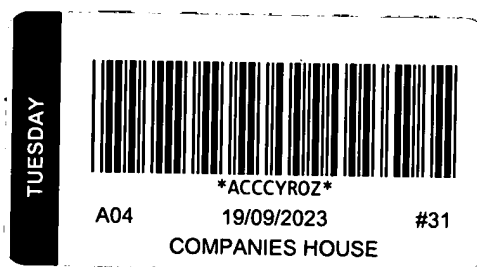


Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 December 2022
for
CANADIAN SOLAR UK PROJECTS LTD



CANADIAN SOLAR UK PROJECTS LTD

Contents of the Financial Statements
for the Year Ended 31 December 2022

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CANADIAN SOLAR UK PROJECTS LTD

Company Information
for the Year Ended 31 December 2022

DIRECTORS:

I Guerrero-Arias
X Zhu

REGISTERED OFFICE:

111 Park Street, Mayfair
London
W1K 7JF

REGISTERED NUMBER:

09195335

AUDITORS:

A.C.T. Audit Limited
48 Dover Street
Mayfair, London
W1S 4FF

CANADIAN SOLAR UK PROJECTS LTD

Strategic Report for the Year Ended 31 December 2022

The directors present the Strategic Report of Canadian Solar UK Projects Ltd (the "Company") for the year ended 31 December 2022.

REVIEW OF BUSINESS

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 9 and 10 respectively. These show a loss of \$5,039,583 (2021: income of \$8,092,132) for the year ended 31 December 2022 and net current (liabilities)/ assets of \$(20,167,671) (2021: \$11,128,200).

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 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

These mainly include, but are not limited to, business risk (regulatory and competitor strategy), currency exposure, credit risk and liquidity risk. The Directors monitor these risks through management meetings and regular dialogue with people in the organization. The Company is proactively looking at ways to mitigate the uncertainty created by Brexit and manage the possible outcomes. No negative outcomes have been identified so far. While the health crisis generated by the COVID-19 pandemic seems to have passed, the war between Russia and Ukraine, which began on February 24, 2022, is still ongoing. The Russian invasion induced the other major economic powers of the world to issue large-scale sanctions against Russia. The sanctions resulted in a reduction in the volume of world trade and a sharp increase in the prices of goods and energy.

Fortunately, the current events in Ukraine had no significant impact on the business.

The directors are monitoring the current situation and are monitoring these risks together with those noted above.

REGULATORY RISKS

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.

Covid did not have a significant negative impact on the renewable market. The EU and other Governments decided to invest in renewable energy as a way out of the crisis. The expectation is for the industry to grow further. In the short term some delays in project can be due to local lockdown slowing down the approval of project or the visit to construction sites.

CANADIAN SOLAR UK PROJECTS LTD**Strategic Report**
for the Year Ended 31 December 2022 - Continued**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 operations are coordinated with the integrated Group supply chain. The Group leverage on its experience in the market and its important role as top player.

Interest rate risk

Interest rate risk is the risk that the fair value of investments will fluctuate because of changes in interest rate. The Company is financed mainly through intercompany loan facilities. The Company optimises 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.

Liquidity risk

The Company is exposed to liquidity risk mainly in the development phases of the projects. Liquidity is provided by Group based on the budget approved before the beginning of the period and the financing request made during the development of the projects. However, the Ultimate parent Canadian Solar Inc. has considerable cash available to support the company in case of need.

Inflation risk

The company's profitability could be eroded by the increase in costs of energy and materials to build photovoltaic panels. Management is monitoring adequately these factors to ensure healthy margins are achieved on each transaction.

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:

	2022	2021	Change	%
	\$'000	\$'000	\$'000	
Turnover	0	328	(328)	-
Income/(loss) from investments	(6,239)	11,942	(18,181)	(153)
Profit/(loss) for the financial year	(5,040)	8,092	(13,132)	(162)

In 2022 the loss on Investments mainly relates to the impairment of the subsidiary in Spain.

ON BEHALF OF THE BOARD:

Ismail Guerrero

I Guerrero-Arias - Director

Date: 14/09/2023

Report of the Directors for the Year Ended 31 December 2022

The directors present their report with the financial statements of the company for the year ended 31 December 2022.

