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# Interim Report and Unaudited Condensed Interim Financial Statements

FOR THE SIX MONTHS ENDED

31 DECEMBER 2021



**TISE**  
**Sustainable**



**GUERNSE**  
**GREEN**  
FUND

COMPANY REGISTRATION NO: 56708

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# General Information

## Board of Directors (all non-executive)



**JOHN RENNOCKS**  
(Chairman)



**JOHN SCOTT**  
(Senior Independent Director)



**PAUL LE PAGE**  
(Chairman of Audit Committee)

**Registered Office**  
PO Box 286,  
Floor 2, Trafalgar Court,  
Les Banques,  
St Peter Port,  
Guernsey, GY1 4LY



**LAURENCE MCNAIRN**  
(retired 17 February 2022)



**MERIEL LENFESTEY**



**ELIZABETH BURNE**  
(appointed 7 October 2021)



**JAMES ARMSTRONG**  
Managing Partner



**GIOVANNI TERRANOVA**  
Managing Partner



**NEIL WOOD**  
Partner

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

**Administrator, Company Secretary & Designated Manager**  
[Ocorian Administration \(Guernsey\) Limited](#)  
Floor 2, Trafalgar Court, Les Banques,  
St Peter Port, Guernsey, GY1 4LY

**Independent Auditor & Reporting Accountants**  
[KPMG Channel Islands Limited](#)  
Glategny Court, Glategny Esplanade  
St Peter Port, Guernsey, GY1 1WR

**Registrar**  
[Link Market Services \(Guernsey\) Limited](#)  
Mont Crevelt House  
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

**Sponsor, Broker & Financial Adviser**  
[Numis Securities Limited](#)  
45 Gresham Street  
London, EC2V 7BF

**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**  
[NatWest International plc](#)  
35 High Street, St Peter Port  
Guernsey, GY1 4BE

# Highlights

As at 31 December 2021 / *30 June 2021*

Net Asset Value (NAV)	NAV per Share	Dividend Target per Share
£610.0m <i>£471.4m</i>	122.96p <i>115.83p</i>	FY22 8.16pps <i>8.00pps</i>

Six month period to 31 December 2021 / *31 December 2020*

Underlying Earnings <sup>1</sup> (pre amortisation of debt)	Underlying Earnings per share <sup>1</sup> (pre amortisation of debt)	Total Underlying Earnings per share available for distribution <sup>1</sup> (post amortisation of debt)
£21.4m <i>£18.7m</i>	4.31p <i>4.59p</i>	5.24p <i>4.66p</i>



Total Shareholder Return<sup>2</sup>  
5.68% *-0.37%*



Total return to Shareholders since IPO  
81.69% *79.39%*



Total Return<sup>4</sup>  
9.61% *3.52%*



MWh Generated per MWp<sup>3</sup>  
422 *432*

1. Underlying earnings is an alternative performance measure employed by the Company to provide insight to the Shareholders by linking the underlying financial performance of the operational projects to the dividends declared and paid by the Company. Further detail is provided on page 7.
2. Total Shareholder Return is based on share price movement and dividends paid in the period. It is defined in the Alternative Performance Measure appendix.
3. Excludes assets invested during the period.
4. Total Return is based on the NAV movement and dividends paid in the period. It is defined in the Alternative Performance Measure appendix.

## Environmental, Social & Governance (ESG)



- Forecast annual CO<sub>2</sub>e savings of over 128,000 tonnes
- Approximately 200,000 homes powered with renewable energy <sup>5</sup>
- Over £153,000 to be paid to community benefit schemes <sup>6</sup>

## Forward Focus

Further investment into the Company's solar and battery development pipeline has increased it to a combined total of c.800MW;

In July 2021, the Company completed its maiden wind investment, acquiring 109 small scale UK onshore wind turbines with the potential for future re-powering with larger turbines for an initial consideration of £63m.



5. For a year, based on forecasted annual generation.
6. During the 21/22 financial year.



# Results Summary

	Six months ended 31 December 2021	Six months ended 31 December 2020
Total operating income	£54,510,638	£14,189,525
Total comprehensive income before tax	£53,699,532	£13,485,183
Total underlying earnings <sup>1</sup>	£21,389,077	£18,678,067
Earnings per share (per page 47)	11.05p	3.57p
Underlying EPS available for distribution <sup>2</sup>	5.24p	2.63p
Underlying EPS brought forward <sup>3</sup>	2.67p	2.03p
Total underlying EPS available for distribution	5.24p	4.66p
1st interim dividend for the year ending 30 June 2022	2.03p	2.00p
NAV per share	122.96p	117.12p
Share Price as at 31 December	124.3p	130.0p
Total Return <sup>4</sup>	9.61%	3.52%
Total Shareholder Return <sup>5</sup>	5.68%	-0.37%
Total Shareholder Return since inception <sup>6</sup>	81.69%	79.39%
Dividends per share paid since inception	57.39p	49.39p

1. Underlying earnings is an alternative performance measure employed by the Company to provide insight to the Shareholders by linking the underlying financial performance of the operational projects to the dividends declared and paid by the Company. Further detail is provided on page 19.

2. Underlying EPS is calculated using underlying earnings available for distribution divided by the weighted average number of shares in issue through the period.

3. Underlying EPS brought forward is calculated using the number of shares in issue.

4. Total Return is based on NAV per share movement and dividends paid in the period.

5. Total Shareholder Return is based on share price movement and dividends paid in the period.

6. Total Shareholder Return since inception is based on share price movement and dividends paid since the IPO.



# Corporate Summary

## Investment objective

The investment objective of the Company is to provide Shareholders with an attractive return, principally in the form of regular income distributions, by being invested in solar energy assets located in the UK. The Company also has the ability to invest a minority of its capital into wind, hydro and energy storage assets.

## Structure

The Company is a non-cellular company limited by shares incorporated in Guernsey under the Law on 29 May 2013. The Company's registration number is 56708, and it is regulated by the GFSC as a registered closed-ended collective investment scheme and it is accredited as a Green Fund after successful application to the GFSC under the Guernsey Green Fund Rules on 15 April 2019. The Company's Ordinary Shares were admitted to the Premium Segment of the Official List and to trading on the Main Market of the LSE following its IPO on 12 July 2013. The issued capital during the year comprises the Company's Ordinary Shares denominated in Sterling.

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

## Investment Adviser

The Investment Adviser to the Company during the period was Bluefield Partners LLP which is authorised and regulated by the UK FCA under the number 507508. In May 2015 BSL, a company with the same ownership as the Investment Adviser, commenced providing asset management services to the investment SPVs held by BSIFIL. In August 2017 BOL, a company with the same ownership as the Investment Adviser, commenced providing operation and maintenance services to the Company and provides services to 53 of the investment SPVs held by BSIFIL as at period end.

In December 2020 BRD, a company with the same ownership as the Investment Adviser, commenced providing the Company with new build development opportunities in addition to arrangements in place with the Company's other development partners.



# Chairman's Statement

It is pleasing to report on another successful period for Bluefield Solar.

Having performed very well during the pandemic, your Company remains an ideal home for investors looking for robust sterling income with sector leading earnings and dividends. With high levels of index-linked revenues, a defensive debt and power sales strategy and no currency risk, we have proven after close to a decade of operation that we have a strategy that delivers 'whatever the weather'.

Furthermore, due to the Company's revenue mix, it stands to flourish further still in the current inflationary environment; something we are already seeing coming through in rising revenues. As such, the Board is pleased to announce that it is raising its full year dividend guidance to not less than 8.16pps, (2021-22: 8.00pps). The NAV is also benefitting from a material uplift, a function of increases in inflation and power forecasts, up to 122.96pps (up from 115.83pps in June 2021 and 117.1pps in September 2021).



The principal activities of the Company, as well as features of the period under review, have been:

- The Company completed the acquisition of its first portfolio of wind assets (109 wind turbines) for an initial consideration of £63m with potential to rise to £95m as a result of re-powering optionality in Northern Ireland, alongside an over-subscribed equity raise of £105.1m;
- Further acquisitions were made on two ready-to-build projects; a co-located 45MWp solar and a 25MWp battery opportunity for £5m (including land rights to the site) and a 20MWp standalone battery storage development opportunity for £1.5m;
- Planning consent was achieved in December 2021 for an unsubsidised 31MWp PV plant, taking the Company to 100MWp of consented PV projects, whilst its proprietary pipeline of solar and battery developments grew to c.800MWp;
- As a result of inflation and continued near term power price highs, at 31 December 2021 the Net Asset Value per share in the Company had risen to 122.96pps (30 June 2021: 115.83pps);
- The share price has risen modestly from 121.4p at 30 June 2021 to 124.3p at 31 December 2021, as investors have gradually bought back into the renewables sector following a period of heavy share issuance;
- Total target dividend for the year has been raised to 8.16pps; and
- Post period end the Company completed the purchase of a 47.5MWp wind and solar portfolio for an enterprise value of up to £63.5m.

The performance of the assets of the Company and how this is reflected in returns to Shareholders is set out in detail in the Investment Adviser's report on page 12.

## Key Events

In this half year, and just after the period end, acquisitions totalled £134m, including the successful initiation of the extension of our UK asset base into wind and storage assets. Onshore wind assets are close in risk profile to solar and complementary in generation and revenue production and provide a stable and highly regulated cash flow. We also made our first venture into co-located solar and battery storage. (See the Acquisitions section of the Investment Adviser's report on page 11 for further details).

The operational solar and wind acquisitions benefit from high proportions of regulated revenue, with an average remaining weighted duration of 13 years, which further enhance the Company's positive correlation to inflation, and they not only underpin our objective to sustain market leading earnings and dividend payments in the years ahead, but also increase the Company's ability to maximise the potential of higher yielding, new build subsidy free solar assets whilst maintaining the highest levels of regulated revenues for a fund of this kind in the sector.

The Group's total outstanding debt, as at the time of writing, has increased to c.£400 million and its leverage stands at c.40% of GAV (44% as at 30 June 21); comfortably in line with the 35% - 45% range the Directors have previously outlined as desirable for the Company.

When the excellent acquisitions are combined with an equally exciting portfolio of future opportunities totalling over 900MWp, with 100MWp in ready to build solar projects, a strong development pipeline (627MWp) and battery storage projects (179MWp), your Company is exceptionally well placed in its ambition to sustain growth and give active support to the de-carbonisation of UK electricity and the UK Government's net-zero ambitions. As ever, the Investment Adviser continues to evaluate further solar, wind and battery storage investment opportunities and the Board will continue to ensure that these potential new projects are capable of enhancing dividends by a judicious use of debt and equity financing.

## Underlying Earnings and Dividend Income

The Underlying Earnings for the period, pre amortisation of long-term finance, were £21.4m or 4.3pps and underlying earnings for distribution, post debt repayments of £8.6m (1.7pps), were £12.7m (2.6pps).

The on-target operational performance of the Company's portfolio over the period to 31 December 2021, combined with the benefit of brought forward reserves of 2.7pps (adjusted for the new shares issued in July 2021), means the Board remains confident of meeting its dividend target of not less than 8.16pps for the year to 30 June 2022, allowing the Company to retain its position as the sector's highest dividend distributor (on a pence per share basis).

Further details of Underlying Earnings are set out in the Investment Adviser's Report on page 19.

## Valuation and Discount Rate

Valuation methodology remains consistent with previous reporting periods, with the Board receiving a valuation recommendation from the Investment Adviser which is derived from a comprehensive DCF model. This valuation is then benchmarked, on a capacity basis, against comparable transactional activity for UK based assets where fierce demand for renewable assets, record power prices and rising near term inflation have resulted in valuations for regulated renewable assets rising relative to the period to 30 June 2021. As a consequence, the Investment Adviser is now observing that pricing for solar portfolios, on £m/MWp basis, has moved into the upper band of the value range £1.25m/MWp - £1.40m/MWp.

By valuing the Company's operational portfolio at an enterprise value of £861.2m (£1.30m/MWp for the solar assets vs. £1.26m/MWp in June 2021), the Directors' Valuation as at 31 December 2021 compares appropriately to precedent public market transactions and in keeping with the Company's valuation methodology of 'willing buyer/willing seller'.

Whilst the equity discount rate of 6.00% remains unchanged from 30 June 2021, near term inflation expectations have materially increased and the Directors believe it appropriate this is reflected in the valuation as at 31 December 2021. Reflecting the latest aggregate forecasts, as well as the transition from RPI to CPIH post 2030, inflation assumptions within the valuation have been amended from 3.0% until 2025 and 2.75% thereafter, to 6.4% in 2022, 3.4% in 2023 and then 3.0% until 2029 before a drop to 2.25% thereafter.

Due to the highly regulated nature of the Company's revenue, enhanced by recent acquisitions with superior index linked subsidy tariffs, the increased inflation assumptions have resulted in a valuation uplift of c.£24.9m (5.0pps) since June 2021.

Please see page 20 in the Investment Adviser's report for further details on the Directors' Valuation.



## Inflation

Rising commodity prices, following a rebound in demand as economies recover from pandemic lows, have pushed inflation (from which the Company is a net beneficiary) into the spotlight for the first time in recent memory, with both CPI and RPI reaching 30 year highs of 5.4% and 7.5%, respectively, in December 2021.

Prevailing opinion among the forecasters remains that inflation will abate by 2023, but it is entirely possible that a longer period of higher inflation will persist. Since earnings from the Company's asset base have a positive correlation with inflation, as a result of indexation provisions in our regulated revenues which outweigh the upward pressure on our cost base, increases in RPI beyond the 3% level which has been previously embedded in our financial forecasts will drive an increase to both forecast earnings and the valuation of the portfolio, as outlined earlier in this Statement and on page 21 of the Investment Adviser's report.

## Power Prices

UK day-ahead power prices rose to multi-year highs, rising from c.£78/MWh on average in June 2021 to c.£245/MWh in December 2021, as European gas hub prices rose to record highs amid tightness across global gas markets, below average gas storage levels and ongoing Russian gas supply limitations potentially exacerbated by developments on the Ukrainian border, with delays to the opening of the Nord Stream 2 gas pipeline further supporting rising gas hub prices.

Further price pressure was created by lower than usual renewable power generation and colder weather conditions increasing the call on carbon intensive thermal – gas and coal – generation, particularly in the second half of the period.

The Company's flexible PPA strategy has meant it was able to manage the timing of power price fixes to avoid the lows in April 2020, before carefully fixing selected asset tranches to take advantage of rising power prices during 2021 (striking contracts at an average price of £71.34MWh post July 2021) and the early months of 2022 (achieving an average

of £115.26MWh). The weighted average contracted price per MWh across the portfolio had risen to £51.8MWh as at 31 December 2021, as compared with £51.6MWh for contracts starting post 30 June 2021.

Looking beyond the near term and out over the next decade, whilst de-carbonisation is expected to drive a large increase in demand for electricity, medium to long term power price predictions have been lowered (from predictions in June 2020 and December 2020) as forecasters continue to believe that, despite rising demand for electricity, pricing will be suppressed by falling commodity prices and increased renewable generation post-2030. Volatility within the power markets has shown that power forecasters have underestimated near term future electricity prices and the Company has frequently achieved higher prices than expected.

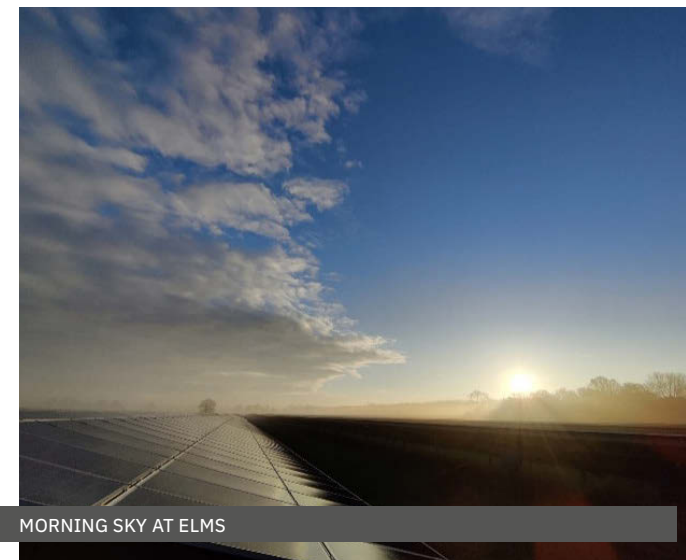
Please see page 21 in the Investment Adviser's report for a graph illustrating the blended power curves used by the Company in the Directors' Valuation.

## Environmental, Social and Governance ("ESG")

ESG focus continues to grow, quite correctly, as an important topic for Boards, investors and shareholders alike and I am pleased to outline a number of key areas of focus over the period to date.

The first is the Company's continued investment into improving its ESG goals and policies by working with a leading ESG consultant to develop an ESG strategy. Alongside this, focus will be given to fulfilling the Company's requirements under Article 8 of the SFDR and alignment against the EU Taxonomy.

The Company is also undertaking a number of complementary ESG workstreams. For example, in relation to biodiversity, the Company has engaged Wychwood Biodiversity, a sector leading consultant, to develop an informed approach to enhancing biodiversity across the portfolio. This will include performing a series of biodiversity assessments across a representative sample of the portfolio, such as botany, breeding bird and invertebrate surveys.



MORNING SKY AT ELMs

Finally, on behalf of the Board, I would like to extend a warm welcome to Libby Burne who joined us as a Non-Executive Director in October 2021 following a highly distinguished career at PwC, and to thank Laurence McNairn, who has retired from the Board, for his hard work and dedication for the last nine years.

