

Registered number: 09195335

**CANADIAN SOLAR UK PROJECTS LTD**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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## **CANADIAN SOLAR UK PROJECTS LTD**

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## CANADIAN SOLAR UK PROJECTS LTD

### COMPANY INFORMATION

<b>Directors</b>	H Chen I.Guerrero-Arias
<b>Company secretary</b>	JD Secretariat Limited
<b>Registered number</b>	09195335
<b>Registered office</b>	1 Lumley Street London United Kingdom W1K 6TT
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors The Atrium 1 Harefield Rd Uxbridge United Kingdom UB8 1EX

## **CANADIAN SOLAR UK PROJECTS LTD**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present the Strategic Report of Canadian Solar UK Projects Ltd (the "Company") for the year ended 31 December 2018.

#### **Business review**

The Company is a wholly owned subsidiary of Canadian Solar Inc., which is incorporated in Canada and listed on the Nasdaq. The trading results for the year and the Company's financial position at the end of the year are shown in the attached financial statements. The Company has continued to manage the Solar Plants Projects across the UK and other areas like Europe, Middle East, South America and Africa.

The Statements of Comprehensive Income and Financial Position are set out on pages 10 and 11 respectively. These show a profit of £10,042,164 (2017: loss of £2,815,639) for the year ended 31 December 2018 and net liabilities of £3,153,153 (2017: £13,195,317).

Turnover for the financial year was £256,522 (2017: £1,161,281). The decrease is due to the lower sale of solar energy modules, following the completion of many solar farm development projects in the UK.

The Company has expanded its core business to develop and manage Solar Plants during the construction and operation phase, as well as during the phase of project financing. In addition, the business plan includes the sale of the operational assets. The Company target is to dismiss its short-term equity positions in the UK and International operational assets by the end of 2019. Refer to note 14 of the notes to the financial statements.

The Company will continue to expand its revenue base further through the development of additional Solar Plants in Europe, Middle East, South America, Asia and Africa.

#### **Research and development**

The Company did not incur any research and development cost.

#### **Principal risks and uncertainties**

The management of the business and the nature of the Company's strategy are subject to the following risks:

##### **Regulatory Risks**

Within the UK, the incentives for renewable energy generation ceased effective on March 31, 2017 (with some exceptions i.e. Northern Ireland). Due to highly competitive international market, new Markets across Europe, Middle East, South America, Asia and Africa will now need to be explored. As such, the key risks for the Company are:

1. Understanding and assessing the volatility of immature political systems
  - a. Expropriation risk
  - b. Policy risk
2. Legal risk
  - a. Contract structure and enforcement
  - b. Compliance
  - c. Environmental

The Company operates in the market leveraging on Canadian Solar Inc. international experience and competence.

## CANADIAN SOLAR UK PROJECTS LTD

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

#### Competition

The market in which the Company operates is highly competitive. As a consequence there is a constant downwards pressure on margins. The Company's operation are coordinated with the integrated Group supply chain.

#### Interest rate risk

Interest rate risk is the risk that the fair value of investments will fluctuate because of change in interest rate. The Company is financed mainly through intercompany loan facilities. The Company optimise interest costs and reduce volatility through fixed interest rate and intercompany financing.

#### Currency risk

The Company is exposed to transaction foreign exchange risk. The Company operates with a limited number of currencies, in line with the funding sources, to mitigate the foreign exchange risk.

#### Financial key performance indicators

The directors have monitored the progress of the overall Company's strategy and the individual strategic element by reference to certain performance indicators which are analysed as follows:

	2018 £'000	2017 £'000	Change £'000	%
Turnover	257	1,161	(904)	(78)%
Income from investments	17,848	-	17,848	100%
Profit/(loss) for the financial year	10,042	(2,816)	12,858	457%

#### Impact of the UK leaving the European Union

The directors have considered the impact of the UK deciding to leave the European Union and do not believe it will have a significant impact to the entity in the foreseeable future.