RESULTS AND DIVIDENDS

The loss for the financial year amounted to \$5,039,583 (2021: profit of \$8,092,132). No dividends were proposed, paid or approved during the year (2021: \$Nil).

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2022 to the date of this report.

I Guerrero-Arias

X Zhu

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 Report of the Directors 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 of the audit opinion of these financial statement.

QUALIFYING THIRD-PARTY AND PENSION SCHEME INDEMNITY PROVISIONS

The company did not have any qualifying third-party indemnity provision and/or qualifying pension scheme indemnity provision for any of the directors, during the financial year and up to date of approval of the Directors Report.

FUTURE DEVELOPMENTS

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 do not expect to be impacted significantly by Brexit issues or Ukraine-Russia war. Management expects the results in 2023 and investments to be substantially in line with budget. No impact has been detected on Company assets value after year end because of subsequent events.

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.

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.

CANADIAN SOLAR UK PROJECTS LTD

Report of the Directors for the Year Ended 31 December 2022 - Continued

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report, the strategic report and the financial statements in accordance with applicable law and regulations and in accordance with United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (Financial Reporting Standard 102). 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 the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom, governing the preparation and dissemination of financial statements, may differ from legislation in other jurisdictions.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Each director who held office at the date of approval of this report confirms that:

- so far as the directors is aware, there is no relevant audit information needed by the company's auditor in connection with preparing their report of which the company's auditor is unaware; and
- the directors have taken all the steps that ought to have been taken as directors in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

AUDITORS

The auditors, A.C.T. Audit Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

Ismail Guerrero

I Guerrero-Arias - Director

Date: 14/09/2023

Report of the Independent Auditors to the Members of CANADIAN SOLAR UK PROJECTS LTD

Opinion

We have audited the financial statements of Canadian Solar UK Projects Ltd (the 'company') for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Notes to the Financial Statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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.

Report of the Independent Auditors to the Members of CANADIAN SOLAR UK PROJECTS LTD - Continued

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

The extent to which our procedures are capable of detecting irregularities, including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the Engagement Partner ensured the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with Members and other management, and from our commercial knowledge and experience of the Renewables sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and data protection, anti-bribery, employment, environmental (including Waste Electrical and Electronic Equipment recycling (WEEE) Regulations 2013) and health and safety legislation;;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations;

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions; and

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims and
- reviewing correspondence with HMRC and the company's legal advisors;

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Report of the Independent Auditors to the Members of
CANADIAN SOLAR UK PROJECTS LTD - Continued

Use of our report

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

ACT AUDIT LIMITED

Francesco Lepri (Senior Statutory Auditor)
for and on behalf of A.C.T. Audit Limited
48 Dover Street
Mayfair, London
W1S 4FF

14 September 2023
Date:

CANADIAN SOLAR UK PROJECTS LTD**Statement of Comprehensive Income**
for the Year Ended 31 December 2022

	Notes	31.12.22 \$	\$	31.12.21 \$	\$
TURNOVER			-		328,278
Administrative expenses			1,226,139		5,030,363
			<u>(1,226,139)</u>		<u>(4,702,085)</u>
Foreign exchange differences			(1,024,813)		(1,737,625)
Other operating income	3		<u>1,878,511</u>		<u>1,221,383</u>
OPERATING LOSS	5		(372,441)		(5,218,327)
Income/(loss) from investments	6		(6,238,579)		11,941,643
Interest receivable and similar income	7		8,910,643		8,243,851
Interest payable and similar expenses	8		<u>7,339,206</u>		<u>6,875,035</u>
(LOSS)/PROFIT BEFORE TAXATION			(5,039,583)		8,092,132
Tax on (loss)/profit	9		<u>-</u>		<u>-</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR			(5,039,583)		8,092,132
OTHER COMPREHENSIVE INCOME			<u>-</u>		<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			<u><u>(5,039,583)</u></u>		<u><u>8,092,132</u></u>

The notes form part of these financial statements

CANADIAN SOLAR UK PROJECTS LTD (Registered number: 09195335)**Statement of Financial Position**
31 December 2022

