Registered number: 09560571

# ROYSTON SOLAR PROJECT LIMITED

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2016



Sayers Butterworth LLP

## Company Information

| | |
|---|---|
| **Directors** | R Serna-Barrera<br>D Giannoulakis (appointed 18 March 2016, resigned 20 June 2017)<br>G Prearo (appointed 20 June 2017) |
| **Company secretary** | JD Secretariat Limited |
| **Registered number** | 09560571 |
| **Registered office** | 1 Lumley Street<br>London<br>W1K 6TT |
| **Independent auditor** | Deloitte LLP<br>2 New Street Square<br>London<br>United Kingdom<br>EC4A 3BZ |
| **Accountants** | Sayers Butterworth LLP<br>3rd Floor<br>12 Gough Square<br>London<br>EC4A 3DW |

ROYSTON SOLAR PROJECT LIMITED

## Contents

## Directors' report
## For the Year Ended 31 December 2016

The directors present their annual report and the audited financial statements for the year ended 31 December 2016.

**Organisation and principal activity**

Royston Solar Project Limited (the 'Company') is involved in the generation and provision of solar energy (Companies House registration number 09560571).

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

**Results and dividends**

The loss for the year, after taxation, amounted to £101,800 *(2015 - loss £28,420).*

No dividends were paid during the year *(2015 - £Nil).*

**Directors**

The directors who served during the year and subsequently were:

R Serna-Barrera
D Giannoulakis (appointed 18 March 2016, resigned 20 June 2017)
G Prearo (apppointed 20 June 2017)

**Future developments and going concern**

The directors foresee continued operations much in the vein of 2016 performance; at the time of writing, despite a degree of uncertainty in the UK renewables industry, the directors are confident that the solar farm assets owned by Royston Solar Project Limited will meet their projected performance parameters (including availability and yield) for the foreseeable future.

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

**Financial instruments**

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

*Price risk, credit risk, liquidity risk and cash flow risk*
The business' principal financial instruments comprise trade debtors and creditors. The main purpose of these instruments is to finance the business' operations.

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.

**Directors' report (continued)**
**For the Year Ended 31 December 2016**

### Disclosure of information to auditor

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

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

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

### Post balance sheet events

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

### Auditor

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

This report was approved by the board on 30 August 2017 and signed on its behalf.

G Prearo
Director

**Directors' responsibilities statement**
**For the Year Ended 31 December 2016**

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

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have elected to prepare the audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the audited financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Independent auditor's report to the shareholders of Royston Solar Project Limited

We have audited the financial statements of Royston Solar Project Limited for the year ended 31 December 2016, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

**Respective responsibilities of Directors and Auditor**

As explained more fully in the Directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 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.

**Independent auditor's report to the shareholders of Royston Solar Project Limited (continued)**

**Opinion on other matters prescribed by the Companies Act 2006**

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

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

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

**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic report or in preparing the Directors' report.

David Pate

David Paterson (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Statutory Auditor

London, United Kingdom

30 August 2017

## Statement of comprehensive income (incorporating the profit and loss account)
## For the Year Ended 31 December 2016

| | Note | 31 December 2016 £ | *Period from 24 April 2015 to 31 December 2015 £* |
|---|---|---|---|
| Turnover | 5 | **479,961** | *4,859* |
| Cost of sales | | **(251,285)** | *(19,964)* |
| **Gross profit/(loss)** | | **228,676** | *(15,105)* |
| Administrative expenses | | **(179,770)** | *(13,315)* |
| **Operating profit/(loss)** | 6 | **48,906** | *(28,420)* |
| Finance costs | 8 | **(150,706)** | *-* |
| **Loss before tax** | | **(101,800)** | *(28,420)* |
| Tax on loss | 9 | **-** | *-* |
| **Loss for the year/period** | | **(101,800)** | *(28,420)* |
| **Total comprehensive loss for the year/period** | | **(101,800)** | *(28,420)* |

The above results are derived from continuing activities.

The notes on pages 10 to 21 form part of these financial statements.

ROYSTON SOLAR PROJECT LIMITED
Registered number: 09560571

## Balance sheet
## As at 31 December 2016

| | Note | | 2016 £ | | 2015 (restated - Note 4) £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 10 | | **4,897,194** | | *5,217,120* |
| | | | **4,897,194** | | *5,217,120* |
| **Current assets** | | | | | |
| Debtors: amounts falling due within one year | 11 | **120,223** | | *235,739* | |
| Cash at bank and in hand | | **368,613** | | - | |
| | | **488,836** | | *235,739* | |
| Creditors: amounts falling due within one year | 12 | **(5,050,601)** | | *(5,035,440)* | |
| **Net current liabilities** | | | **(4,561,765)** | | *(4,799,701)* |
| **Total assets less current liabilities** | | | **335,429** | | *417,419* |
| **Provisions for liabilities** | | | | | |
| Provisions | 13 | **(465,549)** | | *(445,739)* | |
| | | | **(465,549)** | | *(445,739)* |
| **Net liabilities** | | | **(130,120)** | | *(28,320)* |
| **Capital and reserves** | | | | | |
| Called up share capital | 14 | | **100** | | *100* |
| Profit and loss account | | | **(130,220)** | | *(28,420)* |
| | | | **(130,120)** | | *(28,320)* |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 August 2017.

