the primary market closely.

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



9. Environmental, Social and Governance

As a solar energy infrastructure investor, the Investment Adviser is conscious of the Company's environmental and social impact. The production of renewable energy equates to a significant amount of CO2 emissions saved, representing a sustainable and ethical investment. However, the Investment Adviser also considers its impact on the biodiversity and the local community surrounding its assets.

Environmental Impact

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

Based on these figures, the portfolio capacity of 465.3MWp as at 31 December 2018 will power the equivalent of 150,097 homes and save 162,320 tonnes of CO2 in a year.

162,320 tonnes of CO_2 saved in a year

150,097 homes powered for a year

Biodiversity

The completed benchmarking study of the biodiversity enhancement measures implemented on the Company's large scale assets showed that across three major measures; wildflower meadow creation, native tree and hedgerow planting and creation of habitat to support local wildlife (e.g. bat boxes, bird boxes, beehives) the majority of plants had benefited from enhancements in at least two of these areas and that all plants had received enhancement in at least one area.

The Investment Adviser is working towards ensuring all remaining plants benefit from biodiversity enhancements covering at least two of the three major measures listed above. The improvement process is anticipated to be completed during the current planting season.

In addition to this, we are looking to collaborate with local wildlife trusts to further enhance the presence of native local species in and around the solar parks. Focus is given to the introduction of bee keeping, to the portfolio, especially for assets where wildflower meadows have been previously planted.

Sheep Grazing

Many sites within the portfolio support sheep grazing, demonstrating that solar farms can support farming and are also providing a cost effective way of managing grassland in solar farms while increasing its conservation value. Where possible the Investment Adviser facilitates the introduction of sheep grazing on the existing and newly acquired assets.

Community Benefits

The Investment Adviser supports community benefit schemes across its portfolio, assisting in the support and development of the local communities surrounding the asset sites. Over the year to 31 December 2018, the portfolio assets made donations of £169k to community benefit schemes for local councils and parishes for charitable, educational, environmental, amenity or other appropriate purposes within the areas of the community.

Bluefield Partners LLP
25 February 2019

Statement of Principal Risks and Uncertainties

for the remaining six months of the year to 30 June 2019

As described in the Company's annual financial statements as at 30 June 2018, the Company's principal risks and uncertainties include the following:

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

The Board believes that these risks are unchanged in respect of the remaining six months of the year to 30 June 2019.

Further information in relation to these principal risks and uncertainties may be found on pages 43 to 48 of the Company's annual financial statements as at 30 June 2018.

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 regular reviews of the Company's risk matrix by the Audit Committee to ensure that procedures are in place with the intention of minimising the impact of the above mentioned risks. The Board carried out a formal review of the risk matrix at the Audit Committee meeting held on 19 February 2019. The Board relies on periodic reports provided by the Investment Adviser and Administrator regarding risks that the Company faces. When required, experts will be employed to gather information, including tax advisers, legal advisers, and environmental advisers.

Directors' Statement of Responsibilities

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

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

- the interim management report which includes the Chairman's Statement, Report of the Investment Adviser and Statement of Principal Risks and Uncertainties for the remaining six months of the year to 30 June 2019 include a fair review of the information required by:

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

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

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

On behalf of the Board

Paul Le Page
Director
25 February 2019

Laurence McNairn
Director
25 February 2019

Independent Review Report to Bluefield Solar Income Fund Limited

BETINGAU

Conclusion

We have been engaged by Bluefield Solar Income Fund Limited (the "Company") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2018 of the Company which comprises the unaudited condensed statements of financial position, comprehensive income, changes in equity, cash flows and the related explanatory notes.
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

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

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

Directors' responsibilities

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

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

Our responsibility

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

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

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

Rachid Frihmat
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants, Guernsey
25 February 2019

