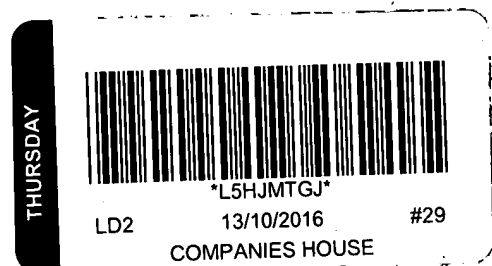


KRANNICH SOLAR FARM 1 LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015



Sayers Butterworth LLP

KRANNICH SOLAR FARM 1 LIMITED

Company Information

Directors	R Serna-Barrera (appointed 8 January 2015) D Giannoulakis (appointed 18 March 2016)
Company secretary	JD Secretariat Limited
Registered number	08756737
Registered office	1 Lumley Street Mayfair London W1K 6TT
Independent auditor	Deloitte LLP Chartered Accountants and Statutory Auditor 2 New Street Square London United Kingdom EC4A 3BZ
Accountants	Sayers Butterworth LLP 3rd Floor 12 Gough Square London EC4A 3DW

KRANNICH SOLAR FARM 1 LIMITED

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KRANNICH SOLAR FARM 1 LIMITED

Directors' report For the Year Ended 31 December 2015

The directors present their report and the financial statements for the year ended 31 December 2015.

Organisation and principal activity

Krannich Solar Farm 1 Limited (the 'Company') is involved in the generation and provision of solar energy (Companies House registration number 08756737).

During the year there was a change of ownership, please refer to note 19 for details.

At the year end, the Company is a wholly-owned subsidiary of Canadian Solar UK Strategies Limited and Canadian Solar Inc., the ultimate parent undertaking.

Results and dividends

The loss for the year, before taxation, amounted to £137,191 (2014 - loss £1,098,700).

No dividends were paid during the year (2014: £Nil).

Director

The directors who served during the year and subsequently were:

R Serna-Barrera (appointed 8 January 2015)

D Giannoulakis (appointed 18 March 2016)

Future developments

The directors foresee continued operations much in vein of 2015 performance; at the time of writing, despite a degree of uncertainty in the UK renewables industry, the directors are confident that the solar farm assets owned by Krannich Solar Farm 1 Limited will meet their projected performance parameters (including availability and yield) for the foreseeable future.

The Company will continue to exist as a going concern and there are no plans to liquidate the Company. Further details in respect of going concern are provided in note 2.3 to the financial statements.

KRANNICH SOLAR FARM 1 LIMITED

Directors' report (continued) For the Year Ended 31 December 2015

Financial instruments

Objectives and policies

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet.

Price risk, credit risk, liquidity risk and cash flow risk

The business' principal financial instruments comprise bank balances, trade debtors and creditors. The main purpose of these instruments is to finance the business' operations.

In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the timing of collecting debts and payments of liabilities. All of the business' cash balances are held in such a way that achieves a competitive rate of interest.

Trade debtors are managed in respect of cash flow risk by the regular monitoring of amounts outstanding.

Creditors' liquidity is managed by ensuring sufficient funds are available to meet amounts due.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

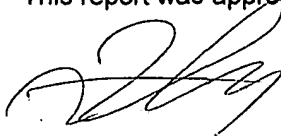
There have been no significant events affecting the Company since the year end.

Auditor

The auditor, Deloitte LLP Chartered Accountants and Statutory Auditor, was appointed during the year and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption and accordingly no Strategic report has been presented.

This report was approved by the board on 13 October 2016 and signed on its behalf.



D Giannoulakis
Director

KRANNICH SOLAR FARM 1 LIMITED

Directors' responsibilities statement For the Year Ended 31 December 2015

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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 for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures 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.

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.

KRANNICH SOLAR FARM 1 LIMITED

Independent auditor's report to the shareholders of Krannich Solar Farm 1 Limited

We have audited the financial statements of Krannich Solar Farm 1 Limited for the year ended 31 December 2015, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 Directors' responsibilities statement on page 3, 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 Financial Reporting Council'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 Directors' 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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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, 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.

KRANNICH SOLAR FARM 1 LIMITED

Independent auditor's report to the shareholders of Krannich Solar Farm 1 Limited (continued)

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; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic report or in preparing the Directors' report.



David Paterson (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

13 October 2016

KRANNICH SOLAR FARM 1 LIMITED

**Statement of comprehensive income (incorporating the profit and loss account)
For the Year Ended 31 December 2015**

		31 December 2015	<i>31 October 2013 to 31 December 2014 (restated)</i>
	Note	£	£
Turnover	4	267,022	-
Cost of sales		(165,681)	-
Gross profit		101,341	-
Administrative expenses		(94,245)	-
Operating loss	5	7,096	-
Finance cost (net)	7	(144,287)	-
Extraordinary items		-	(1,098,700)
Loss before and after tax		(137,191)	(1,098,700)
Loss for the year		(137,191)	(1,098,700)
Total comprehensive loss for the year		(137,191)	(1,098,700)

The above results are derived from continuing activity.