For full details of the Company's ESG activities please refer to the Environmental, Social and Governance Reports on page 28.

## Conclusion

The dramatic impacts of the Covid-19 pandemic in the past two years have been remarkable in both the steepness of descent and, more recently, in the speed of recovery around the world.

This rapid recovery has driven inflationary pressures that are being felt around the world and whilst it is difficult to forecast when this inflationary surge will end, what is certain is that the Company is a net beneficiary of increasing inflation and so for investors looking for a company that can deliver stable, growing revenues, Bluefield Solar remains a highly attractive proposition.

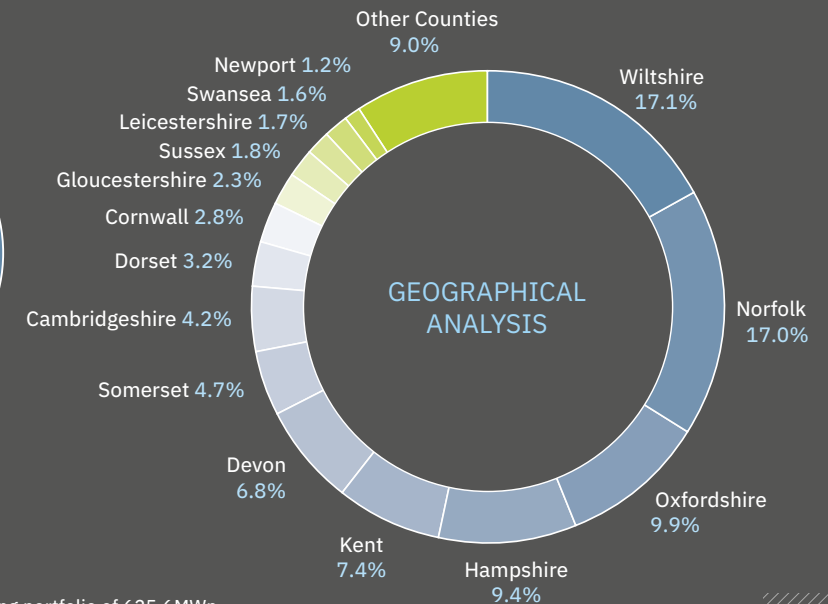
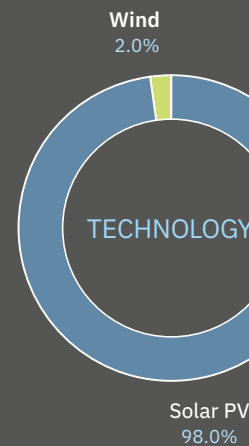
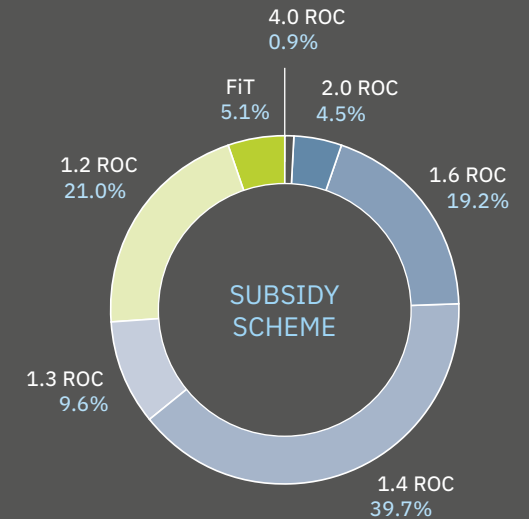
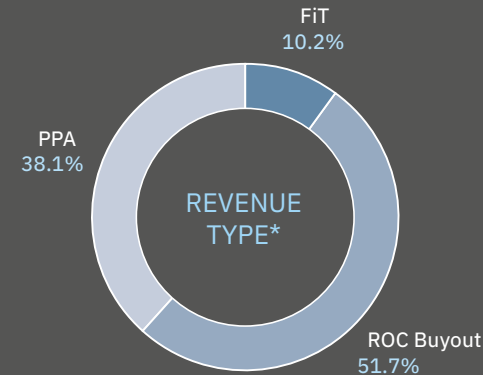
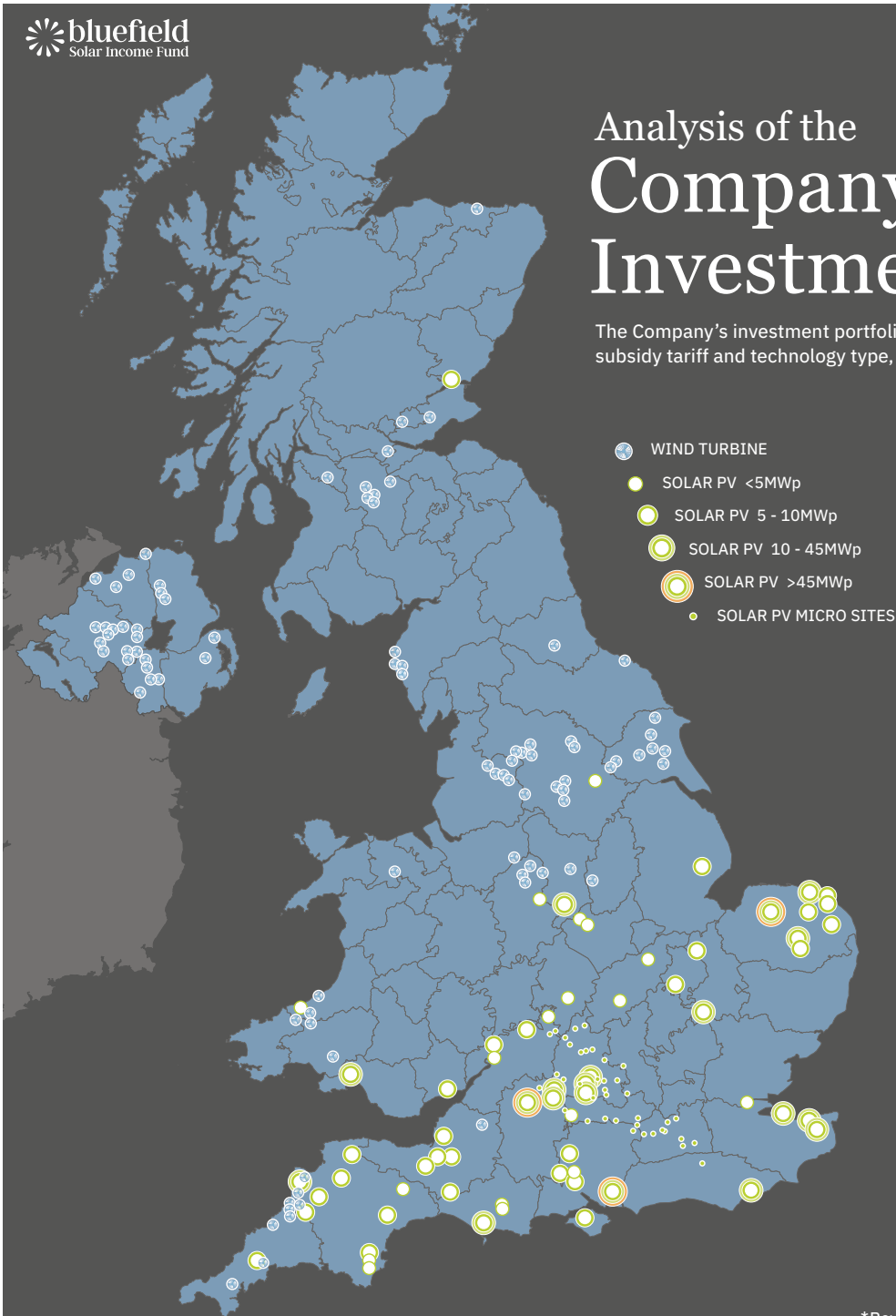
## John Rennocks

Chairman

21 February 2022

# Analysis of the Company's Operational Investment Portfolio

The Company's investment portfolio, analysed by geography, revenue type, subsidy tariff and technology type, as at 31 December 2021 is as follows:



Note: Graph percentages are based on capacity

\*Revenue is based on the Company's operating portfolio of 625.6MWp and does not include estimated ROC Recycle Revenue

# 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 renewable 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 Bluefield team has been involved in over £4.1 billion of renewable funds and/or transactions in both the UK and Europe, including over £1 billion for BSIF in the UK since December 2011.

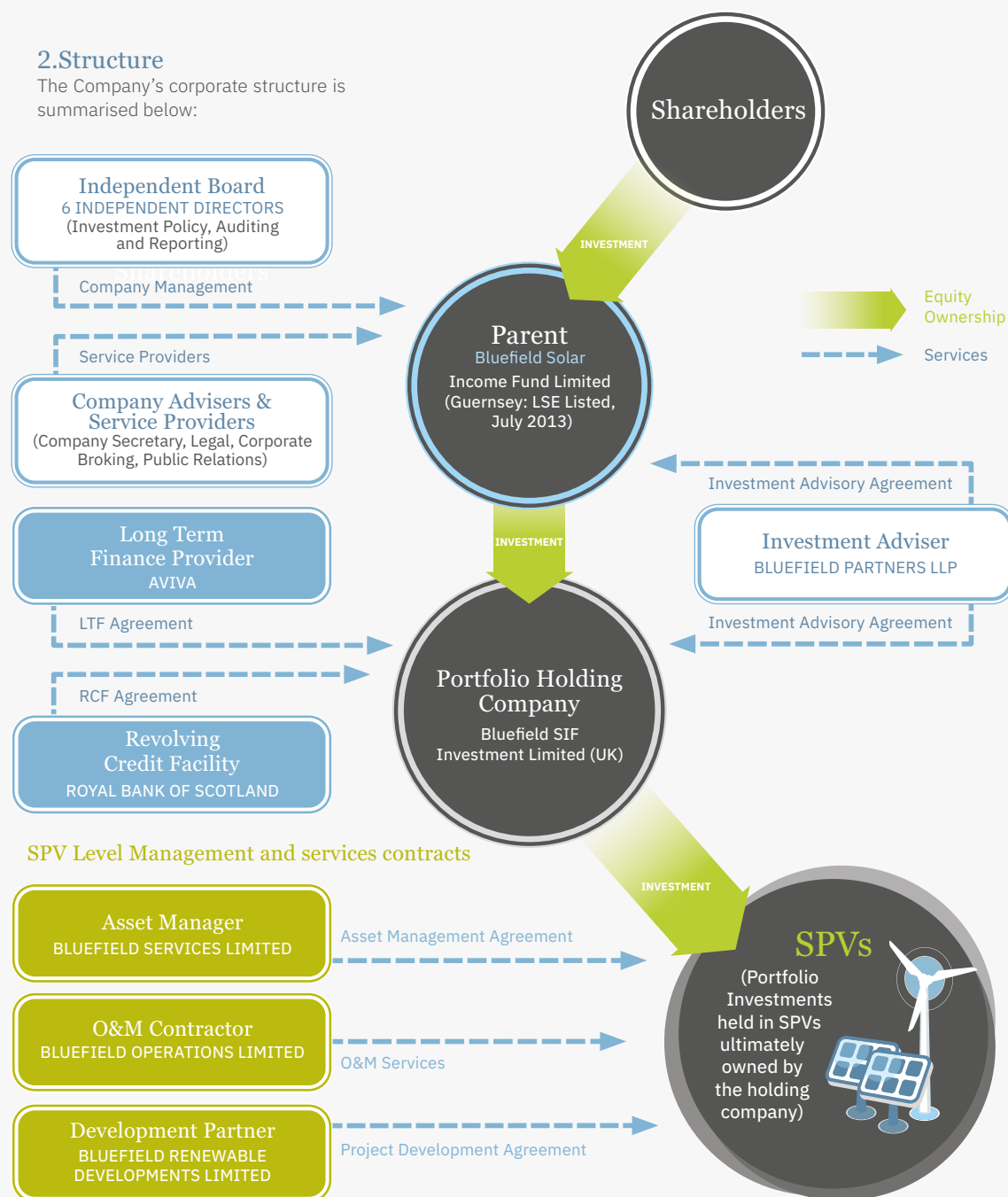
Bluefield was appointed Investment Adviser to the Company in June 2013. Based in its London office, Bluefield's partners are supported by a dedicated and highly experienced team of investment, legal and portfolio executives. As Investment Adviser, Bluefield takes responsibility, fully inclusive within its advisory fees, for selection, origination and execution of investment opportunities for the Company, having executed over 74 individual SPV acquisitions on behalf of BSIF and other European vehicles.

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



## 2. Structure

The Company's corporate structure is summarised below:



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

### Portfolio

As at 31 December 2021, the Company held an operational solar portfolio of 106 PV plants (consisting of 65 large scale sites, 39 micro sites and 2 roof top sites) with a total capacity of 613MWp and 109 small scale UK onshore wind turbines with a capacity of 12.6MWp.

It also includes 128MWp of utility scale subsidy free ready to build solar projects and 45 MWp of ready to build battery storage assets. The total capacity of operational renewable energy assets as at 31 December 2021 was therefore 625.6MWp.

The Company's investment mandate permits the Company to make investments of up to 25% of Gross Asset Value into non solar renewable technologies. The past six months have seen the Company's first investments in this field and as at 31 December 2021, 7% of GAV is made up of investments in wind and battery storage technologies.

### Acquisitions

#### *In period - Maiden wind and co-located solar and battery acquisitions*

In August 2021 the Company completed the acquisition of 109 small scale UK onshore wind turbines for approximately £63 million (including working capital and transaction fees), with an opportunity to increase investment by a further £35 million to re-power 17 turbines in Northern Ireland.

The turbines are spread across England (62), Northern Ireland (29), Scotland (11) and Wales (7), with those located in Great Britain accredited under the FiT regime, whilst those in Northern Ireland qualify under its Renewable Obligation Scheme ("RO Scheme") with a tariff of four Renewable Obligation Certificates ("ROC").

As a result of these accreditations, over 90 per cent of total revenue from the wind portfolio is derived from subsidies, with the remaining revenue received from power sales sold under 15-year power purchase agreements with Power NI.

Following the acquisition of the wind portfolio, in August 2021 the Company also completed the purchase of the rights (and associated land) to build a 45MWp solar asset and co-located 25MWp battery project for approximately £5 million. This co-located project is based in northeast Lincolnshire and is expected to begin construction during 2022.

#### *Post period end - 47.5 MWp UK-based solar and wind portfolio acquisition*

On 20 January 2022 the Company announced the acquisition of a 47.5MWp operational solar and wind portfolio from Good Energy Group PLC. The portfolio consists of six ground mounted solar photovoltaic ('PV') plants with a total installed capacity of 30.1MWp and two wind farms with a total installed capacity

## DUSK AT ASHLAWN

of 17.4MWp. The portfolio has been acquired for an initial equity consideration of £16.4 million, rising to a total of up to £24.5 million, subject to a series of due diligence milestones expected to be met by the beginning of March 2022. The acquisition contains £39.1 million of long term portfolio debt provided by Gravis Capital Management Ltd.

All the solar sites, as well as one of the wind assets, are located in the South West, while the second wind site is located in the North of England. One of the wind farms acquired within this portfolio was Delabole, the United Kingdom's first commercial onshore wind farm, built in November 1991.

Of the solar projects, five are accredited under the feed-in-tariff ('FIT') regime and one of the projects is accredited under the Renewable Obligation Certificate ('ROC') regime with a tariff of 1.4 ROCs. Both of the wind farms are accredited under the ROC regime, being 1.0 ROC and 0.9 ROCs, respectively. In the period 2021 to 2034, the proportion of regulated revenues from this portfolio is projected to be approximately 65%.

### Battery Storage Acquisition

On 31 January 2022 the Company announced the acquisition of the development rights for a 20MW battery storage project. The acquisition represents the development rights, grid connection costs and the leasehold of land of a ready to build 20 MW battery storage project for approximately £1.5 million from Shaw-Energi Ltd. The project is based in Liverpool and construction is expected to begin during 2022. This is the Company's second battery storage acquisition and the first such asset not co-located with a solar project.

Following these acquisitions, the Company's total outstanding debt has increased to £402.9 million, and the total installed capacity of its portfolio has grown to 673.1MWp. The Company's leverage has increased from c.35% as at 31 December 2021 to c.40% of Gross Asset Value ('GAV').

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.

## Solar

### Performance

As at 31 December 2021, the solar portfolio comprised of 106 PV plants (65 large scale sites, 39 micro sites and 2 rooftop sites), with a total capacity of 613MWp. Whilst no additional solar capacity was added in the period, as noted in the acquisitions section above a further 30MWp was purchased in January 2022.

**Table D.1:** Aggregated Solar Portfolio Performance, H1 2021/22

	H1 2021/22 Actual	H1 2021/22 Forecast	Delta to Forecast (% change)	H1 2020/21 Actual	Delta 21/22 to 20/21, Actual (% change)
Portfolio Total Installed Capacity (MWp)	613.0	N/A	N/A	543.0	+12.9%
Weighted Average Irradiation (Hrs) <sup>1, 2</sup>	530.4	546.5	-2.9%	541.1	-2.0%
Total Generation (MWh)	258,646	268,354	-3.6%	234,588	+10.0%
Generation Yield (MWh/MWp)	421.9	437.9	-3.6%	432.0	-2.3%
Average Total Power price (£/MWh)	£125.46	£125.18	+0.2%	£127.24	-1.4%

#### 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. Periods of irradiation where irradiance exceeds the minimum level required for generation to occur (50W/M<sup>2</sup>)

Irradiation during the 6-month period was c.2.9% below expectations which, combined with planned annual HV and general maintenance activity during Q2 (which requires plants to be temporarily placed under outage), resulted in the Total Generation and Generation Yield (the generation recorded per each MWp of installed capacity) being 3.6% behind forecasts.