Unaudited condensed statement of Financial Position

as at 31 December 2018

Assets	Note	31 December 2018 Unaudited (£)	30 June 2018 Audited (£)
NON-CURRENT ASSETS			
Financial assets held at fair value through profit or loss	8	422,544,786	418,098,105
Total non-current assets		**422,544,786**	**418,098,105**
CURRENT ASSETS			
Trade and other receivables	9	951,284	753,237
Cash and cash equivalents	10	43,895	501,751
Total current assets		**995,179**	**1,254,988**
TOTAL ASSETS		**423,539,965**	**419,353,093**
Liabilities			
CURRENT LIABILITIES			
Other payables and accrued expenses	11	349,216	357,609
Total current liabilities		**349,216**	**357,609**
TOTAL LIABILITIES		**349,216**	**357,609**
NET ASSETS		**423,190,749**	**418,995,484**
Equity			
Share capital		368,012,390	368,012,390
Retained earnings		55,178,359	50,983,094
TOTAL EQUITY	**13**	**423,190,749**	**418,995,484**
Shares			
Ordinary Shares in issue at period/year end	13	369,883,530	369,883,530
Net asset value per Ordinary Share (pence)	7	114.41	113.28

These unaudited condensed interim financial statements were approved and authorised for issue by the Board of Directors on 25 February 2019 and signed on their behalf by:

Paul Le Page
Director
25 February 2019

Laurence McNairn
Director
25 February 2019

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

Unaudited condensed statement of Comprehensive Income

for the six months ended 31 December 2018

	Note	Six months ended 31 December 2018 Unaudited (£)	Six months ended 31 December 2017 Unaudited (£)
Income			
Income from investments	5	362,500	340,411
Interest income from cash and cash equivalents		-	2,600
		362,500	**343,011**
Net gains on financial assets held at fair value through profit or loss	8	18,666,086	18,404,433
Operating income		**19,028,586**	**18,747,444**
Expenses			
Administrative expenses	6	665,483	610,092
Operating expenses		**665,483**	**610,092**
Operating profit		**18,363,103**	**18,137,352**
Total comprehensive income for the period		**18,363,103**	**18,137,352**
Attributable to:			
Owners of the Company		18,363,103	18,137,352
Earnings per share: Basic and diluted (pence)	12	4.96	4.90

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

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

Unaudited condensed statement of Changes in Equity

for the six months ended 31 December 2018

	Note	Number of Ordinary Shares	Share capital (£)		Retained earnings (£)	Total equity (£)
Shareholders' equity at 1 July 2018		**369,883,530**	**368,012,390**		**50,983,094**	**418,995,484**
Dividends paid	13,14	-	-		(14,167,838)	(14,167,838)
Total comprehensive income for the period		-	-		18,363,103	18,363,103
Shareholders' equity at 31 December 2018		**369,883,530**	**368,012,390**		**55,178,359**	**423,190,749**

for the six months ended 31 December 2017

	Note	Number of Ordinary Shares	Share capital (£)	Other reserves (£)	Retained earnings (£)	Total equity (£)
Shareholders' equity at 1 July 2017		**369,811,281**	**367,934,730**	**77,660**	**40,595,865**	**408,608,255**
Dividends paid		-	-	-	(11,094,339)	(11,094,339)
Total comprehensive income for the period		-	-	-	18,137,352	18,137,352
Shareholders' equity at 31 December 2017		**369,811,281**	**367,934,730**	**77,660**	**47,638,878**	**415,651,268**

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

Unaudited Condensed Statement of Cash Flows

for the six months ended 31 December 2018

	Note	Six months ended 31 December 2018 Unaudited (£)	Six months ended 31 December 2017 Unaudited (£)
CASH FLOWS FROM OPERATING ACTIVITIES			
Total comprehensive income for the period		18,363,103	18,137,352
Adjustments:			
Increase in trade and other receivables		(198,047)	(355,508)
(Decrease)/increase in other payables and accrued expenses		(8,393)	10,983
Net gains on financial assets held at fair value through profit or loss	8	(18,666,086)	(18,404,433)
Net cash used in operating activities		**(509,423)**	**(611,606)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets held at fair value through profit or loss	8	-	(4,320,601)
Receipts from unconsolidated subsidiary	8	14,219,405	11,190,000
Net cash generated from investing activities		**14,219,405**	**6,869,399**
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid	13, 14	(14,167,838)	(11,094,339)
Net cash used in financing activities		**(14,167,838)**	**(11,094,339)**
Net decrease in cash and cash equivalents		(457,856)	(4,836,546)
Cash and cash equivalents at the start of the period		501,751	4,980,341
Cash and cash equivalents at the end of the period	**10**	**43,895**	**143,795**

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

Notes to the Unaudited Condensed Interim

Financial Statements

for the six months ended 31 December 2018

1. General information

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

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

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

2. Accounting policies

a) Basis of preparation

The financial statements, included in this interim report, have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the EU and the DTR. These financial statements comprise only the results of the Company as all of its subsidiaries are measured at fair value as explained in Note 2.c. The accounts have been prepared on a basis that is consistent with accounting policies applied in the preparation of the Company's annual financial statements for 30 June 2018.