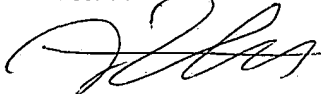
The notes on pages 10 to 24 form part of these financial statements.

KRANNICH SOLAR FARM 1 LIMITED
Registered number: 08756737

Balance sheet
As at 31 December 2015

	Note	£	2015 £	£	2014 (restated) £
Fixed assets					
Tangible fixed assets			3,923,729		-
			<u>3,923,729</u>		
Current assets					
Debtors: amounts falling due within one year	11	63,006		-	
Cash at bank and in hand	12	211,577		-	
			<u>274,583</u>		
Creditors: amounts falling due within one year	13	(4,335,503)		-	
Net current liabilities			<u>(4,060,920)</u>		
Total assets less current liabilities			<u>(137,191)</u>		
Net (liabilities)/assets			<u>(137,191)</u>		
Capital and reserves					
Called up share capital	14	10,000		10,000	
Share premium account	15	1,088,700		1,088,700	
Profit and loss account	15	(1,235,891)		(1,098,700)	
			<u>(137,191)</u>		

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 13 October 2016



D Giannoulakis
Director

The notes on pages 10 to 24 form part of these financial statements.

KRANNICH SOLAR FARM 1 LIMITED

**Statement of changes in equity
As at 31 December 2015**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2015	10,000	1,088,700	(1,098,700)	-
Comprehensive income for the year				
Loss for the year	-	-	(137,191)	(137,191)
Total comprehensive loss for the year	-	-	(137,191)	(137,191)
At 31 December 2015	10,000	1,088,700	(1,235,891)	(137,191)

KRANNICH SOLAR FARM 1 LIMITED

**Statement of changes in equity
As at 31 December 2014**

	Called up share capital (restated) £	Share premium account (restated) £	Profit and loss account (restated) £	Total equity £
Comprehensive income for the period				
Loss for the period	-	-	(1,098,700)	(1,098,700)
Total comprehensive income for the period	-	-	(1,098,700)	(1,098,700)
Shares issued during the period	10,000	1,088,700	-	1,098,700
Total transactions with owners	10,000	1,088,700	-	1,098,700
At 31 December 2014	10,000	1,088,700	(1,098,700)	-

KRANNICH SOLAR FARM 1 LIMITED

Notes to the financial statements For the Year Ended 31 December 2015

1. General information

Krannich Solar Farm 1 Limited is a private company limited by shares and is incorporated in the United Kingdom and registered in England and Wales. The company is involved in the generation and provision of solar energy.

The company's principal place of business is 3rd Floor, 78 Pall Mall, London SW1Y 5ES.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the "Financial Reporting Standard applicable in the UK and the Republic of Ireland", and the Companies Act 2006. The Company has taken advantage of the disclosure exemptions allowed under this standard. The Company's ultimate parent undertaking, Canadian Solar Inc, was notified of and did not object to the use of these exemptions.

FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015. There has been no transitional impact on the financial statements as a result of the adoption of this standard.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Canadian Solar Inc. as at 31 December 2015 and these financial statements may be obtained from 545 Speedvale Avenue West, Guelph, Ontario, Canada, N1K 1E6.

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Canadian Solar Inc., includes the company's cash flow in its consolidated financial statements.

2.3 Going concern

The financial statements have been prepared on a going concern basis despite an excess of current liabilities over current assets of £4,060,920. The directors consider this to be appropriate as it is the intention of the ultimate parent undertaking, Canadian Solar Inc., to provide financial support for at least the next twelve months from the date of approval of these financial statements.

KRANNICH SOLAR FARM 1 LIMITED

Notes to the financial statements For the Year Ended 31 December 2015

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised net of VAT to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. Revenue is recognised when persuasive evidence of an arrangement exists, electricity has been generated and transmitted to the grid, the price of electricity is fixed or determinable and the collectability of the resulting receivable is reasonably assured.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Solar Power Systems	- 20 years
---------------------	------------

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.6 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

**Notes to the financial statements
For the Year Ended 31 December 2015**

2. Accounting policies (continued)

2.7 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

2.9 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Statement of comprehensive income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on

KRANNICH SOLAR FARM 1 LIMITED

Notes to the financial statements For the Year Ended 31 December 2015

2. Accounting policies (continued)

2.9 Financial instruments (continued)

a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the Statement of comprehensive income in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

The Company did not have any derivatives during the year.

