

Registered number: 09195335

**CANADIAN SOLAR UK PROJECTS LTD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

FRIDAY



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28/09/2018  
COMPANIES HOUSE

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## CANADIAN SOLAR UK PROJECTS LTD

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### Company Information

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<b>Directors</b>	R Scognamiglio G Prearo
<b>Company secretary</b>	JD Secretariat Limited
<b>Registered number</b>	09195335
<b>Registered office</b>	1 Lumley Street London W1K 6TT
<b>Independent auditor</b>	PricewaterhouseCoopers LLP The Atrium 1 Harefield Rd Uxbridge United Kingdom UB8 1EX

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## **CANADIAN SOLAR UK PROJECTS LTD**

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## CANADIAN SOLAR UK PROJECTS LTD

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### Strategic report For the Year Ended 31 December 2017

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#### Introduction

The directors have pleasure in presenting their Strategic Report for the year ended 31 December 2017. The comparative period is for the year ended 31 December 2016.

#### Business review

The Company is a wholly owned subsidiary of Canadian Solar Inc., which is incorporated in the US and listed on 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 outside.

The Statements of Comprehensive Income and Financial Position are set out on pages 8 and 9 respectively. These show a loss of £2,815,639 (2016: £8,916,322 loss) for the year ended 31 December 2017 and net liabilities of £ 13,195,317 (2016: £ 13,688,388 net liabilities).

Turnover for the financial year was £1,161,281 (2016: £9,556,754). 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 operational assets by the end of 2018.

The Company will continue to expand its revenue base further through the development of additional Solar Plants in Europe, Middle East, 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 31 March 2017 (with some exceptions i.e. Northern Ireland). With the UK having been the primary market for the Company to date, new markets across Europe, the Middle East 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 (very low)
  - b. Policy risk
2. Legal risk
  - a. Contract structure and enforcement
  - b. Compliance
  - c. Environmental

The Company operates in the market leveraging on Group international experience and competence.

#### Competition

The market in which the Company operates is highly competitive. As a consequence there is a

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## CANADIAN SOLAR UK PROJECTS LTD

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### Strategic report (continued) For the Year Ended 31 December 2017

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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 though fixed interest rate.

#### 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:

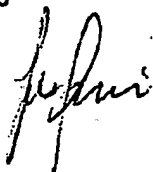
	2017 £'000	2016 £'000	Change £'000	%
Turnover	1,161	9,557	(8,396)	(87.8%)
Loss for the year	(2,816)	(8,916)	6,100	68.4%

#### 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 on 14<sup>th</sup> September 2018 and signed on its behalf on 28<sup>th</sup> September 2018.

G Prearo  
Director



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## **CANADIAN SOLAR UK PROJECTS LTD**

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### **Directors' report For the Year Ended 31 December 2017**

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The directors present their report and the financial statements for the year ended 31 December 2017.

#### **General Information**

Canadian Solar UK Projects Ltd (the 'Company') was incorporated on 29 August 2014 (Companies House registration number 09195335) and is a holding company which develops and manages Solar Plants across the UK.

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

#### **Results and dividends**

The loss for the year, after taxation, amounted to £2,815,639 (2016 - loss £8,916,322).  
No dividends were paid or approved during the period (2016:nil).

#### **Directors**

The directors who served during the period and subsequently were:

R Scognamiglio  
D Giannoulakis (resigned 20 June 2017)  
G Prearo (appointed 20 June 2017)

#### **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 balance sheet.

##### *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.

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## CANADIAN SOLAR UK PROJECTS LTD

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### Directors' report (continued) For the Year Ended 31 December 2017

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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 and pension scheme indemnity provision**

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.

#### **Statement of directors' responsibilities**

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.

#### **Disclosure of information to auditor**

In the case of each directors in the 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 auditor is unaware, and
- they have taken all the steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

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## CANADIAN SOLAR UK PROJECTS LTD

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### Directors' report (continued) For the Year Ended 31 December 2017

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#### Post balance sheet events

In February 2018 the Company sold 100% of its investment in Canadian Solar UK Intermediate Ltd and related assets and subsidiaries (Maple Portfolio) for a total sales price of £17,673,979, which was in excess of the related carrying value at that date.