Whilst the months of July, September, and November experienced irradiation slightly above budget, other months all recorded low irradiation, most noticeably December, which was 25.1% behind expectations.

Availability for the 6-month period was in line with expectations at 98.3%, despite planned preventative activity in Q2 which will require plants to be under outage for periods of time.

Total Revenue for the period was £33.03m, equivalent to £53.98k/MWp. As a result of more favourable fixed PPA agreements commencing during the period, the portfolio revenue was close to forecasts, at -1.89%. Operational Costs for the 6-month period to 31 December 21 were c.£8.5m.

### Asset Optimisation & Enhancement

A core focus of the Investment Adviser's activities is protecting, optimising, and enhancing the value of the Company's operational portfolio. Examples of key activities for the solar portfolio include:

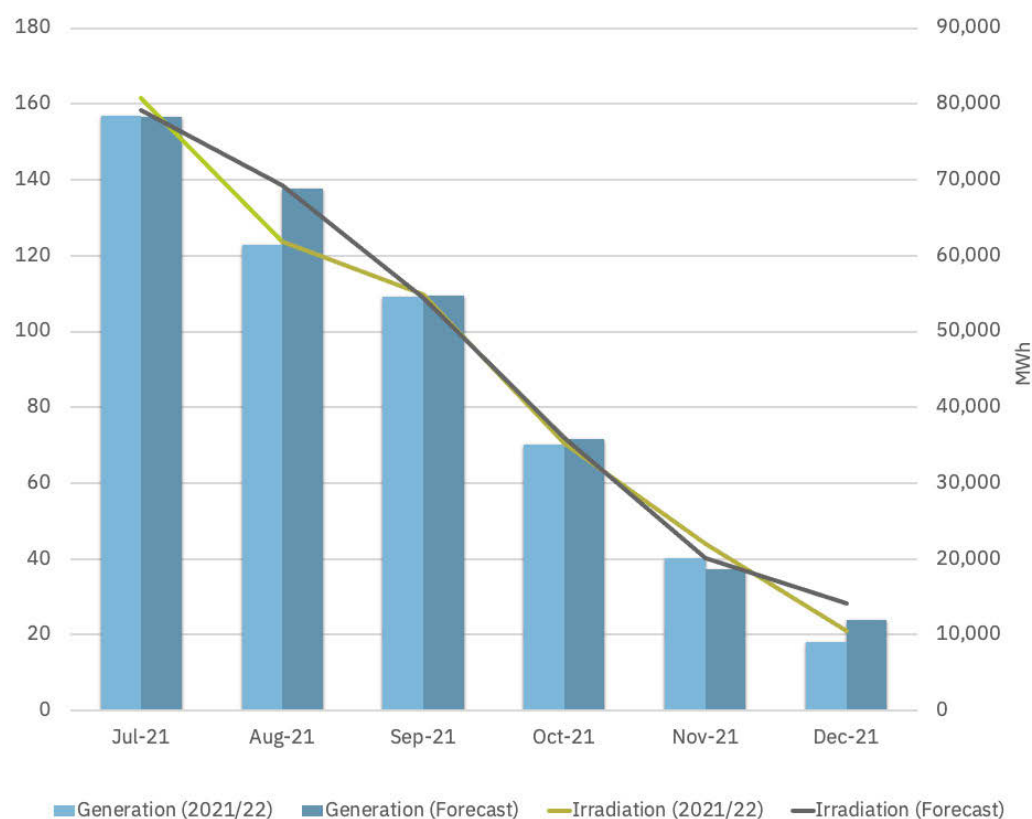
- **Asset Life Extension:** PV plants with an aggregated installed capacity of 371.4MWp now allow for terms beyond 30 years, representing 60.6% of the portfolio, with 332.2MWp (Jun 21: 239MWp) having secured planning extensions up to 40 years - continuing the Investment Adviser's 100% success rate for applications. The Investment Adviser continues to negotiate further lease extensions.
- **Transfer of O&M Services to Bluefield Operations Limited ('BOL'):** BOL now provide O&M contractor services to 53 of the Company's assets, totalling 486MWp of installed capacity, representing 79.4% of the portfolio. In addition to enhanced service levels, the transition of services to BOL has provided significant operational savings compared to the fees paid previously to external service-providers. Further contracts will continue to transfer to BOL during Q3 and Q4.
- **Capital Works Projects:** The Investment Adviser is working closely with the asset manager and O&M providers to complete optimisation projects across 10 plants, with a total investment of c.£1.2m. Projects include the replacement of existing transformers, a phased replacement of string inverters, strengthening mounting structures and improving site drainage. Performance-affecting works are scheduled in the low irradiation months, for completion prior to the end of March 2022.

### OFGEM Audits

As part of the industry-wide audits of RO-accredited generating assets, the Investment Adviser and Asset Manager have been working closely with OFGEM on those assets (randomly) selected for audit.

All BSIF assets to complete audits have been classified as 'satisfactory'. The success of these audits is principally due to the Company's asset manager, Bluefield Services, who not only completed thorough accreditation reviews prior to purchase of all the Company's operational acquisitions but continued to monitor OFGEM's evolving approach in this area.

Chart D.1: Irradiation & Generation (Actual & Forecast) by month, H1 2021/22



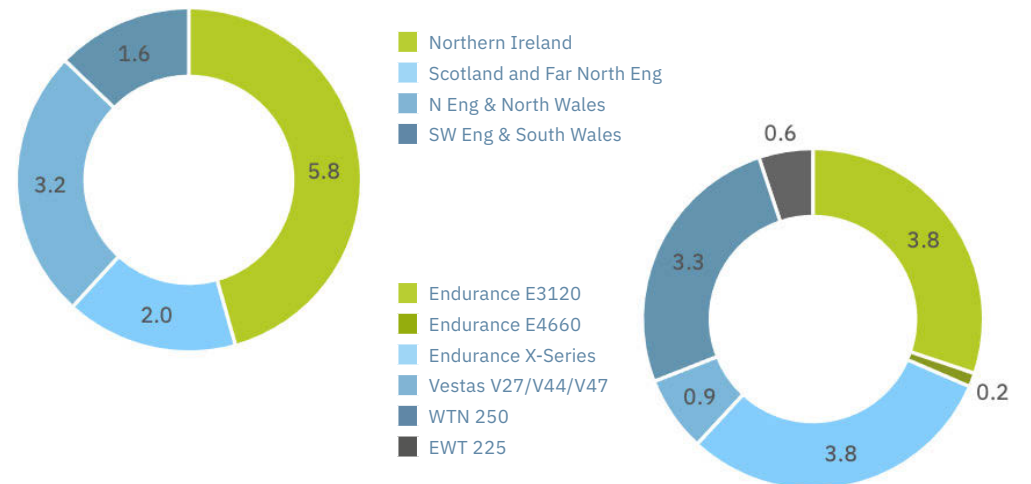


# Wind

## Performance

As at 31 December 2021, the wind portfolio was composed of 109 turbines with installed capacities ranging between 55-250Kw, and an aggregate capacity of 12.6MWp. The assets have been assigned to four distinct geographical regions.

Chart D.2 Wind Assets, Regions by Capacity (MWp) and Fleet by Turbine Type

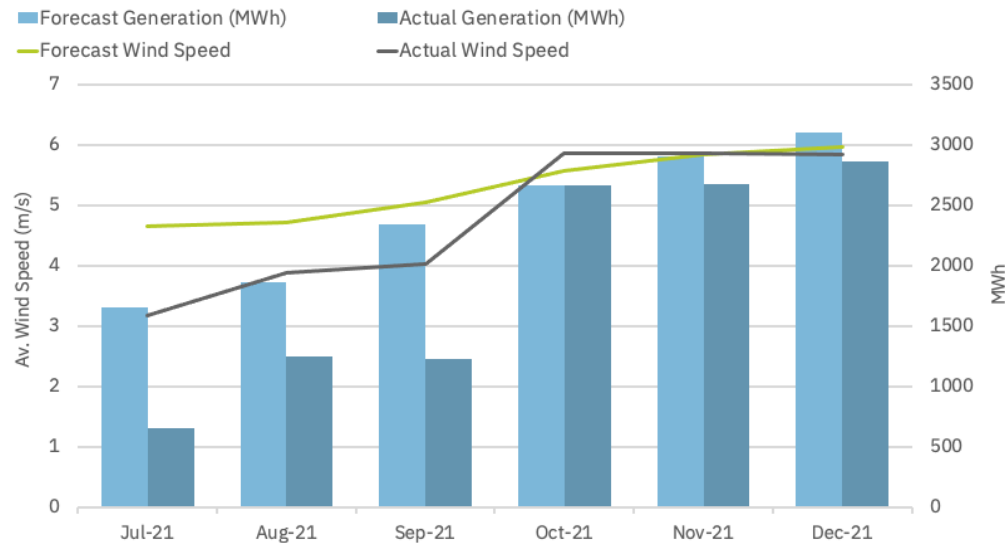


Particularly during Q1 (July-September 2021), national wind speeds were significantly below long-term averages and as a consequence the portfolio's generation of 11.3GWh was -21.9% below expectations.

Table D.2: Aggregated Wind Portfolio Performance, H1 2021/22

Regional Group	Aggregate Capacity (MWp)	Actual Generation (KWh)	Forecast Generation (KWh)	Generation Delta to Forecast (%)
Northern Ireland	5.8	4,989.92	6,209.86	-19.65%
Scotland & Far N England	2.0	1,582.38	2,067.75	-23.47%
N England & N Wales	3.2	3,357.93	4,389.45	-23.50%
SW England & S Wales	1.6	1,404.57	1,852.72	-24.19%
Aggregated Fleet	12.6	11,334.79	14,519.79	-21.9%

Chart D.2 Av. Windspeed & Generation (Actual & Forecast) by month, H1 2021/22



Availability for the fleet was largely on budget, with the limited number of component failures, including a requirement for two nacelle rebuilds in line with expectations at acquisition. As of 31 December 2021, all issues have been rectified, and the fleet was operating at full capacity.

Ongoing monitoring of vibration data has allowed several turbines to be proactively investigated for similar faults prior to any failure and downtime. Condition-based monitoring strategies continue to allow for early detection and intervention.

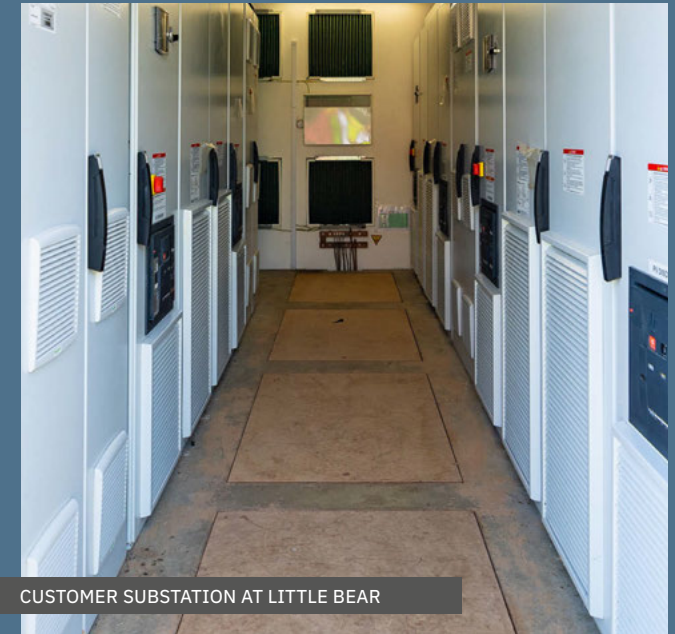
Regular maintenance continues to be carried out on schedule; at 6 and 12-month intervals, and 5,000 rotational hour services, as required. High Voltage maintenance will be scheduled during the low wind periods in the spring and summer months.

#### Wind Asset Optimisation & Enhancement

The Investment Adviser has initiated a range of operational enhancement measures across the fleet, to both improve performance and protect against future risks of failure. Where possible, works are scheduled during periods of low wind, to minimise generation loss. Examples include:

- The installation of web relay hardware across 70 turbines, which permit remote management of monitoring equipment,
- Condition monitoring hardware now retrofitted to all turbines in Great Britain. Northern Ireland retrofitting activity is underway,
- Bedframe strengthening and full replacement programme across the E3120 turbine fleet, to strengthen structural integrity of the units,
- Complete gearbox replacements or refurbishments on 3 turbines to mitigate losses due to possible future failures.

Within the Northern Ireland region, 17 out of 29 turbines have been identified for repowering with replacement EWT 250KW turbines. As at 31 December 2021, 3 turbines have been repowered and are operational, and 3 have received full planning approval for new 25-year terms with decommissioning and repowering works scheduled in Q3/4. A further 11 turbines have planning submissions under review by the relevant Local Planning Authorities.



CUSTOMER SUBSTATION AT LITTLE BEAR

#### Portfolio Health & Safety

The Company and the Bluefield group seek to operate in accordance with the highest levels of Health & Safety standards, policies, and procedures.

During the reporting period, new Health & Safety (H&S) policies were adopted by all corporate entities within the Company's structure. The SPV's contractors are legally required to meet these standards and ensure the same of all sub-contractors. The Company conducts annual audits of all approved contractors, the results of which are shared to ensure compliance and, if necessary, highlight areas for improvement. The policies are reviewed by specialist consultants every 12-months and updated as required.

The Asset Manager and O&M contractors routinely hold forums and work collaboratively to share, discuss, and promote best practice and advancements in industry developments. An established H&S Committee, comprising key representatives from across the group and external consultants, meets quarterly to discuss, and implement, improvements to these policies and general working practices. O&M contractors are furthermore mandated to periodically provide full H&S logs to the Company, which are reviewed by the directors with any appropriate recommendations then being actioned.

Table D.3: Generation Yield by Asset (Solar)

Solar Farm Asset	Total Investment Commitment (GBP)	Installed Capacity (MWp)	Generation Yield MWh/MWp
Bradenstoke	89.0	70.0	405.78
West Raynham	55.9	50.0	397.18
Southwick	61.0	47.9	436.79
Elms	32.8	28.9	430.29
Hardingham	22.7	20.1	403.28
Pentylands	21.4	19.2	398.08
Molehill	23.1	18.0	457.07
Hoback	19.0	17.5	415.55
Littlebourne	22.0	17.0	429.22
Goosewillow	19.0	16.9	417.08
Hill Farm	17.3	15.2	440.67
Roves	14.0	12.7	384.91
Pashley	15.4	11.5	469.04
Hall Farm	13.4	11.4	404.74
Sheppey	12.0	10.6	464.6
Betingau	11.2	10.0	347.08
Capelands	8.6	8.4	437.68
North Beer	9.3	6.9	424.45
Ashlawn	7.6	6.6	439.65
Redlands	6.4	6.2	444.06
Bidwell	8.1	6.1	444.77
Nottingham	11.8	6.0	536.74
Lower Marsh	8.6	5.9	426.77
Saxley	7.0	5.9	381.49

Solar Farm Asset	Total Investment Commitment (GBP)	Installed Capacity (MWp)	Generation Yield MWh/MWp
Cobbs Cross	9.1	5.7	453.04
Foxcombe	7.5	5.3	350.6
Stow Longa	8.8	5.3	409.26
Beaford	8.3	5.2	375.57
Great Houndbeare (Little Bear)	6.8	5.0	468.5
Court Farm	5.5	5.0	463.8
Place Barton	5.5	5.0	452.14
Eastcott	10.1	5.0	446.43
Holly Farm	7.2	5.0	493.95
Kellingley	5.0	5.0	444.55
Durrants	6.4	5.0	484.86
East Farm	7.2	5.0	481.95
Clapton	6.3	5.0	447.41
Oulton	5.3	5.0	400.85
Rookery	5.2	5.0	406.47
Frogs Loke	5.6	5.0	401.76
Salhouse	5.6	5.0	434.87
Romsey	5.8	5.0	455.33
Kislingbury	5.0	5.0	428.14
Bunns Hill	5.3	5.0	350.5
Old Stone	5.7	5.0	471.83
Willows	4.6	5.0	392.07
Grange	5.4	5.0	440.17
Hamptworth (Big Field)	8.8	5.0	419.32

Solar Farm Asset	Total Investment Commitment (GBP)	Installed Capacity (MWp)	Generation Yield MWh/MWp
Wormit	5.1	5.0	388.19
Gretton	5.1	4.9	416.18
Trethosa	5.8	4.8	443.15
Folly Lane	5.3	4.8	431.72
Gypsum	4.4	4.5	410.02
Tollgate Farm	4.6	4.3	427.09
Burnaston	14.4	4.1	384.7
Galton	5.5	3.8	464.38
Thornton Lane	3.7	3.6	373.58
Black Bush	6.6	3.4	390.85
Barvills	3.3	3.2	446.15
Norton Hall	4.1	2.8	428.23
Hazel	4.3	2.8	462.29
Lount Farm	3.3	2.5	365.43
Langlands	3.1	2.1	457.27
Stantway	2.7	1.8	422.95
Aberporth	2.0	1.4	404.88
Goshawk	2.0	1.1	398.98
Butteriss	2.3	0.8	357.21
Corby	2.3	0.5	275.98
Promothames	1.3	0.4	304.41
<b>SUB-TOTAL</b>	<b>763.8</b>	<b>613.0</b>	<b>421.94</b>



## PPA Strategy

Over the period the Company maintained its strategy of fixing power price contracts for periods between 12 and 36 months with the majority of contracts continuing to be struck for a minimum of 18 months.