2.10 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

2.12 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

KRANNICH SOLAR FARM 1 LIMITED

Notes to the financial statements For the Year Ended 31 December 2015

2. Accounting policies (continued)

2.13 Operating lease

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

KRANNICH SOLAR FARM 1 LIMITED

**Notes to the financial statements
For the Year Ended 31 December 2015**

2. Accounting policies (continued)**2.14 Prior year adjustment**

The financial statements contain an adjustment in the prior period to: a) correct the allocation of equity raised upon incorporation between share capital and share premium; and b) write off certain stock balances which did not meet the necessary criteria for capitalisation. As a result of this adjustment, extraordinary items, stock, share premium and share capital for the period ended 31 December 2014 have been restated to take account of this.

The restatement has had the following impact on the financial statements of the company as previously stated:

Balance Sheet			
As at 31 December 2014			
	As previously stated £	Adjustment £	As restated £
Fixed assets			
Tangible fixed assets	-	-	-
Current assets			
Stock	1,098,700	(1,098,700)	-
Net assets	<u>1,098,700</u>	<u>(1,098,700)</u>	<u>-</u>
Capital and reserves			
Called up share capital	1,098,700	(1,088,700)	10,000
Share premium	-	1,088,700	1,088,700
Profit and loss account	-	(1,098,700)	(1,098,700)
	<u>1,098,700</u>	<u>(1,098,700)</u>	<u>-</u>

Statement of comprehensive income			
	As previously stated £	Adjustment £	As restated £
Loss for the year	-	(1,098,700)	(1,098,700)

KRANNICH SOLAR FARM 1 LIMITED

Notes to the financial statements For the Year Ended 31 December 2015

2. Accounting policies (continued)

2.15 Taxation

Tax is recognised in the Profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.16 Extraordinary items

Extraordinary items are material items possessing a high degree of abnormality which arise from events or transactions that fall outside the ordinary activities of the Company and which are not expected to recur.

KRANNICH SOLAR FARM 1 LIMITED

Notes to the financial statements For the Year Ended 31 December 2015

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below

(i) Impairment of fixed assets

The company makes an assessment to determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability, technological changes and viability and expected future performance of the asset.

(ii) Useful economic lives of tangible fixed assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

4. Turnover

	31 December 2015 £	31 October 2013 to 31 December 2014 £
United Kingdom	267,022	-
	<u>267,022</u>	<u>-</u>

All turnover arose within the United Kingdom.

KRANNICH SOLAR FARM 1 LIMITED

Notes to the financial statements For the Year Ended 31 December 2015

5. Operating loss

The operating loss is stated after charging/(crediting):

	31 December 2015 £	31 October 2013 to 31 December 2014 £
Depreciation of tangible fixed assets	162,986	-
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	5,000	-
Exchange differences	(11,032)	-
Other operating lease rentals	8,480	-
	<u>164,434</u>	<u>-</u>

During the year, no director received any emoluments (2014 - £NIL) in respect of services to the company.

6. Employees

The Company has no employees other than the directors, who did not receive any remuneration (2014 - £NIL).

7. Finance costs (net)

	31 December 2015 £	31 October 2013 to 31 December 2014 £
Loans from group undertakings	144,287	-
	<u>144,287</u>	<u>-</u>

Finance costs refer to interest payable and related arrangement fees on the loan from Canadian Solar, UK Strategies Limited. Refer to note 18 for more details.

KRANNICH SOLAR FARM 1 LIMITED

Notes to the financial statements For the Year Ended 31 December 2015

8. Taxation

	31 December 2015 £	31 October 2013 to 31 December 2014 £
Total current and deferred tax	-	-

Factors affecting tax charge for the year/period

The tax assessed for the year/period is lower than (2014 - lower than) the standard rate of corporation tax in the UK of 20% (2014 - 20%). The differences are explained below:

	31 December 2015 £	31 October 2013 to 31 December 2014 (restated) £
Loss on ordinary activities before tax	(137,191)	(1,098,700)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2014 - 20%)	(27,438)	(219,740)
Effects of:		
Capital allowances for year/period in excess of depreciation	(32,790)	219,740
Unrelieved tax losses carried forward	60,228	-
Total tax charge for the year/period	-	-

Factors that may affect future tax charges

Subject to approval from HMRC, the company has trading losses of approximately £301,000 that can be offset against future trading profits.

The Company has not recognised a deferred tax asset in respect of the tax losses as there is insufficient evidence of future taxable profits.

KRANNICH SOLAR FARM 1 LIMITED

**Notes to the financial statements
For the Year Ended 31 December 2015**

9. Extraordinary items

	31 December 2015	<i>31 October 2013 to 31 December 2014 (restated)</i>
	£	£
Write off of stock	-	1,098,700
	<u>-</u>	<u>1,098,700</u>

10. Tangible fixed assets

	Solar Power Systems £
Cost or valuation	
Additions	4,086,715
At 31 December 2015	<u>4,086,715</u>
Depreciation	
Charge for the period	162,986
At 31 December 2015	<u>162,986</u>
Net book value	
At 31 December 2015	<u>3,923,729</u>
At 31 December 2014	<u>-</u>

Tangible assets include leasehold land costs of £13,623 incurred during the construction of Solar Power Systems.