#### Auditor

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

This report was approved by the board on 14<sup>th</sup> September 2018 and signed on its behalf on 28<sup>th</sup> September 2018.

G Prearo  
Director





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## CANADIAN SOLAR UK PROJECTS LTD

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### Independent auditor's report to the shareholders of Canadian Solar UK Projects Ltd (continued)

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#### 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 2017 and of its loss 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 2017, 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.

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##### 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.

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##### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to, which 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.

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.

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##### 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.

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.

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## CANADIAN SOLAR UK PROJECTS LTD

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### Independent auditor's report to the shareholders of Canadian Solar UK Projects Ltd (continued)

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#### *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 2017 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 Statement of directors' responsibilities set out on page 4, 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.

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### **Other required reporting**

#### **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  
28 September 2018

# CANADIAN SOLAR UK PROJECTS LTD

## Statement of comprehensive income For the Year Ended 31 December 2017

	Note	2017 £	2016 £
Turnover	4	1,161,281	9,556,754
Cost of sales		(606,302)	(9,312,347)
<b>Gross profit</b>		<b>554,979</b>	<b>244,407</b>
Administrative expenses		(7,505,416)	(9,049,461)
<b>Operating loss</b>	5	<b>(6,950,437)</b>	<b>(8,805,054)</b>
Net Exchange gain / (loss)	7	2,086,083	-
Amounts written off investments	10,12	(840,291)	(1,004,448)
Net Interest Income / (expense)	8	2,889,006	893,180
<b>Loss before tax</b>		<b>(2,815,639)</b>	<b>(8,916,322)</b>
Income Tax	9	-	-
<b>Loss for the year</b>		<b><u>(2,815,639)</u></b>	<b><u>(8,916,322)</u></b>
<b>Total comprehensive loss for the year</b>		<b><u>(2,815,639)</u></b>	<b><u>(8,916,322)</u></b>

The notes on pages 11 to 24 form an integral part of these financial statements.

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

**CANADIAN SOLAR UK PROJECTS LTD**  
Registered number: 09195335

**Statement of Financial Position**  
**As at 31 December 2017**

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Investments	10	22,375,670	14,540,117
		<u>22,375,670</u>	<u>14,540,117</u>
<b>Current assets</b>			
Stocks	11	380,000	
Debtors: amounts falling due within one year	12	89,036,610	88,163,799
Cash at bank and in hand		2,548,152	4,843,313
		<u>91,584,762</u>	<u>93,387,112</u>
Creditors: amounts falling due within one year	13	(127,155,749)	(121,615,617)
<b>Net current liabilities</b>		<u>(35,570,987)</u>	<u>(28,228,505)</u>
<b>Total assets less current liabilities</b>		<u>(13,195,317)</u>	<u>(13,688,388)</u>
<b>Net liabilities</b>		<u>(13,195,317)</u>	<u>(13,688,388)</u>
<b>Capital and reserves</b>			
Called up share capital	14	3,309,216	506
Share premium account	15	3,055,001	3,055,001
Profit and loss account		(19,559,534)	(16,743,895)
		<u>(13,195,317)</u>	<u>(13,688,388)</u>

The notes on pages 11 to 24 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28<sup>th</sup> September 2018.

**G Prearo**  
Director



# **CANADIAN SOLAR UK PROJECTS LTD**

## **Statement of changes in equity For the Year Ended 31 December 2017**

	<b>Called up share capital £</b>	<b>Share premium account £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
<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 loss for the year</b>				
Loss for the year	-	-	<b>(2,815,639)</b>	<b>(2,815,639)</b>
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(2,815,639)</b>	<b>(2,815,639)</b>
Shares issued during the year	<b>3,308,710</b>	-	-	<b>3,308,710</b>
<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</b>	<b><u>3,309,216</u></b>	<b><u>3,055,001</u></b>	<b><u>(19,559,534)</u></b>	<b><u>(13,195,317)</u></b>

