RI UK Solar Holdings Limited

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

For the period from 23 June 2015 (date of incorporation) to 31 December 2015

COMPANY NUMBER: 09653134

CONTENTS

COMPANY INFORMATION

Directors
Charles Reid (British) (appointed 23 June 2015)
Peter Raftery (British) (appointed 23 June 2015)

Registered Office
12 Throgmorton Avenue
London
United Kingdom
EC2N 2DL

Independent Auditor
Deloitte
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House
Earlsfort Terrace
Dublin 2
Ireland

Administrator*
BNY Mellon Investment Servicing (International) Limited
Riverside II
Sir John Rogerson's Quay
Dublin 2
Ireland

Bank
The Bank of New York Mellon SA/NV
46 Rue Montoyerstraat
B-1000 Brussels
Belgium

*Effective from 1 July 2016, BNY Mellon Investment Servicing (International) Limited merged into BNY Mellon Fund Services (Ireland) DAC.

DIRECTORS' REPORT

The Board of Directors present their report and the audited financial statements of RI UK Solar Holdings Limited (the "Company") for the period ended 31 December 2015.

This is the first set of financial statements produced by the Company, and accordingly, no comparative information is presented.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The Company, a UK registered company, was incorporated on 23 June 2015. Renewable Income UK (the "Fund") has purchased a profit participating note issued by BRI UK Finance Limited (the "Limited Company"). The Limited Company has in turn subscribed to the equity of RI Income UK Holdings Limited (the "Holding Company"). The Holding Company has subscribed to the equity of the Company. The Limited Company has also issued loans to the Holding Company and the Company (together the "Holding Companies"). The Holding Companies were established as vehicles to provide investment into renewable power assets through equity and debt instruments, focusing on acquiring wind and solar power projects.

RESULTS AND DIVIDENDS

The results for the period are shown on page 8. On 17 December 2015, the Board of Directors declared and paid a dividend of £365,566.

CHANGES IN DIRECTORS, SECRETARY AND REGISTERED OFFICE

On 23 June 2015, Charles Reid and Peter Raftery were appointed to the Board of Directors.

There were no other changes in Directors, Company Secretary or Registered Office during the period.

DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES

The Directors or the Company Secretary had no beneficial interest in the share capital of the Company at the date of appointment or at the end of the period.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Company relating to the investments held by it are set out in note 11 to the financial statements.

SIGNIFICANT EVENTS DURING THE PERIOD

The Company commenced operations on 6 August 2015.

SUBSEQUENT EVENTS

The subsequent events which have occurred since the Statement of Financial Position date are set out in note 14 to the financial statements.

FUTURE DEVELOPMENTS OF THE BUSINESS

The Directors expect the current level of activities to continue for the foreseeable future, until such time when the Fund is fully deployed.

TRANSACTIONS WITH DIRECTORS

There were no fees paid in respect of compensation to the Directors for their services in managing the Company.

POLITICAL AND CHARITABLE DONATIONS

The Company did not make any political or charitable donations during the period.

DIRECTORS' REPORT (continued)

EMPLOYEES

The Company has no direct employees. Services are provided by both the manager of the Fund, BlackRock Asset Management Ireland Limited and the Administrator.

ADEQUATE ACCOUNTING RECORDS

The Board of Directors ensure that adequate accounting records are kept in accordance with Section 386 of the Companies Act, 2006 by employing accounting personnel with the appropriate expertise and by providing adequate resources to the finance function.

Those accounting records are maintained at the Administrator's office at Riverside II, Sir John Rogerson's Quay, Dublin 2, Ireland.

INDEPENDENT AUDITORS

Deloitte, Chartered Accountants and Statutory Audit Firm, have signified their willingness to continue in office in accordance with Section 485 of the Companies Act, 2006.

On behalf of the Board of Directors

Charles Reid
Director

Date: 19 August 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with Section 394 of the Companies Act, 2006 and other applicable regulations.