There is a fixed charge in relation to tangible fixed assets. Please refer to note 12.

KRANNICH SOLAR FARM 1 LIMITED

**Notes to the financial statements
For the Year Ended 31 December 2015**

11. Debtors

	31 December 2015 £	31 December 2014 £
Accrued income	50,265	-
Other debtors	12,741	-
	63,006	-

12. Cash and cash equivalents

	31 December 2015 £	31 December 2014 £
Cash at bank and in hand	211,577	-
	211,577	-

KRANNICH SOLAR FARM 1 LIMITED

Notes to the financial statements For the Year Ended 31 December 2015

13. Creditors: Amounts falling due within one year

	31 December 2015 £	31 December 2014 £
Trade creditors	2,431	-
Amounts owed to group undertakings	4,325,072	-
Accruals and deferred income	8,000	-
	<u>4,335,503</u>	<u>-</u>

Amounts owed to group undertakings relate to a shareholder loan with Canadian Solar UK Strategies Limited. The loan is repayable in full including interest on the date falling 364 days after the date of the Holdco Facilities Agreement, 7 May 2015. Interest is payable on the loan at 2.2% plus LIBOR.

There is a fixed charge in favour of Investec Bank plc over the leasehold property including any buildings, fixtures, fittings, fixed plant or machinery situated on or forming part of such property and all related rights.

There is also a fixed and floating charge in favour of Investec Bank plc over the real property, tangible moveable property, accounts, intellectual property, any goodwill and rights in relation to the uncalled capital, investments, all monetary claims and the benefit of all claims and related rights.

The above charges are in relation to loan commitments entered into by Canadian Solar UK Strategies Limited on behalf of the group, the proceeds of which have been used to finance the purchase of solar farms in the various subsidiary companies. Please refer to note 18 for more details.

14. Share capital

	31 December 2015 £	31 December 2014 (restated) £
Shares classified as equity		
Allotted, called up and fully paid		
100 Ordinary shares of £100 each	<u>10,000</u>	<u>10,000</u>

KRANNICH SOLAR FARM 1 LIMITED

Notes to the financial statements For the Year Ended 31 December 2015

15. Reserves

Share premium

Share premium represents any premiums received upon issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit and loss account

The profit and loss account reserve represents all current and prior period retained losses.

16. Contingent liabilities

The Company has given a guarantee in respect of bank borrowings of Canadian Solar UK Strategies Limited, the immediate parent undertaking. In the event of a default by Canadian Solar UK Strategies Limited, the company will be liable to the bank for the value of the repayments due, not exceeding the maximum liability applicable to the company of £2,877,511.

17. Commitments under operating leases

At 31 December 2015 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	31 December 2015 £	31 December 2014 £
Not later than 1 year	14,580	-
Later than 1 year and not later than 5 years	58,318	-
Later than 5 years	286,730	-
	<u>359,628</u>	<u>-</u>

The operating lease commitment refers to leasehold land.

18. Related party transactions

The Company has adopted the exemption permitted by paragraph 33.1A of FRS 102 and has not disclosed transactions with other group members, which are wholly-owned subsidiaries.

A shareholder loan agreement between the Company and Canadian Solar UK Strategies Limited, the immediate parent undertaking, was issued during the year. The Company was due to repay the loan in full including interest on the date falling 364 days after the date of the Holdco Facilities Agreement, 7 May 2015. The rate of interest owed is the percentage rate per annum which is the aggregate of the margin of 2.2% and LIBOR. Canadian Solar UK Strategies Limited has not yet requested payment of this loan, which is now therefore repayable on demand.

KRANNICH SOLAR FARM 1 LIMITED

Notes to the financial statements For the Year Ended 31 December 2015

19. Controlling party

As at 31 December 2014, the ultimate controlling party was Krannich Utility GmbH, a company incorporated in Germany.

During the year, there was a change in ownership and the shares were acquired by Canadian Solar UK Projects Limited. On 1 May 2015, the shares were then transferred to Canadian Solar UK Strategies Limited.

At the year end, the immediate parent undertaking is Canadian Solar UK Strategies Limited, a company incorporated in the United Kingdom.

The ultimate parent undertaking is Canadian Solar Inc, a company incorporated in Canada. The parent undertaking of the largest and smallest group of which the company is a member and consolidated financial statements are prepared is Canadian Solar Inc. Copies of consolidated financial statements can be obtained from 545 Speedvale Avenue West, Guelph, Ontario, Canada, N1K 1E6.

In the opinion of the directors, there is no one controlling party.