

NSD 2 Limited
Directors' Report and
Audited Financial Statements For The Year Ended 31 December 2017



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For The Year Ended 31 December 2017**

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NSD 2 Limited

**Company Information
For The Year Ended 31 December 2017**

Directors:

P G Raftery
S Tetot

Registered office:

2nd Floor Edgeborough House
Upper Edgeborough Road
Guildford
Surrey
GU1 2BJ

Registered number:

08869678 (England and Wales)

Independent auditors:

Deloitte LLP
Statutory Auditor
110 Queen Street
Glasgow
Strathclyde
G1 3BX

NSD 2 Limited

Directors' Report For The Year Ended 31 December 2017

The directors present their report with the financial statements of the Company for the year ended 31 December 2017.

This Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

Further information on the basis of preparation of these financial statements and the going concern assumption can be found in note 2.

Principal activity

The principal activity of the Company in the year under review was that of serving as a vehicle to provide investments into renewable power assets through equity and debt instruments held in UK Solar (Lower Newton) LLP and UK Solar (Hartwell) LLP which own and operate two solar power plants.

Dividends

The profit during the year ended 31 December 2017 was £247,736 (31 December 2016: £84,924 profit).

The directors paid interim dividends of £31,279 in the period (31 December 2016: £nil).

The directors have not recommended payment of a final dividend (31 December 2016: £nil).

Directors

P G Raftery has held office during the whole of the period from 1 January 2017 to the date of this report.

Other changes in directors holding office are as follows:

S Tetot was appointed as a director after 31 December 2017 but prior to the date of this report.

C D K Reid ceased to be a director after 31 December 2017 but prior to the date of this report.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in note 1 of the Accounting Policies.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

NSD 2 Limited

**Directors' Report
For The Year Ended 31 December 2017**

Auditors

The auditors, Deloitte LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

On behalf of the board:

A handwritten signature in black ink, appearing to be 'S Tetot', written over a faint horizontal line.

S Tetot - Director

Date: 25 Sep 2018

NSD 2 Limited

Statement of Directors' Responsibilities For The Year Ended 31 December 2017

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 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.

Independent auditor's report to the members of NSD 2 Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of NSD 2 Limited:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 10.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of NSD 2 Limited

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Independent auditor's report to the members of NSD 2 Limited

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

- Under the Companies Act 2006 we are required to report in respect of the following matters 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

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.



David Mitchell (Senior statutory auditor)
For and on behalf of Deloitte LLP
Glasgow
Strathclyde
26 September 2018

NSD 2 Limited**Income Statement
For The Year Ended 31 December 2017**

	Notes	31/12/17 £	31/12/16 £
Other income		281,910	99,398
Administrative expenses		-	6,500
Operating profit	4	<u>281,910</u>	<u>105,898</u>
Profit before taxation		281,910	105,898
Tax on profit		<u>(34,174)</u>	<u>(20,974)</u>
Profit for the financial year		<u><u>247,736</u></u>	<u><u>84,924</u></u>

The notes on pages 12 to 19 form part of these financial statements

NSD 2 Limited

**Statement of Other Comprehensive Income
For The Year Ended 31 December 2017**

	Notes	31/12/17 £	31/12/16 £
Profit for the year		247,736	84,924
Other comprehensive income		-	-
Total comprehensive income for the year		<u>247,736</u>	<u>84,924</u>

The notes on pages 12 to 19 form part of these financial statements

Balance Sheet
31 December 2017

	Notes	31/12/17 £	31/12/16 £
Fixed assets			
Investments	5	700,000	700,000
Current assets			
Debtors	6	-	12,288
Creditors			
Amounts falling due within one year	7	(414,322)	(635,877)
Net current liabilities		(414,322)	(623,589)
Total assets less current liabilities		285,678	76,411
Provisions for liabilities	8	(2,796)	(9,986)
Net assets		<u>282,882</u>	<u>66,425</u>
Capital and reserves			
Called up share capital		1	1
Retained earnings		<u>282,881</u>	<u>66,424</u>
		<u>282,882</u>	<u>66,425</u>

The financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements were approved by the Board of Directors on 25 Sep 2018 and were signed on its behalf by:



S Tetot -Director

The notes on pages 12 to 19 form part of these financial statements

NSD 2 Limited**Statement of Changes in Equity
For The Year Ended 31 December 2017**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2016	1	(18,500)	(18,499)
Changes in equity			
Total comprehensive income	-	84,924	84,924
Balance at 31 December 2016	1	66,424	66,425
Changes in equity			
Dividends	-	(31,279)	(31,279)
Total comprehensive income	-	247,736	247,736
Balance at 31 December 2017	1	282,881	282,882

The notes on pages 12 to 19 form part of these financial statements

**Notes to the Financial Statements
For The Year Ended 31 December 2017**

1. General information

NSD 2 Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. Accounting policies

Basis of preparing the financial statements

The financial statements have been prepared in accordance with the applicable United Kingdom accounting standards, including Financial Reporting Standard 102 section 1 A small entities - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements apply the July 2015 amendments to FRS 102. The particular accounting policies adopted are described below and have been applied consistently throughout the current and prior financial period.

Section 1 A for small companies has been applied on the basis that the entity meets the criteria set out within the Companies Act. The directors believe the entity is part of an eligible group on the basis that the ultimate controlling party is not listed on any market.

The Company has taken advantage of the exemptions available to small entities under section 1A in relation to presentation of a cash flow statement and disclosures of net finance charge, current taxation, financial instruments, share capital and reserves.

The financial statements are prepared under the historical cost convention, except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

Going concern

The financial statements have been prepared on the basis the Company is a going concern, which the directors consider appropriate.