	Notes	31.12.22 \$	31.12.21 \$
FIXED ASSETS			
Investments	10	98,701,075	51,944,360
CURRENT ASSETS			
Debtors	11	160,718,023	173,125,948
Cash at bank		<u>1,149,282</u>	<u>9,586,541</u>
		161,867,305	182,712,489
CREDITORS			
Amounts falling due within one year	12	<u>182,034,976</u>	<u>171,584,289</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(20,167,671)</u>	<u>11,128,200</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>78,533,404</u>	<u>63,072,560</u>
CAPITAL AND RESERVES			
Called up share capital	13	18,166,015	18,166,015
Reserves		80,123,403	59,622,976
Retained earnings		<u>(19,756,014)</u>	<u>(14,716,431)</u>
SHAREHOLDERS' FUNDS		<u>78,533,404</u>	<u>63,072,560</u>

The notes from page 12 to 20 form part of these financial statements.

14/09/2023

The financial statements were approved by the Board of Directors and authorised for issue on and were signed on its behalf by:

Ismail Guerrero

I Guerrero-Arias - Director

The notes form part of these financial statements

CANADIAN SOLAR UK PROJECTS LTD**Statement of Changes in Equity
for the Year Ended 31 December 2022**

	Called up share capital \$	Retained earnings \$	Reserves \$	Total equity \$
Balance at 1 January 2021	17,375,262	(18,748,768)	56,353,934	54,980,428
Changes in equity				
Reserves	790,753	(4,059,795)	3,269,042	-
Total comprehensive income	-	8,092,132	-	8,092,132
Balance at 31 December 2021	<u>18,166,015</u>	<u>(14,716,431)</u>	<u>59,622,976</u>	<u>63,072,560</u>
Changes in equity				
Reserves	-	-	20,500,427	20,500,427
Total comprehensive income	-	(5,039,583)	-	(5,039,583)
Balance at 31 December 2022	<u>18,166,015</u>	<u>(19,756,014)</u>	<u>80,123,403</u>	<u>78,533,404</u>

The notes form part of these financial statements

CANADIAN SOLAR UK PROJECTS LTD

Notes to the Financial Statements for the Year Ended 31 December 2022

1. STATUTORY INFORMATION

CANADIAN SOLAR UK PROJECTS LTD is a private company, limited by shares, registered in Not specified/Other. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

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 Report of the Directors 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.

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

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

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"

- o the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- o the requirements of Section 7 Statement of Cash Flows;
- o the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- o 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);
- o the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- o 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 2021 and these financial statements may be obtained from 545 Speedvale Avenue West, Guelph, Ontario, Canada, N1K 1E6, which is its registered office

Exemption from preparing consolidated financial statements

The Company is a wholly owned subsidiary of Canadian Solar Inc. The Company and its subsidiaries are consolidated into the financial statements of Canadian Solar Inc. (being the smallest and largest consolidated Group), the ultimate parent undertaking, as of 31 December 2022 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.

CANADIAN SOLAR UK PROJECTS LTD

Notes to the Financial Statements - continued for the Year Ended 31 December 2022

2. ACCOUNTING POLICIES - continued

Judgements applying in accounting policies and key sources of estimation

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 did not impaired any amount during the year.

(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. The Company did not recognise deferred tax on tax losses carried forward based on uncertainty around amount, timing and computability against future profits.

Turnover

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

Investments in subsidiaries and associates

Investments in subsidiary and associate undertakings are recognised at cost less impairment.

Impairment

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

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 rate and laws that been enacted or subsequently enacted by the statement of Financial Position date in the countries where the company operates and generates income.

Deferred tax

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:

(1) 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 the other future taxable profit; and

(2) Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been sent.

Deferred tax balances are recognised in respect of permanent differences.

Deferred tax is determined using tax rates and laws that have been enacted or subsequently enacted by the Statement of Financial Position date. Deferred tax asset has not been calculated during the year.

CANADIAN SOLAR UK PROJECTS LTD

Notes to the Financial Statements - continued for the Year Ended 31 December 2022

2. ACCOUNTING POLICIES - continued

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.

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.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivables 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.

Cash and cash equivalents

Cash and cash equivalents include 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.

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 constitutes a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows 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.

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 - continued**
for the Year Ended 31 December 2022**2. ACCOUNTING POLICIES - continued****Foreign currency translation functional and presentation currency**

The Company's functional and presentational currency is USD.

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'.