This report was approved by the board and signed on its behalf by:



**I Guerrero-Arlas**  
Director

Date: 20/12/2019

## **CANADIAN SOLAR UK PROJECTS LTD**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present their annual report and the audited financial statements of Canadian Solar UK Projects Ltd (the "Company") for the year ended 31 December 2018.

#### **General Information**

The Company is a holding company which develops and manages Solar Plants across the UK and other areas like South America, Europe, Middle East, Africa and Asia.

At the year end, the Company is a wholly-owned subsidiary of Canadian Solar Energy Holding Company Limited a company incorporated in Hong Kong, and Canadian Solar Inc., the ultimate parent undertaking, incorporated in Canada.

#### **Results and dividends**

The profit for the financial year amounted to £10,042,164 (2017: loss of £2,815,639).

No dividends were proposed, paid or approved during the year (2017: £Nil).

#### **Directors**

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

H Chen (appointed 18 July 2019)  
I Guerrero-Arias (appointed 18 July 2019)  
A J Chien (appointed 9 October 2018, resigned 17 July 2019)  
Y Liu (appointed 19 February 2019, resigned 20 July 2019)  
G Prearo (resigned 19 February 2019)  
R Scognamiglio (resigned 19 September 2018)

#### **Future developments and going concern**

Canadian Solar UK Projects Ltd operates as a holding company for entities which either own, or have a controlling interest in the shares of entities that own assets in solar farms; as such the nature of Canadian Solar UK Projects Ltd's business is predictable and not subject to material change. The directors see no reason as to why the nature of Canadian Solar UK Projects Ltd will materially change in the foreseeable future.

The Company will continue to exist as a going concern and there are no plans to liquidate the Company. The Directors, after making enquiries, have a reasonable expectation that the Company has adequate resources to continue to adopt the going concern basis in preparing the annual report and financial statements. Further details in respect of going concern are provided in note 2.4 to the financial statements.

#### **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 Statement of Financial Position.

##### *Credit risk, liquidity risk and cash flow risk*

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

## **CANADIAN SOLAR UK PROJECTS LTD**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018**

In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of intercompany fundings to subsidiaries and from Group 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.

#### **Qualifying third party indemnity provisions**

The Company did not have any qualifying third party indemnity provision and/or qualifying pension scheme for any directors, during the financial year and at the date of approval of the director's report.

#### **Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

#### **Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**CANADIAN SOLAR UK PROJECTS LTD**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

This report was approved by the board and signed on its behalf by:



**I Guerrero-Arias**  
Director

Date: 20/12/2019



## CANADIAN SOLAR UK PROJECTS LTD

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CANADIAN SOLAR UK PROJECTS LTD

## Report on the audit of the financial statements

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### Opinion

In our opinion, Canadian Solar UK Projects Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2018; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the 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 the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

## CANADIAN SOLAR UK PROJECTS LTD

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CANADIAN SOLAR UK PROJECTS LTD (CONTINUED)

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

#### **Responsibilities for the financial statements and the audit**

##### *Responsibilities of the directors for the financial statements*

As explained more fully in the Directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

##### *Auditors' 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 auditors' 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

##### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**CANADIAN SOLAR UK PROJECTS LTD**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CANADIAN SOLAR UK PROJECTS LTD  
(CONTINUED)**

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**Other required reporting**

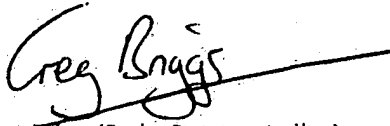
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**Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Gregory Briggs (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Uxbridge