**G Prearo**
Director
*The notes on pages 10 to 21 form part of these financial statements.*

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

| | Called up share capital | Profit and loss account | Total equity |
|---|---|---|---|
| | £ | £ | £ |
| At 1 January 2016 | 100 | (28,420) | (28,320) |
| **Comprehensive loss for the period** | | | |
| Loss for the period | - | (101,800) | (101,800) |
| **Total comprehensive loss for the period** | - | (101,800) | (101,800) |
| **At 31 December 2016** | 100 | (130,220) | (130,120) |

## Statement of changes in equity
## For the Period 24 April 2015 to 31 December 2015

| | Called up share capital | Profit and loss account | Total equity |
|---|---|---|---|
| | £ | £ | £ |
| At 24 April 2015 | - | - | - |
| **Comprehensive loss for the period** | | | |
| Loss for the period | - | (28,420) | (28,420) |
| **Total comprehensive loss for the period** | - | (28,420) | (28,420) |
| Shares issued during the period | 100 | - | 100 |
| **Total transactions with owners** | 100 | - | 100 |
| **At 31 December 2015** | 100 | (28,420) | (28,320) |

The notes on pages 10 to 21 form part of these financial statements.

**Notes to the financial statements**
**For the Year Ended 31 December 2016**

## 1. General information

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

The Company's registered office is 1 Lumley Street, Mayfair, London, W1K 6TT and it's principal place of business is 3rd Floor, 78 Pall Mall, London, SW1Y 5ES.

## 2. Accounting policies

### 2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

### 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; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Canadian Solar Inc as at 31 December 2016 and these financial statements may be obtained from 545 Speedvale Avenue West, Guelph, Ontario, Canada, N1K 1E6, which is its registered office.

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

## 2. Accounting policies (continued)

### 2.3 Going concern

The financial statements have been prepared on a going concern basis despite an excess of total liabilities over total assets of £130,120. 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 approval of these financial statements.

### 2.4 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. Turnover is recognised when persuasive evidence of an arrangement exists, electricity has been generated and transmitted to the grid, the price of electricity is fixed or determinable and the collectability of the resulting receivable is reasonably assured.

### 2.5 Tangible fixed assets

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

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

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

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

The estimated useful lives range as follows:

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

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

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

### 2.6 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. Accounting policies (continued)

### 2.7 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, when applicable, are shown within borrowings in current liabilities.

### 2.8 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.

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 year.

## 2. Accounting policies (continued)

### 2.9 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.

### 2.10 Foreign currency translation

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

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

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

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

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

### 2.11 Finance costs

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

### 2.12 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.

## 2. Accounting policies (continued)

### 2.13 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that is likely to require settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Provisions relating to asset retirement obligations (AROs) are capitalised upon initial recognition and included within fixed assets in the Balance sheet. Changes in the carrying amount of an ARO due to the passage of time (accretion of the discounted provision) are recognised as an increase in the ARO and are charged as an accretion expense to the Statement of comprehensive income.

When payments are eventually made, they are charged to the provision carried in the Balance sheet and any residual amounts are released to the Statement of comprehensive income.

### 2.14 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.

## 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 in the carrying amounts of assets and liabilities within the next financial year are addressed below.

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

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

## 4. Prior year adjustment

The financial statements contain an adjustment relating to the prior period to correct an error in respect of an asset retirement obligation (ARO) to account for the costs of dismantling and removing items of property, plant and equipment at the end of their useful life. As a result of this adjustment, prior period fixed assets and provisions have been restated to take account of this.

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

| | Balance Sheet As at 31 December 2015 | | |
|---|---|---|---|
| | As previously stated £ | Adjustment £ | As restated £ |
| **Fixed assets** | | | |
| Tangible fixed assets | 4,771,381 | 445,739 | 5,217,120 |
| **Total assets less current liabilities** | (28,320) | 445,739 | 417,419 |
| **Provisions for liabilities** | | | |
| Provisions | - | (445,739) | (445,739) |
| **Net liabilities** | (28,320) | - | (28,320) |

The restatement had no impact on the loss for the period ended 31 December 2015 or retained earnings at the end of that period.

## 5. Turnover

| | 31 December 2016 £ | *Period from 24 April 2015 to 31 December 2015 £* |
|---|---|---|
| Provision of solar energy | **479,961** | *4,859* |
| | **479,961** | *4,859* |

All turnover arose within the United Kingdom.

## 6. Operating profit

The operating profit is stated after charging:

| | 31 December 2016 £ | *Period from 24 April 2015 to 31 December 2015 £* |
|---|---|---|
| Depreciation of tangible fixed assets | **240,126** | *19,964* |
| Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements | **5,000** | *5,000* |
| Operating lease payments | **22,829** | *-* |

## 7. Employees

The Company has no employees other than the directors, who did not receive any remuneration in respect of services to the Company *(2015 - £NIL)*.