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

These financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended 30 June 2018, which were prepared under full IFRS requirements as adopted by the EU and the DTRs of the UK FCA.

Seasonal and cyclical variations

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

b) Going concern

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

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

c) Accounting for subsidiaries

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

d) Segmental reporting

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

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

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

e) Fair value of subsidiary

The Company holds all of the shares in the subsidiary, BSIFIL, which is a holding vehicle used to hold the Company's investments. The Directors believe it is appropriate to value this entity based on the fair value of its portfolio of SPV investment assets held plus its other assets and liabilities. The SPV investment assets held by the subsidiary, inclusive of their intermediary holding companies, are valued semi-annually as described in Note 8 based on referencing comparable transactions supported by discounted cash flow analysis and are referred to as the Directors' Valuation.

PENTYLANDS

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

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

The area involving a high degree of judgement or complexity or area where assumptions and estimates are significant to the financial statements has been identified as the valuation of the portfolio of investments held by BSIFIL (see Note 8).

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

As disclosed in Note 8, the Board believes it is appropriate for the Company's portfolio to be benchmarked on a £m / MWp basis against comparable portfolio transactions and on this basis the WACC discount rate of 5.65% (as applied in June 2018) has been retained.

4. Changes in significant accounting standards

New standards, interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 30 June 2018, except for the adoption of new standards effective as of 1 January 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers replaces IAS 18 Revenue for annual periods beginning on or after 1 January 2018. The Company considers that it does not have any material revenue streams that fall within the scope of IFRS 15 Revenue from Contracts with Customers and hence that the implementation of IFRS 15 did not have a material impact on its interim financial statements.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has applied IFRS 9 retrospectively. However there was no financial impact and no change to the comparative information for 30 June 2018 due to the application of IFRS 9 as investments continue to be held on a fair value basis.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim financial statements of the Company.

5. Income from investments

	Six months ended 31 December 2018 (£)	Six months ended 31 December 2017 (£)
Monitoring fee in relation to loans supplied	362,500	340,411
	362,500	**340,411**

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

6. Administrative expenses

	Six months ended 31 December 2018 (£)	Six months ended 31 December 2017 (£)
Investment advisory base fee (see Note 15)	158,154	152,362
Legal and professional fees	92,278	57,438
Administration fees (see Note 15)	150,567	148,886
Directors' remuneration (see Note 15)	90,000	82,800
Audit fees	48,270	43,460
Non-audit fees	16,000	15,500
Broker fees	25,018	25,147
Regulatory Fees	20,739	20,443
Registrar fees	19,383	21,016
Insurance	4,045	4,376
Listing fees	7,571	6,638
Other expenses	33,458	32,026
	665,483	**610,092**

CAPELANDS

7. Net asset value per Ordinary Share

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

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

	31 December 2018 Total (£)	30 June 2018 Total (£)
Opening balance (Level 3)	418,098,105	403,339,287
Addition – funds passed to BSIFIL	-	4,320,601
Addition – acquisition of Eurobonds*	-	76,565,712
Disposal – de-recognition of loans*	-	(76,565,712)
Change in fair value	4,446,681	10,438,217
Closing balance (Level 3)	**422,544,786**	**418,098,105**

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

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

	31 December 2018 Total (£)	30 June 2018 Total (£)
Investment portfolio, Directors' Valuation	609,692,394	604,235,581
BSIFIL		
Cash	15,105,274	14,687,260
Working capital	2,404,489	4,083,400
Debt	(204,657,371)	(204,908,136)
	(187,147,608)	**(186,137,476)**
Financial assets at fair value through profit or loss	**422,544,786**	**418,098,105**

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

	Six months ended 31 December 2018 (£)	Six months ended 31 December 2017 (£)
Unrealised change in fair value of financial assets held at fair value through profit or loss	4,446,681	7,214,433
Cash receipts from non-consolidated subsidiary*	14,219,405	11,190,000
Net gains on financial assets held at fair value through profit or loss	**18,666,086**	**18,404,433**

*Comprising of repayment of loans and Eurobond interest

Fair value measurements

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

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

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

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

Transfers during the period

There have been no transfers between levels during the six months period ended 31 December 2018. Any transfers between the levels will be accounted for on the last day of each financial period. Due to the nature of investments, these are always expected to be classified as Level 3.