Date: 20<sup>th</sup> December 2019

**CANADIAN SOLAR UK PROJECTS LTD**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	2017 £
Turnover	4	256,522	1,161,281
Cost of sales		(157,477)	(606,302)
<b>Gross profit</b>		<b>99,045</b>	<b>554,979</b>
Administrative expenses		(8,781,426)	(7,505,416)
<b>Operating loss</b>	5	<b>(8,682,381)</b>	<b>(6,950,437)</b>
Income from investments	10	17,847,907	-
Amounts written off investments	6	(3,675,901)	(840,291)
Interest receivable and similar income	11	4,509,000	2,889,006
Interest payable and similar expenses	12	(1,997,248)	-
Foreign exchange differences		2,040,787	2,086,083
<b>Profit/(loss) before taxation</b>		<b>10,042,164</b>	<b>(2,815,639)</b>
Tax on profit/(loss)	13	-	-
<b>Profit/(loss) for the financial year</b>		<b>10,042,164</b>	<b>(2,815,639)</b>
<b>Total comprehensive income/(expense) for the financial year</b>		<b>10,042,164</b>	<b>(2,815,639)</b>

The notes on pages 13 to 27 form part of these financial statements.

**CANADIAN SOLAR UK PROJECTS LTD**  
**REGISTERED NUMBER: 09195335**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Investments	14	18,649,171	22,375,670
<b>Current assets</b>			
Debtors: amounts falling due within one year	15	171,098,891	89,036,610
Cash at bank and in hand	16	1,660,024	2,548,152
		<u>172,758,915</u>	<u>91,584,762</u>
Creditors: amounts falling due within one year	17	(194,561,239)	(127,155,749)
<b>Net current liabilities</b>		<u>(21,802,324)</u>	<u>(35,570,987)</u>
<b>Total assets less current liabilities</b>		<u>(3,153,153)</u>	<u>(13,195,317)</u>
<b>Capital and reserves</b>			
Called up share capital	18	3,309,216	3,309,216
Share premium account	19	3,055,001	3,055,001
Profit and loss account	19	(9,517,370)	(19,559,534)
<b>Total shareholders' deficit</b>		<u>(3,153,153)</u>	<u>(13,195,317)</u>

The financial statements on pages 10 to 27 were approved and authorised for issue by the board and were signed on its behalf by:



**I Guerrero-Arias**  
Director

Date: 20/12/2019

The notes on pages 13 to 27 form part of these financial statements.

**CANADIAN SOLAR UK PROJECTS LTD**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £	Share premium account £	Profit and loss account £	Total shareholders' deficit £
<b>At 1 January 2017</b>	<b>506</b>	<b>3,055,001</b>	<b>(16,743,895)</b>	<b>(13,688,388)</b>
<b>Comprehensive expense for the financial year</b>				
Loss for the financial year	-	-	(2,815,639)	(2,815,639)
<b>Total comprehensive expense for the financial year</b>	<b>-</b>	<b>-</b>	<b>(2,815,639)</b>	<b>(2,815,639)</b>
<b>Contributions by and distributions to owners</b>				
Shares issued during the financial year	3,308,710	-	-	3,308,710
<b>Total transactions with owners</b>	<b>3,308,710</b>	<b>-</b>	<b>-</b>	<b>3,308,710</b>
<b>At 31 December 2017 and 1 January 2018</b>	<b>3,309,216</b>	<b>3,055,001</b>	<b>(19,559,534)</b>	<b>(13,195,317)</b>
<b>Comprehensive income for the financial year</b>				
Profit for the financial year	-	-	10,042,164	10,042,164
<b>Total comprehensive income for the financial year</b>	<b>-</b>	<b>-</b>	<b>10,042,164</b>	<b>10,042,164</b>
<b>At 31 December 2018</b>	<b>3,309,216</b>	<b>3,055,001</b>	<b>(9,517,370)</b>	<b>(3,153,153)</b>

The notes on pages 13 to 27 form part of these financial statements.

## CANADIAN SOLAR UK PROJECTS LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 1. General information

Canadian Solar UK Projects Ltd (the "Company") is a private company limited by shares and is incorporated in the United Kingdom and registered in England and Wales. The Company is a holding company.

The Company's registered office is 1 Lumley Street, Mayfair, London, W1K 6TT.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, 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 preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied consistently throughout the year:

##### 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 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- 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 2018 and these financial statements may be obtained from 545 Speedvale Avenue West, Guelph, Ontario, Canada, N1K 1E6, which is its registered office.