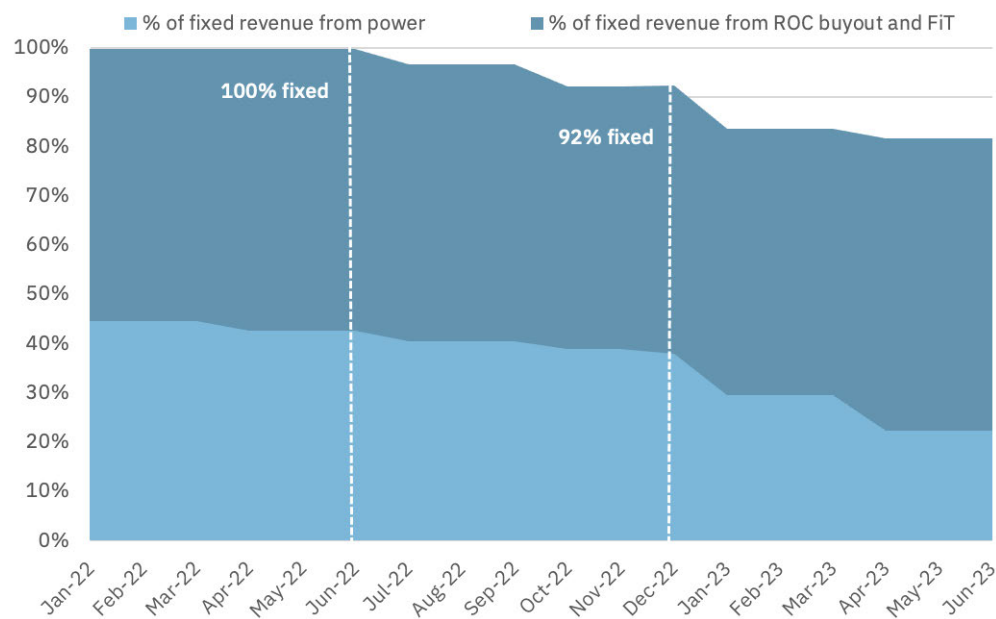
The driver behind this strategy is to mitigate the Company's exposure to seasonal fluctuations, whilst giving it flexibility to capitalise on periods of above-forecasted power prices but also to avoid fixing at points of significant market deterioration (e.g., in April 2020 and May 2020). This is made possible by the Board and Investment Adviser's strategy, where possible, of securing leverage at the portfolio, rather than asset level, as asset level financing covenants

typically require long-term pricing agreements to be in place.

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

The graph below shows that as at 31 December 2021 the Company has a price confidence level of 100% to June 2022 and c.92% to December 2022 over its power and subsidy revenue streams.

Figure 4. % of BSIF revenues fixed as at 31 December 2021



Note: There is c.95MWp of capacity (c.15.5% of the portfolio) which benefits from long term offtake agreements, with 8 years remaining. These agreements have built in floor prices, which are automatically applied in the absence of direct short-term power price fixes.

## Revenues and Power Price

The portfolio's revenue streams in the reporting period (excluding any ROC recycle estimates for CP20: the Compliance Period April 2021 to March 2022) show that the sale of electricity accounted for 38% (June 2021: 38%) of the Company's income. Regulated revenues from the sale of FiTs and ROCs accounted for 62% (June 2021: 62%).

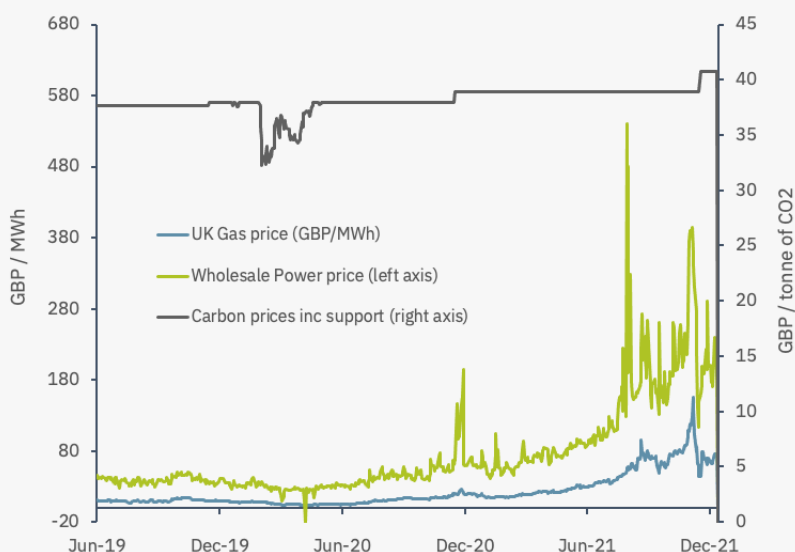
Looking at the first six months of the Company's financial year, the prices in the wholesale power market have continued to set record highs, driven by a combination of surging commodity markets, pressures on global gas supply and a period of low renewables generation.

As natural gas prices and UK and EU carbon pricing continue to be key drivers of the UK power market, factors impacting these areas have a significant impact on the price of electricity. To this end, gas prices have continued to increase throughout the Period to December 2021 as a result of tightening supply across global markets, driven by high demand in Asia and principally China, which were exacerbated by low levels of European storage and ongoing concerns around Russian supplies.

Lower than expected renewable generation resulted in the consumption of more gas in the UK, and even coal at times, in turn driving up gas prices and thus the marginal price of electricity. The UK Emissions Trading Scheme market, also saw the strong gains, reaching its highest price point since the scheme's inception at £78.70/t, and continuing to trade at a premium to its European counterpart.

The impact of the drivers outlined above was a year-on-year increase of over 250% between the UK day ahead market base load power price for the 12 months to 31 December 2020 from £36.85 per MWh to £133.34 per MWh for the 12 months to 31 December 2021. As a further illustration of the points mentioned above, the chart below compares the wholesale electricity prices versus gas and carbon from June 2019 to December 2021.





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

The upward movement of the wholesale power market, due to the Company's rolling short term hedging strategy is reflected to a limited extent in the Company's average seasonal weighted power price which has increased by c.3.7%, from £48.37 per MWh for the 12 months ended 31 December 2020, to £50.14 per MWh to 31 December 2021.

However, fixes of power contracts between July 2021 and December 2021, which covered c.182MWh of installed capacity, were struck at an average price of £71.34MWh, for terms between 24 and 36 months (an increase of c.42% on the annualised figure of £50.14 per MWh). The impact of power prices on NAV is set out in the valuations section.

## 4. Analysis of underlying earnings

The total generation and revenue earned (including ROC recycle estimate) in the 6 months to 31 December 2021 by the Company's portfolio, split by subsidy regime, is outlined below.

Subsidy Regime	Generation (MWh)	PPA Revenue (£m)	Regulated Revenue (£m)
FiT	17,028	0.9	3.7
4.0 ROC	4,990	0.7	1.3
2.0 ROC	12,399	0.8	1.5
1.6 ROC	48,887	2.3	4.7
1.4 ROC	106,000	5.1	8.7
1.3 ROC	24,523	1.4	1.9
1.2 ROC	56,153	2.8	4.3
<b>Total</b>	<b>269,980</b>	<b>14.0</b>	<b>26.1</b>

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

In October 2021, Ofgem announced that value for ROC recycle for the period April 2020 to March 2021 (CP19) was £3.87/ROC (equivalent to 7.7% of CP19 ROC buyout prices). This was in line with the 7% ROC Recycle estimate the Company had recognised in its 30 June 2021 Financial Statements. The key drivers behind the changes in Underlying Earnings between H1 2021/22 and H1 2020/21 are the combined effects of the acquisitions within the 12 month period, with lower generation offset by higher PPA pricing.

## Underlying Portfolio Earnings

	Half year period to 31 Dec 21 (£m)	Half year period to 31 Dec 20 (£m)	Full year to 30 June 21 (£m)	Full year to 30 June 20 (£m)
Portfolio Revenue	40.0	31.9	73.1	65.9
Liquidated damages and Other Revenue*	0.3	1.2	2.0	3.8
Net Earnings from Acquisitions in the period	0.0	0.0	5.1	0.0
<b>Portfolio Income</b>	<b>40.3</b>	<b>33.1</b>	<b>80.2</b>	<b>69.7</b>
Portfolio Costs	-11.0	-7.8	-17.6	-14.1
Project Finance Interest Costs	-1.0	-0.8	-1.8	-0.6
<b>Total Portfolio Income Earned</b>	<b>28.3</b>	<b>24.5</b>	<b>60.8</b>	<b>55.0</b>
Group Operating Costs#**	-4.5	-3.7	-7.5	-5.8
Group Debt Costs	-2.4	-2.1	-4.7	-4.6
<b>Underlying Earnings</b>	<b>21.4</b>	<b>18.7</b>	<b>48.6</b>	<b>44.6</b>
Group Debt Repayments	-8.6	-8.0	-9.3	-9.2
<b>Underlying Earnings available for distribution</b>	<b>12.8</b>	<b>10.7</b>	<b>39.3</b>	<b>35.3</b>
Bought forward reserves	13.4	8.4	8.4	2.3
<b>Total funds available for distribution -1</b>	<b>26.2</b>	<b>19.1</b>	<b>47.7</b>	<b>37.6</b>
<b>Target distribution***</b>	<b>N/A</b>	<b>N/A</b>	<b>34.3</b>	<b>29.3</b>
<b>Actual Distribution -2</b>	<b>10.1</b>	<b>8.1</b>	<b>34.3</b>	<b>29.3</b>
<b>Underlying Earnings carried forward (1-2)</b>	<b>N/A</b>	<b>N/A</b>	<b>13.4</b>	<b>8.4</b>

\* Other Revenue includes insurance proceeds, ROC Recycle late payment and Mutualisation, O&M settlement agreements and rebates received

# Includes the Company and BSIFIL (within BSIFIL is a group tax charge of c. £1m)

\*\* 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 21	Half year period to 31 Dec 20	Full year to 30 June 21	Full year to 30 June 20
Target Distribution - £m	N/A	N/A	34.3	29.3
<b>Total funds available for distribution (inc. reserves) - £m</b>	<b>26.2</b>	<b>19.1</b>	<b>47.7</b>	<b>37.6</b>
Average number of shares in the period*	496,067,602	406,999,622	429,266,617	370,499,622
Target Dividend (pps)	N/A	N/A	8.00	7.90
<b>Total funds available for distribution (pps) - 1</b>	<b>5.24</b>	<b>4.66</b>	<b>11.19</b>	<b>10.13</b>
Total Dividend Declared for the period (pps)** - 2	2.03	2.00	8.00	7.90
Reserves carried forward (pps) *** - 1-2	N/A	N/A	2.67	2.23

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

\*\* Half year period to 31 Dec 21 dividend of 2.03pps declared 31 Jan 22, with a payment date on or around 10 March 2022.

\*\*\* Reserves carried forward are based on the shares in issue at the point of Annual Accounts publication (being c.496m shares for the 30 June 21 Annual Report).



## 5. NAV and Valuation of the Portfolio

The Investment Adviser is responsible for advising the Board in determining the Directors' Valuation and, when required, for carrying out the fair market valuation of the Company's investments. Valuations are carried out on a six-monthly basis as at 31 December and 30 June each year, with the Company committed to conducting independent reviews as and when the Board believes it benefits the Shareholders.

As the portfolio comprises only non-market traded investments, the Investment Adviser has adopted a valuation process based upon the IPEV Valuation Guidelines published by the BVCA (the British Venture Capital Association). The application of these guidelines is considered consistent with the requirements of compliance with IFRS 9 and IFRS 13.

Following consultation with the Investment Adviser, the Directors' Valuation adopted for the portfolio as at 31 December 2021 was £785.7m (31 December 2020, £608.4m).

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

Valuation Component (£m)	Dec 2021	June 2021	Dec 2020	June 2020
Enterprise Portfolio DCF value (EV)	861.2	770.1	698.3	602.7
Consented Solar & Battery projects*	7.3	1.8	0.0	0.0
Deduction of Project Co debt & NatWest 3 year Term loan	-119.3	-119.8	-120.3	-10.8
Project Net Current Assets	36.5	42.4	30.4	32.4
<b>Directors' Valuation</b>	<b>785.7</b>	<b>694.5</b>	<b>608.4</b>	<b>624.3</b>
<b>Portfolio Size (MWp)</b>	<b>625.6</b>	<b>613.0</b>	<b>543.0</b>	<b>478.8</b>

\* Value is recognised on development projects only at 'Ready to Build' stage – e.g., when grid and planning have been secured.

### Discounting Methodology

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

In addition, the Board continues to adopt the approach under the 'willing buyer/willing seller' methodology, that the valuation of the Company's portfolio be appropriately benchmarked on £/MWp basis against comparable portfolio transactions.

### Key factors behind the valuation

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 fierce, driving up transaction prices. These have been towards the upper end of the range witnessed by the Investment Adviser over the past few years, being between c.£1.20m/MWp and c.£1.40m/MWp, on subsidised solar assets, despite portfolios being lower quality and less subsidised than the Company's;
- (ii) Inflation has continued to rise during 2021, with RPI reaching 7.5% as at 31 December 2021. Furthermore, data from Bloomberg shows an average forecast of 6.4% for 2022 and 3.4% for 2023 (based on its composite basket of independent forecasters) whilst HM Treasury's average of independent forecasters is 5.4% for RPI in 2022 (as per their January 2022 publication). In the longer term, forecasters are expecting a tapering to c.2% post 2030 as RPI is replaced with CPIH. As such, the inflation assumption within the December 2021 valuation has been adjusted to reflect this profile (being 6.4% in 2022, 3.4% in 2023, 3.0% to 2029 and 2.25% from 2030);

- (iii) Inclusion, on a discounted cash flow basis, of the 12.6MWp wind portfolio the Company acquired in August 2021 following the Company's £105m equity raise (resulting in the Company's RCF being £60m drawn as at 31 December 2021);

Strong competition for large scale solar portfolios of equivalent or lower ROC banding to the Company's, has meant that pricing is now at the upper end of the range of £1.20m/MWp - £1.40m/MWp. By valuing the portfolio at an EV of £861.2m (June 2021: £770.1m), with an effective price of £1.30m/MWp for the solar component (June 2021: £1.26m/MWp), and maintaining a discount rate of 6.0%, the Board remains conservatively within the pricing range of precedent market transactions.

### Valuation Assumptions

#### Discount Rate

To ensure the Company's portfolio sensibly reflects market pricing (outlined above in key valuation factors) as at 31 December 2021, the Directors have continued to apply a discount rate of 6.00% (cf. 6.00% in June 2021).

#### Debt

The debt assumptions within the Directors' Valuation reflect all third-party loans within the Company's capital structure as at the valuation date. Interest rates and repayment profiles are matched to the terms of each loan. In the case of any short-term financing, conservative assumptions are applied with respect to interest rates and repayment profiles post maturity.

As at 31 December 2021, the Company's short term debt consisted of £60m drawn under its RCF along with a £110m term loan from NatWest, maturing in September 2023, with the conversion assumption within the Directors' Valuation aligned to the percentage of the loan that has been hedged (being 75% with 18-year interest rate swaps at a rate of 0.31% until 2038).

The interest rate applied to the converted balance of both the RCF and the NatWest term loan (being a cumulative balance of £145.5m) is 3.0%.

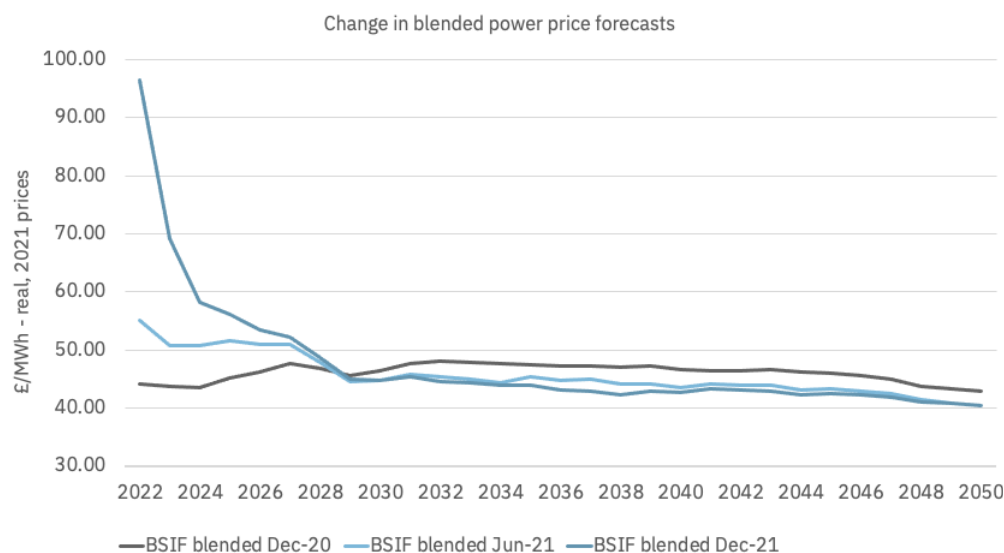
## Power Price

The blended forecast of three leading consultants used within the latest Directors' Valuation, as shown graphically below, is based on forecasts released in October 2021 and December 2021 and implies a compound annual growth rate, in real terms from 2022, to 2050, of -3.06% per annum.