Directors' Valuation methodology and process

The same valuation methodology and process for operational solar plants is followed in these financial statements as was applied in the preparation of the Company's financial statements for the year ended 30 June 2018. Solar plants under construction and not yet operational are valued at cost and exclude acquisition costs which are expensed in the period in which they are incurred, whilst investments that are operational are valued on a DCF basis over the life of the asset (typically 25 years) and, under the 'willing buyer-willing seller' methodology, prudently benchmarked on a £/MWp basis against comparable transactions for large scale portfolios. No assets were valued at cost as at the period end.

CAPELANDS

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

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

Judgement is used by the Board in determining keeping the WACC at 5.65%, from 30 June 2018, and two key factors that have impacted the adoption of this rate are outlined below:

a. Transaction values have remained consistent at ca. £1.29 -1.35/MWp for large scale portfolios and which the Board have used to determine that an effective price of £1.29m/MWp is an appropriate basis for the valuation of the BSIF portfolio as at 31 December 2018;

b. Inclusion of the latest long term power forecasts from the Company's two providers.

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

It is only for the SPVs of BSIFIL, and their intermediate holding companies, that the Directors determine the fair value (see Note 2(e)). Fair value of operational SPVs is calculated on a discounted cash flow basis in accordance with the IPEV Valuation Guidelines, benchmarked on a £/MWp basis against large scale portfolio transactions. The Investment Adviser produces fair value calculations on a semi-annual basis as at 30 June and 31 December each year. Previously, in every third year, the Board had an external valuation or benchmarking exercise performed by an independent expert. Based on the availability of market data, the Board does not intend to continue this practice going forward and will ask for an external valuation to be carried out from time to time at its discretion. During the year ended 30 June 2018 the Company commissioned a benchmarking exercise with an independent third party, which was considered by the Board in determining the portfolio fair value for the 30 June 2018 financial statements. An external valuation was previously undertaken for the year ended 30 June 2015.

Sensitivity analysis

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

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

Input	Change in input	Change in fair value of Directors' Valuation (£)	Change in NAV per share (pence)
WACC (5.65%)	+ 0.5%	(22,300,000)	(6.03)
	- 0.5%	23,700,000	6.41
Power prices (blended curve parallel shift)	+10%	29,300,000	7.92
	-10%	(29,400,000)	(7.95)
Inflation rate (2.75%)	+ 0.25%	8,600,000	2.33
	- 0.25%	(8,400,000)	(2.27)
Energy yield (P50)	10 year P90	(49,100,000)	(13.28)
	10 year P10	49,000,000	13.25
Interest shield	+50%	9,400,000	2.54
	-50%	(9,500,000)	(2.57)
Operational costs	+10%	(5,100,000)	(1.38)
	-10%	5,100,000	1.38

9. Trade and other receivables

	31 December 2018 (£)	30 June 2018 (£)
CURRENT ASSETS		
Monitoring fees receivable (see Note 5)	906,603	702,603
Other receivables	16,400	10,400
Prepayments	28,281	40,234
	951,284	**753,237**

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

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

10. Cash and cash equivalents

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

11. Other payables and accrued expenses

	31 December 2018 (£)	30 June 2018 (£)
CURRENT LIABILITIES		
Investment advisory fees	78,948	77,379
Administration fees	88,092	70,716
Audit fees	48,114	70,800
Directors' Fees	52,100	-
Other payables	81,962	138,714
	349,216	**357,609**

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

12. Earnings per share

	Six months ended 31 December 2018	Six months ended 31 December 2017
Profit attributable to shareholders of the Company	£18,363,103	£18,137,352
Weighted average number of Ordinary Shares in issue	369,883,530	369,811,281
Basic and diluted earnings from continuing operations and profit for the period (pence)	**4.96**	**4.90**

13. Share capital

The authorised share capital of the Company is represented by an unlimited number of Ordinary Shares of no par value which, upon issue, the Directors may designate into such classes and denominate in such currencies as they may determine.