UK company law requires the Directors to prepare financial statements for each financial period. The Directors have prepared the Company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU). The financial statements are required, per Section 396 of the Companies Act, 2006, to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State that the financial statements comply with IFRS as adopted by the EU, subject to any material departure disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

Per Section 386 of the Companies Act, 2006, the Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors, whose name and functions are listed in the Company Information section of this Annual Report and Accounts, confirms that to the best of each person's knowledge and belief:

- The financial statements, prepared in accordance with IFRS as adopted by the EU and in accordance with the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- The Directors' report contained in the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Company and a description of the principal risks and uncertainties that they face;
- So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- They have each taken all the steps that ought to have been taken by them as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board of Directors

Charles Reid
Director

Date: 19 August 2016

Deloitte.

Deloitte
Chartered Accountants &
Statutory Audit Firm

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RI UK SOLAR HOLDINGS LIMITED

We have audited the financial statements of RI UK Solar Holdings Limited ("the Company") for the period ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) ("relevant financial reporting framework").

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor
As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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Deloitte.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RI UK SOLAR HOLDINGS LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Darren Griffin
For and on behalf of Deloitte
Chartered Accountants and Statutory Audit Firm
Dublin

19 August 2016

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2015

	Notes	Period 23 June 2015 to 31 December 2015* £
Dividend income	12	800,000
Unrealised loss on financial assets at fair value through profit or loss	10	(232,000)
Total income		568,000
Expenses		
Interest expense	12	(416,344)
Other expenses	5	(15,438)
Total expenses		(431,782)
Operating income before tax on ordinary activities		136,218
Tax on income on ordinary activities	8	-
Net increase in shareholder's equity resulting from operating activities		136,218

All recognised gains and losses arose solely from continuing operations.

* The Company was incorporated on 23 June 2015 and commenced its operations on 6 August 2015 and as such no comparative information is presented.

The accompanying notes form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Notes	As at 31 December 2015* £
Assets		
Financial assets at fair value through profit or loss	10	24,793,294
Loans receivable	12	7,200,000
Total assets		31,993,294
Liabilities		
Loans payable	12	(24,695,143)
Share capital proceeds, awaiting settlement	14	(1,633,993)
Interest payable	12	(98,068)
Other accrued expenses and liabilities	6	(15,438)
Total liabilities		(26,442,642)
Net Assets		5,550,652
Equity		
Share capital	9	5,780,000
Retained earnings		(229,348)
Total equity		5,550,652

* The Company was incorporated on 23 June 2015 and commenced its operations on 6 August 2015 and as such no comparative information is presented.

The accompanying notes form an integral part of the financial statements.

On behalf of the Board of Directors

Charles Reid
Director

Date: 19 August 2016

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2015

	Notes	Period 23 June 2015 to 31 December 2015* £
Share Capital		
Opening balance as at 23 June 2015		-
Share capital issued	9	5,780,000
Closing balance as at 31 December 2015		5,780,000
Retained earnings		
Opening balance as at 23 June 2015		-
Net increase in shareholder's equity resulting from operating activities		136,218
Distributions to shareholders during the period		(365,566)
Closing balance as at 31 December 2015		(229,348)
Total shareholder's equity at the end of the period		5,550,652

* The Company was incorporated on 23 June 2015 and commenced its operations on 6 August 2015 and as such no comparative information is presented.

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2015

	Period 23 June 2015 to 31 December 2015* £
Cash flows from operating activities	
Net increase in shareholder's equity resulting from operating activities	136,218
Adjustments to reconcile net increase in shareholder's equity resulting from operating activities to net cash used in operating activities:	
Increase in operating assets:	
Financial assets at fair value through profit or loss	
- Purchase of financial assets	(25,025,294)
- Unrealised loss on financial assets at fair value through profit or loss	232,000
Loans receivable	(7,200,000)
Increase in operating liabilities:	
Share capital proceeds, awaiting settlement	1,633,993
Interest payable	98,068
Other accrued expenses and liabilities	15,438
Net cash used in operating activities	(30,109,577)
Cash flows from financing activities	
Loans drawn down	24,811,301
Repayments on loans drawn down	(116,158)
Proceeds from the issue of shares	5,780,000
Distributions to shareholders during the period	(365,566)
Net cash provided by financing activities	30,109,577
Net movement in cash and cash equivalents	-
Cash and cash equivalents at beginning of the period	-
Cash and cash equivalents at end of the period	-
Supplemental disclosures	
Cash paid during the period for interest	(318,276)
Cash received during the period for dividends	800,000