The curves used in the 31 December 2021 Directors' Valuation reflect the following key updates:

1. UK electricity demand, driven principally through electrification of heat and transport, is expected to rise from 308TWh in 2022 to 484TWh by 2050;
2. Short-term gas prices have continued to rise, driving material increases in near term wholesale power prices;
3. Increased renewable deployment in the UK (notably by 2030 c.33GWp of Offshore wind, c.19GWp of Onshore Wind and c.19GWp of solar) and in Europe, which reflect the Government's energy budgets, the Net Zero Strategy outlined in October 2021 which signalled an intent to decarbonise the power sector by 2035.

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



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

## Plant Performance

With all operational assets in the Company's portfolio generating for a minimum of four years, the entirety of the portfolio (being 625MWp as at 31 December 2021) is now being valued using Performance ratios (PRs) that reflect historical operational performance of each asset. The weighted average PR in the Directors' Valuation for the solar assets, including the effects of degradation, is 80.6% (June 2021: 81.6%) with weighted average availability of 100% for the wind assets.

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

## Inflation

The Directors' Valuation applies the following inflation assumptions.

Year	2022	2023	2024 -2029	2030 onwards
RPI Inflation	6.4%	3.4%	3.0%	2.25%

## Asset life

Reflecting continued progress of the Company's asset life extension, the Directors' Valuation assumes 490MWp (equal to Jun 21) of the Company's portfolio is valued on the basis of 30-40 years of operational life. The Board continues to believe the most suitable method to value the additional cash flows from these assets is to apply a combination of prudent assumptions on performance and maintenance reserve, as well as a discount rate of 7.5% (7.5% in June 2021) for periods over 30 years. As at 31 December 2021, the weighted average remaining life of the portfolio was 29.4 years (June 2021: 30.2 years). The higher than expected decrease is due to the addition of the wind portfolio acquired in August 2021, as wind turbines have shorter asset lives compared to solar PV.

## Other Cash flow Assumptions

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

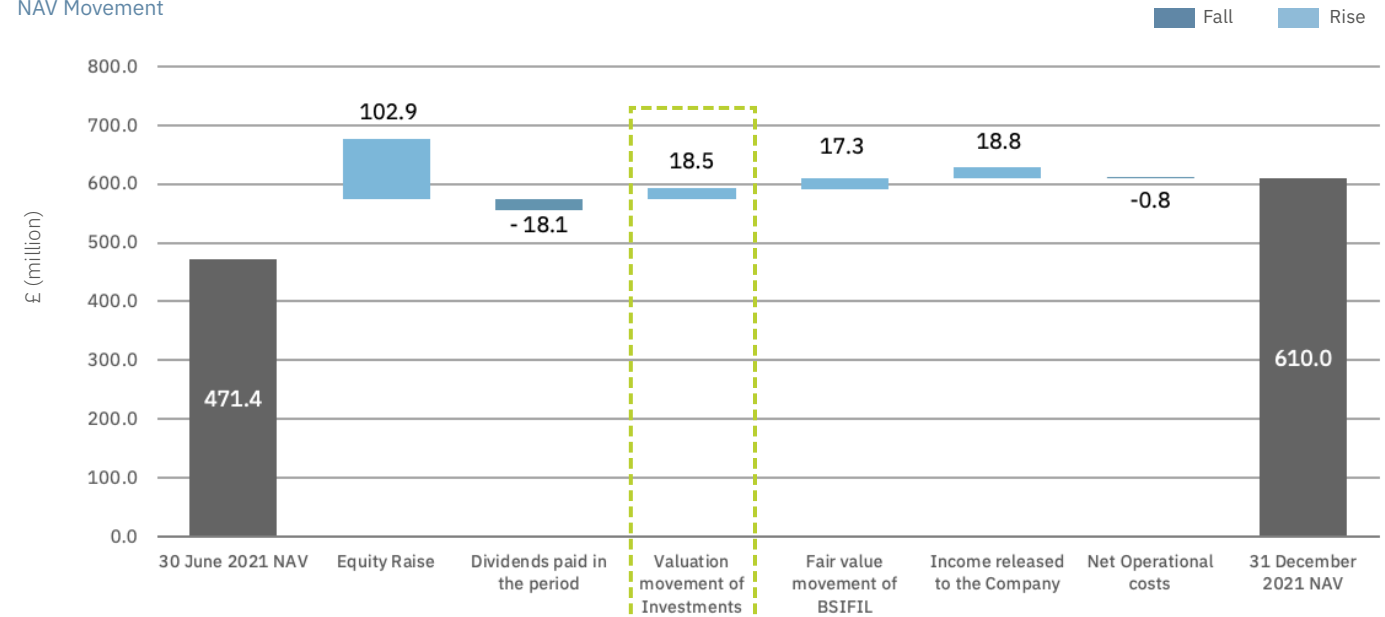
### NAV movement

In the period, the Company paid total dividends of £18.1m, being 4.00pps in total for the third and fourth interim dividends in respect of the year ended 30 June 2021.

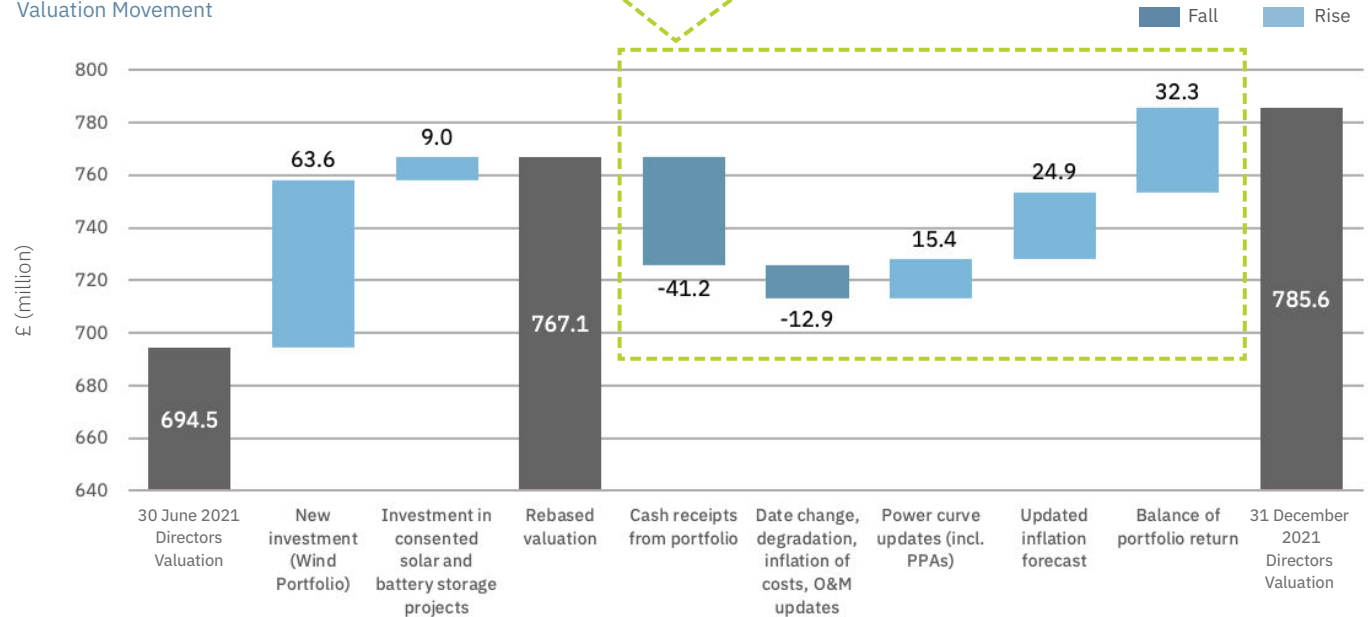
Over the period the Company's NAV has increased by £138.6m, from £471.4m as at 30 June 2021, to £610.0m as at 31 December 2021. Adjusting the 30 June 2021 NAV of £471.4m for the dividends paid in the period (£18.1m) and net equity raised of £102.9m results in an uplift in the NAV of the Company during the period of £17.6m.

A breakdown in the movement of the NAV of the Company over the period and how this interacts with the movement in the valuation of the portfolio is illustrated in the charts below. Post period end, in January 2022 the Company announced the first interim dividend for the 2021/22 financial year of 2.03pps.

NAV Movement



Valuation Movement



## Directors' Valuation movement

	(£million)	As % of re-based valuation
<b>30 June 2021 Valuation</b>	<b>694.5</b>	
New investment (Wind Portfolio)	63.6	
Investment in solar and battery storage development pipeline	9.0	
<b>Re-based Valuation</b>	<b>767.1</b>	
Cash receipts from portfolio	(41.2)	-5.4%
Date change, degradation, inflation of costs, O&M updates	(12.9)	-1.7%
Power curve updates (incl. PPAs)	15.4	2.0%
Updated inflation forecast	24.9	3.2%
Balance of portfolio return	32.3	4.3%
<b>31 December 2021 Valuation</b>	<b>785.6</b>	<b>2.4%</b>



Each movement since the 30 June 2021 valuation is considered in turn below:

### Cash receipts from the Portfolio

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

### New investments - 12.6MWp wind portfolio & development pipeline

These movements reflect the base investment cost of £63.6m of the 12.6MWp, 109 single stick wind portfolio the Company acquired in August 2021 as well £9.0m in relation to project rights purchased, also in August 2021, in relation to a consented 45MWp solar and 25MWp storage project and the Company's wider development pipeline of solar and storage projects.

### Power curve updates (incl. PPAs)

The Company's three independent forecasters released updated forecasts in October and December 2021, and these have been applied to the Directors' Valuation. The impact of adopting an even blend of three independent forecasters as well as the latest power price fixes, against power price expectations applied in the 31 June 2021 valuation, results in a valuation increase of £15.4m.

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

### Balance of Portfolio Return

The balance of portfolio return is predominantly the result of the unwinding of the discount rate over the period, but it also includes the effects of the Company's change in capital structure following the equity issuance of £105m, partial repayment of the RCF in July 2021 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 solar projects within the portfolio c.25 years after their commencement of operation, or 30 to 40 years for those with asset life extensions.

There have been no material changes to assumptions regarding the future performance or cost optimisation of the portfolio when compared to the Directors' Valuation of 30 June 2021.

On the basis of these key assumptions, the Board believes there remains further potential for NAV enhancement from the potential extensions of asset life for further projects in the portfolio as well as cost optimisation on long term O&M fees.

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



## Reconciliation of Directors' Valuation to Balance sheet

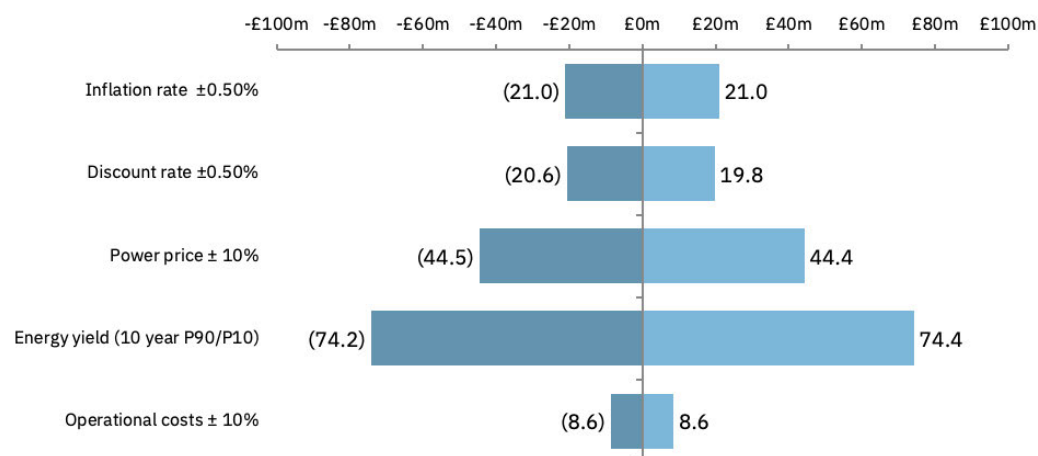
Category	BALANCE AT PERIOD END			
	31 December 2021 (£m)	30 June 2021 (£m)	31 December 2020 (£m)	30 June 2020 (£m)
Directors' Valuation	785.7	694.5	608.4	624.3
BSIFIL Working Capital	37.8	26.4	27.1	20.9
BSIFIL Debt*	(214.7)	(250.6)	(160.1)	(212.8)
Financial Assets at Fair Value per Balance sheet	608.8	470.3	475.4	432.4
Gross Asset Value	942.7	840.7	755.8	653.3
Gearing (% GAV**)	35%	44%	37%	33%

\* 30 June 2021 and 30 June 2020 include c.£1m of upstream intercompany loans.

\*\* GAV is the Financial Assets, as at 31 December 2021, at Fair Value of £608.8m plus Aviva long term debt of £154.6m, Durrants' project debt of £9.3m, RCF of £60m and NatWest of £110m term loan, (giving total debt of £333.9m).

## Directors' Valuation sensitivities

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



SOLAR PV AT PASHLEY

## 6. Financing

### Aviva Investors Long Term Facility (LTF)

The LTF is provided by Aviva Investors in two tranches.

Loan	Original Amount (Sept 16)	Current Amount (Dec 21)	Tenor	Cost	Average Loan Life at drawdown
Fixed	£121.5m	£94.4m	Fully amortising over 18 years to 2034, sculpted to cash flows	All in cost of 287.5bps	10.6
Index-Linked	£65.5m	£60.2m	Fully amortising over 18 years to 2034, sculpted to cash flows	RPI plus 70bps	11.3

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

During the Period principal repayments of £8.1m, combined with indexation increases of £2.2m, resulted in a total outstanding balance to Aviva Investors as at 31 December 2021 of £154.6m (Fixed £94.4m, Index linked £60.2m).

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 a low cost of capital (as at 31 December 2021, the blended all-in debt cost of the facilities was 2.4%).

Thanks to the prudent leverage, under the Company's base case projections the average DSCR remains close to 3 times, as at 31 December 2021. The leverage is 40% of GAV as at 21 February 2022, reflecting the Company's position post period end acquisitions and project development costs.

#### Natwest Revolving Credit Facility

On 6 November 2020, the Company agreed with NatWest to extend the tenor of its £50m RCF to

September 2022. This includes flexibility for a further one year extension to 30 September 2023, as well as an uncommitted facility of a further £50m. The facility therefore has £100m available. The terms of the revised facility are unchanged, with a constant margin of 2.0% over LIBOR with a Sterling Over Night Indexed Average (SONIA) adjustment.

As at 31 December 2021 the Company's subsidiary had drawn £60m from its RCF, out of the £100m available.

Post period end, following the Company's acquisitions of the 47.5 MWp UK-based solar and wind portfolio for approximately £24.5 million, £1.75 million for acquisition of the development

rights for a 20MW battery storage project in Liverpool and £3.75m drawn for development projects, the drawn balance of the RCF is currently £90m (out of £100m available).

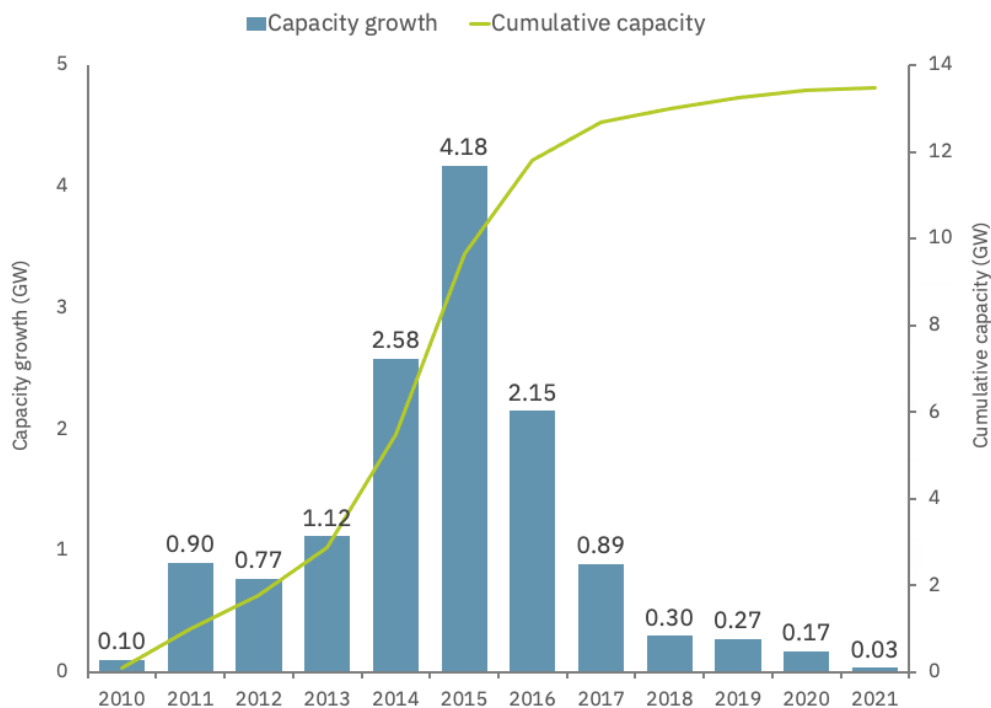
#### Project level debt

In addition to the LTF and the RCF, the Company also has a three year term loan with NatWest of £110m which is 75% hedged by a 17 year swap at c.0.3%, maturing in September 2023 (secured against a portfolio of 141.7MWp within the Company's structure) and a small project finance loan of £9.3m, provided by BayernLB and fully amortising until maturity in 2029, secured against Durrants, a 5MWp FIT plant located on the Isle of Wight.