Share capital	Six months ended 31 December 2018 (Number of Ordinary Shares)	Year ended 30 June 2018 (Number of Ordinary Shares)
Opening balance	**369,883,530**	**369,811,281**
Shares issued in respect of IA Variable fee	-	72,249
Closing balance	**369,883,530**	**369,883,530**

Shareholders' equity	Six months ended 31 December 2018 (£)	Year ended 30 June 2018 (£)
Opening balance	**418,995,484**	**408,608,255**
Dividends paid	(14,167,838)	(24,408,846)
Total comprehensive income	18,363,103	34,796,075
Closing balance	**423,190,749**	**418,995,484**

Dividends declared and paid in the period are disclosed in Note 14.

Rights attaching to shares

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

Retained earnings

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

14. Dividends

On 31 July 2018, the Board declared a third interim dividend of £6,657,903, in respect of year ended 30 June 2018, equating to 1.80pps (third interim dividend in respect of the year ended 30 June 2017: 1.50pps), which was paid on 31 August 2018 to shareholders on the register on 10 August 2018.

On 26 September 2018, the Board declared a fourth interim dividend of £7,508,635, in respect of year ended 30 June 2018, equating to 2.03pps (fourth interim dividend in respect of the year ended 30 June 2017: 1.50pps), which was paid on 26 October 2018 to shareholders on the register on 5 October 2018.

During the period, £1,300 was paid reflecting the January 2018 dividend due to those Ordinary Shares issued to the Investment Adviser on 12 January 2018 in respect of their variable fee for the financial year ended 30 June 2017.

Post period end, on 24 January 2019, the Board declared its first interim dividend of £7,027,787, in respect of year ended 30 June 2019, equating to 1.90pps (first interim dividend in respect of the year ended 30 June 2018: 1.80pps), which was paid on 22 February 2019 to shareholders on the register on 1 February 2019.

15. Related party transactions and Directors' remuneration

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

Total administration fees incurred during the period amounted to £150,567 (31 December 2017: £148,886), of which £88,092 (30 June 2018: £70,716) was outstanding at the period end.

The total Directors' fees expense for the period amounted to £90,000 (31 December 2017: £82,800).

Remuneration paid to each Director is as follows:

	31 December 2018	31 December 2017
John Rennocks	30,000	28,550
Paul Le Page	22,500	19,950
Laurence McNairn	18,750	17,100
John Scott	18,750	17,200
	90,000	**82,800**

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

	31 December 2018	31 December 2017
John Rennocks*	316,011	316,011
Paul Le Page*	137,839	137,839
Laurence McNairn	441,764	441,764
John Scott	452,436	452,436
	1,348,050	**1,348,050**

*Including shares held by PCAs

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.

The Company and BSIFIL's investment advisory fees for the period amounted to £1,622,322 (31 December 2017: £1,554,421) of which £266,022 (30 June 2018: £241,822) was outstanding at the period end and is to be settled in cash. The payment of the investment advisory fee is split between the Company (10%) and the Company's immediate subsidiary, BSIFIL, (90%).

Fees paid during the period by SPVs to BSL, a company which has the same ownership as that of the Investment Adviser totalled £1,025,426 (31 December 2017: £1,235,628).

Fees paid during the period by SPVs to BOL, a company which has the same ownership as that of the Investment Adviser totalled £547,868 (31 December 2017: £87,269).