## **Statement of changes in equity For the Year Ended 31 December 2016**

	<b>Called up share capital £</b>	<b>Share premium account £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
<b>At 1 January 2016</b>	<b>500</b>	-	<b>(7,827,573)</b>	<b>(7,827,073)</b>
<b>Comprehensive loss for the year</b>				
Loss for the year	-	-	<b>(8,916,322)</b>	<b>(8,916,322)</b>
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(8,916,322)</b>	<b>(8,916,322)</b>
Shares issued during the year	<b>6</b>	<b>3,055,001</b>	-	<b>3,055,007</b>
<b>Total transactions with owners</b>	<b>6</b>	<b>3,055,001</b>	<b>-</b>	<b>3,055,007</b>
<b>At 31 December 2016</b>	<b><u>506</u></b>	<b><u>3,055,001</u></b>	<b><u>(16,743,895)</u></b>	<b><u>(13,688,388)</u></b>

The notes on pages 11 to 24 form an integral part of these financial statements.

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## **CANADIAN SOLAR UK PROJECTS LTD**

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### **Notes to the financial statements For the Year Ended 31 December 2017**

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#### **1. General Information**

Canadian Solar UK Projects Ltd 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 under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland ("FRS 102") 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).

##### **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 2017 and these financial statements may be obtained from 545 Speedvale Avenue West, Guelph, Ontario, Canada, N1K 1E6, which is its registered office.

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## CANADIAN SOLAR UK PROJECTS LTD

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### Notes to the financial statements For the Year Ended 31 December 2017

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#### 2. Accounting policies (continued)

##### 2.3 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 2017.

##### 2.4 Going concern

The financial statements have been prepared on a going concern basis despite an excess of total liabilities over total assets of £13,195,317. 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 twelve months from the date of the approval of 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 Valuation of 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 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

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## CANADIAN SOLAR UK PROJECTS LTD

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### Notes to the financial statements For the Year Ended 31 December 2017

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#### 2. Accounting policies (continued)

##### 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, where applicable, are shown within borrowings in current liabilities.

##### 2.11 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 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 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.

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 of the recoverable amount, 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 a net basis or to realise the asset and settle the liability simultaneously.



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## **CANADIAN SOLAR UK PROJECTS LTD**

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### **Notes to the financial statements For the Year Ended 31 December 2017**

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

##### **2.11 Financial Instruments (continued)**

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 profit or loss 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 period.

##### **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.

##### **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 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 'Net Exchange gain / (loss)'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'administrative expenses'.

##### **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.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

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## CANADIAN SOLAR UK PROJECTS LTD

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### Notes to the financial statements For the Year Ended 31 December 2017

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#### 2. Accounting policies (continued)

##### 2.15 Interest Income

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

##### 2.16 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 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.

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## CANADIAN SOLAR UK PROJECTS LTD

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### Notes to the financial statements For the Year Ended 31 December 2017

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

##### Critical judgments

In preparing these financial statements, the following significant judgments 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.

##### (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 an assessment of the net effect of future tax planning strategies.

There are no critical estimates in applying the Company's accounting policies.

#### 4. Turnover

	2017 £	2016 £
Sale of solar energy modules	380,000	8,825,754
Intragroup recharges	781,281	731,000
	<u>1,161,281</u>	<u>9,556,754</u>

All turnover arose within the United Kingdom.

#### 5. Operating loss

The operating loss is stated after charging:

	2017 £	2016 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	29,000	6,900

# **CANADIAN SOLAR UK PROJECTS LTD**

## **Notes to the financial statements For the Year Ended 31 December 2017**

### **5. Operating loss (continue)**

Operating lease payments	<u>17,071</u>	<u>53,782</u>
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### **6. Employees**

	2017	2016
	£	£
Wages, salaries and social security costs	<u>1,173,873</u>	<u>1,472,225</u>

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

	2017	2016
	No.	No.
Employees	<u>19</u>	<u>24</u>

The directors did not receive any remuneration in respect of services to the Company during the year (2016 - £Nil).