Operating leases

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

Interest expense

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

Interest income

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

3. OTHER OPERATING INCOME

	31.12.2022	31.12.21
	\$	\$
Sundry receipts	<u>1,878,511</u>	<u>1,221,383</u>
	<u>1,878,511</u>	<u>1,221,383</u>

4. EMPLOYEES AND DIRECTORS

	31.12.22	31.12.21
	\$	\$
Wages and salaries	1,029,883	447,823
Social security costs	252,857	110,936
	<u>1,282,740</u>	<u>558,759</u>

The directors did not receive any remuneration in respect of services to the Company during the year (2021: \$Nil).

5. OPERATING LOSS

The operating loss is stated after charging:

	31.12.22	31.12.21
	\$	\$
Other operating leases	58,969	71,167
Auditors' remuneration	44,310	46,780
Other audit fees	-	18,577
Loss on foreign exchange differences	<u>1,024,813</u>	<u>1,737,625</u>

6. INCOME/(LOSS) FROM INVESTMENTS

	31.12.22	31.12.21
	\$	\$
Dividend income	-	11,941,643
Impairment of investments	(5,702,250)	
Loss on disposal of investments	<u>(536,329)</u>	<u>-</u>

The impairment relates to a Spanish sub holding company.

CANADIAN SOLAR UK PROJECTS LTD**Notes to the Financial Statements - continued
for the Year Ended 31 December 2022****7. INTEREST RECEIVABLE AND SIMILAR INCOME**

	31.12.22	31.12.21
	\$	\$
Interest Income - Intercompany	<u>8,910,643</u>	<u>8,243,851</u>

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	31.12.22	31.12.21
	\$	\$
Interest payable	<u>7,339,206</u>	<u>6,875,035</u>

9. TAXATION**Analysis of the tax charge**

No liability to UK corporation tax arose for the year ended 31 December 2022 nor for the year ended 31 December 2021.

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.22	31.12.21
	\$	\$
(Loss)/profit before tax	<u>(5,039,583)</u>	<u>8,092,132</u>
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	(957,521)	1,537,505
Effects of:		
Income not taxable for tax purposes	<u>957,521</u>	<u>(1,537,505)</u>
Total tax charge	<u>-</u>	<u>-</u>

Deferred Tax

The group has brought forward taxable losses of approximately GBP 24M to utilize against future taxable profits in the UK. However, considering the uncertainty around the availability of future profits, a Deferred Tax Asset worth of GBP 4.56M has not been recognised within the financial statement of the company or any other UK entity of the Group.

10. FIXED ASSET INVESTMENTS

	Shares in group undertakings \$	Interest in associate \$	Totals \$
COST			
At 1 January 2022	42,357,331	9,587,029	51,944,360
Additions	<u>46,464,556</u>	<u>292,159</u>	<u>46,756,715</u>
At 31 December 2022	<u>88,821,887</u>	<u>9,879,188</u>	<u>98,701,075</u>
NET BOOK VALUE			
At 31 December 2022	<u>88,821,887</u>	<u>9,879,188</u>	<u>98,701,075</u>
At 31 December 2021	<u>42,357,331</u>	<u>9,587,029</u>	<u>51,944,360</u>

CANADIAN SOLAR UK PROJECTS LTD**Notes to the Financial Statements - continued
for the Year Ended 31 December 2022****10. FIXED ASSET INVESTMENTS - continued**