## 7. Market Developments

### UK solar photovoltaic capacity and deployment

According to BEIS, the UK's total installed solar photovoltaic capacity as at December 2021 (the latest statistics available) was 13.65GWp, across just over 1.1 million installations. This compares to 13.53GWp in June 2021. Expansion over the period, of 121MWp, has been driven exclusively by the deployment of c. 35,000 small unaccredited installations with capacities below 50kWp. The chart below illustrates how the deployment of new generating capacity has diminished significantly since the closure of the RO scheme in 2017.



\*Source; BEIS, Solar photovoltaics deployment December 2021

Capacity accredited nationally under the RO Scheme is 7.3GWp, representing 54% of the total solar capacity in the UK, but it constitutes only 2.0% of the number of installations. Capacity accredited under the FiT scheme was 5.1GWp according to the latest data from BEIS released in December 2021. This equates to about 37% of total solar capacity and 78% of all installations. Subsidy-free capacity stands at 1.2GWp and 20% of installations, although many of these are micro installations.

### Secondary market transactions and subsidy-free activity

Transactional activity in the UK secondary solar PV market continued its momentum during 2021 with investor appetite for subsidised assets remaining very high. According to the most recent figures from Bloomberg New Energy Finance (BNEF), 732MWp of subsidised projects changed hands during 2021. For reference, some 300MWp of solar PV project deals were reported in 2019.

Activity in the UK subsidy-free market has also continued at pace. Significant development activity is being carried out within the UK, which is being driven by factors such as ambitious decarbonisation targets, increasing preferences by customers for clean energy, demand for ESG investments and the inclusion of solar PV in the recent CfD auction round.

Estimates from Solar Power Media indicate that there are over 37GWp of large-scale solar projects in the development/ready-to-build phase as at the end of December 2021, a 117% increase on the 17GWp reported in June 2021.

Towards the end of 2020 there were indications that the construction of larger-scale unsubsidised projects was starting to gain momentum as projects progressed through the development phase. However, throughout the 2021 calendar year, this has slowed due to increased construction costs. The elevated pricing is being driven by a significant increase in module prices, together with increases in commodity prices and higher shipping costs/ disruption in global supply chains.

With 643MWp of operational solar under management, the Company continues to maintain a strong position within the UK solar market, as it owns and operates about 6.8% of the country's utility-scale solar PV capacity. As an established and experienced market participant, this predominantly regulated revenue base provides a strong foundation for growth of the Company through its subsidy-free solar strategy and diversification into other renewables.







BEEHIVES AT LITTLE BEAR

## 8. Regulatory Environment

### Update on Contracts for Differences (CfD)

The CfD scheme is now the Government's main mechanism for supporting low-carbon electricity generation and operates via an auction process. The current CfD allocation round (AR4) opened in December 2021 and is currently in process. Solar PV is being allowed to participate in the auction for the first time since 2015.

The UK Government is aiming to support around 12GW of renewable energy projects in AR4, which opened in December 2021. The tender has been set a £265m budget and will split technologies across three 'pots'. Pot 1 (£10m) includes established technologies such as onshore wind and solar PV; Pot 2 (£55m) includes less-established renewable technologies such as advanced conversion technologies and tidal stream, while a new Pot 3 (£200m) has been set up for offshore wind.

The Investment Adviser has entered a selection of its projects into AR4 and is awaiting the outcomes of the qualification review at the end of February 2022. After this, it is expected that a competitive auction will take place to decide the allocation of CfDs. Subsequent rounds are then expected to be held approximately every two years.

### UK net zero target

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

In December 2020 the UK Government also announced its new Nationally Determined Contribution (NDC) under the Paris Agreement, which commits the UK to reducing nationwide greenhouse gas emissions by at least 68% by 2030, compared to 1990 levels. The Climate Change Committee ("CCC") also published its sixth carbon budget (covering the period 2033 – 2038), which targets a 78% reduction in emissions relative to 1990 levels. This target came into force on 24 June 2021 and will for the first time cover the UK's share of international aviation and shipping emissions.



# UN CLIMATE CHANGE CONFERENCE UK 2021

## COP26

In the period, the UK hosted the 26th UN Climate Change Conference of the Parties (COP26) in Glasgow from 31 October 2021 – 12 November 2021. The climate talks brought together heads of state, climate experts and environmental campaigners with the objective of agreeing coordinated action to tackle climate change. In the role of COP26 Presidency the UK stated that it is committed to working with all countries and joining forces with civil society, companies and people on the front line of climate change to inspire action ahead of COP26. The main goals of COP26 were to:

1. **Secure global net zero by mid-century and keep a temperature rise of 1.5 degrees within reach.** To deliver this, countries are expected to set stretching targets to deliver emissions reductions by accelerating the phase-out of coal, curtailing deforestation, speeding up the transition to electric vehicles and encouraging investment in renewables.
2. **Adapt to protect communities and natural habitats.** For example, by protecting and restoring ecosystems and building resilient infrastructure to protect those affected by climate change.
3. **Mobilise finance.** To deliver the first two goals, developed countries are being encouraged to work to unleash trillions of dollars to secure global net zero.
4. **Work together to deliver.** At COP26 the Paris Rulebook (the detailed rules that make the Paris Agreement operational) is expected to be finalised, while talks are expected to help collaboration between governments, businesses and society.

Bluefield Partners LLP  
21 February 2022



# Environmental, Social and Governance Report

## 1. Introduction from Chairman

Opportunity for the renewable market has never been greater. In the battle against climate change, the need for global decarbonisation of the energy sector places renewable technology at the forefront. Founded on the belief that renewable investments deliver positive environmental benefits whilst providing stable and attractive returns, the Company is well positioned to support the UK's net zero targets.

Furthermore, interest in the co-benefits of renewable technology, beyond the reduction of carbon emissions, is mounting. More than ever before, there is research into how solar parks may support natural capital (including biodiversity and carbon sequestration) and focus given to how benefits to local communities can be maximised. These considerations are, too, a focus for the Company.

As the renewable sector expands, funds must approach investment responsibly and take accountability for their environmental and social impacts. It is for this reason the Company has made, and will continue to make, ESG a priority. The following report summarises the Company's ESG journey to date, highlights areas of recent progress and, I hope, informs our Shareholders of our ESG aspirations over the next six months. For a full overview of the Company's ESG activities, please refer to the Company's Annual Report and Financial Statements relating to the period ended 30 June 2021.

John Rennocks,  
Chairman

## 2. Annual ESG Highlights

Estimated figures based on forecasted generation data for the period 1 July 2021 – 30 June 2022:



*Over 600,000,000 kWh of renewable energy generated*



*Over 128,000 tonnes of CO<sub>2</sub>e savings*



*Over 200,000 houses powered with renewable energy*



*Over £153,000 to be paid to community benefit schemes*

## 3. The Company's Approach to ESG

In recent years, growing ESG awareness within investor and fund manager communities has resulted in increased interest, and scrutiny, into the relationship between ESG and long-term performance. Whilst a non-controvertible correlation between these factors cannot yet be presented (and perhaps not for many years, given the long-term value ESG attributes), two points are hard to dispute. Firstly, that a transparent, effective governance framework is the foundation upon which low risk, sustainable returns are generated. Secondly, that identification and mitigation of material environmental and social risks will support the long-term stability and profitability of an organisation. This is particularly pertinent given current levels of environmental and social instability being experienced globally. However, the identification and seizing of ESG opportunities allows businesses to maximise their positive impact.

It is the Company's belief that consideration of ESG, including a responsible investment approach, will help create long term value for its Shareholders. Where possible since its IPO in 2013, the Company has undertaken portfolio-related environmental and social initiatives. However, in line with its increasing commitment to ESG, the Company wanted to build on existing activities and develop an ESG approach which would support the delivery of sustainable returns whilst maximising its positive impact on the environment and society.

To deliver this, in 2021 the Company engaged an external consultant to perform a Materiality Assessment. Based on the results of a Business Impact Assessment and stakeholder feedback, ESG risks and opportunities material to the Company were identified. The focus since then, and over the coming months, has been the development of the Company's ESG strategy. The findings from the Materiality Assessment will inform this process, alongside stakeholder interviews, identification of key ESG themes, ambitions and objectives. The result will be an informed strategy, communicated as a written ESG policy which sets out the Company's ESG priorities, targets and KPIs.

Complementary to this work, and an important element of the ESG framework, is the Company's compliance with the Sustainable Finance Disclosure Regulation (SFDR) and EU Taxonomy. The assessment and reporting required under this legislation will be carried out alongside development of the ESG strategy, with both workstreams delivered in partnership with an external consultant.

Though the ESG landscape continues to evolve quickly, it is the intention of the Company to develop a robust framework which can respond and adapt to new ESG requirements as they arise, ensuring both ESG risks and opportunities are suitably addressed. The Board looks forward to providing a full update on progress in the Company's 2022 Annual Report.



## 4. Responsible Investment

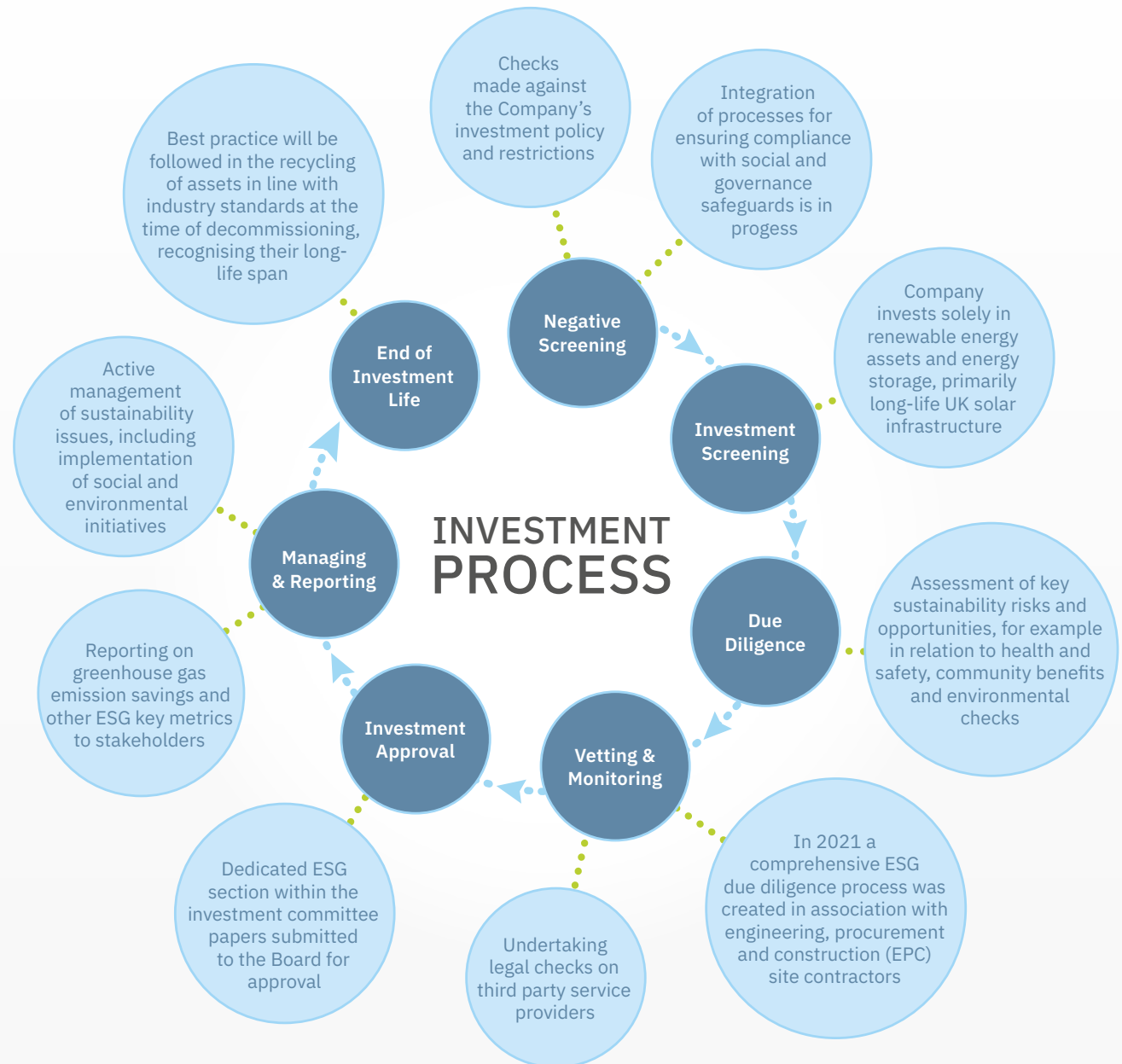
On behalf of the Company, the Investment Adviser undertakes detailed due diligence on each investment opportunity to identify risks and opportunities, including those relating to ESG. A final recommendation for investment is then presented to the Board of the Company. The following diagram details how sustainability risks are currently integrated into the Company's investment process:

The Investment Adviser is committed to continually improving its approach to Responsible Investment, which will be explored during the development of the Company's ESG Strategy. Further efforts will be made to deepen the integration of ESG factors into investment and due diligence processes, particularly as the Company builds out new capacity.

### CASE STUDY

#### *Principles of Responsible Investment (PRI)*




*The Principles of Responsible Investment (PRI) are a set of voluntary investment principles which promote the integration of ESG considerations into investment practice. The Investment Adviser has been signatory to the PRI since 2019.*



## 5. Sustainable Development Goals<sup>1</sup>

The Sustainable Development Goals<sup>2</sup> (SDGs) will be a key consideration during the development of the Company's ESG strategy. The Company positively contributes to the following SDGs:



SDG	Description	Company's Contribution
	<p><b>“Ensure access to affordable, reliable, sustainable and modern energy for all”</b></p>	<p>The Company invests in renewable energy infrastructure and associated technologies, such as storage. The Company's portfolio continues to grow in size and as at 31 December 2021 has over 625 MWp installed capacity. In addition to investing in existing infrastructure, the Company is also developing new capacity to maximise its contribution of renewable energy to the UK electricity grid.</p>
	<p><b>“Take urgent action to combat climate change and its impacts”</b></p>	<p>Through the production of renewable energy (and thereby displacement of fossil fuel generated energy), the Company generates hundreds of thousands of tonnes of CO<sub>2</sub>e savings each year, supporting the UK's net zero target. To maximise generation, the Bluefield Group achieves optimal asset performance through activities such as a robust Planned Preventative Maintenance (PPM) programme, quick fault resolution, comprehensive analytics and a skilled workforce.</p>
	<p><b>“Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss”</b></p>	<p>The Company is committed to enhancing biodiversity across its portfolio. Biodiversity enhancement measures (such as beehives, hibernacula and bat/bird boxes) are in place across the sites and the Bluefield Group ensures assets comply with Landscape and Ecological Management Plans (LEMPs). More recently the Company has committed to developing a biodiversity strategy, supported by independent consultant Wychwood Biodiversity.</p>

<sup>1</sup> Disclaimer: The content of this publication has not been approved by the United Nations and does not reflect the views of the United Nations or its officials or Member States.

<sup>2</sup> <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>



SHEEP GRAZING AT BETINGAU



## 6. Environmental Updates

### Renewable Energy Generation

The Company plays an important role in the decarbonisation of the energy sector in the UK. Since 2013, the Company has saved nearly a million tonnes of CO<sub>2</sub>e from being released into the atmosphere, as highlighted in the table below. CO<sub>2</sub>e savings have been calculated for each financial year using generation data aligned with the appropriate Government CO<sub>2</sub>e conversion factor<sup>3</sup>.

Based on forecasted annual generation for the period ending 30 June 22, the portfolio will generate enough renewable energy to power approximately 200,000 homes for a year, corresponding to a city similar in population size to Bristol<sup>4</sup>.

Reporting Year (01 July – 30 June)	Total CO <sub>2</sub> e Savings (tonnes)	No of Houses Powered
13/14	12,604	8,841
14/15	67,878	42,917
15/16	142,845	99,697
16/17	168,769	132,124
17/18	154,917	142,147
18/19	135,932	154,906
19/20	126,534	170,705
20/21	127,063	187,933
21/22 (forecasted)	128,000	200,000

Though CO<sub>2</sub>e savings have been a useful metric to demonstrate the positive environmental impact of renewable technology, the table highlights that CO<sub>2</sub>e savings for the portfolio have generally declined since 2017, despite installed capacity increasing. This is a reflection of the reducing consumption of fossil fuels by the UK's electricity mix (and within that mix coal has largely been replaced by gas, which produces significantly less CO<sub>2</sub> than other fossil fuels).

As renewable energy generation increases, the proportion of the grid supplied by fossil fuels will continue to decrease. This means CO<sub>2</sub>e savings, derived from the displacement of fossil fuel generated energy, will also decline over time. As a result, the positive impact of renewable technology may be better illustrated by the absolute generation of energy produced each year or the equivalent number of houses powered.

Recognising its positive environmental impact, the Company has received a number of accreditations:<sup>5,6,7</sup>



<sup>3</sup> <https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting>

<sup>4</sup> Based on Ofgem's Typical Domestic Consumption Values <https://www.ofgem.gov.uk/publications/decision-typical-domestic-consumption-values-2020>

<sup>5</sup> <https://www.londonstockexchange.com/raise-finance/equity/green-economy-mark>

<sup>6</sup> <https://tisegroup.com/sustainable>

<sup>7</sup> <https://www.gfsc.gg/industry-sectors/investment/guernsey-green-fund>

### Carbon Footprint

To date, the Company has primarily invested in secondary assets, meaning the PV sites were operational when acquired. Once operational, a renewable asset will generate more energy than it will consume, making its carbon impact net positive.