## 8. Finance costs

| | 31 December 2016 £ | *Period from 24 April 2015 to 31 December 2015 £* |
|---|---|---|
| Loans from group undertakings | **130,896** | - |
| Accretion expense | **19,810** | - |
| | **150,706** | - |

Finance costs refer to interest payable and related arrangement fees on the loan from Canadian Solar UK Investment Limited. Refer to note 12 for more details.

The accretion expense relates to asset retirement obligations. Refer to note 13 for more details.

## 9. Taxation

| | 31 December 2016 £ | *Period from 24 April 2015 to 31 December 2015 £* |
|---|---|---|
| **Total current and deferred tax** | - | - |

## 9. Taxation (continued)

### Factors affecting tax charge for the year/period

The tax assessed for the year/period is lower than *(2015 - lower than)* the standard rate of corporation tax in the UK of 20% *(2015 - 20%)*. The differences are explained below:

| | 31 December 2016 £ | *Period from 24 April 2015 to 31 December 2015 £* |
|---|---|---|
| Loss on ordinary activities before tax | **(101,800)** | *(28,420)* |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20%) | **(20,360)** | *(5,684)* |
| **Effects of:** | | |
| Capital allowances for year/period in excess of depreciation | **(26,716)** | *(72,669)* |
| Unrelieved tax losses carried forward | **47,076** | *78,353* |
| **Total tax charge for the year/period** | **-** | *-* |

### Factors that may affect future tax charges

Subject to approval from HMRC, the Company has trading losses of approximately £675,000 (2015: £439,208) 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 1st April 2020.

## 10. Tangible fixed assets

| | Plant & machinery £ |
|---|---|
| **Cost or valuation** | |
| At 1 January 2016 (as previously stated) | 4,791,345 |
| Prior Year Adjustment | 445,739 |
| At 1 January 2016 (as restated) | 5,237,084 |
| Additions | 7,541 |
| Other adjustments | (87,341) |
| At 31 December 2016 | 5,157,284 |
| **Depreciation** | |
| At 1 January 2016 | 19,964 |
| Charge for the year | 240,126 |
| At 31 December 2016 | 260,090 |
| **Net book value** | |
| At 31 December 2016 | 4,897,194 |
| *At 31 December 2015 (as restated)* | *5,217,120* |

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

## 11. Debtors

| | 2016 £ | *2015 £* |
|---|---|---|
| Trade debtors | 46,869 | *4,860* |
| Other debtors | 33,045 | *230,779* |
| Called up share capital not paid | - | *100* |
| Deferred expenditure | 40,309 | *-* |
| | 120,223 | *235,739* |

Other debtors comprise recoverable VAT of £33,045 (2015: £230,779).

**Notes to the financial statements**
**For the Year Ended 31 December 2016**

## 12. Creditors: Amounts falling due within one year

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Bank overdrafts | - | 6 |
| Trade creditors | 80,430 | 25,014 |
| Amounts owed to group undertakings | 4,783,611 | 3,860,879 |
| Accruals and deferred income | 186,560 | 1,149,541 |
| | 5,050,601 | 5,035,440 |

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

There is also a fixed and floating charge in favour of Royal Bank of Scotland over the real property, the tangible moveable property, the accounts, the intellectual property, any goodwill and rights in relation to the uncalled capital, the investments, the charged portfolio, all authorisations, all monetary claims and the benefits of all claims and related rights.

The above charges are in relation to loan commitments entered into by Canadian Solar UK Investment Limited on behalf of the group, the proceeds of which have been used to finance the purchase of solar farms in the various subsidiary companies.

Amounts owed to group undertakings are unsecured. Interest is charged at 8.2%, there is no fixed date of repayment and the amounts are repayable on demand.

## 13. Provisions

| | Asset Retirement Obligations |
|---|---|
| | £ |
| At 1 January 2016 (as restated) | 445,739 |
| Accretion expense | 19,810 |
| **At 31 December 2016** | **465,549** |

Asset retirement obligations (AROs) relate to an estimate of the costs of dismantling and removing items of property, plant and equipment at the end of their useful life. The ARO was capitalised as part of the carrying amount of the Solar Power System and is being depreciated over 25 years.

Depreciation of £18,523 was recognised during the year in relation to the ARO and an accretion expense of £19,810 was included in interest payable.

The estimated date of the ARO settlement is 13 November 2046.

## 14. Share capital

| | 2016 £ | 2015 £ |
|---|---|---|
| **Shares classified as equity** | | |
| **Allotted, called up and fully paid** | | |
| 100 Ordinary shares of £1 each | **100** | *100* |

## 15. Commitments under operating leases

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2016 £ | 2015 £ |
|---|---|---|
| Not later than 1 year | **27,462** | *27,462* |
| Later than 1 year and not later than 5 years | **109,848** | *109,848* |
| Later than 5 years | **545,807** | *573,269* |
| | **683,117** | *710,579* |

The operating lease commitment refers to land lease.

## 16. 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.

## 17. Post balance sheet events

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

## 18. Controlling party

At the year end, the immediate parent undertaking is Canadian Solar UK Investment Limited, a company incorporated in England and Wales.

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.