* The Company was incorporated on 23 June 2015 and commenced its operations on 6 August 2015 and as such no comparative information is presented.

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

RI UK Solar Holdings Limited (the "Company"), a UK registered company, was incorporated on 23 June 2015. The Company was established as a vehicle to provide investment into renewable power assets in the UK through equity and debt instruments, focusing on acquiring wind and solar power projects.

This is the first set of financial statements produced by the Company, and accordingly, no comparative information is presented.

The applicable principal accounting policies and notes are set out below, all of which applied for the period from 23 June 2015 (date of incorporation) to 31 December 2015.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (collectively "IFRS") as adopted by the European Union (EU) and as applied in accordance with the provisions of the Companies Act, 2006.

(b) Basis of measurement

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future. The Directors are satisfied that they operate in such a way to ensure the Company will continue to be a going concern.

(c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense.

(i) Assumptions and estimation uncertainties

Measurement of fair values
The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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 periods if the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Basis of preparation (continued)

(c) Use of estimates and judgements (continued)

(ii) Judgements

Involvement with unconsolidated structured entities
The International Accounting Standards Board ("IASB") has introduced an amendment to IFRS 10 "Consolidated Financial Statements" effective for periods commencing on or after 1 January 2014 (with early adoption permitted). This amendment requires investment entities to fair value relevant subsidiaries including structured entities through profit or loss rather than consolidate their results. The Board of Directors have concluded that the Fund, the Company and the Holding Companies satisfy the criteria to be regarded as investment entities and have adopted this amendment.

IFRS 10 indicates that companies formed in connection with each other for legal, regulatory, tax or similar requirements can be considered together to determine whether they display the characteristics of an investment entity. The reason and purpose of the multi layered structure is usually to accomplish one or more of the following:
(i) Regulatory reasons to invest in certain jurisdictions,
(ii) Risk mitigation reasons and/or
(iii) Investment return enhancement.

The Fund, the Limited Company and the Holding Companies were formed in connection with each other for legal, regulatory, tax or similar requirements. When considered together they display the following typical characteristics of an investment entity:
(i) The Fund, the Limited Company and the Holding Companies indirectly hold more than one investment because the Holding Companies hold a portfolio of investments.
(ii) Although the Limited Company, and as a result, indirectly the Holding Companies, are wholly capitalised by the Fund through the purchase of the profit participating note, the Fund itself is funded by many investors who are unrelated to the Fund. The Fund does not own the equity of the Limited Company nor the Holding Companies.
(iii) Ownership in the Fund is represented by units of equity interest.

The Directors are of the opinion that the Fund, the Limited Company and the Holding Companies each meet the definition of an investment entity. The following conditions exist:
(i) The Fund and the Limited Company have obtained funds for the purpose of providing investors with investment management services.
(ii) The investments held by the Holding Companies are measured and evaluated on a fair value basis and information about those investments are provided to investors on a fair value basis through the Limited Company and/or the Fund.

3. Significant accounting policies

(a) Investments

Classification of investments
The Company classifies its equity investments as financial assets at fair value through profit or loss. The category of financial assets through profit or loss comprises investments designated by the Board of Directors at inception, as being at fair value through profit or loss and/or held for trading.