However, the Company is aware of the footprint associated with the construction of new assets and that this must be reduced in line with the UK's net zero targets. The Investment Adviser is working to better understand the Company's footprint, and this will remain a focus over the coming year.

#### CASE STUDY Bluefield's Carbon Footprint

*The Investment Adviser and Bluefield companies have been carbon neutral since 2018. Annual calculation of the footprint considers factors such as electricity consumption, gas usage, travel and electronic purchases. Bluefield Operations Limited continues to investigate how electric vehicles can be incorporated effectively into its fleet.*

## Biodiversity

In its Annual Report, the Company informed Shareholders of its intention to deliver a biodiversity strategy in partnership with independent consultant Wychwood Biodiversity. To create meaningful targets, existing biodiversity must first be measured. To achieve this, biodiversity assessments will be performed over coming months across a representative sample of the portfolio. The results, alongside data obtained from university student studies, will be used to create a proposal of

biodiversity measures which, over time, will be implemented across the portfolio. Such work will support the development of a baseline level of biodiversity across all project sites. Following this, next steps may include the identification of sites able to support enhanced levels of biodiversity.

In addition to developing a biodiversity strategy, the Company has been engaged in other environmental initiatives, as highlighted by the following case studies:

### CASE STUDY Bird surveys

During the development of new projects, consideration is given to the potential impact of solar infrastructure on local fauna and flora. As part of ongoing ecological monitoring, Clarkson Woods undertook three breeding bird surveys on the 49MW West Raynham site in 2020.

During its time as a former airfield, West Raynham was known to be used by nesting skylarks. Therefore, the site presents an interesting opportunity to study how solar infrastructure has impacted bird life.

In total, 33 different bird species were recorded, including 10 British Trust for Ornithology (BTO) red listed species, including curlew, grey partridge, song thrush and skylarks.



WILDFLOWER AT WEST RAYNHAM,  
TAKEN BY CLARKSON WOODS

“West Raynham is a great example of how a solar site can be managed for energy production, biodiversity and agriculture with parts of the site being allocated for light sheep grazing and others as diverse wildflower meadows. The site previously comprised a mixture of hardstanding, arable and species poor grassland, but with the implementation of a Management Plan geared towards increasing biodiversity, it now offers habitat for a range of species including a diversity of birds and invertebrates”

Hannah Montag,  
Principal Ecologist at Clarkson & Woods

### CASE STUDY Carbon Flux

There is increasing interest into how solar parks can support natural capital and ecosystem services, delivering additional benefits alongside the production of renewable energy. An area mostly unknown is the impact of solar parks on land carbon. Renewable projects have an important role in decarbonisation, however, what are the implications for land carbon uptake and to what extent can we influence this?

Last year, the Company was made aware of Lancaster University’s intention to quantify land carbon fluxes at a solar PV site using micrometeorological approaches in collaboration with Quanterra Systems.

*Carbon Flux: the amount of carbon dioxide being exchanged between the ecosystem (soil and vegetation) and the atmosphere.*

*This helps establish whether the ecosystem is a “carbon source” (emitting more carbon dioxide than is absorbed) or a “carbon sink” (absorbing more carbon dioxide than is emitted).*



MONITORING EQUIPMENT INSTALLED  
AT WEST RAYNHAM.  
IMAGE PROVIDED BY QUANTERRA SYSTEMS

The Company, recognising the importance of research in increasing our understanding of the impacts of solar, was keen to support the project and offered a suitable site from its portfolio. The project will run for at least one year and, as far as we are aware, is the first study of its kind to quantify carbon fluxes using micrometeorological approaches at a solar park. The data collected will also be used to facilitate modelling studies that can predict the longer-term impacts on land carbon.

## 7. Social Updates

### Supporting Local Communities

The Company views its relationships with local communities as highly important. The Investment Adviser is continuing to engage with local communities and EPC contractors to ensure local stakeholder feedback is considered during the build out of new capacity.

The Company supports community benefit schemes across the portfolio, which are often agreed during the planning phase of new projects. For the financial year ending 30 June 2022, the Company expects to pay over £153,000 to community schemes, which will be used by councils to fund local projects.

### Diversity and Inclusion

The Company recognises the value of diversity and has previously stated its commitment to making progress in this area. In October 2021 the Board was pleased to announce the appointment of Ms. Libby Burne as an independent non-executive director, bringing the current representation of women on the Board to 40%, being two of five current Directors.

The Board, Investment Adviser and other Bluefield companies will continue to make progress in relation to diversity & inclusion matters.

### Health & Safety

Health & Safety is of the highest importance to the Company and its service providers, with the Company regularly updated on Health & Safety matters. Every asset owning SPV has Health & Safety policies, standards and process requirements, with which all contractors must comply. Approved contractors (including those companies within the Bluefield Group) undergo annual Health & Safety audits by the SPVs, to ensure internal compliance. Each SPV reviews its Health & Safety records and policies annually, to ensure compliance with the latest Health & Safety guidance and industry best-practice.

Within the Bluefield Group there was one major H&S incident during the interim period, which resulted in no injuries to personnel.

## 8. Corporate Governance Updates

### SFDR & EU Taxonomy

The Company is working with an external consultant to fulfil its requirements under Article 8 of the SFDR and to ensure alignment against the EU Taxonomy. This work will run alongside ESG strategy development, to ensure a complementary approach to both areas.

To ensure legislative compliance, the Company is identifying which elements of disclosure apply, will collate the required asset and fund level data, analyse reporting requirements and undertake an EU taxonomy review. The intention is for the Company to develop, test and implement an assessment framework to bring together SFDR and EU Taxonomy requirements for the portfolio. This will be supported, as required, by new policies and processes to ensure ongoing compliance. An update on progress will be provided to Shareholders in due course.

### Supply Chain & Forced Labour Concerns

The Company continues to place priority on concerns relating to forced labour within the polysilicon supply chain and is working closely with the Investment Adviser to ensure appropriate action is being taken. As previously stated, the Company believes industry collaboration will be key in fully investigating and eradicating these concerns. The pressure which can be applied through a unified approach will far surpass the leverage of individual organisations.

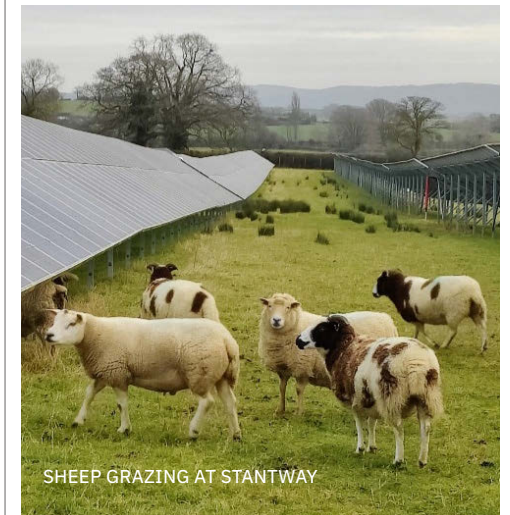
The Investment Adviser continues to support the response of the UK solar trade association, Solar Energy UK, regarding transparency across the sector's global supply chain. In addition to signing the Solar Energy UK's industry joint statement, the Investment Adviser is an active member of the Solar Power Europe and Solar Energy UK's joint initiative which seeks to develop new systems and processes

to further improve transparency and sustainability within the PV supply chain. The Investment Adviser is a key member of this initiative, having recently committed financial support – one of only a few UK solar power organisations to do so.

The Company will continue to monitor and engage on the issue over coming months.

### Bluefield Partners LLP

21 February 2022



SHEEP GRAZING AT STANTWAY



# Statement of Principal and Emerging Risks and Uncertainties

for the Remaining Six Months of the year to 30 June 2022

As described in the Company's annual financial statements as at 30 June 2021, the Company's principal and emerging 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;
- Political risk;
- Cyber risk;
- Adverse publicity;
- Covid-19 pandemic;
- Inadequate ESG reporting, and
- Board Succession.

The Board believes that these risks are unchanged in respect of the remaining six months of the year to 30 June 2022.

Further information in relation to these principal risks and uncertainties may be found on pages 15 to 17 of the Company's annual financial statements as at 30 June 2021.

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

Risks including emerging risks are mitigated and managed by the Board through continual review, policy setting and regular reviews of the Company's risk matrix by the Audit Committee to ensure that procedures are in place with the intention of minimising the impact of the above mentioned risks. The Board carried out a formal review of the risk matrix at the Audit Committee meeting held on 26 November 2021. The Board relies on periodic reports provided by the Investment Adviser and Administrator regarding risks that the Company faces. When required, experts will be employed to gather information, including tax advisers, legal advisers, and environmental advisers.





# Directors' Statement of Responsibilities

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

- the Unaudited Condensed Interim Financial Statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union; and
- the interim management report which includes the Chairman's Statement, Report of the Investment Adviser and Statement of Principal and Emerging Risks and Uncertainties for the remaining six months of the year to 30 June 2022 includes a fair review of the information required by:

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

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

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

On behalf of the Board

Paul Le Page  
*Director*  
21 February 2022

Meriel Lenfestey  
*Director*  
21 February 2022



# Independent Review Report to Bluefield Solar Income Fund Limited

## Conclusion

We have been engaged by Bluefield Solar Income Fund (the “Company”) to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2021 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 2021 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”).





SOLAR PANELS AT CAPELANDS

### 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.

### Barry Ryan

for and on behalf of KPMG Channel Islands Limited  
Chartered Accountants, Guernsey  
21 February 2022

# Unaudited Condensed Statement of Financial Position

As at 31 December 2021

These unaudited condensed interim financial statements were approved and authorised for issue by the Board of Directors on 21 February 2022 and signed on their behalf by:

*Paul Le Page*  
Director  
21 February 2022

*Meriel Lenfestey*  
Director  
21 February 2022

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

	Note	31 December 2021 Unaudited £'000	30 June 2021 Audited £'000
<b>Assets</b>			
NON-CURRENT ASSETS			
Financial assets held at fair value through profit or loss	7	608,723	470,282
<b>Total non-current assets</b>		<b>608,723</b>	<b>470,282</b>
CURRENT ASSETS			
Trade and other receivables	8	1,200	773
Cash and cash equivalents	9	497	775
<b>Total current assets</b>		<b>1,697</b>	<b>1,548</b>
<b>TOTAL ASSETS</b>		<b>610,420</b>	<b>471,830</b>
<b>Liabilities</b>			
CURRENT LIABILITIES			
Other payables and accrued expenses	10	445	405
<b>Total current liabilities</b>		<b>445</b>	<b>405</b>
<b>TOTAL LIABILITIES</b>		<b>445</b>	<b>405</b>
<b>NET ASSETS</b>		<b>609,975</b>	<b>471,425</b>
<b>Equity</b>			
Share capital		516,127	413,215
Retained earnings		93,848	58,210
<b>TOTAL EQUITY</b>	<b>12</b>	<b>609,975</b>	<b>471,425</b>
Number of Ordinary Shares in issue at period/year end	12	496,067,602	406,999,622
Net Asset Value per Ordinary Share (pence)	6	122.96	115.83



# Unaudited Condensed Statement of Comprehensive Income

For the six months ended 31 December 2021

Income	Note	Six months ended 31 December 2021 Unaudited £'000	Six months ended 31 December 2020 Unaudited £'000
Income from investments	4	408	362
		<b>408</b>	<b>362</b>
Net gains on financial assets held at fair value through profit or loss	7	54,103	13,827
<b>Operating income</b>		<b>54,511</b>	<b>14,189</b>
<b>Expenses</b>			
Administrative expenses	5	812	704
<b>Operating expenses</b>		<b>812</b>	<b>704</b>
<b>Operating profit</b>		<b>53,699</b>	<b>13,485</b>
<b>Total comprehensive income for the period</b>		<b>53,699</b>	<b>13,485</b>
Attributable to: Owners of the Company		53,699	13,485
Earnings per share: Basic and diluted (pence)	11	11.05	3.57

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 2021

	Note	Number of Ordinary Shares	Share capital £'000	Retained earnings £'000	Total equity £'000
<b>Shareholders' equity at 1 July 2021</b>		<b>406,999,622</b>	<b>413,215</b>	<b>58,210</b>	<b>471,425</b>
Shares issued during the period:	12	89,067,980	105,100	-	105,100
Share issue costs	12	-	(2,188)	-	(2,188)
Dividends paid	12,13	-	-	(18,061)	(18,061)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>53,699</b>	<b>53,699</b>
<b>Shareholders' equity at 31 December 2021</b>		<b>496,067,602</b>	<b>516,127</b>	<b>93,848</b>	<b>609,975</b>

For the six months ended 31 December 2020

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

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

# Unaudited Condensed Statement of Cash Flows

For the six months ended 31 December 2021

	Note	Six months ended 31 December 2021 Unaudited   £'000	Six months ended 31 December 2020 Unaudited   £'000
<b>Cash flows from operating activities</b>			
Total comprehensive income for the period		53,699	13,485
<b>Adjustments:</b>			
Increase in trade and other receivables		(427)	(364)
Increase/(decrease) in other payables and accrued expenses		40	(64)
Net gains on financial assets held at fair value through profit or loss	7	(54,103)	(13,827)
<b>Net cash used in operating activities</b>		<b>(791)</b>	<b>(770)</b>
<b>Cash flows from investing activities</b>			
Purchase of financial assets held at fair value through profit or loss		(102,600)	(44,625)
Receipts from unconsolidated subsidiary	7	18,262	15,470
<b>Net cash used in investing activities</b>		<b>(84,338)</b>	<b>(29,155)</b>
<b>Cash flow from financing activities</b>			
Proceeds from issue of Ordinary Shares	12	103,450	44,625
Issue costs paid	12	(538)	(123)
Dividends paid	12,13	(18,061)	(14,820)
<b>Net cash generated from financing activities</b>		<b>84,851</b>	<b>29,682</b>
Net decrease in cash and cash equivalents		(278)	(243)
Cash and cash equivalents at the start of the period		775	747
<b>Cash and cash equivalents at the end of the period</b>	<b>9</b>	<b>497</b>	<b>504</b>

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 2021

### 1. General information

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

The investment objective of the Company is to provide Shareholders with an attractive return, principally in the form of regular income distributions, by being invested in solar energy assets located in the UK. It also has the ability to invest a minority of its capital into wind, hydro and energy storage assets.

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

### 2. Accounting policies

#### a) Basis of preparation

The financial statements, included in this interim report, have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the EU and the DTR. These financial statements comprise only the results of the Company as all of its subsidiaries are measured at fair value as explained in Note 2.c. The financial statements have been prepared on a basis that is consistent with accounting policies applied in the preparation of the Company's annual financial statements for the year ended 30 June 2021, approved for issue on 4 October 2021.

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 2021, which were prepared under full IFRS requirements and the DTRs of the UK FCA.



### Seasonal and cyclical variations

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

### b) Going concern

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

The current worldwide Coronavirus outbreak (Covid-19), declared by the World Health Organization as a global health emergency in March 2020, has caused disruption to businesses and economic activity. The Board and Investment Adviser have been closely monitoring this and it has been considered as part of its going concern assessment.

Included within the blended power price forecasts used in the Directors' Valuation is the forecasters' latest analysis on fuel and carbon price dynamics, which consider the UK's evolving supply and demand position. The latest forecasts also take into account assumptions in relation to the generation capacity mix and capacity procured through the CfD allocation round 4, in line with the budget announcement. Electricity prices continued to be at elevated levels during the period, with UK day ahead base load prices rising to around £166/MWh on average in the six months to 31 December 2021, up from c.£68/MWh in the six months from 1 January to 30 June 2021 and c.£42/MWh in the six months from 1 July to 31 December 2020.

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

### c) Accounting for subsidiaries

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

### d) Segmental reporting

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

The Board, as a whole, has been determined as constituting the chief operating decision maker of the Company. The key measure of

performance used by the Board to assess the Company's performance and to allocate resources is the total return on the Company's NAV, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in these financial statements.

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

### e) Fair value of subsidiary

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

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

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

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

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

As disclosed in Note 7, the Board believes it is appropriate for the Company's portfolio to be benchmarked on a £m / MWp basis against

comparable portfolio transactions and on this basis the weighted average discount rate remains at 6.00% (6.00% in June 2021), which reflects the return hurdles in the market for lowly levered, subsidised assets.

## 4. Income from investments

	Six months ended 31 December 2021   £'000	Six months ended 31 December 2020   £'000
Monitoring fee in relation to loans supplied	408	362
	<b>408</b>	<b>362</b>

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

## 5. Administrative expenses

	Six months ended 31 December 2021   £'000	Six months ended 31 December 2020   £'000
Investment advisory base fee (see Note 14)	236	170
Administration fees	168	151
Directors' remuneration (see Note 14)	123	114
Legal and professional fees	87	109
Audit fees	47	32
Non-audit fees (interim review)	40	30
Regulatory Fees	27	27
Registrar fees	25	26
Broker fees	25	25
Listing fees	12	10
Insurance	11	5
Other expenses	11	5
	<b>812</b>	<b>704</b>

## 6. Net Asset Value per Ordinary Share

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

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

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

	Six months ended 31 December 2021 Total £'000	Twelve months ended 30 June 2021 Total £'000
Opening balance (Level 3)	470,282	432,426
Additions	102,600	44,625
Change in fair value	35,841	(6,769)
<b>Closing balance (Level 3)</b>	<b>608,723</b>	<b>470,282</b>

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

	31 December 2021 Total £'000	30 June 2021 Total £'000
SPV investment portfolio, Directors' Valuation	785,657	694,543
<b>BSIFIL</b>		
Cash	33,064	22,542
Working capital	4,649	3,754
Debt	(214,647)	(250,557)
	<b>(176,934)</b>	<b>(224,261)</b>
<b>Financial assets at fair value through profit or loss</b>	<b>608,723</b>	<b>470,282</b>

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

	Six months ended 31 December 2021 £'000)	Six months ended 31 December 2020 £'000
Unrealised change in fair value of financial assets held at fair value through profit or loss	35,841	(1,643)
Cash receipts from unconsolidated subsidiary*	18,262	15,470
<b>Net gains on financial assets held at fair value through profit and loss</b>	<b>54,103</b>	<b>13,827</b>

\*Comprising of repayment of loans and Eurobond interest

## Fair value measurements

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 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 month period ended 31 December 2021. 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 assets is followed in these financial statements as was applied in the preparation of the Company's financial statements for the year ended 30 June 2021. Assets under construction and not yet operational are valued at cost (deemed to approximate fair value) and exclude acquisition costs which are expensed in the period in which they are incurred, whilst investments that are operational are valued on a DCF basis over the life of the asset (typically more than 25 years) and, under the 'willing buyer-willing seller' methodology, prudently benchmarked on a £/MWp basis against comparable transactions for large scale portfolios.