##### 2.3 Exemption from preparing consolidated financial statements

The Company is a wholly owned subsidiary of Canadian Solar Inc. It is included in the consolidated financial statements of Canadian Solar Inc., which are publicly available. Therefore the Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

The Company and its subsidiaries are consolidated into the financial statements of Canadian Solar Inc., the ultimate parent undertaking, as of 31 December 2018.

## **CANADIAN SOLAR UK PROJECTS LTD**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **2. Accounting policies (continued)**

##### **2.4 Going concern**

The directors believe that the Company is well placed to manage its business risks successfully. Having reviewed the Company's current position and given the existent financial support provided by the Company's ultimate parent Canadian Solar Inc., 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 directors' report and financial statements. The financial support by Canadian Solar Inc. has been confirmed for a period of not less than 12 months from the date of signing these financial statements.

##### **2.5 Turnover**

Turnover 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. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

##### **2.6 Employee benefits**

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

##### **2.7 Investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments are evaluated for impairment when facts or circumstances indicate that the fair value of the investment is less than its carrying value. An impairment is recognised when a decline in fair value is determined to be other-than-temporary. The Company reviews several factors to determine whether a loss is other-than-temporary. These factors include, but are not limited to, the: (i) nature of the investment; (ii) cause and duration of the impairment; (iii) extent to which fair value is less than the cost; (iv) financial conditions and near term prospects of the affiliates; and (v) ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value.

##### **2.8 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.

##### **2.9 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.

##### **2.10 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.



## CANADIAN SOLAR UK PROJECTS LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 2. Accounting policies (continued)

##### 2.11 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and Group companies, 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 debtors and creditors, 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 the case of an out-right 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.

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.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### 2.12 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.

## **CANADIAN SOLAR UK PROJECTS LTD**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **2. Accounting policies (continued)**

##### **2.13 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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'foreign exchange differences'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

##### **2.14 Operating leases**

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

##### **2.15 Interest expense**

Interest expense is recognised in the Statement of Comprehensive Income using the effective interest method.

##### **2.16 Interest Income**

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

## CANADIAN SOLAR UK PROJECTS LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 2. Accounting policies (continued)

##### 2.17 Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge 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 reporting 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 Statement of Financial Position 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 reporting date.

## CANADIAN SOLAR UK PROJECTS LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

Estimates and judgements 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 amount of assets and liabilities within the next financial year are addressed below.

##### Critical estimates

In preparing these financial statements, the following significant judgements have been made:

##### (i) Impairment of investments

Determine whether there are indicators of impairment of the Company's investments in subsidiary undertakings and associates. Factors taken into consideration include the stage of the subsidiary undertaking or associate's operating life cycle, current period operating profits or losses, the net asset/liability position at the year end and future expected performance of the undertaking. The Company impaired receivables and investment during the year by £3.7 million based on existing evidence around their recoverability.

##### (ii) Deferred tax assets

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profit together assessment of the net effect of future tax planning strategies. The Company did not recognise deferred tax on tax losses carried forward based on uncertainty around amount, timing and computability against future profits.

#### 4. Turnover

An analysis of turnover by class of business is as follows:

	2018 £	2017 £
Sale of solar energy modules	-	380,000
Asset management services	169,193	-
Intragroup recharges	67,206	781,281
Other sales	20,123	-
	<u>256,522</u>	<u>1,161,281</u>

All turnover arose within the United Kingdom.

**CANADIAN SOLAR UK PROJECTS LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**5. Operating loss**

The operating loss is stated after charging:

	2018	2017
	£	£
Operating lease payments	4,179	17,071

**6. Amounts written off investments**

During the year the Company recorded an impairment charge of £3.7m. £3.3m refers to loan owed by group undertaking, in relation to balances owed by CS UK Holdings III Limited (£2.6m) following a loss on disposal of one of the two subsidiaries of the controlled Company, and Canadian Solar Offgrid Digital Energy Limited (£0.7m), due to the planned liquidation of the subsidiary. The remaining amount relates to the impairment of the investment in Normanton Solar Farm Pty (£0.4m), aligned to the net asset value of the subsidiary.