Direct subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Canadian Solar Israel Limited	111 Park Street, Mayfair, London, United Kingdom, W1K 7JF	Holding company	Ordinary	100%
CSWE 1 Ltd	111 Park Street, Mayfair, London, United Kingdom, W1K 7JF	Generation and provision of solar energy	Ordinary	74%
CSWE 2 Ltd	111 Park Street, Mayfair, London, United Kingdom, W1K 7JF	Generation and provision of solar energy	Ordinary	74%
CSWE 3 Ltd	111 Park Street, Mayfair, London, United Kingdom, W1K 7JF	Generation and provision of solar energy	Ordinary	74%
CSWE 4 Ltd	111 Park Street, Mayfair, London, United Kingdom, W1K 7JF	Generation and provision of solar energy	Ordinary	74%
CSWE 5 Ltd	111 Park Street, Mayfair, London, United Kingdom, W1K 7JF	Generation and provision of solar energy	Ordinary	74%
CSWE 6 Ltd	111 Park Street, Mayfair, London, United Kingdom, W1K 7JF	Generation and provision of solar energy	Ordinary	74%
CSWE 7 Ltd	111 Park Street, Mayfair, London, United Kingdom, W1K 7JF	Generation and provision of solar energy	Ordinary	74%
CSWE 8 Ltd	111 Park Street, Mayfair, London, United Kingdom, W1K 7JF	Generation and provision of solar energy	Ordinary	74%
Cumnor Solar Farm Ltd	111 Park Street, Mayfair, London, United Kingdom, W1K 7JF	Generation and provision of solar energy	Ordinary	100%
Solar 2 Project D Ltd	111 Park Street, Mayfair, London, United Kingdom, W1K 7JF	Generation and provision of solar energy	Ordinary	100%
Hessay Solar Ltd	111 Park Street, Mayfair, London, United Kingdom, W1K 7JF	Generation and provision of solar energy	Ordinary	100%
Monk Sherborne Solar Farm Ltd	111 Park Street, Mayfair, London, United Kingdom, W1K 7JF	Generation and provision of solar energy	Ordinary	100%
Solar 2 Project E Ltd	111 Park Street, Mayfair, London, United Kingdom, W1K 7JF	Generation and provision of solar energy	Ordinary	100%
Solar 2 Project J Ltd	111 Park Street, Mayfair, London, United Kingdom, W1K 7JF	Generation and provision of solar energy	Ordinary	100%
Yardley Road Solar Farm Ltd	111 Park Street, Mayfair, London, United Kingdom, W1K 7JF	Generation and provision of solar energy	Ordinary	100%
Canadian Solar Construction Ltd	111 Park Street, Mayfair, London, United Kingdom, W1K 7JF	Production of electricity Service and Business	Ordinary	100%
Canadian Solar Construction S.R.L.	Via Mercato, 3 Milano, Milano 20123, Italy	Development company in the renewables sector	Ordinary	100%
Recurrent Energy Group Inc.	251 Little Falls Drive, Wilmington, DE, 19808	Generation and provision of solar energy	Ordinary	100%
CSUK Energy Systems Construction Turkey	CSUK Energy Systems Construction Turkey	Generation and provision of solar energy	Ordinary	100%

CANADIAN SOLAR UK PROJECTS LTD**Notes to the Financial Statements - continued**
for the Year Ended 31 December 2022**10. FIXED ASSET INVESTMENTS - continued**

Canadian Solar Argentina Investment Holding Ltd	111 Park Street, Mayfair, London, United Kingdom, W1K 7JF	Holding company	Ordinary	100%
Magnolia Sol S.r.l.*	Milan, Via Mercato 3, 20122, Italy	Generation and provision of solar energy	Ordinary	15%
Gamma Toro S.r.l.	Milan, Via Mercato 3, 20122, Italy	Generation and provision of solar energy	Ordinary	15%
Alfa Libra S.r.l.	Milan, Via Mercato 3, 20122, Italy	Generation and provision of solar energy	Ordinary	100%
Beta Libra S.r.l.	Milan, Via Mercato 3, 20122, Italy	Generation and provision of solar energy	Ordinary	100%
Epsilon Toro S.r.l.*	Milan, Via Mercato 3, 20122, Italy	Generation and provision of solar energy	Ordinary	15%
Anemone Sol S.r.l.*	Giovanni Battista Tuveri 16, 09129, Cagliari, Italy	Generation and provision of solar energy	Ordinary	15%
Peonia Sol S.r.l.*	Milan, Via Mercato 3, 20122, Italy	Generation and provision of solar energy	Ordinary	15%
Orchidea Blu Sol S.r.l.*	Milan, Via Mercato 3, 20122, Italy	Generation and provision of solar energy++	Ordinary	15%
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	15%
Delta Solar Power Plant	2nd Floor, West Tower, Nelson Mandela Square, Maude Street, Sandown, 2196	South African SPV for the development of a solar photovoltaic power plant project	Ordinary	100%
Canadian Solar Spain SL	Paseo de la Castellana, numero 93, 12 Pianta, C.P 28046, Spain	Holding company	Ordinary	100%
Sonneblom Solar Power Plant (Ply) Ltd	2nd Floor, West Tower, Nelson Mandela Square, Maude Street, Sandown, 2196	South African SPV for the development of a solar photovoltaic power plant project	Ordinary	100%
FieldFare Argentina S.R.L.*	Tucuman 1 Piso 4 CABA	SPV	Ordinary	2%
Senurubele Solar Power Plant (Ply) Ltd	2nd Floor, West Tower, Nelson Mandela Square, Maude Street, Sandown, 2196	South African SPV for the development of a solar photovoltaic power plant project	Ordinary	100%
Canadian Solar Poland Holding Ltd	111 Park Street, Mayfair, London, W1K 7JF	Holding company for the Polish subsidiaries	Ordinary	100%
Canadian Solar Holding LATAM	Avenida General Peron, 27 - 6, Madrid, 28020, Madrid	Holding Companies Service and Business	Ordinary	100%
Canadian Solar Construction Namibia (PTY) Ltd	344 Independence Avenue, PO Box 1571, Windhoek, Namibia	Development company in the renewables sector	Ordinary	100%
Azucena New Energy S.L.	Paseo del club Deportivo (a pq. em), 1 - 1 ED 06, Pozuelo de Alarcon, 28223, Madrid	Generation and provision of solar energy	Ordinary	80%
Roble New Energy S.L.	Paseo del club Deportivo (a pq. em), 1 - 1 ED 06, Pozuelo de Alarcon, 28223, Madrid	Generation and provision of solar energy	Ordinary	80%
FV Las Yeseras Las Torres S.L.U.	Avenida Las Farolas No 7, 30562 Ceuti, Murcia. Spain	Energy Production (Pre RTB)	Ordinary	100%