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

The key inputs to a DCF based approach are: the equity discount rate, the cost of debt (influenced by interest rate, gearing level and length of debt), power price forecasts, long term inflation rates, irradiation forecasts, average wind speeds, operational costs, asset life and taxation. Given discount rates are a product of not only the factors listed previously but also regulatory support, perceived sector risk and competitive tensions, it is not unusual for discount rates to change over time. Evidence of this is shown by way of the revisions to the original discount rates applied between the first renewable acquisitions and those witnessed in recent years.

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

Judgement is used by the Board in determining the weighted average discount rate of 6.00% (6.00% as at 30 June 2021), with three key factors that have impacted the adoption of this rate outlined below:

- Transaction values have remained consistent at c.£1.20-1.40/MWp for large scale solar portfolios and which the Board have used to determine that an effective price of £1.30/MWp is an appropriate basis for the valuation of the BSIF solar portfolio as at 31 December 2021.
- Inclusion of the latest blended long term power forecasts from the Company's three providers.
- Inclusion of an uplift with respect to asset extensions of 15 years on a subset (460 MWp) of the portfolio.

The debt assumptions within the valuation reflect all third-party loans within the Group's capital structure as at the valuation date. Interest rates and repayment profiles are matched to the terms of each loan.

In the case of any short-term financing, conservative assumptions are applied with respect to interest rates and repayment profiles post maturity. As at 31 December 2021, the Group's short term debt consisted of a £110m term loan with NatWest, maturing in September 2023, and the conversion assumption within the valuation is aligned to the percentage of the loan that has been hedged (being 75% with 17-year swaps at a rate of 0.31% until 2037). The interest rate applied to the converted balance (being £82.5m) is 3.0%. In addition, the Company has a small project finance loan of £9.3m, provided by BayernLB and fully amortising until maturity in 2029, secured against Durrants, a 5 MWp FiT plant located on the Isle of Wight.

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

The fair value of operational SPVs is calculated on a discounted cash flow basis in accordance with the IPEV Valuation Guidelines. The Investment Adviser produces fair value calculations on a semi-annual basis as at 30 June and 31 December each year.

### Sensitivity analysis

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

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

		31 DECEMBER 2021		30 JUNE 2021	
Input	Change in input	Change in fair value of Directors' Valuation £m	Change in NAV per share (pence)	Change in fair value of Directors' Valuation £m	Change in NAV per share (pence)
Discount rate	+ 0.5%	(20.6)	(4.15)	(16.0)	(3.93)
	- 0.5%	19.8	3.99	17.1	4.20
Power prices	+10%	44.4	8.95	41.4	10.17
	-10%	(44.5)	(8.97)	(43.5)	(10.69)
Inflation rate	+ 0.50%	21.0	4.23	14.2	3.49
	- 0.50%	(21.0)	(4.23)	(13.9)	(3.42)
Energy yield	10 year P90	(74.2)	(14.96)	(66.6)	(16.36)
	10 year P10	74.4	15.00	65.9	16.19
Operational costs	+10%	(8.6)	(1.73)	(8.3)	(2.04)
	-10%	8.6	1.73	8.3	2.04



## 8. Trade and other receivables

	31 December 2021 £'000	30 June 2021 £'000
<b>CURRENT ASSETS</b>		
Monitoring fees receivable (see Note 4)	1,147	740
Other receivables	19	13
Prepayments	34	20
	<b>1,200</b>	<b>773</b>

There are no material past due or impaired receivable balances outstanding at the period end, the probability of default of BSIFIL was considered low and so no allowance has been recognised based on 12-month expected credit loss as any impairment would be insignificant.

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

## 9. Cash and cash equivalents

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

## 10. Other payables and accrued expenses

	31 December 2021 £'000	30 June 2021 £'000
<b>CURRENT LIABILITIES</b>		
Investment advisory fees	113	89
Administration fees	94	89
Directors' Fees (see Note 14)	69	60
Audit fees	44	85
Other payables	125	82
	<b>445</b>	<b>405</b>

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

## 11. Earnings per share

	Six months ended 31 December 2021	Six months ended 31 December 2020
Profit attributable to Shareholders of the Company	£53,699,532	£13,485,183
Weighted average number of Ordinary Shares in issue	485,902,235	377,839,296
<b>Basic and diluted earnings from continuing operations and profit for the period (pence per share)</b>	<b>11.05</b>	<b>3.57</b>

## 12. Share capital

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

	Six months ended 31 December 2021 Number of Ordinary Shares	Year ended 30 June 2021 Number of Ordinary Shares
<b>Share capital</b>		
<b>Opening balance</b>	<b>406,999,622</b>	<b>370,499,622</b>
Shares issued for cash	89,067,980	36,500,000
<b>Closing balance</b>	<b>496,067,602</b>	<b>406,999,622</b>

	Six months ended 31 December 2021 £'000	Year ended 30 June 2021 £'000
<b>Shareholders' Equity</b>		
<b>Opening balance</b>	<b>471,425</b>	<b>433,505</b>
Ordinary Shares issued for cash	105,100	45,260
Share issue costs	(2,188)	(757)
Dividends paid	(18,061)	(31,100)
Total comprehensive income	53,699	24,517
<b>Closing balance</b>	<b>609,975</b>	<b>471,425</b>

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

### Shares issued during the period

On 21 July 2021, the Company announced the issue of 89,067,980 new Ordinary Shares, at a price of £1.18 per ordinary share, raising gross proceeds of approximately £105.1 million. Following the issue, the number of ordinary shares that the Company has in issue is 496,067,602.

### 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 unaudited condensed statement of changes in equity.

## 13. Dividends

On 7 July 2021, the Board declared a third interim dividend of £8,139,992, in respect of the year ended 30 June 2021, equating to 2.00pps (third interim dividend in respect of the year ended 30 June 2020: 1.95pps), which was paid on 4 August 2021 to Shareholders on the register on 16 July 2021.

On 4 October 2021, the Board approved a fourth interim dividend of £9,921,352 in respect of the year ended 30 June 2021, equating to 2.00pps (fourth interim dividend in respect of the year ended 30 June 2020: 2.05pps), which was paid on 8 November 2021 to Shareholders on the register on 15 October 2021.

Post period end, on 31 January 2022, the Board declared its first interim dividend of £10,070,172, in respect of year ending 30 June 2022, equating to 2.03pps (first interim dividend in respect of the year ended 30 June 2021: 2.00pps), which will be paid on 10 March 2022 to Shareholders on the register on 11 February 2022.

## 14. Related Party Transactions and Directors' Remuneration

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

The total Directors' fees expense for the period amounted to £122,439 (31 December 2020: £113,250) of which £68,939 was outstanding at 31 December 2021 (30 June 2021: £59,750).

Remuneration paid to each Director is as follows:

	31 December 2021 £'000	31 December 2020 £'000
John Rennocks	31	31
Paul Le Page	23	23
John Scott	20	20
Laurence McNairn	20	20
Meriel Lenfestey	20	20
Elizabeth Burne	9	-
	<b>123</b>	<b>114</b>

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

	31 December 2021	31 December 2020
John Rennocks*	316,011	316,011
John Scott*	512,436	512,436
Laurence McNairn	441,764	441,764
Paul Le Page	35,000	35,000
Meriel Lenfestey	-	-
Elizabeth Burne	-	-
	<b>1,305,211</b>	<b>1,305,211</b>

\*Including shares held by PCAs

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

Fees paid during the period by SPVs to BSL, a company which has the same ownership as that of the Investment Adviser totalled £1,489,243 (31 December 2020: £1,288,761).

Fees paid during the period by SPVs to BOL, a company which has the same ownership as that of the Investment Adviser totalled £2,168,452 (31 December 2020: £1,544,107).

Fees paid during the period by SPVs to BRD, a company which has the same ownership as that of the Investment Adviser, totalled £200,396 (31 December 2020: £nil).

Under the terms of the Investment Advisory Agreement, the Investment Adviser is entitled to a base fee. The base fee is payable quarterly in arrears in cash, at a rate equivalent to 0.80% per annum of the NAV up to and including £750,000,000, 0.75% per annum of the NAV above £750,000,000 and up to and including £1,000,000,000 and 0.65% per annum of the NAV above £1,000,000,000. The base fee will be calculated on the NAV reported in the most recent quarterly NAV calculation as at the date of payment.

The Company and BSIFIL's investment advisory fees for the period amounted to £2,420,685 (31 December 2020: £1,894,986) of which £392,320 (30 June 2021: £299,763) was outstanding at the period end and is to be settled in cash. The investment advisory fees for the period attributable to the Company amounted to £235,817 (31 December 2020: £170,096) of which £113,394 (30 June 2021: £88,819) was outstanding at the period end.

The Company's loan monitoring fee income for the period, due from its subsidiary BSIFIL, amounted to £407,517 (31 December 2020: £362,500) of which £1,147,483 was outstanding at the period end (30 June 2021: £739,966).

## 15. Risk Management Policies and Procedures

As at 31 December 2021 there has been no change to financial instruments risk to those described in the financial statements of 30 June 2021.

## 16. Subsequent events

On 20 January 2022, the Board announced the acquisition of a 47.5 MWp operational solar and wind portfolio from Good Energy Group PLC. The portfolio has been acquired for an initial equity consideration of £16.4 million rising to a total of up to £24.5 million, subject to a series of due diligence milestones being met within the next 4-6 weeks. The acquisition contains £39.1 million of long term portfolio debt provided by Gravis Capital Management Ltd. The Company receives the economic benefit, from 1 July 2021, of all cashflows from the portfolio, which has been acquired using funds from the RCF.

On 31 January 2022, the Board declared its first interim dividend of £10,070,172, in respect of the year ending 30 June 2022, equating to 2.03pps (first interim dividend in respect of the year ended 30 June 2021: 2.00pps), which will be paid on 10 March 2022 to Shareholders on the register on 11 February 2022.

On 31 January 2022, the Board further announced the acquisition of the development rights for a 20 MW battery storage project. The acquisition represents the development rights, grid connection costs and the leasehold of land of a ready to build 20 MW battery storage project for approximately £1.5 million from Shaw-Energi Ltd. The project is based in Liverpool and construction is expected to begin during 2022.

On 17 February 2022, Laurence McNairn, who has served as a non-executive director since the Company's launch in 2013, retired from the Board. The Company extends its thanks to Mr McNairn for his hard work and dedication for the last nine years. His input has been invaluable and the Company wishes him well in his retirement.





# Glossary

## of Defined Terms

Administrator	Ocorian Administration (Guernsey) Limited
AGM	The Annual General Meeting
AIC	The Association of Investment Companies
AIC Code	The Association of Investment Companies Code of Corporate Governance
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
Bluefield Group	Bluefield Partners LLP and Bluefield Companies
BOL	Bluefield Operations Limited
Board	The Directors of the Company
BRD	Bluefield Renewable Developments Ltd
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

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)
Cost of debt	The blended cost of debt reflecting fixed and index-linked elements
CO <sub>2</sub> e	Carbon Dioxide emissions
C shares	Ordinary Shares approved for issue at no par value in the Company
CSR	Corporate Social Responsibility
CP	Compliance Period
CPIH	Consumer Price Index including owner occupiers' housing costs

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
EPS	Earning per share
ESG	Environmental, Social & Governance
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 investment basis including debt held at SPV level
GDPR	General Data Protection Regulation
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
IVSC	International Valuation Standards Council

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 facility provided by Aviva Investors
Main Market	The main securities market of the London Stock Exchange
Mutualisation Rebate	The additional payments made when a shortfall occurs if a supplier is unable to meet its obligation under the RO Buy-Out Scheme
MW	Megawatt (a unit of power equal to one million watts)
MWh	Megawatt hour
MWp	Megawatt peak
NatWest	NatWest International plc
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 Ordinary Share
PR	Performance ratio (the ratio of the actual and theoretically possible energy outputs)
PV	Photovoltaic

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
SDG	The United Nations Sustainable Development Goals
SFDR	Sustainable Finance Disclosure Regulation
SONIA	Sterling Over Night Indexed Average
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



# Alternative Performance Measures

Unaudited

APM	DEFINITION	PURPOSE	CALCULATION
Total return	The percentage increase/(decrease) in NAV, inclusive of dividends paid, in the reporting period.	A key measure of the success of the Investment Adviser's investment strategy.	The change in NAV for the period plus any dividends paid divided by the initial NAV. $(122.96 - 115.83 + 2.0 + 2.0) / 115.83 = 9.6\%$
Total Shareholder Return	The percentage increase/(decrease) in share price, inclusive of dividends paid, in the reporting period.	A measure of the return that could have been obtained by holding a share over the reporting period.	The change in share price for the period plus any dividends paid divided by the initial share price. $(124.30 - 121.40 + 2.0 + 2.0) / 121.40 = 5.68\%$ The measure excludes transaction costs.
Underlying Earnings	Total net income of the Company's investment portfolio.	A measure to link the underlying financial performance of the operational projects to the dividends declared and paid by the Company.	Total income of the Company's portfolio minus Group operating costs minus Group debt costs.
NAV per Ordinary Share	The Company's closing NAV per share at the period end.	A measure of the value of one Ordinary Share.	The net assets attributable to Ordinary Shares on the statement of financial position (£610.0m) divided by the number of ordinary shares in issue (496,067,602) as at the calculation date
Sale of Electricity	The total proportion of revenue generated by the Company's portfolio that is attributable to electricity sales.	A measure to understand the proportion of revenue attributable to sales of electricity.	The amount of revenue attributable to electricity sales divided by the total revenue generated by the Company's portfolio, expressed as a percentage.
Total Revenue	Total net income of the Company's investment portfolio.	A measure to outline the total revenue of the portfolio on per MWp basis.	Total income of the Company's portfolio owned for the period.
PPA Revenue	Revenue generated through PPAs.	A measure to outline the revenue earned by the portfolio from power sales.	Total revenue from all power price sales during the period from the Company's portfolio.
Regulated Revenue	Revenue generated from the sale of FiTs and ROCs.	A measure to outline the revenue earned by the portfolio from government subsidies.	Total revenue from all subsidy income earned during the period from the Company's portfolio.
Ongoing charges ratio	The recurring costs that the Company and BSIFIL has incurred during the period excluding performance fees and one off legal and professional fees expressed as a percentage of the Company's average NAV for the period.	A measure of the minimum gross profit that the Company needs to produce to make a positive return for Shareholders.	Calculated in accordance with the AIC methodology detailed in the table below.
Weighted Average ROC	A relative indicator of the regulatory revenues within a renewable portfolio.	A measure of the Company's portfolio earnings as a proportion of its assets.	Total Regulated Revenue received by the portfolio divided by the product of the current market value of a ROC and the annual generation capacity of the portfolio.

APM	DEFINITION	PURPOSE	CALCULATION
Weighted Average Life	The average operational life of the Company's portfolio.	A measure of the Company's progress in extending the life of its portfolio beyond the end of the subsidy regime in 2036.	The sum of the product of each plant's operational capacity in MWp and the plant's expected life divided by the total portfolio capacity in MWp.
Directors' Valuation	The gross value of the SPV Investments held by BSIFIL, including their holding companies minus Project level debt.	An estimate of the sum that would be realised if the Company's portfolio was sold on a willing buyer, willing seller basis.	A reconciliation of the Directors' Valuation to Financial assets at fair value through profit and loss is shown in Note 7 of the financial statements.
Gross Asset Value	The Market Value of all Assets within the Company.	A measure of the total value of the Company's Assets.	The total assets attributable to Ordinary Shares on the Statement of Financial Position.
Total Outstanding Debt	The total outstanding balances of all debt held within the Company and its subsidiaries.	A measure that is used to establish the Company's level of gearing.	The sum of the Sterling equivalent values of all loans held within the Company.

#### Ongoing Charges

Period to 31 December 2021

	The Company (£'000)	BSIFIL (£'000)	Total (£'000)
Fees to Investment Adviser	236	2,185	2,421
Legal and professional fees*	101	37	138
Administration fees	168	-	168
Directors' remuneration	123	6	129
Audit fees	47	17	64
Other ongoing expenses	111	223	334
<b>Total ongoing expenses</b>	<b>786</b>	<b>2,468</b>	<b>3,254</b>
<b>Average NAV</b>			<b>554,234</b>
<b>Ongoing Charges (using AIC methodology)</b>			<b>1.17%</b>

\* Includes non-audit fees (interim review)