Financial assets designated at fair value through profit or loss, at inception, are those that are managed and their performance evaluated on a fair value basis in accordance with the documented investment strategy.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)

(a) Investments (continued)

Recognition/derecognition of investments
Purchases and sales of investments are accounted for on the day the trade transaction takes place. Investments are derecognised when the rights to receive cash flows from the investments have expired or the risks and rewards of ownership have all been substantially transferred. Realised gains and losses on disposals are calculated using the average cost method and are reflected as net gains/(losses) on financial assets/(liabilities) at fair value through profit or loss in the Statement of Comprehensive Income.

Initial measurement of investments
Financial assets at fair value through profit or loss are initially recognised at fair value. Gains and losses arising from changes in the fair value of the financial assets are presented in the Statement of Comprehensive Income, in the period in which they arise.

(b) Cash and cash equivalents
Cash and cash equivalents include cash in hand, demand deposits, time deposits and other short-term highly liquid investments with original maturities of three months or less.

(c) Taxation

Corporation tax
Current tax, including UK corporation tax and foreign tax, is provided on the Company's taxable profits, at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the period end date.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the end of the period. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

(d) Transactions in foreign currencies
The presentation currency of the Company's financial statements is Sterling Pounds ("£"). Foreign currency items included in the Company's financial statements are measured in the Company's functional currency which is £. The presentation currency of the Company's financial statements is the same as the functional currency.

(e) Interest income and interest expense
Interest income and interest expense are recognised in the Statement of Comprehensive Income on an effective interest basis.

(f) Dividend income
Dividend income is recorded in the Statement of Comprehensive Income on an ex-dividend basis respectively, gross of withholding tax.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)

(g) Loans payable
Loans payable are measured at amortised cost using the effective interest rate method.

(h) Loans and receivables
Loans and receivables are measured at amortised cost using the effective interest rate method.

(i) Share capital proceeds, awaiting settlement
Cash that has been received in advance of the issuance of shares by the Company is recognised in the Statement of Financial Position as share capital proceeds, awaiting settlement.

(j) Distributions
Distributions are accounted for as a reduction in shareholder's equity and are recognised in the Statement of Changes in Equity for any distributions made during the period. The Directors may determine to make distributions to shareholders out of the net revenue of the Company including interest and dividends earned by the Company and realised net proceeds on the disposal of the investments. The Directors may, at their discretion, and subject to Shareholders being notified, declare distribution days as they may deem appropriate.

4. New standards and interpretations

A new standard came into effect during the period ended 31 December 2015. See below for details of the standard and applicable dates.

New standard effective after 23 June 2015 which has not been early adopted:

IFRS 9, 'Investments' - The IASB has published a final version of IFRS 9 in July 2014. The new standard replaces IAS 39 Investments: Recognition and Measurement and the earlier versions of IFRS 9. IFRS 9 includes a logical model for classification and measurement of investments, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

5. Other expenses

	£
Administration fees	5,996
Auditors' remuneration	6,259
Professional fees	1,999
Other expenses	1,184
Total	15,438

There were no fees in relation to non-audit assurance, tax or other services paid to the auditors during the period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Other accrued expenses and liabilities

	As at 31 December 2015
	£
Administration fees payable	(5,996)
Audit fees payable	(6,259)
Professional fees payable	(1,999)
Other payables	(1,184)
Total	(15,438)

7. Unconsolidated structured entities

The Fund has an interest in the Limited Company through its investment in the profit participating notes issued by the Limited Company. The Limited Company has in turn subscribed to the equity of the Holding Company, which has in turn subscribed to the equity of the Company. As the Holding Companies, the Limited Company and the Fund are investment entities as defined under IFRS 10, "Consolidated Financial Statements", the financial statements of the Company are not presented on a consolidated basis. Refer to the basis of preparation in note 2 for further details.

The following table shows details of the entities that the Company does not consolidate but in which it holds an interest. These entities are collectively known as the "Unconsolidated Structured Entities".

Names	Principal Activity	Place of Business	Country of Incorporation	Equity Ownership % Held
NSD2 Limited	Holding company	United Kingdom	United Kingdom	100%
UK Solar (Hartwell) LLP	Solar farm	United Kingdom	United Kingdom	100%
UK Solar (Lower Newton) LLP	Solar farm	United Kingdom	United Kingdom	100%

8. Taxation

	£
Current tax	
Current period tax charges	-
Total	-

The reconciliation of tax on the income before taxation, at the UK standard corporation rate, to the Company's actual tax charge for the period ended 31 December 2015, can be seen in the table below.