**7. Auditors' remuneration**

	2018	2017
	£	£
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	25,000	29,000

**8. Employees**

Staff costs were as follows:

	2018	2017
	£	£
Wages and salaries	488,506	1,173,873

The average monthly number of employees, including the directors, during the year was as follows:

	2018	2017
	Number	Number
Employees	4	19

# **CANADIAN SOLAR UK PROJECTS LTD**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

### **9. Directors' remuneration**

The directors did not receive any remuneration in respect of services to the Company during the year (2017: £Nil).

### **10. Income from investments**

	2018 £	2017 £
Income from fixed asset investments	<u>17,847,907</u>	<u>-</u>

Refer to note 14 for further details.

### **11. Interest receivable and similar income**

	2018 £	2017 £
Interest income from group undertakings	3,827,939	2,886,657
Other interest income	681,061	2,349
	<u>4,509,000</u>	<u>2,889,006</u>

Interest income refers to interest charged on a shareholder loan agreement with other group entities. Please refer to note 15 for further details.

### **12. Interest payable and similar expenses**

	2018 £	2017 £
Interest expenses to group undertakings	<u>1,997,248</u>	<u>-</u>

Interest expenses refers to interest charged on loan agreement with other group entities. Please refer to note 17 for further details.

# CANADIAN SOLAR UK PROJECTS LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 13. Tax on profit/(loss)

	2018 £	2017 £
Corporation tax		
Current tax on profit/loss for the financial year	-	-
<b>Total current tax</b>	<b>-</b>	<b>-</b>

No tax has been assessed for the year (2017: £Nil) as the Company incurred a tax loss and as management has insufficient evidence of future taxable profits.

### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017: higher than) the standard rate of corporation tax in the UK of 19.00% (2017: 19.00%). The differences are explained below:

	2018 £	2017 £
Profit/(loss) before taxation	10,042,164	(2,815,639)
Profit/(loss) before taxation multiplied by standard rate of corporation tax in the UK of 19% (2017: 19%)	1,908,011	(524,319)
Effects of:		
Unrelieved tax losses carried forward	1,963,233	524,319
Exempt gains	(3,871,244)	-
<b>Total tax charge for the financial year</b>	<b>-</b>	<b>-</b>

### Factors that may affect future tax charges

Subject to approval from HMRC, the Company has trading losses of approximately £25.7 million (2017: approximately £15.4 million) 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.

On 18 November 2015, proposals to reduce the main rate of corporation tax from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020 were enacted into UK law. Revised legislation was introduced in the Finance Bill 2016 to reduce the main rate of corporation tax for all non-ring fenced profits to 17% instead of 18% from 1 April 2020.

# CANADIAN SOLAR UK PROJECTS LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 14. Investments

	Investments in subsidiary companies £	Investments in associates and other minority investments £	Total £
<b>Cost</b>			
At 1 January 2018	5,564,253	16,811,417	22,375,670
Additions	495,165	20,030,574	20,525,739
Disposals	(495,166)	(23,402,194)	(23,897,360)
At 31 December 2018	<u>5,564,252</u>	<u>13,439,797</u>	<u>19,004,049</u>
<b>Impairment</b>			
At 1 January 2018	-	-	-
Charge for the year	-	354,878	354,878
At 31 December 2018	<u>-</u>	<u>354,878</u>	<u>354,878</u>
<b>Net book value</b>			
At 31 December 2018	<u>5,564,252</u>	<u>13,084,919</u>	<u>18,649,171</u>
At 31 December 2017	<u>5,564,253</u>	<u>16,811,417</u>	<u>22,375,670</u>

### Disposal

The Company realised a net gain on disposals (Income from investments) of £17.8m, representing total consideration of £41.7m, net of carrying value and transaction costs amounting to £23.9m. The net gain relates to the disposal of operation in Brazil (£6.8m, total consideration amounting to £30.2m), Sunnyside I project entities in the UK (£9.3m, total consideration amounting to £9.3M) and operations in Chile (£1.7m, total consideration amounting to £2.2m).