* indirectly held subsidiaries

CANADIAN SOLAR UK PROJECTS LTD344**Notes to the Financial Statements - continued
for the Year Ended 31 December 2022****10. FIXED ASSET INVESTMENTS - continued****Associates and equity investments**

The following were associates and equity investments of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Francisco Solar Holding SA	Avenida Roque Petroni Junior, 999, 5 andar morumbi	Solar power project development	Ordinary	6.66%
Jaiba Solar Holding project SA	Avenida Roque Petroni Junior, 999, 4 andar morumbi	Solar power development	Ordinary	6.66%
Lavras Solar Holdings S.A	Avenida Roque Petroni Junior, 999, 4 andar morumbi	Solar power project development	Ordinary	6.66%
Salgueiro Solar Holding SA	Salgueiro Solar Holding SA	Project holding	Ordinary	6.66%
C.S Services Argentina S.R.L.	Tucuman 1 Piso 4 CABA Torre Carsoll, Col.Ampliacion	Services	Ordinary	6.66%
Recurrent Energy Mexico Development	Granada, Miguel Hidalgo, MexicoCity, 11529	Solar power project development	Ordinary	0.10%

11. DEBTORS

	31.12.22	31.12.21
	\$	\$
Amounts falling due within one year:		
Trade debtors	(15,877)	(23,555)
Amounts owed by group undertakings	156,158,259	170,086,219
Other debtors	4,514,787	371,717
VAT	70,724	23,370
Prepayments and accrued income	(9,870)	(9,396)
	<u>160,718,023</u>	<u>170,448,355</u>
Amounts falling due after more than one year:		
Other debtors	-	2,677,593
Aggregate amounts	<u>160,718,023</u>	<u>173,125,948</u>

Amounts owed by group undertakings relates to unsecured loans, repayable on demand and the interest rate is between 6% and 6.5%, as in prior year.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.22	31.12.21
	\$	\$
Trade creditors	(105,655)	763,528
Amounts owed to group undertakings	183,507,024	165,427,642
Other creditors	154,510	-
Accruals and deferred income	(1,520,903)	5,393,119
	<u>182,034,976</u>	<u>171,584,289</u>

Amounts owed to group undertakings are unsecured, the interest rate is between 5% and 5.5% and the loan is repayable on demand, as in prior year.

CANADIAN SOLAR UK PROJECTS LTD

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:				
Class:	Nominal value:		31.12.22	31.12.21
			\$	\$
Ordinary Share	18,166,015		18,166,015	18,166,015

14. POST BALANCE SHEET EVENTS

There were no events after the balance sheet date which require adjustment to, or disclosure in these financial statements.

15. RELATED PARTY TRANSACTIONS

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

16. 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.