	£
Operating income before tax on ordinary activities for the period	136,218
Current tax at 20%	27,244
Effects of:	
Expenses not deductible for tax purposes	46,400
Non-taxable income	(160,000)
Deferred tax not recognised	86,356
Tax for the period	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Share capital

	As at 31 December 2015 £
Issued and fully paid up	
5,780,000 ordinary shares of £1 each	5,780,000

10. Valuation of investments

The fair value hierarchy has the following levels:

Level 1 comprises financial assets and liabilities valued using quoted market prices in active markets. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Level 2 comprises financial assets and liabilities valued using techniques based significantly on observable market data.

Level 3 comprises financial assets and liabilities valued using techniques where the impact of the non-observable market data is significant in determining the fair value of the instrument. Non-observable market data is not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on observable inputs of a similar nature, historic observations on the level of the input or analytical techniques.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Company uses proprietary discounted cash valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used and determination of expected future cash flows on the financial instrument being valued.

Model inputs and values are calibrated against historical data and published forecasts and, when possible, against current or recent observed transactions. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management judgement is required to select the most appropriate point in the range.

There are a number of key assumptions that have a significant impact on the carrying value of the investments held by the Company with regard to discounting future cash flows. These are the discount factor, the price at which the power and associated benefits can be sold and the amount of electricity the assets are expected to produce and project operating costs. Changes in these estimates or assumptions can result in significant variations in the carrying value and amounts charged or credited to the Statement of Comprehensive Income in specific periods.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

10. Valuation of investments (continued)

The following table is a summary of the Company's financial assets carried at fair value as at 31 December 2015:

	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets at fair value through profit or loss				
Equity investments	-	-	24,793,294	24,793,294
Total financial assets at fair value through profit or loss	-	-	24,793,294	24,793,294

The Company held only level 3 investments during the period ended 31 December 2015. There were no transfers between levels during the period ended 31 December 2015.

The following table shows a reconciliation of all movements in the fair value of investments categorised within Level 3 between the beginning and the end of the reporting period:

	£
Financial assets at fair value through profit or loss	
Opening balance as at 23 June 2015	-
Purchase of investments	25,025,294
Total loss recognised in profit or loss:	
- Unrealised	(232,000)
Closing Balance as at 31 December 2015	24,793,294

Significant unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 31 December 2015 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Investment type	Fair value as at 31 December 2015	Valuation technique	Unobservable inputs	Shock range of unobservable inputs utilised	Sensitivity of fair values to changes in unobservable inputs* (£'000)
Equity investments	£ 24,793,294	Discounted Cash Flow	Inflation	+/- 0.54%	26,332 - 23,356
			Resource	+/- (6.36% - 6.46%)	27,200 - 22,411
			Power Prices	+/- 13.15%	26,926 - 22,672
			Discount Rate	+/- 0.87%	27,484 - 22,403

Further details of the significant unobservable inputs are outlined below:

Inflation:
The inflation rate is based upon the United Kingdom consumer and retail price indices.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Valuation of investments (continued)

Resource:
The electricity produced and revenues generated by a wind or solar energy project depends heavily on natural resource conditions, which are variable and forecasted based on assumptions, models and historical data. If the wind or solar conditions are unfavourable or below estimates, then the electricity production may be substantially below the Company's expectations. External reports are used to estimate the expected electrical output from the assets taking into account various factors at each location and generation data from historical operations. The actual electrical output may differ from that estimated in such a report mainly due to the variability of actual production that is modelled in any one period. Assumptions around electrical output will only be changed if there is evidence to suggest there has been a material change in this expectation.