### Addition

Main additions refer to Canadian solar Argentina Investment Holding Limited (£10m) and the Brazilian and Chilean operations disposed of during the year (£7.9m).



## CANADIAN SOLAR UK PROJECTS LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### Direct subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Canadian Solar Israel Limited	1 Lumley Street, Mayfair, London, W1K 6TT, UK	Holding company	Ordinary	100%
Canadian Solar Construction Limited	1 Lumley Street, Mayfair, London, W1K 6TT, UK	Production of electricity	Ordinary	100%
Canadian Solar Construction S.R.L.	Via Mercato, 3 Milano, Milano 20123, Italy	Service and Business Development company in the renewables sector	Ordinary	100%
Normanton Solar Farm Pty	800 Zillmere Road, ASPLEY QLD 4034	Generation and provision of solar energy	Ordinary	51.23%
Recurrent Energy Group Inc.	251 Little Falls Drive, Wilmington, DE, 19808	Generation and provision of solar energy	Ordinary	100%
CSUK Energy Systems Construction Turkey	Windowist Tower, Eski Buyukdere Caddesi No:26 Maslak Sanyer 34467, Istanbul	Generation and provision of solar energy	Ordinary	100%
White Solar Light Limited	1 Lumley Street, Mayfair, London, W1K 6TT, UK	Production of electricity	Ordinary	100%
Canadian Solar Poland Holding Limited	1 Lumley Street, Mayfair, London, W1K 6TT, UK	Holding company	Ordinary	100%
Great West Solar Limited	1stFloor. Physicians and Surgeons Building, 54 Independence Avenue, Accra, Ghana	Trade of electricity	Ordinary	100%
Canadian Solar Argentina Investment Holding Ltd	1 Lumley Street, Mayfair, London, W1K 6TT, UK	Holding company	Ordinary	100%
Canadian Solar Offgrid Digital Energy Limited	1 Lumley Street, Mayfair, London, W1K 6TT, UK	Trade of electricity	Ordinary	100%
Wildplum Investments (PTY) Limited	3rdFloor, 344 Independence Avenue, Windhoek (P.O. Box 37), Namibia	Trade of electricity	Ordinary	100%
Solstice One Private Limited	Office No. 1, 2ndFloor, Diamond Tower, Liberty Market, Gulberg-III, Lahore, Pakistan	Trade of electricity	Ordinary	98%
Wick Grid Limited	1 Lumley Street, Mayfair, London, W1K 6TT, UK	generation and provision of solar energy	Ordinary	100%

# CANADIAN SOLAR UK PROJECTS LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### Direct subsidiary undertakings (continued)

Name	Registered office	Principal activity	Class of shares	Holding
Royston Grid Limited	1 Lumley Street, Mayfair, London, W1K 6TT, UK	generation and provision of solar energy	Ordinary	100%
Pantymoch Grid Limited	1 Lumley Street, Mayfair, London, W1K 6TT, UK	generation and provision of solar energy	Ordinary	100%
Anemone Sol S.r.l.	iaGiovanni Battista Tuveri 16, 09129, Cagliari, Italy	generation and provision of solar energy	Ordinary	100%
Peonia Sol S.r.l.	Milan, Via Mercato 3, 20122, Italy	generation and provision of solar energy	Ordinary	100%
Orchidea Blu Sol S.r.l.	Milan, Via Mercato 3, 20122, Italy	generation and provision of solar energy	Ordinary	100%
Ipomea Sol S.r.l.	Milan, Via Mercato 3, 20122, Italy	generation and provision of solar energy	Ordinary	100%
Edera Sol S.r.l.	Milan, Via Mercato 3, 20122, Italy	generation and provision of solar energy	Ordinary	100%
Green Seven S.r.l.	Via Augusto Righi 7, Verona, Italy	Holding company	Ordinary	51%
Canadian Solar Spain SL	Paseo de la Castellana, numero 93, 12 Pianta, C.P 28046, Spain	Holding company	Ordinary	100%
Azucena New Energy SL	Paseo del Club Deportivo 11, Edificio 6A, Parque Empresarial La finca, Pozuelo de Alarcón, Madrid, Spain	Trade of electricity	Ordinary	80%
Roble New Energy SL	Paseo del Club Deportivo 11, Edificio 6A, Parque Empresarial La finca, Pozuelo de Alarcón, Madrid, Spain	Trade of electricity	Ordinary	80%
Canadian Solar Projects Taiwan UK Ltd	1 Lumley Street, Mayfair, London, W1K 6TT, UK	Holding company	Ordinary	100%