The directors have separately reviewed integrated forecasts for the Company, for the foreseeable future, which indicate that the Company will be able to meet its cash flow demands and liabilities as they fall due from cash flows from operations and existing working capital.

The directors have written confirmation that RI Income UK Holdings Limited intends to continue to financially support the Company during the 12 months following the date the financial statements are signed.

Notes to the Financial Statements - continued
For The Year Ended 31 December 2017

2. Accounting policies - continued

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements.

Valuation of investments

External valuations are used to revalue derivative financial instruments with any movements going to the hedging reserve. Management do not produce internal models to value the derivatives.

Decommissioning provision

Liabilities for decommissioning costs are recognised when the Company has an obligation to decommission and restore the land, with which the project has been built upon, to its original state. The obligation is assessed annually for changes in estimated costs which are then discounted to their net present value. If the net present value is deemed to be immaterial then no provision is recognised.

Turnover

Turnover represents the share of profits of UK Solar (Lower Newton) LLP and UK Solar (Hartwell) LLP plus any distributions received from the LLPs.

Investments in associates

Fixed asset investments are stated at cost less provision for impairment.

Notes to the Financial Statements - continued
For The Year Ended 31 December 2017

2. Accounting policies - continued

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

**Notes to the Financial Statements - continued
For The Year Ended 31 December 2017**

2. Accounting policies - continued

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Notes to the Financial Statements - continued
For The Year Ended 31 December 2017

2. Accounting policies - continued

Taxation

Current tax, including UK corporation and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Deferred tax assets and liabilities are offset only if the Company has a legally enforceable right to set off current tax assets against current tax liabilities.

Notes to the Financial Statements - continued
For The Year Ended 31 December 2017

2. Accounting policies - continued

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the year in which the dividends are approved by the Company's shareholders.

Decommissioning provision

Liabilities for decommissioning costs are recognised when the Company has an obligation to decommission and restore the land, with which the project has been built upon, to its original state. The obligation is assessed annually for changes in estimated costs which are then discounted to their net present value. If the net present value is deemed to be immaterial then no provision is recognised.

When this provision relates to an asset with sufficient future economic benefits, a decommissioning asset is recognised and included as part of the associated plant and machinery and depreciated accordingly. Changes in these estimates and changes to the discount rates are dealt with prospectively and reflected as an adjustment to the provision with a corresponding decommissioning asset included within plant and machinery. Unwinding of the discount on the provision is included in the income statement within interest expense.

3. Employees and directors

There were no staff costs for the year ended 31 December 2017 nor for the year ended 31 December 2016.

The average monthly number of employees during the year was NIL (2016 - NIL).

Services are provided to the Company through a third party asset management agreement.

No Directors received any remuneration from the Company during the period (31 December 2016: Nil).

4. Operating profit

Audit fees for the year ended 31 December 2017 of £1,200 have been borne equally by UK Solar (Lower Newton) LLP and UK Solar (Hartwell) LLP and (31 December 2016 of £5,000 have been borne by UK Solar (Lower Newton) LLP), where NSD 2 Limited is a member.

NSD 2 Limited

Notes to the Financial Statements - continued For The Year Ended 31 December 2017

5. Fixed asset investments

	Interest in associate £
Cost	
At 1 January 2017 and 31 December 2017	<u>700,000</u>
Net book value	
At 31 December 2017	<u>700,000</u>
At 31 December 2016	<u>700,000</u>

6. Debtors: amounts falling due within one year

	31/12/17 £	31/12/16 £
Amounts owed by group undertakings	<u>-</u>	<u>12,288</u>

Within amounts owed by group companies is an interest free amount £nil (31 December 2016: £12,288) owed by RI UK Solar Holdings Limited in relation to division of profits attributable to NSD2 Limited received by RI UK Solar Holdings Limited. All amounts are repayable on demand.

7. Creditors: amounts falling due within one year

	31/12/17 £	31/12/16 £
Amounts owed to group undertakings	52,352	10,988
Other creditors	361,970	624,889
	<u>414,322</u>	<u>635,877</u>

Amounts owed to group companies are repayable on demand.

Within amounts owed to group companies are intercompany group relief balances of £26,406 (31 December 2016: £nil) and £3,135 (31 December 2016: £nil) owed to RI Income UK Holdings Limited and RI UK Solar Holdings Limited, respectively. The remaining balance relates to group relief estimates of £22,811 (31 December 2016: £10,988).

The £361,970 within other creditors is interest free and relates to income from UK Solar (Lower Newton) LLP recognised in advance (31 December 2016: £624,889).

NSD 2 Limited

Notes to the Financial Statements - continued For The Year Ended 31 December 2017

8. Provisions for liabilities

	31/12/17 £	31/12/16 £
Deferred tax		
Accelerated capital allowances	2,796	-
Other timing differences	-	9,986
	<u>2,796</u>	<u>9,986</u>

	Deferred tax £
Balance at 1 January 2017	9,986
Credit to Income Statement during year	<u>(7,190)</u>
Balance at 31 December 2017	<u>2,796</u>

9. Related party disclosures

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

10. Ultimate controlling party

The ultimate parent undertaking and controlling party in this group is considered to be Renewable Income UK, a sub-fund of Blackrock Infrastructure Funds Public Limited Company, which is in turn an investment company registered in Ireland that accounts for investments at fair value and does not prepare consolidated financial statements.

The immediate parent company is RI Income UK Holdings Limited, an investment company registered in England and Wales which accounts for investments at fair value and does not prepare consolidated financial statements. The financial statements are available from the registered office at 12 Throgmorton Avenue, London, EC2N 2DL.