Power prices:
The price at which the output from the generating assets is sold is based on two elements, the first typically being a fixed price under a power purchase agreement or a fixed income tariff for a specific term and the second being future pricing. The revenues generated by wind farms and solar plants that are not fixed under fixed priced tariffs depend on market prices of energy in competitive wholesale energy markets. There can be no assurance that market prices will be at levels that enable the projects to which the Company is exposed to operate profitably or as anticipated. Future prices are estimated using external third party forecasts which take the form of specialist consultancy reports. The future power price assumptions will be reviewed as and when these forecasts are updated. There is an inherent uncertainty in future wholesale electricity price projection.

Discount rate:
The discount rate reflects current market assessments of interest rates and the risks specific to the asset. The discount rate used reflects the Company's required rate of return for these investments and it is reasonable an alternative assumption may be used resulting in a different value. This rate is reviewed semi-annually by the Company to ensure it is set at the appropriate level, taking into account any recent market transactions that were similar in nature when considering any changes to the rate used.

* Sensitivity of the fair value to changes in the unobservable inputs:
Any correlation amongst the unobservable inputs outlined above has not been considered in the calculation of the range of sensitivities.

The following table analyses within the fair value hierarchy the Company's assets and liabilities not measured at fair value at the period end but for which a fair value is disclosed as at 31 December 2015:

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Loans receivable	-	7,200,000	-	7,200,000
Loans payable	-	(24,695,143)	-	(24,695,143)
Share capital proceeds, awaiting settlement	-	(1,633,993)	-	(1,633,993)
Interest payable	-	(98,068)	-	(98,068)
Other accrued expenses and liabilities	-	(15,438)	-	(15,438)
	-	(19,242,642)	-	(19,242,642)

The assets and liabilities included above are carried at cost; their carrying values are a reasonable approximation of fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Financial risk management

The Company's investment activities expose it to the various types of risk which are associated with the investments and markets in which it invests. The following information is not intended to be a comprehensive summary of all risks.

The Company used different methods to measure and manage the various types of risk to which it was exposed; these methods are explained below.

(a) Market risk

Market risk arises mainly from uncertainty about future values of investments influenced by other price, currency and interest rate movements. It represents the potential loss the Company may suffer through holding market positions in the face of market movements.

(i) Market risk arising from foreign currency risk
Foreign currency risk exists where assets and liabilities are denominated in currencies other than the functional currency.

The Company's investments are denominated in the same currency as the functional currency and therefore there is an insignificant exposure to foreign currency risk as at 31 December 2015.

(ii) Market risk arising from interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following table details the Company's exposure to interest rate risks as at 31 December 2015:

	Fixed	Floating	Non interest bearing	Total
	£	£	£	£
Assets				
Financial assets at fair value through profit or loss	-	-	24,793,294	24,793,294
Loans receivable	-	-	7,200,000	7,200,000
Total assets	-	-	31,993,294	31,993,294

The Company's interest rate risk was managed in accordance with policies and procedures in place. The analysis and management of interest rate risks were monitored and assessed at all stages in the investment selection process. The Company's overall interest rate risks were monitored on a regular basis by the Board of Directors.

The sensitivity analysis presented on page 18 reflects how the fair value of the financial assets at fair value through profit or loss would be affected by changes in the relevant inputs including interest rates.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Financial risk management (continued)

(a) Market risk (continued)

(iii) Market risk arising from other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar investments traded in the market.

There are a number of key assumptions that have a significant impact on the carrying value of the investments with regard to discounting future cash flows. These are the discount factor, inflation rate, the price at which the power and associated benefits can be sold, and the amount of electricity the assets are expected to produce and project operating costs. Changes in these estimates or assumptions can result in significant variations in the carrying value and amounts charged or credited to the Statement of Comprehensive Income in specific periods.

To manage other price risk, the Company performs extensive initial and ongoing due diligence on the companies purchased. The underlying companies that own, construct and/or operate the wind and solar projects are required to provide the Company with reports on a daily, monthly or quarterly basis and monitor the internal controls and operational infrastructure of the managers of these companies.