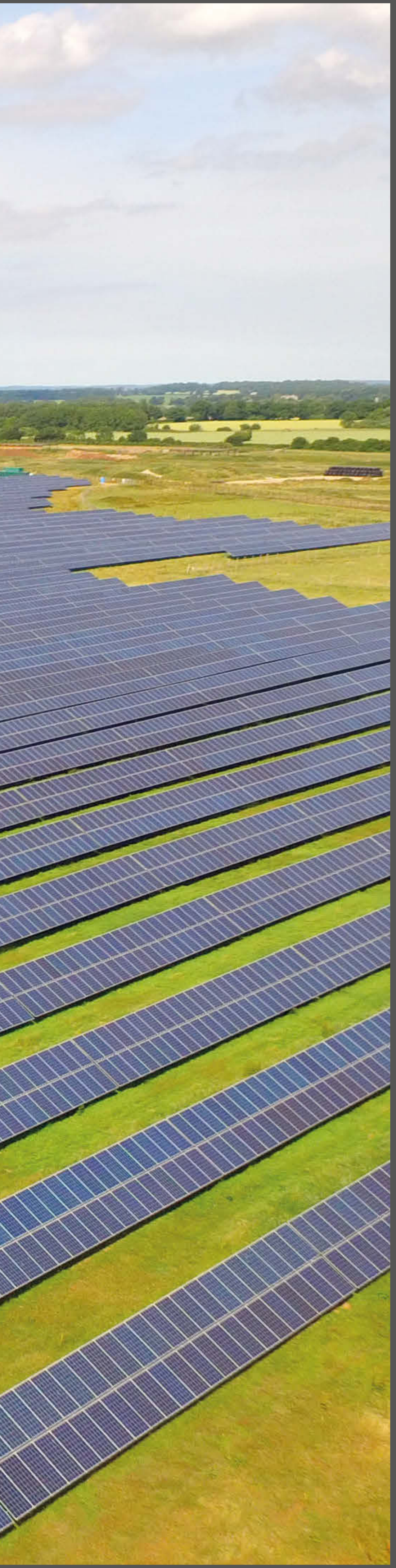
The Company's shareholder loan monitoring fee income for the period, due from its subsidiary BSIFIL, amounted to £362,500 (31 December 2017: £340,411) of which £906,603 was outstanding at the period end (30 June 2018: £702,603).

16. Risk Management Policies and Procedures

As at 31 December 2018 there has been no change to financial instruments risk to those described in the financial statements of 30 June 2018.

17. Subsequent events

Post period end, on 24 January 2019, the Board declared its first interim dividend of £7,027,787, in respect of year ended 30 June 2019, equating to 1.90pps (first interim dividend in respect of the year ended 30 June 2018: 1.80pps), which was paid on 22 February 2019 to shareholders on the register on 1 February 2019.



Glossary of Defined Terms

Administrator	Estera International Fund Managers (Guernsey) Limited
AGM	The Annual General Meeting
AIC	The Association of Investment Companies
AIC Code	The Association of Investment Companies Code of Corporate Governance
AIC Guide	The Association of Investment Companies Corporate Governance Guide for Investment Companies
AIF	Alternative Investment Fund
AIFM	Alternative Investment Fund Manager
AIFMD	The Alternative Investment Fund Management Directive
Articles	The Memorandum of 29 May 2013 as amended and Articles of Incorporation as adopted by special resolution on 7 November 2016.
Auditor	KPMG Channel Islands Limited (see KPMG)
Aviva Investors	Aviva Investors Limited
BEIS	The Department for Business, Energy and Industrial Strategy
BEPS	Base erosion and profit shifting
Bluefield	Bluefield Partners LLP
BOL	Bluefield Operations Limited
Board	The Directors of the Company
Brexit	Departure of the UK from the EU
BSIF	Bluefield Solar Income Fund Limited
BSIFIL	Bluefield SIF Investments Limited being the only direct subsidiary of the Company
BSL	Bluefield Asset Management Services Limited
BSUoS	Balancing Services Use of System charges: costs set to ensure that network companies can recover their allowed revenue under Ofgem price controls
Business days	Every official working day of the week, generally Monday to Friday excluding public holidays