### **7. Net exchange gain / (loss)**

	2017	2016
	£	£
Exchange gain	<u>2,086,083</u>	<u>-</u>

The exchange rate differences refer to the income occurred in the translation of the foreign currency transactions in the functional currency (GBP). The gain refers to a financing, with another Group company, in USD (note 13).

# **CANADIAN SOLAR UK PROJECTS LTD**

## **Notes to the financial statements For the Year Ended 31 December 2017**

### **8. Net Interest Income / (expense)**

	2017 £	2016 £
Interest income from group undertakings	2,886,657	891,861
Other interest income	2,349	1,319
	<u>2,889,006</u>	<u>893,180</u>

Interest income refers to interest received on a shareholder loan agreement with Canadian Solar UK Intermediate Limited. Please refer to note 12 for further details.

### **9. Income Tax**

	2017 £	2016 £
<b>Total tax</b>	<u>-</u>	<u>-</u>

#### **Factors affecting tax charge for the year**

No tax have been assessed for the year (2016: nil) as the company incurred a tax loss and as management has insufficient evidence of future taxable profits.

The standard rate of corporation tax in the UK of 19% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Loss before tax	<u>(2,815,639)</u>	<u>(8,916,322)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2016 - 20%)	(524,319)	(1,783,264)
<b>Effects of:</b>		
Unrelieved tax losses carried forward	524,319	1,783,264
<b>Total tax charge for the year</b>	<u>-</u>	<u>-</u>

#### **Factors that may affect future tax charges**

# CANADIAN SOLAR UK PROJECTS LTD

## Notes to the financial statements For the Year Ended 31 December 2017

### 9. Income Tax (continued)

Subject to approval from HMRC, the Company has trading losses of approximately £ 19,559,534 (2016: approximately £ 16,743,895) 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 the current 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 fence profits to 17% instead of 18% from 1 April 2020.

### 10. Investments

	Investments in subsidiary companies £	Other Investments in subsidiaries £	Total £
<b>Cost or valuation</b>			
At 1 January 2017	3,640,955	10,899,162	14,540,117
Additions	2,095,628	5,912,255	8,007,923
Impairment recognised	(172,370)	-	(172,370)
At 31 December 2017	<u>5,564,253</u>	<u>16,811,417</u>	<u>22,375,670</u>

At the year end, the equity investment in Canadian Solar Mozambique has been impaired for an amount of £172,370 as a result of changes in the regulatory environment in Mozambique.

## CANADIAN SOLAR UK PROJECTS LTD

### Notes to the financial statements For the Year Ended 31 December 2017

#### 10. Investments (continued)

##### Direct subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Canadian Solar Mozambique Projects Limited	Ordinary	% 96	Trade of electricity
Canadian Solar UK Intermediate Limited	Ordinary	% 100	Holding company
Canadian Solar Israel Limited	Ordinary	% 100	Holding company
Pantymoch Farm Community Solar Project C.I.C.	Ordinary	% 100	Generation and provision of solar energy
Wick Road Community Solar Project C.I.C.	Ordinary	% 100	Generation and provision of solar energy
Royston Community Solar Project C.I.C.	Ordinary	% 100	Generation and provision of solar energy
Canadian Solar Construction Limited	Ordinary	% 100	Production of electricity
Canadian Solar Construction S.R.L.	Ordinary	% 100	Service and Business Development company in the renewables sector
Normanton Solar Farm Pty	Ordinary	% 51.23	Generation and provision of solar energy
Recurrent Recurrent Energy Group Inc.	Ordinary	% 100	Generation and provision of solar energy
CSUK Energy Systems Construction Turkey	Ordinary	% 100	Generation and provision of solar energy
White Solar Light Limited	Ordinary	% 100	Production of electricity

##### Associates and equity investments

The following were associates and equity investments of the Company:

Name	Class of shares	Holding
Pirapora Solar Holding S.A.	Ordinary	% 20
Pirapora II Holding S.A.	Ordinary	% 20
Pirapora III Holding S.A.	Ordinary	% 20
El Mayo	Ordinary	% 0.003
Tastiota	Ordinary	% 2
Recurrent Energy México Development	Ordinary	% 0.1

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## CANADIAN SOLAR UK PROJECTS LTD