# **CANADIAN SOLAR UK PROJECTS LTD**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

### **Associates and equity investments**

The following were associates and equity investments of the Company:

Name	Class of shares	Holding
El Mayo	Ordinary	0.003%
Tastlota	Ordinary	2%
Recurrent Energy Mexico Development	Ordinary	0.1%
Canarde consortium for renewable energy S.A.	Ordinary	10%
FieldFare Argentina S.R.L	Ordinary	2%
Canadian Solar Services Argentina S.R.L	Ordinary	2%

### **15. Debtors**

	2018 £	2017 £
Trade debtors	1,431,600	-
Amounts owed by group undertakings	168,518,409	87,645,294
Other debtors	1,100,405	941,864
Prepayments and accrued income	48,477	449,452
	<u>171,098,891</u>	<u>89,036,610</u>

Amounts owed by group undertakings relates mainly to an unsecured loan to Recurrent Energy Group Inc., Recurrent Energy LLC and CS UK Holdings III Limited. Loans are repayable on demand and the interest rate is between 6% and 6.5% (2017: 6%).

Other debtors includes recoverable VAT of £230,555 (2017: £417,913) and other receivables of £869,850 (2017: £523,950).

### **16. Cash at bank and in hand**

	2018 £	2017 £
Cash at bank and in hand	<u>1,660,024</u>	<u>2,548,152</u>

# **CANADIAN SOLAR UK PROJECTS LTD**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

### **17. Creditors: amounts falling due within one year**

	2018 £	2017 £
Trade creditors	1,169,409	175,238
Amounts owed to group undertakings	192,656,214	126,283,082
Accruals and deferred income	735,616	697,429
	<u>194,561,239</u>	<u>127,155,749</u>

Amounts owed to group undertakings are unsecured, the interest rate is between 5% and 5.5% (2017: Nil) and the loan is repayable on demand.

### **18. Called up share capital**

	2018 £	2017 £
Allotted, called up and fully paid		
3,309,216 (2017: 3,309,216) Ordinary shares of £1 (2017: £1) each	<u>3,309,216</u>	<u>3,309,216</u>

### **19. Reserves**

#### **Share premium account**

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 represents the accumulated profits, losses and distributions of the Company.

### **20. Commitments under operating leases**

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

	2018 £	2017 £
Not later than 1 year	<u>69,020</u>	<u>69,020</u>

## **CANADIAN SOLAR UK PROJECTS LTD**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **21. 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.

Transactions with entities outside the Group but controlled by directors of the Company were recorded in administrative expenses within the Statement of Comprehensive Income for £382,973 (2017: £230,252). These transactions represent consulting services relating to the construction of solar farms charged by Business Developing Advisory Limited which is controlled by a director of the Company. The fees paid under the respective Consultancy Agreement were at market rates.

#### **22. Ultimate parent undertaking and controlling party**

At the year end, the immediate parent undertaking is Canadian Solar Energy Holding Company Limited, a company incorporated in Hong Kong.

At the year end, 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, which is its registered address.