CAGR	Compound annual growth rate
Calculation Time	The Calculation Time as set out in the Articles of Incorporation
CCC	Committee on Climate Change
CfD	Contract for Difference
Company	Bluefield Solar Income Fund Limited (see BSIF)
Companies Law	The Companies (Guernsey) Law 2008, as amended (see Law)
C shares	Ordinary Shares approved for issue at no par value in the Company
DCF	Discounted Cash Flow
DECC	Department of Energy and Climate Change
Defect Risk	An over-reliance on limited equipment manufacturers which could lead to large proportions of the portfolio suffering similar defects
Directors' Valuation	Gross value of the SPV investments held by BSIFIL, including their holding companies.
DNO	Distribution Network Operator
DSCR	Long Term Debt Service Cover Ratio calculated as net operating income as a multiple of debt obligations due within one year
DTR	The Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority
EBITDA	Earnings before interest, tax, depreciation and amortisation
EGM	Extraordinary General Meeting
EIS	Enterprise Investment Scheme
EPC	Engineering, Procurement & Construction
EU	The European Union
EV	Enterprise valuation
FAC	Final Acceptance Certificate
FATCA	The Foreign Account Tax Compliance Act
Financial Statements	The unaudited condensed interim financial statements
FiT	Feed-in Tariff
GAV	Gross Asset Value on a Investment Basis including debt held at SPV level
GFSC	The Guernsey Financial Services Commission
Group	Bluefield Solar Income Fund Limited and Bluefield SIF Investments Limited
Guernsey Code	The Guernsey Financial Services Commission Finance Sector Code of Corporate Governance
GWh	Gigawatt hour
GWp	Gigawatt peak
IAS	International Accounting Standard
IASB	The International Accounting Standards Board
IFRS	International Financial Reporting Standards as adopted by the EU
Investment Adviser	Bluefield Partners LLP
IPEV Valuation Guidelines	The International Private Equity and Venture Capital Valuation Guidelines

IPO	Initial public offering
IRR	Internal Rate of Return
KPI	Key Performance Indicators
KPMG	KPMG Channel Islands Limited (see Auditor)
kWh	Kilowatt hour
kWp	Kilowatt peak
Law	Companies (Guernsey) Law, 2008 as amended (see Companies Law)
LCOE	Levelised Cost of Electricity: average unit cost of electricity over the lifetime of a generating asset expressed on a net present cost basis
LD	Liquidated damages
LIBOR	London Interbank Offered Rate
Listing Rules	The set of FCA rules which must be followed by all companies listed in the UK
LSE	London Stock Exchange plc
LTF agreement	Long Term Financing agreement with Aviva Investors
Main Market	The main securities market of the London Stock Exchange
MW	Megawatt (a unit of power equal to one million watts)
MWh	Megawatt hour
MWp	Megawatt peak
NAV	Net Asset Value as defined in the prospectus
NMPI	Non-mainstream Pooled Investments and Special Purpose Vehicles and the rules around their financial promotion
NPPR	The AIFMD National Private Placement Regime
O&M	Operation and Maintenance
Official List	The Premium Segment of the UK Listing Authority's Official List
Ofgem	Office of Gas and Electricity Markets
Ordinary Shares	The issued ordinary share capital of the Company, of which there is only one class
Outage Risk	A higher proportion of large capacity assets hold increased exposure to material losses due to curtailments and periods of outage
P10	Irradiation estimate exceeded with 10% probability
P90	Irradiation estimate exceeded with 90% probability
PCA	Persons Closely Associated
PPA	Power Purchase Agreement
pps	Pence per share
PR	Performance ratio (the ratio of the actual and theoretically possible energy outputs)
PV	Photovoltaic

RBS	The Royal Bank of Scotland plc
RBSI	Royal Bank of Scotland International plc
RCF	Revolving Credit Facility
RO Scheme	The Renewable Obligation Scheme which is the financial mechanism by which the UK Government incentivises the deployment of large-scale renewable electricity generation by placing a mandatory requirement on licensed UK electricity suppliers to source a specified and annually increasing proportion of the electricity they supply to customers from eligible renewable sources, or pay a penalty
ROC	Renewable Obligation Certificates
ROC recycle	The payment received by generators from the redistribution of the buy-out fund. Payments are made into the buy-out fund when suppliers do not have sufficient ROCs to cover their obligation
RPI	The Retail Price Index
SPA	Share Purchase Agreement
SPV	The Special Purpose Vehicles which hold the Company's investment portfolio of underlying operating assets
Sterling	The Great British pound currency
TISE	The International Stock Exchange (based in the Channel Islands)
UK	The United Kingdom of Great Britain and Northern Ireland
UK Code	The United Kingdom Corporate Governance Code
UK FCA	The UK Financial Conduct Authority
United Nations Principles for Responsible Investment	An approach to investing that aims to incorporate environmental, social and governance factors into investment decisions, to better manage risk and generate sustainable, long term returns
WACC	Weighted Average Cost of Capital

Bluefield