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### Notes to the financial statements For the Year Ended 31 December 2017

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#### 10. Investments (continued)

Name	Registered office
Canadian Solar Mozambique Projects Limited	1 Lumley Street, Mayfair, London, W1K 6TT
Canadian Solar UK Intermediate Limited	1 Lumley Street, Mayfair, London, W1K 6TT
White Solar Light Limited	1 Lumley Street, Mayfair, London, W1K 6TT
Pantymoch Farm Community Solar Project C.I.C.	1 Lumley Street, Mayfair, London, W1K 6TT
Wick Road Community Solar Project C.I.C.	1 Lumley Street, Mayfair, London, W1K 6TT
Royston Community Solar Project C.I.C.	1 Lumley Street, Mayfair, London, W1K 6TT
Canadian Solar Construction Limited	1 Lumley Street, Mayfair, London, W1K 6TT
Canadian Solar Construction S.R.L.	Via Mercato, 3 Milano, Milano 20123, Italy
CSUK Energy Systems Contruction Turkey	Windowist Tower, Eski Buyukdere Caddesi No:26 Maslak Sariyer 34467, Istanbul
Canadian Solar Israel Limited	1 Lumley Street, Mayfair, London, W1K 6TT
Recurrent Recurrent Energy Group Inc	251 Little Falls Drive, Wilmington, DE, 19808
Normanton Solar Farm Pty	800 Zillmere Road, ASPLEY QLD 4034.



**CANADIAN SOLAR UK PROJECTS LTD**

**Notes to the financial statements  
For the Year Ended 31 December 2017**

**11. Stocks**

	2017 £	2016 £
Modules	-	380,000
	<u>-</u>	<u>380,000</u>

**12. Debtors: Amounts falling due within one year**

	2017 £	2016 £
Amounts owed by group undertakings	87,645,294	86,664,843
Other debtors	941,864	1,478,683
Prepayments	449,452	20,273
	<u>89,036,610</u>	<u>88,163,799</u>

Amounts owed by group undertakings relates mainly to an unsecured loan to Canadian Solar UK Intermediate Limited, Canadian Solar UK Parent Limited and CS UK Parent II Ltd. Interest is charged at 7.8% (2016 – 7.8%) and the loan is repayable on demand.

Other debtors includes recoverable VAT of £ 417,913 (2016: £Nil) and other receivables of £523,950.

There was an impairment of £667,921 recognised on amounts owed by group undertaking in relation to balances owed by Canarde Group Consortium SAE and Pirapora Investments as a result of changes in the regulatory environment.

# **CANADIAN SOLAR UK PROJECTS LTD**

## **Notes to the financial statements For the Year Ended 31 December 2017**

### **13. Creditors: Amounts falling due within one year**

	2017 £	2016 £
Bank overdrafts	-	22
Trade creditors	175,238	1,076,923
Amounts owed to group undertakings	126,283,082	119,546,479
VAT payable	-	454,602
Other creditors	-	51
Accruals and deferred income	697,429	537,540
	<u>127,155,749</u>	<u>121,615,617</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

### **14. Called up Share capital**

	2017 £	2016 £
<b>Shares classified as equity</b>		
<b>Authorised, allotted, called up and fully paid</b>		
3,309,216 (2016: 506) Ordinary shares of £1 each	<u>3,309,216</u>	<u>506</u>

On 26 December 2017, the Company issued 3,308,710 ordinary subscriber shares of £1 of nominal value.

### **15. 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.

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## CANADIAN SOLAR UK PROJECTS LTD

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### Schedule to the detailed accounts For the Year Ended 31 December 2017

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#### 16. Commitments under operating leases

As at December 31, 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	69,020	13,963
Later than 1 year and not later than 5 years	-	-
	<u>69,020</u>	<u>13,963</u>

#### 17. 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 £230,252 (2016 - £202,692). 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.

#### 18. Post balance sheet events

In February 2018 the Company sold 100% of its investment in Canadian Solar UK Intermediate Limited for a total sales price of £17,673,978. The Company recognized a gain of £7,581,036 on the sale.

#### 19. 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.