By diversifying the portfolio, where this is appropriate and consistent with the Company's objectives, the risk that a price change of a particular investment will have a material impact on the Company is minimised.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk to the Company arises from the loan payable to the Limited Company and the liquidity of the underlying investments it has made.

Given the uncertainty inherent in the valuation of assets of the Company that lack a readily ascertainable market value, the value of such assets as reflected in the Company's Statement of Financial Position may differ materially from the prices at which the Company would be able to liquidate such assets. The value of assets that lack a readily ascertainable market value may be subject to adjustment based on valuation information available to the Company at that time. Volatile market conditions could also cause reduced liquidity in the market for certain assets, which could result in liquidation values that are materially less than the values of such assets as reflected in the Statement of Financial Position of the Company.

As at 31 December 2015, the Company's financial liabilities classified into relevant maturity groupings based on the remaining period to the contractual maturity date were as follows:

	Less than 1 month	1 - 3 months	3 months to 1 year	Over 1 year
	£	£	£	£
Financial liabilities				
Loans payable	-	-	-	(24,695,143)
Share capital proceeds, awaiting settlement	(1,633,993)	-	-	-
Interest payable	-	-	(98,068)	-
Other accrued expenses and liabilities	-	-	(15,438)	-
Total financial liabilities	(1,633,993)	-	(113,506)	(24,695,143)

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Financial risk management (continued)

(b) Liquidity risk (continued)

The Company's liquidity risk is managed in accordance with policies and procedures in place. The analysis and management of liquidity risks are monitored and assessed at all stages in the investment selection process. The Company's overall liquidity risks are monitored on a regular basis by the Board of Directors.

(c) Credit/counterparty risk

The Company is exposed to credit/counterparty risk on parties with whom it trades and bears the risk of settlement default. The Company currently only has exposure to related parties and as such the credit risk exposure is minimal.

The extent of the Company's exposure to counterparty credit risk in respect of these financial assets approximates their carrying value as recorded in the Statement of Financial Position.

The carrying amount of financial assets best represents the maximum credit risk exposure at the balance sheet date. At period end, the Company's financial assets exposed to credit risk amounted to the following:

	As at 31 December 2015 £
Assets	
Financial assets at fair value through profit or loss	24,793,294
Loans receivable	7,200,000
Total assets	31,993,294

12. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or is able to exercise significant influence over the other party in making financial or operational decisions.

The Directors are not entitled to receive Directors' fees from the Company.

All related party transactions were carried out at arm's length in the ordinary course of business.

No amounts have been written off in the period in respect of amounts due to or from related parties.

No commitments secured or unsecured or guarantees have been entered into with related parties during the period.

No provisions have been recognised by the Company against amounts due from related parties at the period end date.

During the period ended 31 December 2015, the Company received a dividend of £800,000 from its investment in UK Solar (Hartwell) LLP. As at 31 December 2015, the Company held loans receivable of £7,200,000 from the Unconsolidated Structured Entities. These loans are repayable on demand and no interest was earned nor received from these loans during the period ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Related party transactions (continued)

As at 31 December 2015, the Company held loans payable to the Limited Company of £24,695,143. During the period, interest incurred on these loans amounted to £416,344 of which £98,068 remained payable as at 31 December 2015. As at the same date, the Holding Company held 100% of the shareholder's equity of the Company of £5,550,652. During the period, the Company paid a dividend to the Holding Company of £365,566.

There were no loans, quasi loans, credit transactions or remuneration between the Company and its key management personnel or Directors for the period ended 31 December 2015.

13. Exchange rates

The following exchange rates were used to translate assets and liabilities into £ as at 31 December 2015:

Currency	Rate
USD	0.6785
EUR	0.7370

14. Subsequent events

On 22 January 2016, the Company issued the shares connected to the share capital proceeds, awaiting settlement of £1,633,993 to the Holding Company.

There were no other significant events affecting the Company since the period end.

15. Approval of financial statements

The Board of Directors approved the financial statements on 19 August 2016.